victrex

VICTREX PLC

ANNUAL REPORT 2023

ENABLING ENVIRONMENTAL & SOCIETAL BENEFITS

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

WE BRING TRANSFORMATIONAL & SUSTAINABLE SOLUTIONS THAT ADDRESS WORLD MATERIAL CHALLENGES EVERY DAY

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 energy production 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, enable environmental and societal benefits, and drive value for our shareholders.

PBT in line* after challenging year; record Medical revenues & new growth targets

Financial highlights

Group sales volume tonnes

3,598 -24%

23	3,598
22	4,727
21	4,373

Group revenue £m

307.0 -10%

23	307.0
22	341.0
21	306.3

Underlying profit before tax[1] £m

80.0 -16%

23	80.0
22	95.6
21	91.7

Reported profit before tax £m

72.5 -17%

23	72.5
22	87.7
21	92.5

Reported earnings per share p

70.9 -19%

23	70.9
22	87.6
21	84.3

Dividend per share p (regular & special dividends)

59.56 flat

	Regular dividend	Special dividend
23	59.56	
22	59.56	
21	59.56	50.00

Regular dividend   Special dividend

Highlights:

PBT in line* after challenging year

- Underlying PBT in line at £80.0m; reported PBT £72.5m
- FY 2023 volume down 24%; Group revenue down 10%
  - Significant weakness in Electronics, Energy & Industrial and VAR
  - Record Medical revenues, +12% & broad-based growth; strong Aerospace performance
  - Robust cost discipline whilst prioritising Medical & innovation investment

Strong average selling prices; improved gross margin

- ASP up 18%, driven by price increases (& mix and FX)
- FY 2023 gross margin up 180bps, offset by lower asset utilisation

Well placed for macro-recovery, with new strategic growth targets

- Targeting mid-term revenue growth of 5–7% CAGR** based on core business & new applications
- Upside potential to 8–10% CAGR driven by mega-programme commercialisation
- Targeting £25m–£35m of revenues from mega-programme portfolio in FY 2025
- Decarbonisation targets submitted to Science Based Targets initiative ('SBTi')

Mega-programmes prioritised to drive enhanced commercialisation

- Investment prioritised in streamlined portfolio: Aerospace, E-mobility, Knee, Magma and Trauma
- Key milestones delivered in pathways to £10m revenue:
  - E-mobility: £6m revenues, ahead of expectations & new customer collaborations
  - Trauma plates: growing demand & broader customer opportunities
  - Knee: clinical trial & top five OEM collaboration; two to three years to first sales
  - Aerospace: broader customer portfolio for composite parts & revenues growing
  - Magma: supporting TechnipFMC for Brazil scale-up

Strong balance sheet & opportunity for cash flow improvement

- FY 2023 available cash[1] of £30.1m (FY 2022: £66.0m) after major capex & higher inventory
- Well-invested assets: new China facilities ready & UK facilities upgraded
- Inventory set to unwind from FY 2024 (FY 2023: £134.5m vs FY 2022: £86.8m)
- Final dividend*** maintained at 46.14p/share, reflecting confidence in future performance

1 Alternative performance measures are defined in note 25.
* In line with revised June 2023 guidance of £80m–£85m underlying PBT.
** Revenue (5 yr CAGR). Opportunity for PBT to grow faster with improved operating leverage.
*** Proposed.

OUR STRATEGIC ROADMAP

PURPOSE

To bring transformational and sustainable solutions that address world material challenges every day

→ Read more on page 6

STRATEGIC IMPERATIVES

Drive
Differentiate
Create and deliver
Underpin

→ Read more on page 15

VALUES

Passion
Innovation
Performance

→ Read more on page 65

BEHAVIOURS

Driving results
Working together
Doing the right thing
Continuously improving
Focusing on our customers

→ Read more on page 82

A SUSTAINABLE BUSINESS

PEOPLE

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

3 GOOD HEALTH AND WELL-BEING · 4 QUALITY EDUCATION · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH

→ Read more on page 44

PLANET

Maximise resource efficiency across the value chain

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

→ Read more on page 44

PRODUCTS

Our sustainable products provide clear environmental and societal benefits

13 CLIMATE ACTION · 17 PARTNERSHIPS FOR THE GOALS

→ Read more on page 44

CULTURE

Safety, sustainability & accountability
Innovation
Service for customers
Delivering with speed

BRINGING TRANSFORMATIONAL & SUSTAINABLE SOLUTIONS

Victrex's strategy is based on Polymer & Parts and our purpose is to bring transformational and sustainable solutions which address the world's material challenges. Through our Medical and Sustainable Solutions business areas, we have a strong core business based on PEEK polymer, which has formed Victrex's business since 1993, typically replacing metal with a lighter, durable and sustainable alternative. Through a developing and differentiated portfolio of product forms and parts, we seek to grow new revenue streams, enabling environmental and societal benefit for our customers.

1,000+
employees globally

55%
of revenues from sustainable products#

40+
countries served

c.5%–6%
of sales invested in R&D##

Victrex solutions are found across a range of applications and end markets.

Aerospace
20,000+
aircraft flying with Victrex solutions

Energy & Industrial
75m+
VICTREX™ PEEK seal rings in use today

Automotive
500m+
VICTREX™ PEEK based applications in use

Energy & Industrial
100m+
machines operate using Victrex solutions

Electronics
4bn+
mobile devices using Aptiv™ film

Medical
15m+
implanted medical devices using VICTREX™ PEEK to date

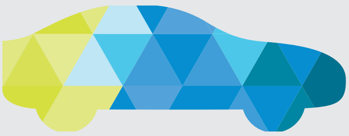
Note: Source data available on request.

\# Sustainable products are defined as those which offer quantifiable environmental or societal benefit. These are primarily in Automotive, Aerospace (supporting CO_2 reduction) and Medical (supporting improved patient outcomes). Some applications are also in Energy & Industrial (e.g. wind and renewable energy applications) and Electronics (supporting energy efficiency, e.g. home appliances). Volumes from Oil & Gas are excluded, as are Value Added Resellers volumes currently, due to the lack of full clarity on exact end market destinations. Sustainable products represented 55% of Group revenues in FY 2023.

\## The Group targets 5–6% of Group revenues to be spent on R&D expenditure being a leading indicator of the Group's ability to innovate into new applications, supporting future growth.

HOW OUR PRODUCTS ENABLE ENVIRONMENTAL & SOCIETAL BENEFITS

Supporting CO_2 reduction, improving energy efficiency and better patient outcomes are just some of the benefits our products bring, with over half of our revenues now coming from sustainable products (FY 2023 data).



Automotive

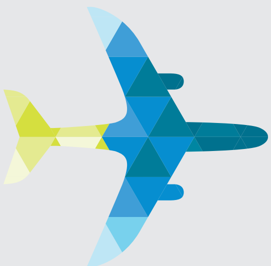
80,000 tonnes

80,000 tonne annual CO_2 saving in Europe for selected applications*

Electronics

30–40% lighter

PEEK is approximately 30–40% lighter than some metals and supports improved energy efficiency in home appliance devices



Aerospace

CO_2 saving

Our annual sales to Aerospace support CO_2 savings c3x Victrex's annual Scope 1 & 2 emissions**

Medical

25% improved brain function

Using PEEK-OPTIMA™ Natural in CMF skull plates vs metal***

Enhanced union rate

Using carbon fibre PEEK trauma plate vs 85% union rate for steel plates****

* Based on European annual mileage for passenger cars using selected applications including vacuum pumps.

** Based on 10kg of PEEK replacing metal: IATA carbon reduction & climate change 2018.

*** 25% improved brain function based on paper by Zhang Q, Yuan Y, Li X, et al, World Neurosurgeon 2018.

**** Data on file, refers to Trauma outcomes in high risk patients using PEEK carbon fibre trauma plates vs metal.

PEOPLE, PLANET & PRODUCTS

Our decarbonisation roadmap is aligned to the Science Based Targets initiative ('SBTi'), with a Net Zero goal by 2050 across Scope 1, 2 & 3 emissions (subject to SBTi validation), and an interim goal by 2032.

Our progress:

Planet: how we manage our resources

55%

reduction in hazardous waste per £m revenue since 2013

17%

CO_2 intensity (CO_2/kg of PEEK produced) reduction since 2013

Our future goals:

Planet: how we manage our resources

100%

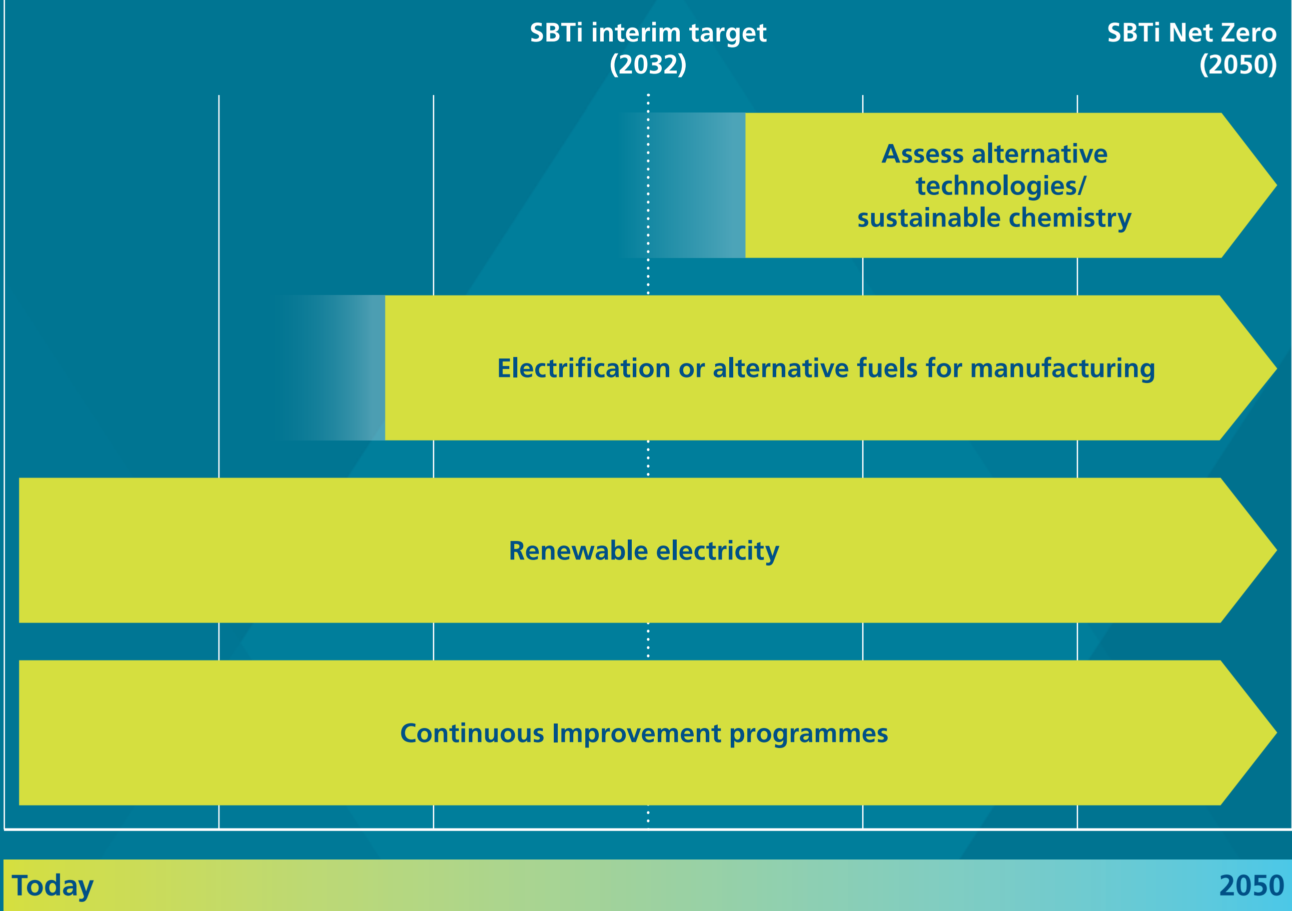
goal for renewable electricity globally*

* Where the market exists by 2024 (currently 90%).

2050

Net Zero emissions by 2050; SBTi targets submitted aligned to the Paris Agreement

Decarbonisation plan & options



→ Sustainability report Pages 42 to 66

Bringing transformational & sustainable solutions which address the world's material challenges, every day

Our purpose

Sustainable product revenues by 2030

>70%

(from 55% in FY 2023)

Dr Vivienne Cox DBE
Chair

A CLEAR STRATEGY: FOCUSED ON DELIVERY

Overview

This has been my first full financial year as Chair. Our strong purpose, innovative culture and strong balance sheet have helped Victrex to remain resilient through the challenging macro-economic conditions in FY 2023.

A clear purpose

Our purpose is to bring transformational and sustainable solutions to the performance challenges faced by our customers, and our products come with environmental, technical or medical benefits. Sustainable product revenues grew this year, which includes applications in the Aerospace or Automotive industries, with lighter, more durable and faster to process materials supporting CO_2 reduction; in Electronics and Energy to support energy efficiency; or in Medical, supporting patient outcomes. In each, we have a key role to enable environmental and societal benefits, which will drive value for all of our stakeholders.

Safety – fundamental to everything we do

With manufacturing, technical and support facilities globally to support our customers, we have a zero accidents, zero incidents goal across our business. I am pleased to report that our safety culture remains strong. We continue to align to US Occupational Safety & Health ('OSHA') based metrics, with our recordable injury frequency rate ('RIFR') at 0.2 (FY 2022: 0.2) and better than the industry average of 1.3. Alongside Victrex's UK polymer manufacturing facilities, our new PEEK facility in China successfully produced first product and is commercially ready to support first sales in FY 2024. Wherever we operate, we have an unwavering focus on safety.

A unique strategy

Our 'Polymer & Parts' strategy is to be a world leader in driving value creation through PEEK and PAEK materials, across our two business areas of Sustainable Solutions and Medical. The addressable market opportunity for our polymers is at least 10 times our current sales volume.

Across Sustainable Solutions, beyond products benefiting from a global economic recovery, we seek to translate application growth and develop adjacent opportunities, particularly in metal replacement. In Medical, we have the scope to extend our position through broader applications, with the opportunity for Medical to become around a third of revenues within the next decade, changing the shape of the Group.

Differentiation

Our unique strategy is focused on a core polymer business, complemented by our parts business to adopt new and potentially game-changing applications (our 'mega-programmes') – typically where there is end demand but no supply chain exists. Victrex's history is built on innovation, by applying our know-how and expertise to help develop new application uses for our PEEK and PAEK materials.

'Polymer & Parts' differentiates us from competitors, which largely focus on a portfolio of materials other than PEEK. Technically, our polymers are developed by a differentiated manufacturing process. As well as expanding our range of polymer grades, product forms or parts, many of which are protected by patents or know-how, this enables us to be the

> "With our technology aligned to powerful megatrends such as carbon reduction and improving patient outcomes, Victrex's products enable environmental and societal benefit for our customers. We have a clear strategy, and remain well positioned to drive substantial growth from these opportunities over the coming years."
>
> **Dr Vivienne Cox DBE**
> Chair

number 1 PEEK and PAEK experts. We will continue to invest around 5–6% of sales every year to support R&D investment, principally in application development, but also exploring sustainable chemistry for the future.

Core business & mega-programme targets

Our strategic plan targets core business growth of at least 5–7% (revenue CAGR) over the medium term, with an opportunity towards 8–10% growth as differentiated applications and the 'mega-programmes' see increasing commercialisation. PBT has the opportunity to grow faster than revenue as operating leverage improves and overhead investment moderates. During the year, investment in our 'mega-programme' portfolio was prioritised. This prioritisation of the game-changing programmes of Aerospace Composites, E-mobility, Magma (composite pipe for the energy industry), Trauma plates and Knee comes at a time when the opportunity of £10m revenues in several mega-programmes is moving closer. Auto Gears saw further growth and has been integrated within the core business as it builds adoption and further commercial revenue. We are also targeting £25m–£35m of revenues from the mega-programme portfolio in FY 2025.

Sustainability & ESG

People, Planet & Products is our focus and the environmental & societal benefits of Victrex™ PEEK have helped us to continue growing our portfolio of sustainable products, which this year reached 55% of revenues. Further detail is in our Sustainability report on pages 42 to 66.

The decarbonisation agenda continues apace and whilst we face hurdles from access to alternative fuels or technologies, or grid capacity, we have set out a revised decarbonisation goal which is aligned to the Science Based Targets initiative ('SBTi'). This is focused on a goal of Net Zero across all scopes by 2050 (including an interim target by 2032), and we expect to communicate our short and long-term goals in 2024, post-review by SBTi. We continue to lobby for support to progress our decarbonisation agenda.

In our People agenda, we actively engage with communities wherever we operate, typically with significant employee volunteering. A new Biodiversity partnership was created this year in the UK with Lancashire Wildlife Trust, focusing on industry and nature in harmony. In our Science, Technology, Engineering & Maths ('STEM') programme, we saw the first STEM ambassadors in China, a recognition of how we support employees of the future.

Results

Victrex was not alone in seeing a challenging macro-economic environment. Results were in line with expectations, with revenue declining 10% to £307.0m (FY 2022: £341.0m) and profit before tax ('PBT') down 17% to £72.5m (FY 2022: £87.7m).

Pleasingly, recovery of energy and raw material inflation was strong, with average selling prices, including the benefit of sales mix and currency, up 18%. Whilst we have yet to see a notable upturn in demand, we remain well positioned for a global recovery in several industries.

Strong balance sheet

The Group retains a strong balance sheet, with available cash of £30.1m, offering security of supply to our customers and flexibility to invest. Our cash-generative business model enables us to invest in our growth, as well as offer attractive shareholder returns. Capital expenditure has been elevated since FY 2020 as we invested in our new China facilities and in UK asset improvement. Whilst we have allocated investment towards our ESG and decarbonisation goals over the coming years, our cash flows are set to improve as we realise the fruits of our investments.

Shareholder returns & capital allocation

With a well-invested asset base and cash flows set to see an upturn, the opportunity for incremental shareholder returns is set to improve. Following engagement with shareholders, we confirmed that share buybacks are now part of our options to return cash. Our capital allocation policy continues to focus on quality growth first and foremost. We will look to progressively increase our regular dividend in line with earnings, once dividend cover returns close to 2x. Special dividends remain an option based on a minimum 50p/share, with share buybacks able to be utilised for smaller cash returns, typically up to £25m. Despite the challenging year, we maintained the FY 2023 regular dividend (total dividends 59.56p/share).

Governance & the Board

We pride ourselves on strong governance across the Group. We saw the first full year of our newly formed Corporate Responsibility Committee ('CRC') and a full summary of this Committee's activities is shown on pages 98 and 99.

We are focused on further progress on our Diversity, Equity & Inclusion ('DE&I') journey. With a target for 40% of the leadership group to be female by 2030, we stayed at 19% during the year and have identified further actions to build on this progress.

On the Board, we have a talented and diverse team, with 50% of Directors being female. In September, Dr Martin Court, our Chief Commercial Officer, stepped down from the Board after 10 years of service. We are grateful to Martin for his strong contribution and wish him well in his retirement. We will not be directly replacing this role at Board level, with a reorganisation to have two Managing Directors for Sustainable Solutions and Medical respectively, one of whom is an internal promotion.

People, stakeholders, values & culture

During a challenging macro-economic environment, it is important that we recognise and thank each and every one of Victrex's employees for their resilience and contribution. We also continue to support employees by investing in training, as well as flexible working and other policies.

Victrex has a strong track record of ensuring we engage with stakeholders across our global locations, from customers, to investors, to suppliers and, of course, to local communities wherever we operate. Employee volunteering remains embedded in our culture, with 3,895 employee hours supporting local communities this year (FY 2022: 4,784 hours). In our DE&I agenda, we have a number of employee forums to drive progress, with further detail on page 55 of the Sustainability report. Our Non-executive Director for Workforce Engagement, Brendan Connolly, has continued to engage with employees across our global locations and a summary of this is shown on pages 84 and 85. With our values of Passion, Innovation and Performance and our highly innovative culture, our focus remains very clearly on delivery.

Outlook

Overall, the Group is well placed for recovery and growth. With a strong and diversified core business, increasing commercialisation in our mega-programmes, well invested assets and incremental capacity, and the opportunity for cash flow improvement, our investment proposition remains strong.

Dr Vivienne Cox DBE
Chair
5 December 2023

OUR LONG-TERM GROWTH CREDENTIALS

By enabling environmental & societal benefits for our customers and the planet, we are aligned to global megatrends, which in turn support our long-term growth opportunities, underpinned by our strong financial position.

An innovative world leader: building the PEEK/PAEK market

No.1

PEEK expert

→ Read more online www.victrexplc.com

Sustainable product goals

>70%

Group revenue from sustainable products with environmental and societal benefits by 2030 (from 55% today)

→ Sustainability report Pages 42 to 66

Proportion of total R&D investment on dedicated sustainable products or programmes

40%

total R&D expenditure (including labour) to support sustainable products as a proportion of the Group's total R&D expenditure[2]

→ Our markets and megatrends Pages 10 and 11

Strong pipeline of medium to long-term growth opportunities

5

mega-programmes

→ Mega-programmes Page 9

Sector leading returns

c.19%

Five-year average return on capital employed ('ROCE')[1]

→ Financial review Pages 24 to 31

Highly cash-generative business model

£30.1m

available cash[1]

→ Our business model Pages 12 and 13

1 Alternative performance measures are defined in note 25.

2 This metric was updated in FY 2023, with the previous metric based on project-based R&D investment to support sustainable products as a proportion of project-based R&D investment, which is 92% in the current year (FY 2022: 89%).

DELIVERING OUR GROWTH OPPORTUNITIES: CORE BUSINESS AND 'MEGA-PROGRAMMES'

40,000

feet above the sea...

Victrex's high performance polymers are found across a number of end markets & applications

to 10,000

feet below

Victrex™ PEEK & PAEK polymers: technology with a unique combination of properties to underpin our growth opportunities

Victrex™ PEEK's success has been applying the benefits of this technology to new and ever growing applications, across a number of industries. Our core polymer business remains the bulk of our revenues (the remainder as product forms, e.g. film, composite tape or parts), with PEEK found in many mission-critical applications, replacing metal and helping to enable environmental and societal benefits.

Our core business offers the potential of at least mid-single digit top-line growth over the medium term, and an addressable market more than 10x current volumes. This could be enhanced towards double-digit growth over the medium to long term, aided by new and differentiated applications, and increasing commercialisation in our game-changing 'mega-programmes'. We are mindful of execution risk and delivery of our strategy, particularly reflecting the 'disruptive' nature of our mega-programmes. The future success of Victrex will be built on applying our unique technology, and its benefits, to a focused and growing portfolio of applications, supported by our well invested assets and growing capabilities.

Mega-programmes*

Our five game-changing mega-programmes offer the potential of at least £50m revenue in their peak sales year. This year we chose to prioritise investment in five specific programmes, with a goal of reaching £25m–£35m of revenues from the portfolio in 2025 (from £11m now). Three programmes – E-mobility, Trauma and Magma – are moving closer to inflection points, with major customers also investing, technical proof delivered and the drive to greater commercialisation, with £10m of annual revenue closing in.

Mega-programme	Magma (composite pipe)	E-mobility (electric vehicle applications)	Trauma plates (composite trauma plates for patient fractures)	Aerospace Composites & Structures (the aeroplanes of tomorrow)	PEEK Knee (alternative to metal knee replacement)
1. Revenue phase	Commercial (£1–£2m)	Commercial (£6m)	Commercial (<£1m)	Commercial (c.£3m)	Development (<£1m)
2. Annual milestones	TechnipFMC new Brazil pipe facility	Additional EV business wins	In2Bones roll-out & Paragon manufacturing scale-up; >3,000 plates supplied	1st large scale demonstrator parts (Airbus Clean Sky 2)	46 patient implants, 10 past 2-year clinical phase; Aesculap collaboration
3. Next milestones	Petrobras bid outcomes	Enhanced wire coating adoption (FY2024)	Meeting initial demand, customer launches and revenue build (FY2024)	Qualifications broadened to other OEMs (ongoing)	Post-clinical phase towards commercialisation (FY2025)
4. Investment requirements	Limited – TechnipFMC investing	Limited – Victrex XPI™ patented grade established	Modest – further product development investment	Limited – investment through supply chain	Modest – further industrialisation scale-up
5. Timeline to £10m revenue**	2–3 years	~2 years	2–3 years	2–3 years	>3 years (based on appropriate regulatory pathway)

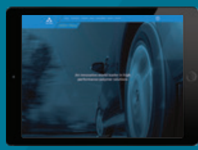
* Mega-programmes defined as offering at least £50m of revenue in peak sales year.

** Estimated.

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	
SUSTAINABLE SOLUTIONS	Aerospace	39,000 Source: Airbus.	new passenger and freight aircraft by 2040
SUSTAINABLE SOLUTIONS	Automotive	>200g	Potential PEEK/car on EV platforms (increase from current 10g average over long term, based on 800V electric vehicle)
SUSTAINABLE SOLUTIONS	Electronics	30bn+ Source: Statista.	connected devices by 2030 (double current levels)
SUSTAINABLE SOLUTIONS	Energy & Industrial	1% Source: IEA.	global increase every year in annual energy needs by 2040
MEDICAL	Medical	15–20 seconds	Vision to treat a patient with Invibio solutions every 15–20 seconds by 2027 (Victrex internal aspiration – from current 25–30 seconds)



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

Megatrends	Increasing penetration of PEEK
Fly lighter → Lighter weight and CO_2 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 more efficient processing.	**10x PEEK & PAEK content opportunity** → Commercialisation of lighter structural composite parts (wing and fuselage structures). → Part of Airbus Clean Sky 2 programme & other customer programmes. → Opportunity to move from c.500kg to >5 tonnes of PEEK per plane.
CO_2 reduction, durability and electrification → Fuel efficiency, CO_2 reduction, safety and reliability improvements resulting from consumer and regulatory trends. Transition from internal combustion engines ('ICE') to electric vehicles ('EVs') as electrification is mandated in many regions.	**Increase PEEK content per vehicle in EVs** → Moving from 10g average PEEK content in ICE cars to potential of >200g per car (long-term opportunity, based on EV with dual motors). → Multiple opportunities in electric cars, bikes and green transport. → Majority of existing ICE applications translate across EVs (braking, powertrain and gears).
Thinner, smaller, smarter → The need for instant access to communication and information on the move is driving trends for mobile devices.	**Energy efficiency and thermal management** → Broadening range of applications; Semiconductor, mobile devices and home appliances. → Strong capability of PEEK in durability and thermal management. → Metal replacement supporting energy efficiency of devices and applications.
Energy transition → Increasing demand for and depletion of existing resources drive exploration into uncharted territory, as well as the energy transition and opportunities in renewable energy. → More efficient manufacturing processes create more data and connectivity requirements in Industrial end markets.	**Performance in traditional and new energy applications** → Increasing penetration in renewable energy (e.g. wind applications) and hydrogen opportunity. → Metal replacement in traditional energy; Magma composite pipe. → Drive new application areas in General Industrial, including food, robotics and opportunity for PEEK following PFAS regulations.
Ageing global population → People are living longer and have a strong desire to maintain their quality of life and activity levels in their later years, requiring better patient outcomes.	**Supporting improved patient outcomes** → Significant growth in non-Spine, e.g. Trauma, CMF, Cardio and Knee. → Leveraging clinical data and component manufacturing capability to drive PEEK adoption. → Opportunity for Medical revenues to become >30% of the Group by 2032.

Our business model

Who we are

Victrex was formed in 1993 following a management buy-out from ICI, with our main PEEK & PAEK polymers having their roots in the 1970s when the product was developed. Today, we partner with customers in 40 countries, with a culture of innovation being part of everything we do. Every day, millions of people rely on applications which contain our sustainable products and materials, from smartphones, aeroplanes and cars, to energy production and medical devices.

Shaping future performance

Our Polymer & Parts strategy sees us develop and manufacture a range of high performance PAEK & PEEK polymers which offer sustainable performance benefits, typically replacing metal in applications, many of which are ‘mission critical’. Our sustainable products offer benefits such as lightweighting, recyclability, durability, chemical resistance, faster processing and enhanced clinical outcomes, with a focus on bringing environmental & societal benefits in everything we do.

Key to strategy

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

HOW WE CREATE VALUE FROM OUR POLYMER & PARTS STRATEGY

What we do

1. A sustainable business model

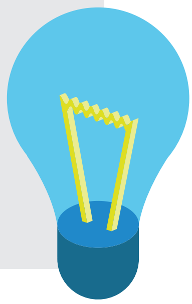
We enable environmental & societal benefits for our customers and the planet. Our sustainable products offer a unique combination of properties, supporting CO_2 reduction in Aerospace & Automotive through lightweighting and faster processing, and with over 15 million PEEK implants to date in medical devices, we also support improved patient outcomes. With our People, Planet & Product based ESG strategy, and decarbonisation goals across all scopes, we seek to minimise our use of resources, with the opportunity to utilise process change or alternative fuels to support alignment to Net Zero emissions by 2050 (goal subject to SBTi validation; interim target by 2032).

2. Align to global megatrends

We identify megatrends such as CO_2 reduction or improved patient outcomes, where our polymers can offer a performance advantage vs metal or incumbent materials. We identify and understand customer needs, targeting industries and applications with opportunities for significant growth and attractive returns.

3. Innovation

Our culture is built on continual innovation, with a focus solely on PEEK/PAEK and the high performance materials area, beyond simply manufacturing polymers. We have a high level of technical capability, with investment in Research & Development representing c.5–6% of revenue, and we work with academia and partners to bring new and enhanced products to our customers and our end markets.



UN Sustainable Development Goals (‘SDGs’)

Our business model and sustainability strategy are aligned to the UN’s Sustainable Development Goals 2030, including alignment to the Science Based Targets initiative (‘SBTi’).

A SUSTAINABLE BUSINESS WITH SUSTAINABLE PRODUCTS

Supported by

How we create value

4. Manufacturing differentiation

Our Polymer & Parts strategy and unique manufacturing process (Type 1 PEEK) differentiate us from competitors, with >200 patents in place or pending, and know-how helping us to manufacture the widest range of PEEK grades, including Type 2 PEEK (UK & new China facilities). Safety is our highest priority, with efficient and well-invested assets.

We have invested in downstream manufacturing capability, to make selected 'parts' within Automotive, Aerospace, Energy & Industrial and Medical, underpinning the opportunity for our 'mega-programmes', each of which offers the potential of >£50m peak revenue opportunity.

5. Capital, cost and cash generation

Our strong financial profile enables us to invest (capex or M&A) in support of our Polymer & Parts strategy. Cost efficiency and productivity is key, as we focus on operating efficiency, supporting margin and returns. With high value products, we seek to retain a strong financial position. generating cash to support further investment and shareholder returns.

6. Sales, marketing and technical service

Our Sales & Technical Service teams ensure we can support customers with validation and certification in critical applications. We have strong regulatory & quality teams, partnering with customers or processors in development of new applications, helping to drive adoption of our materials.

Our people & capability

Over 1,000 talented employees wake up every day focusing on PEEK and partnering with customers to bring environmental & societal benefits through our sustainable products.

Our suppliers & partners

We are the only PEEK manufacturer with upstream integration into key raw materials, supporting security of supply for customers.

For customers

By partnering with customers in the development of new applications, we bring superior products that deliver long-term performance benefits vs incumbent materials.

→ Read more on pages 20 and 21

For employees

Investing in skills, apprenticeships and training brings significant opportunity for development as part of our Polymer & Parts strategy. Performance-based reward drives a strong retention rate.

→ Read more on pages 20 and 21

For investors

Continued innovation and delivering performance benefits for our customers drive strong returns and cash generation to invest and support shareholder returns.

→ Read more on pages 8, 24 to 31

For communities

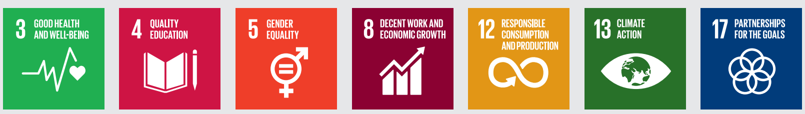
Engagement with our local communities enables us to partner on a wide range of social responsibility programmes.

→ Read more on pages 54 to 57

For society & the planet

Our purpose is to bring transformational & sustainable solutions, with products which can support environmental or societal benefits.

→ Read more on pages 64 to 65



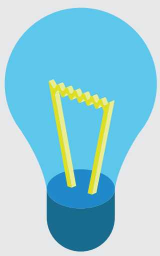
NO.1 PEEK EXPERTS: BRINGING TRANSFORMATIONAL & SUSTAINABLE SOLUTIONS

Enabling environmental and societal benefit through Polymer & Parts

Energy & Industrial | Automotive | Electronics | Aerospace | Medical

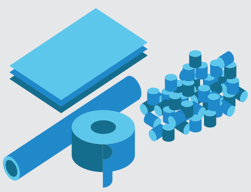
Drive core business

- → Focused on PEEK & PAEK; technical service & quality
- → No.1 manufacturing capacity of c8,000 tonnes (UK nameplate capacity)
- → Enhance cost efficiency
- → Sustainability & productivity



Differentiate through innovation

- → Commercialise application development pipeline (MAR)
- → Invent and develop new grades
- → Increase differentiation & support mega-programme commercialisation



Create and deliver…

- → Increase revenue from product forms & parts (semi-finished & finished)
- → Downstream manufacturing
- → Expand portfolio in composites and Medical

…future value

- → Increase mega-programme revenues
- → Drive adoption with OEMs and Key Opinion Leaders (Medical)
- → Increase Medical contribution

Underpin

- → Safety, health and wellbeing
- → Sustainable business with sustainable products
- → Talent strategy
- → Strong financial position

STRATEGIC PROGRESS

Drive
Core business

1

Strategic highlights in 2023

→ PBT in-line (with revised guidance) after challenging year, sales volume down 24%

→ 55% of Group revenue from sustainable products which enable environmental & societal benefits

→ Record Medical revenues, up 12% and broader application areas

→ Strong average selling prices, with ASP up 18%

Differentiate
Through innovation

2

Strategic highlights in 2023

→ 6% of sales invested in R&D including 40% of total R&D supporting sustainable products & programmes

→ First demonstrator structural parts for Airbus Clean Sky 2 programme

→ Collaboration with TechnipFMC for scale up of their Brazil facility for composite pipe programme

Create & Deliver
Future value

3

Strategic highlights in 2023

→ New business wins in E-mobility & strategic partnership, driving revenues to £6m

→ Trauma plate demand exceeding expectations, closing on £1m revenue

→ Strong progress in PEEK Knee programme, 46 patients implanted, 10 post-two years and collaboration with Aesculap (top five Knee company)

→ New China PEEK manufacturing facility ready, first sales in 2024

Underpin
Through safety, sustainability and capability

4

Strategic highlights in 2023

→ Strong safety performance: OSHA recordable injury rate 0.2 (85% lower than OSHA industry average of 1.3)

→ 3,895 employee hours supporting local communities and first STEM ambassadors in China

→ 19% of females in leadership roles and enhanced DE&I agenda

Overview of strategy

Target for mid-term growth

5–7%

revenue CAGR for core business (upside to 8–10% CAGR with increasing mega-programme contribution; PBT upside potential, with improved operating leverage)

Mega-programme revenues

£25–35m

target for mega-programme portfolio revenues in FY 2025

Jakob Sigurdsson
Chief Executive Officer

EVOLVING OUR STRATEGY: A RETURN TO GROWTH

Dear shareholders,

After a very challenging period since 2020, and one of the toughest periods on record for the entire chemical industry in 2023, we have stayed the course and continued to invest. With an expected upturn in the macro-economic environment set to benefit our mid-term performance, your business remains well positioned to drive value for all of our stakeholders. Our investments are already starting to be realised, particularly in our mega-programme portfolio of five potentially game-changing growth projects, all enabling environmental and societal benefit. We also made very good progress this year in price increases to reflect additional energy and raw material costs. We go into the new financial year with strong pricing, reflecting the value created through Victrex™ PEEK.

Strategic goals

Our strategy is to drive sustainable growth, catalyse adoption and create value through Polymer & Parts – a strong core polymer business, with a portfolio of game-changing 'parts' (our mega-programmes). Sustainability is at the heart of our business model, with lighter, faster to process materials that can offer environmental or societal benefits, for example supporting CO_2 reduction in Aerospace and Automotive; improving durability and energy efficiency in Electronics; providing performance benefits in Energy & Industrial; and supporting better patient outcomes in Medical.

Delivering our strategy: new growth targets

Our new growth targets reflect a return to good mid-term growth in our core business, with a reorganised structure to drive progress in our opportunities, through Managing Directors for Sustainable Solutions (formerly Industrial) and Medical, which follows the retirement of Dr Martin Court, our Chief Commercial Officer. The re-positioning of Industrial to Sustainable Solutions has been driven by how we are increasingly demonstrating the technical, environmental or societal benefits our products bring to customers.

Growth targets

DRIVE CORE BUSINESS GROWTH

→ Core growth of at least 5–7% CAGR over the mid-term (revenue CAGR in five-year period)

MEGA-PROGRAMME UPSIDE

→ Upside opportunity to 8–10% CAGR driven by increasing mega-programme revenues

MEGA-PROGRAMME PORTFOLIO

→ Goal for total mega-programme revenues to be £25m–£35m in FY 2025

INCREASE MEDICAL REVENUES

→ Further broaden Medical revenues to be >30% of Group revenues by 2032

OPERATING LEVERAGE

→ improving operating leverage supports PBT growing faster than revenue

Complementing our core business progress and new differentiated applications will be execution on our mega-programme portfolio. We have streamlined our portfolio to focus on five game-changing projects (see page 9), several of which are closing on inflection points. Gears saw good growth this year but is now overseen through our core business as adoption grows.

Capital allocation policy & shareholder returns

Our capital allocation policy is primed to continue investing for growth first and foremost. Alongside this, growth will create attractive opportunities for shareholders, with the ability to return excess cash via special dividends or share buybacks.

- Investment for growth:
  - Capital expenditure of c.8–10% of sales
  - Periodic capacity expansion to underpin market growth
- M&A and other collaborations:
  - Investment in capability, know-how or technology to underpin mega-programmes
  - Investment for potential complementary technologies
- Regular dividends:
  - Cash-generative business model – supporting regular dividend
  - Progressive dividend policy: grow in line with EPS (once dividend cover is c.2x)
- Special dividends and share buybacks:
  - Special dividends if no other uses for cash (50p/share minimum)
  - Option of share buybacks for modest cash balance (up to £25m buyback)

Strategic progress

Whilst recent years have seen material investment into our business, whether in assets, capability, know-how, or to drive commercial adoption, this investment phase is set to moderate, with an anticipated improvement in cash flows, more modest overhead investment and strong cost discipline. This will support top and bottom-line growth, building on good core business progress and mega-programmes starting to move closer towards £10m revenues individually, particularly in E-mobility, Trauma and Magma:

- evolved Sustainable Solutions & Medical structure to focus on growth;
- streamlining of mega-programme portfolio: prioritising investment in five game-changing programmes where there is a pathway to sizeable commercial adoption;
- key milestones delivered in Magma (TechnipFMC investing in new Brazil composite pipe facility); Trauma (scale-up of Trauma plate partnerships and growth ahead of expectations); and E-mobility platform (new business on major car brands and £6m revenue in FY 2023); and
- new China PEEK facility ready to support first sales in FY 2024.

> “The Group is well positioned for the coming years and the opportunity to grow at double-digit rates overall, including the mega-programmes. With an expected upturn in the macro-economic environment, well-invested assets and an innovative global team, we will drive value for our customers, investors and wider stakeholders.
>
> **Jakob Sigurdsson**
> Chief Executive Officer

Overall, our Polymer & Parts journey is about catalysing adoption of PEEK/PAEK and related technology, and capturing increased value from each application opportunity. We remain mindful of execution risk and the adoption pathway, whilst ensuring we have the capability and protection through intellectual property (‘IP’) – whether that be patents or know-how – to deliver our strategy, and offering a total solution to our customers.

Differentiation

Our differentiation comes in several forms. Firstly, we have a unique strategy. Secondly, we have a differentiated manufacturing process, with a unique Type 1 PEEK, complemented by a broader range of polymer grades such as Type 2 product (e.g. for China). Our backward integration into key monomers also enhances this differentiation. Thirdly, our innovation spend, at c.5–6% of sales every year, is well ahead of many competitors, as we invest behind our core, our differentiated products and our mega-programmes, all of which drive sustainable revenue growth. Technical service for customers and product lead times also offer an advantage.

Sustainability: People, Planet & Products

We focus our Sustainability & ESG strategy around three pillars: People, Planet & Products. Victrex™ PEEK has favourable indicators for its lower carbon footprint versus the industry average and compared to many metals, following our lifecycle analysis work completed last year. During the year, despite several metrics being adverse, we made further progress in our Planet agenda (resource efficiency).

We submitted targets to SBTi – the Science Based Targets initiative – which includes a decarbonisation roadmap of our assets to reduce gas usage and CO_2 emissions, covering Scope 1, 2 & 3, though we retain some reliance on governmental directives (e.g. electrical grid capacity) and technology to deliver progress.

Safety and values

Fundamental to our success today and in the future is the safety, health and wellbeing of our employees. This remains our highest priority. Wherever employees are in our business, be it manufacturing, R&D, warehousing or support functions, or in our commercial functions delivering for our customers, our goal is for a zero accidents and zero incidents culture. Supporting our focus on SHE are our values of Passion, Innovation and Performance. Our safety performance over the last three years has seen an 83% reduction in our recordable injury frequency rate (‘RIFR’) to 0.2 in FY 2023 (industry average 1.3 based on US OSHA standard).

An innovative culture

Service for customers and delivering with speed and a sense of urgency are key pillars in commercialising our future growth opportunities. Diversity, Equity & Inclusion (‘DE&I’) is also a key focus for us, with long-term goals across this area. A number of DE&I forums help ensure we listen to and support employees, with our Engagement Survey this year showing an engagement score of 74% (up 5% from FY 2022).

Overall, Victrex has a long-standing culture built on innovation and collaboration. This drives disruptive change to create new markets and sustainable revenue streams. Our innovative culture is a key part of our unique strategy and, together with our values of Passion, Innovation and Performance, provides a strong proposition now, and into the future.

Jakob Sigurdsson
Chief Executive Officer
5 December 2023

Strategy and key performance indicators

Drive core business

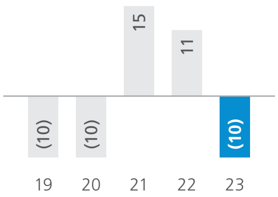
How we performed in FY 2023
- Results in line (revised guidance) after challenging year
- Volumes down 24%
- Record Medical revenues
- Strong average selling prices, up 18%

Focus for FY 2024
- Return to growth (revenue & PBT)
- Well placed for global recovery
- First revenues from new China PEEK facilities
- Focus on mid-term margin improvement

Link to risks 3 7 8

Revenue change %

-10%

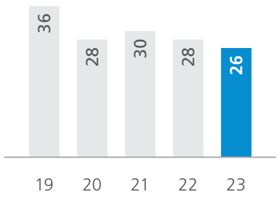


Definition
The year on year percentage change in total revenue for the Group, in live currency.

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.

Return on sales[1] %

26%



Definition
Profit before tax and exceptionals 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 2023
- Continued R&D investment at 6% of revenue
- New product sales of 7% of revenues

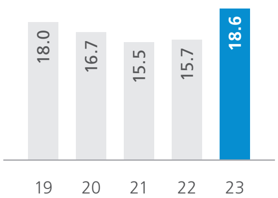
Focus for FY 2024
- Grow new product sales above 7% of revenues
- Progress PEEK Knee clinical trial towards commercialisation phase
- Collaboration with TechnipFMC in support of scale-up for their new Brazil manufacturing facility

Link to risks 6 7

R&D spend £m

£18.6m

6% of Group revenue

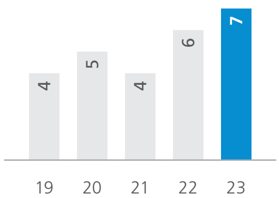


Definition
The total Research & Development spend that the Group has incurred.

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

New products as a % of Group sales %

7%



Definition
Proportion of Group sales generated from products that were introduced over the past seven years (metric updated in FY 2023, with the prior year metric based on new products 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. This metric includes new product grades and some mega-programmes.

1 Alternative performance measures are defined in note 25.

Key to KPIs

Financial KPI · Non-financial KPI

Remuneration: Linked to bonus objectives · Linked to Long Term Incentive Plan ('LTIP') objectives

→ Principal risks
Pages 34 to 38

Create & deliver future value

How we performed in FY 2023

- → Strong progress in E-mobility programme; revenues of £6m
- → Aerospace composite structural parts in demonstrator models; multiple OEM collaborations
- → New China PEEK manufacturing facilities ready to support first sales
- → Earnings per share (reported) down 19%

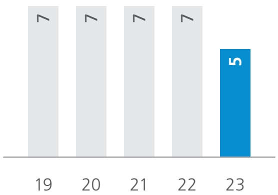
Focus for FY 2024

- → Further grow E-mobility revenues
- → Progress Trauma revenues and broaden customer scale-up
- → PEEK Knee collaborations across multiple customers
- → Grow earnings per share

Link to risks 7 8

Pipeline mega-programmes

5

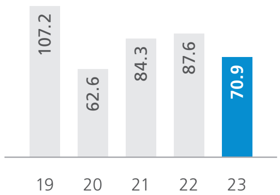


Definition
Number of pipeline projects offering >£50m annual revenue potential in peak sales years as communicated from FY 2015 onwards.

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

70.9p



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 2023

- → 0.2 OSHA recordable injury frequency rate (85% lower than OSHA industry average of 1.3)
- → Strong community and STEM agenda; new Biodiversity partnership
- → 100% of electricity sourced from renewables for UK sites, 90% globally

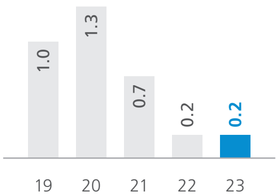
Focus for FY 2024

- → Zero accidents and zero incidents culture, building on existing progress
- → Start to execute on SBTi decarbonisation plan across all scopes
- → Further grow sustainable product revenues (target 70% by 2030 vs 55% in FY 2023)

Link to risks 1 2 4 5 6

OSHA recordable injury rate

0.2

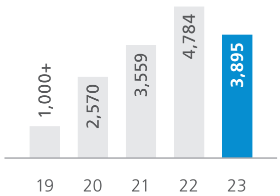


Definition
The US Occupational Safety and Health Administration ('OSHA') is the industry standard for recordable injuries. This is based on total number of recordable injuries x 200,000/total number of hours worked (employee & contractor).

Why it's important
A safe and sustainable business is the highest priority for Victrex. Victrex continues to be better than the industry standard after adopting OSHA reporting in FY 2020.

Hours worked in the community

3,895



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.

KEY STAKEHOLDERS AND HOW WE ENGAGE

Why we engage

With sustainable products, we enable environmental & societal benefits for our stakeholders. This includes through the technical or performance benefits of our polymers and minimising resources through our own operations. Our commitment to stakeholders is reflected in our Carbon Net Zero aspiration by 2050 across all scopes, aligned to SBTi, with an interim target by 2032. As a sustainable business, our purpose is to bring transformational and sustainable solutions that address world material challenges. We place and consider the needs of all our stakeholders – internal and external – high on our daily agenda, listening to and understanding the interests and concerns of all our global stakeholder groups, as well as seeking to deliver sustainable value for them.

Stakeholder engagement is assessed every year by the Board. This covers employees, customers, investors, suppliers, regulators and government, and our communities. For investors, we have a proactive annual plan of engagement, through our financial calendar activity, investor roadshows, our AGM, site visits or investor conferences. Reflecting our increasingly diverse shareholder base (with approaching 50% of share ownership outside the UK, including nearly one third in North America), we actively engage with investors in the UK, Europe, the US and Canada. We continue to be collaborative with all stakeholder groups including customers, investors, employees, suppliers and regulators, listening to feedback and being open to change.

Stakeholder	Focus areas
Employees	→ Safety focus → Innovative culture → Sustainability embedded in our business model → Highly motivated and talented employees → High retention rate and appropriate reward → High level of share ownership → Diversity, Equity & Inclusion ('DE&I') agenda
Customers	→ Solutions-driven culture → Sustainable products supporting CO_2 reduction → Quality and regulatory support → Technical service offering → Collaboration across the supply chain → Price increases delivered to reflect cost inflation → China manufacturing to underpin new revenues
Investors	→ Polymer & Parts strategy & delivery → ESG agenda and long-term goals → Alignment with shareholder interests → Capital allocation policy and understanding of dividend/buyback preferences → Improvement in earnings and returns
Suppliers	→ Security of supply → ESG and Scope 3 emissions → Global supply chain → Shorter lead times → Compliance and quality → Reliability and flexibility
Communities and environment	→ Sustainability agenda and focus areas → People: social responsibility → Planet: resource efficiency → Products: sustainable solutions
Regulators and government	→ Safety agenda → Employee welfare & wellbeing → Product quality → Innovation → Sustainability agenda

Key to strategy

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

→ Strategy and KPIs
Pages 18 and 19

How we engage	Engagement outcomes
→ Zero accidents & zero incidents safety campaigns and employee survey → Global staff briefings (quarterly), CEO Awards, DE&I groups, eg Gender Engagement Network → 'Ask Jakob' and other intranet forums → Development and succession planning → Performance-based reward → All-Employee Bonus and Share Ownership Schemes → Employee 'voice' through Workforce Engagement	→ Improving safety performance since FY 2020, 83% lower RIFR rate → 37 Professional Development Awards & 57 CEO Awards; 56 employees on Victrex apprenticeships → Progression of DE&I workshops and forums, including Gender Engagement Network & Strategic Inclusion Group → Annual Organisational Capability Review (OCR) for talent → Wage inflation, bonus scheme and meeting Minimum and National Living Wage in the UK → Global activity plan for Non-executive Director for Workforce Engagement
→ New Sustainable Solutions and Medical commercial structures → Direct Sales and On Demand teams → Quality and Regulatory teams → Supply and development contracts → Through sales teams and at VMT level as appropriate	→ Record Medical revenues and new application growth → 2% increase in Mature Annualised Revenue opportunity for core business → Good progress on inflation recovery, ASP up 18% → Investment in Medical acceleration and China → Further development collaborations in Automotive, Aerospace and Medical
→ Financial calendar events → Proactive investor relations function → ESG strategy feedback and enhanced materials → Global roadshows → AGM, site visits and conferences → Investor website	→ Face-to-face investor roadshows, 180+ meetings hosted (virtual and face to face) → Access to investors in UK, US, Canada and Europe → Engagement through major investor conferences → Diversification of investor base: North American shareholding now c30% → Access to ethical investment funds and greater ESG dialogue with shareholders
→ Supply chain risk management → Regular supplier engagement programme (annually) → Handbook of standards and ethical audits → Business continuity planning → Payment on time, typically c.30 days → Increased oversight by Audit Committee for supplier risk including human rights	→ Dual sourcing progressed → Improved performance of third-party manufacturers → Long-term agreements on raw materials → Agreed charter on supplier management framework → Robust risk management of critical suppliers
→ Positive dialogue to address sustainability in the supply chain → Engagement with ESG and environmental analysts → Lifecycle Analysis and engagement with customers → Biodiversity partnership → STEM Ambassadors, schools and colleges → Local employment & Business in the Community	→ 90% of electricity from renewable sources & 100% for all UK sites (including our own solar generation) → Maintained positive scoring across ESG benchmarks e.g. EcoVadis Gold, MSCI 'A' rating, FTSE Russell Green Revenues Index & Apple Clean Energy Supplier programme → Submission of SBTi target aligned to Net Zero across all scopes of emissions → Global volunteering including 3,895 employee hours committed
→ Via industry regulators, e.g. HSE → Public health organisations, eg Environment Agency → Certified bodies and trade organisations → Cross-industry collaborations → Environment Agency and NGOs	→ Maintained strong SHE performance including OSHA recordable injury rate at 0.2 (industry average 1.3) → New polymer grades and materials assessed through collaboration with academia → 3D printing alliances and government funded projects → Hazardous waste 55% lower since 2013 per unit of revenue

HOW THE BOARD CONSIDERS & ENGAGES WITH STAKEHOLDERS

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 2023, the Board of Victrex plc believes, 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 stakeholders as a whole, having regard, among other matters, to the:

- likely long-term consequences of any decision, including financial & reputational; further detail is shown on pages 72 to 83;
- interests of the Company's employees: monitoring how we engage with employees is part of our Workforce Engagement Non-executive Director role; further detail is shown on pages 84 and 85;
- 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; engagement with local communities and our focus on the environment are shown in the Sustainability report starting on page 42;
- 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 page 83 of the Corporate governance report. The relevance of each stakeholder group will depend on the particular matter requiring Board decision. All decisions we make may unfortunately not always benefit all stakeholders; by taking a consistent approach 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 72 to 83 of the Corporate governance report. The matters we have discussed and debated during the year are set out on pages 79 to 82 of the Corporate governance report.

To provide shareholders with a better understanding of how we engage with stakeholders, we provide 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.

Doubling down on growth

During FY 2023 (and effective from FY 2024), the Board considered key internal and external stakeholders as part of reorganising our structure, to reflect the retirement of our Chief Commercial Officer.

With our business areas of Sustainable Solutions and Medical, we created two distinct Managing Director roles, one externally recruited and one internally promoted, enabling us to double down on growth, whilst reflecting the shared resources required from other functions (for example R&D).

The goal is to continue operating as One Victrex, but to ensure that we have accountability and licence to deliver growth and can allocate resources at business area level. This sets us up to ensure that we can focus on growth first and foremost, whilst tightly managing resources and costs. It also reflects our goal of growing the proportion of Medical revenues as part of the Group over the longer term, further unleashing our Medical business as the application portfolio across Spine and non-Spine broadens our opportunities.

Board consideration included:

- the opportunity for internal development as our Chief Commercial Officer retired, ensuring that we maximised our talent pool and succession planning;
- the balance of resources required to effectively support and drive growth from our two business areas. This was particularly relevant for Medical, which we are seeking to become a greater share of Group revenues and ensuring it is set up to deliver on the broader range of growth opportunities we have been progressing;
- recognition of our external stakeholders and the rationale for two distinct leadership teams at business area level – and the rationale for key stakeholders including customers, suppliers and investors;
- ensuring an effective search process for a Managing Director, Sustainable Solutions. Whilst not a Board level role, an internal and external search was conducted, with the external appointment of Michael Koch, a former CEO of Mitsubishi Chemicals Advanced Materials; and
- overall, the evolution of our business areas as Sustainable Solutions and Medical give a clear licence to drive and execute our growth programmes, to allocate appropriate resources and to manage costs in support of growing sales and ultimately improving profitability and margin.

Sustainability: alternative fuels & technologies

Playing our part through decarbonisation

With growing ESG credentials – as recognised by ESG rating agencies such as MSCI, FTSE Russell's Green Revenues Index, or being part of Apple's Clean Energy Supplier programme – our focus across the three ESG pillars of People, Planet & Products is well developed.

Whilst our positive impact on society through our sustainable products is clear, for example in supporting CO_2 reduction or improving patient outcomes, our Planet agenda (resource efficiency) – how we manage our resources across our global footprint – has been a topic at the top of the Board's agenda. Through FY 2023, the Board has spent significant time on our decarbonisation strategy. With a Science Based Targets initiative ('SBTi') commitment, the Board's assessment included:

- whether our commitment to submitting a decarbonisation plan aligned to an SBTi target remained relevant to all of our key stakeholders;
- consideration of the increased capital, increased operating costs and CO_2 saving returned through our suite of options, balancing investment with ongoing profitability improvement;
- consideration of the impact and benefits to our stakeholders, for example, for customers, in demonstrating our credentials and aspiration for 'the greenest PEEK'; for investors, balancing decarbonisation with profitability; and for suppliers, to develop greater alignment of their decarbonisation plans with ours (particularly relevant for Scope 3 emissions;
- timing of key investments, including whether deferring investment until new technology or access to alternative fuels such as hydrogen may become available; and
- the Board also considered the need to lobby for greater access to alternative fuels and collaborate in exploring alternative chemistry, including joining with other stakeholders in the UK and elsewhere, establishing links with MPs and local government officials.

After consideration for all stakeholders, a plan and targets were submitted at the end of our financial year to SBTi for validation. We expect to communicate more fully on the decarbonisation roadmap and options in FY 2024 once SBTi has reviewed the specific detail. These targets are across all scopes (1, 2 & 3) and in line with the Paris Agreement for Net Zero emissions in 2050.

Financial review

Group revenue
£307.0m
-10% vs FY 2022

Underlying profit before tax
£80.0m
-16% vs FY 2022 (in line with revised guidance)

Ian Melling
Chief Financial Officer

PROFITS IN LINE & RECORD MEDICAL REVENUES

Operating review

Volume and revenue down, despite record Medical performance

With a continuing challenging trading environment during the second half, full year Group sales volume of 3,598 tonnes was 24% down on the prior year (FY 2022: 4,727 tonnes). In line with similar declines seen across the Chemical sector, the Group delivered full year revenue of £307.0m, which was down 10% (FY 2022: £341.0m). In constant currency[1] Group revenue was 13% down on the prior year.

H2 2023 volume and revenue

Trading in the final quarter (Q4) remained similar to Q3, resulting in a H2 2023 sales volume of 1,657 tonnes (H2 2022: 2,463 tonnes), with H2 2023 revenue of £144.8m down 20% (H2 2022 revenue: £180.9m). With the weaker macro-economic environment impacting several end markets, our FY 2023 result was achieved through a combination of a strong focus on pricing and cost discipline, including minimising discretionary spend and deferral of certain recruitment. Investment was sustained in our priority areas of Medical and innovation to support differentiated applications or mega-programme commercialisation.

Divisional performance

Despite weakness across several end markets in our Sustainable Solutions (formerly Industrial) area, primarily Electronics, Energy & Industrial, and our Value Added Resellers ('VAR'), we saw a good performance in Aerospace, with volumes up 20% as build rates increase, together with new application growth. VAR was the weakest area, with volumes down 39%, driven by destocking and weak demand. Whilst Automotive volume was stable (and up in revenue terms), we note that 2024 market indicators support the opportunity for growth, with car sales set to increase by 1–3% ('S&P', November 2023). Revenue in Sustainable Solutions was down 14% at £241.8m (FY 2022: £282.7m).

Medical revenues of £65.2m were a record and increased by 12% compared to the prior year (FY 2022: £58.3m), driven by broad-based application growth. Across our core business of Spine, Arthroscopy and Cranio-maxillo facial ('CMF'), we continue to see good growth opportunities, with support from increasing penetration in Cardio, Orthopaedics and Drug Delivery. Our non-Spine area represents the most significant growth opportunity, as PEEK's inert nature and strong biocompatibility drive increased application usage. Revenues in Medical are now 46% Spine and 54% non-Spine. Growth was broad based by region, with Asia driving the highest revenue growth of 31%.

Strong ASP driven by pricing & sales mix

FY 2023 saw good progress in recovering the significant energy and raw material inflation seen over the past two years. Average selling prices ('ASP') increased by 18% to £85.3/kg, driven by price increases, sales mix and currency. The overwhelming majority of price increases were achieved via structural price increases. For FY 2024, we anticipate average selling prices will remain comfortably in excess of £80/kg. This reflects some expected recovery in end markets within Sustainable Solutions, which will result in a slightly less favourable sales mix.

> "The Group is well placed and is expecting to deliver good revenue and profit growth in FY 2024, subject to a macro-economic recovery."
>
> Ian Melling
> Chief Financial Officer

Sales from new products now 7%

Our measure of sales from new products increased to 7% of Group revenue (FY 2022: 6%). From FY 2023, this metric was based on new products and grades (including some mega-programmes) introduced over the past seven years, rather than from FY 2014. Recent examples of new product grades include Victrex XPI™ polymer for E-mobility and Victrex PC101™, a medical grade for use in drug delivery devices.

Going forward, our priority will be on measuring our newly introduced goal of mega-programme portfolio revenues.

1 Alternative performance measures are defined in note 25.

Mega-programme highlights: investment prioritised & streamlined portfolio
With several programmes on their journey towards £10m revenue per annum (Aerospace, E-mobility, Magma and Trauma), we have chosen to prioritise investment in five key programmes to enhance strategic progress. This also ensures that we measure appropriate investment, resource and capability in order to improve our returns.

PEEK Gears continues to see good growth and opportunities across ICE and EV platforms, but as the focus is now on progressing adoption, it will no longer be defined as a mega-programme as we prioritise investment in E-mobility and elsewhere. PEEK Gears delivered growth to £6m revenue this year (vs over £4m in FY 2022). Having successfully seeded the market, it also reflects that the route to market is via both parts manufacture and polymer resin-based sales, where a third-party manufacturer would build the final component, based on Victrex design, development and know-how. As a result there has been no significant change in the overall portfolio value, with several mega-programmes offering revenue potential of significantly more than £50m per year (e.g. Knee).

Key highlights in our mega-programme portfolio include:

Our **E-mobility** mega-programme platform is based on specific electric vehicle applications and drove the most growth of all mega-programmes during the year, with business wins specifically focused on wire coating and other applications. This programme delivered revenue of £6m this year, with better than expected progress as our materials supported major car brands. This mega-programme includes Victrex XPI™ grade, which enables coatings of tightly wound electric wires for existing and primarily next generation high voltage vehicles (800 volt batteries and applications), where higher performance is required. Compared to previous enamel coatings, Victrex XPI™ is extruded onto the copper and requires less energy in the process, supporting sustainability goals. With penetration in battery applications and elsewhere in electric vehicles, we assess the future potential PEEK content per electric vehicle as over 200g (average content in existing internal combustion engine car approximately 10g today). We are collaborating with multiple customers, and signed a strategic collaboration agreement with Well Ascent, a major wire coating manufacturer, supplying into European, Asian and US car manufacturers, including existing Chinese models. Continued growth in E-mobility is expected during FY 2024, with the potential for £10m revenue within two years.

In our **Magma** composite pipe programme for the energy industry, we saw close collaboration with TechnipFMC and a team from the end customer in Brazil, including detailed technical and commercial meetings hosted at our UK facilities. The primary focus is supporting TechnipFMC to accelerate the significant opportunities for thermoplastic composite pipe in deepwater oil & gas fields in Brazil, with lightweighting, durability, a reduced carbon footprint during installation, and ease of manufacturing being key parts of the proposition. Multiple field opportunities are being targeted in Brazil, requiring alternative solutions to existing performance issues with metal-based pipes. PEEK based Hybrid Flexible Pipe ('HFP') is seen by TechnipFMC as the most cost effective riser solution, with TechnipFMC constructing a new pipe extrusion facility in Brazil, incorporating Victrex's pipe extrusion know-how. We continue to await outcomes on existing bids by TechnipFMC, utilising this technology, which offers the potential for a step-up in volume from 2025. This programme offers good mid-term potential towards £10m annual revenues, with the next key milestone being bid outcomes.

In **Trauma**, we saw a significant step-up in demand post-FDA approval and launch, with revenues building towards £1m this year, and further expected growth in the coming years. This was primarily driven by our partnership with In2Bones (part of CONMED) and other customers for PEEK composite Trauma plates, supporting fracture fixation, including in foot and ankle plates. Over 3,000 Victrex manufactured trauma plates were supplied for implants. Studies show an enhanced union rate using PEEK composites rather than titanium-based plates. Victrex manufactures the PEEK composite-based trauma plates in house, or via our partner, Paragon Medical, which will toll manufacture in China, supporting a growing customer base in the US, Asia and globally. This programme has the potential for double-digit revenues within the next two to three years.

In our **Aerospace Composites** programme, which combines the programmes for smaller composite parts, larger structural parts and interior applications, we are advancing qualifications with OEMs, including Airbus and Boeing, and tier companies as thermoplastic composites based on PEEK are validated and qualified. Major structural parts include for wings, engine housing and fuselage. The potential PEEK content per plane is at least 10 times current levels, with large scale demonstrator parts being exhibited and advancing through qualification programmes. We have also broadened the number of customers we are working with as part of this programme, beyond the Airbus Clean Sky 2 programme, reflecting the significant opportunity for light weight and easily processed PEEK composite materials. In both structural and smaller composite-based parts, our AE™250 composite tape is integral to these opportunities. Smaller composite parts currently being used on aircraft include for use in seat pans and door brackets. Revenue for these programmes in FY 2023 was nearly £3m, with the potential opportunity to increase to £10m in the next two to three years, with good long-term prospects.

In our **PEEK Knee** programme, we saw particularly strong progress. We are working with Maxx Orthopaedics, our partner in the clinical trial across Belgium, India and Italy, as well as Aesculap (part of B Braun), a top 5 global knee company. We also have interest in the progress of PEEK Knee from other top 10 organisations. 46 patients to date have been implanted with a PEEK Knee, including ten patients who passed the two-year stage with no intervention, which is particularly encouraging. Both of these companies, supported by our Medical business, are focusing on the route to early commercialisation. Our offering has also expanded beyond a cemented PEEK Knee implant, to include cementless and tibia options, which enables us to offer a broader suite of customer solutions. The next milestone is targeted as commencing a US clinical trial during FY 2024. Early assessment suggests the opportunity of first sales within two to three years, subject to the appropriate regulatory pathway. PEEK Knee remains the largest of our mega-programme opportunities by annual revenue potential.

Innovation investment
Our new innovation investment during FY 2023 was primarily supporting our Medical Acceleration programme. This includes an investment in our New Product Development ('NPD') Centre in Leeds, UK, to support new roles and capability. R&D investment was higher this year at £18.6m (FY 2022: £15.7m), representing 6% of revenues on a full year basis, with the higher percentage reflecting incremental investment and lower revenues. Our total R&D investment in dedicated sustainable products or programmes as a proportion of total R&D investment increased to 40% (FY 2022: 35%), which reflects our broad portfolio of sustainable programmes. This metric has been updated from prior disclosures, which measured project-based (non-labour) R&D spend in sustainable programmes (92% for FY 2023 vs 89% for FY 2022), rather than total R&D spend. A level of 40% of total R&D investment in dedicated sustainable products or programmes underlines our focus in this area.

Financial review

Gross profit down 7%
Gross profit was down 7% at £162.6m (FY 2022: £174.5m), primarily driven by lower sales. Energy costs eased, yet raw materials remained relatively high. We also incurred some under-absorbed fixed costs (totalling approximately £3m) as a result of lower production volumes compared to FY 2022 (production volumes 9% lower). For FY 2024, we anticipate some modest benefit from lower input costs, offset by start-up and under-utilised asset costs in China (including costs moving from overheads to COGs) and lower asset utilisation (UK and China), as we start to gradually unwind inventory from its high level.

Financial review continued

Gross margin slightly ahead

Full year Group gross margin of 53.0% was 180 basis points ('bps') ahead of FY 2022 (FY 2022: 51.2%), supported by improved pricing and a favourable sales mix. Second half Group gross margin of 52.4% was slightly below the first half, impacted by lower asset utilisation and the corresponding impact on under-absorbed fixed costs. The impact from losses on forward hedging contracts was also higher than the prior year.

We remain focused on a mid to high 50% gross margin level over the medium term, whilst noting that sales mix, asset utilisation and the expected increase in parts contribution to revenue will play a key role over the coming years. For FY 2024, we anticipate Group gross margin will be slightly lower than the prior year, reflecting start-up costs in China and lower asset utilisation as we start to unwind inventory over the next two years. Currency also impacts gross margin.

Gains & losses on foreign currency net hedging

Fair value gains and losses on foreign currency contracts in FY 2023 were a loss of £7.6m (FY 2022: loss of £2.8m), largely from contracts where the deal rate obtained in advance was unfavourable to the average exchange rate prevailing at the date of the related hedged transactions, following the devaluation of Sterling from mid H2 2022. The corresponding spot rate benefit is largely seen in the revenue line.

Currency tailwind in FY 2023

FY 2023 saw a currency tailwind of approximately £3m at profit before tax ('PBT') level, with most of this coming in the first half, prior to Sterling recovering. At this early stage, spot rates show currency for FY 2024 tracking as a modest headwind. This is prior to the impact of hedging, with gains and losses on foreign currency net of hedging tracking as a small gain. We are mindful of unhedged currencies – predominantly in Asia – which are set to increase in importance as we see growth in China and other parts of Asia over the coming years. Recent devaluation in these currencies has contributed to the spot rate headwind in FY 2024. Our hedging policy is kept under review, for duration of hedging, level of cover and specific currencies. It requires that at least 80% of our US Dollar and Euro forecast cash flow exposure is hedged for the first six months, then at least 75% for the second six months of any 12-month period.

Operating overheads[1] up 5%; H2 overheads down 14%

Operating overheads, which exclude exceptional items of £7.5m, increased to £81.9m (FY 2022: £78.1m) driven primarily by higher innovation spend (R&D is now separately disclosed on the face of the income statement), with targeted R&D investment commencing last year, primarily to support Medical acceleration. We also saw wage inflation and targeted cost of living payments to support global employees at certain grades.

We also incurred costs to support the commercial ramp-up for our new China PEEK facilities. This facility will underpin further commercial growth in this region over the coming years, driven by new polymer grades to meet existing and new demand. Following commissioning and production of first PEEK, we will start to ramp up and support revenues in early 2024.

Pleasingly, second half operating overheads were down 14% compared to H1 2023 (and down 9% vs H2 2022), which reflects strong cost discipline and the impact of no accrual for bonus, as profits fell.

Going forward, our intention is to ensure investment remains targeted and to deliver an appropriate return. Operating overheads are therefore expected to show only limited increases for FY 2024, including the effect of wage inflation and bonus accrual.

Underlying PBT down on weaker trading environment

Underlying PBT of £80.0m was in line with our revised guidance and down 16% on the prior year (FY 2022: £95.6m).

Reported PBT reduced by 17% to £72.5m (FY 2022: £87.7m). This reflects exceptional items of £7.5m (FY 2022: £7.9m), representing the cost of implementing a new ERP software system, the majority of which has been incurred. The implementation will be substantially completed during 2024.

Earnings per share down 19%

Basic earnings per share ('EPS') of 70.9p was 19% down on the prior year (FY 2022: 87.6p per share), reflecting the decline in PBT. Underlying EPS was down 18% at 77.7p (FY 2022: 95.0p).

Taxation

Victrex continued to benefit from the reduced tax rate on profits taxed under the UK Government's Patent Box scheme, which incentivises innovation and consequently highly skilled Research & Development jobs within the UK. Net taxation paid was £2.0m (FY 2022: tax paid of £10.6m), with the effective tax rate of 15.9% (FY 2022: 13.9%) being slightly higher due to the increase in UK corporation tax and a lower proportion of profits being eligible for the patent box rate. Our mid-term guidance for an effective tax rate has slightly increased to approximately 13–17%, primarily reflecting the increase in the UK Corporation tax rate from 19% to 25% from 1 April 2023. We continue to monitor global taxation developments.

Strong balance sheet

With a range of global customers across our end markets, customers recognise and value our strong balance sheet, and our ability to invest and support security of supply. Net assets at 30 September 2023 totalled £501.0m (FY 2022: £490.6m).

Return on capital employed (ROCE) and return on sales (ROS) are focus areas for the Group. After a period of investment in people, capability and assets, we have the opportunity to improve operating leverage. Return on sales is a specific KPI we are seeking to improve, having reduced to 26% in FY 2023 (FY 2022: 28%).

Inventory higher due to softer demand; opportunity for unwind

For FY 2023, we were required to rebuild raw material inventories to safety stock levels, to support security of supply for customers. Several raw materials had run below or close to safety stock levels during the pandemic, with supply chains impacted. During the year, we also built inventory to reflect planned engineering work in H1 2024, which is required as part of our UK Asset Improvement programme and asset shutdowns.

With the weaker trading environment persisting during the second half, total closing inventory was higher than expectations at £134.5m (FY 2022: £86.8m), which also includes the impact of higher energy and raw material costs. Upon completion of our UK Asset Improvement programme in early 2024, we have the opportunity to start unwinding inventory over the next 1 - 2 years.

First PEEK in China; commercial ramp-up in FY 2024

With commissioning concluding, including the successful production of first PEEK prior to commercial start-up, we will be ramping up production from early 2024. The China facility, PVYX, will enable us to broaden our portfolio of PEEK grades, including a new Elementary type 2 PEEK grade, as well as target a number of key end-markets, particularly Automotive, Electronics and VAR. Close collaboration with customers continues, in support of their own growth plans in China. We also invested in some additional capability within China to support customers, for example in compounding. With a strong sales and supply chain team, our technical centre in Shanghai, and our new manufacturing assets, we are underpinning our future growth.

Capital expenditure set to reduce

Growth investment remains the priority, with cash capital investment during the year of £38.5m (FY 2022: £45.5m), of which a significant proportion was to support our China manufacturing investments. A large proportion of the China investment was funded through utilisation of the Group's China banking facilities.

'China for China': part of our team in China, supporting new PEEK manufacturing facilities dedicated to growth in China

Other investments included our UK Asset Improvement programme (we anticipate this will be approximately £15m in total, with some spend already completed and a further £5m in FY 2024). This UK investment will support increased capacity due to batch sizes and faster cycle times, offering a total nameplate capacity in excess of 8,000 tonnes (approximately 1,000 tonnes of additional capacity gained from this investment). This supports growth for the years ahead and is particularly key in engagement with major OEMs for high volume opportunities in Aerospace, Automotive and the Magma programme.

After conclusion of these investments, we see a limited need for sizeable polymer capacity in the medium term, which will drive lower capital expenditure. Overall capital expenditure for FY 2024 is expected to be approximately £30m–£35m, or 8–10% of revenues. Over the medium term, this will include increased ESG related capital investment in our manufacturing facilities, to support decarbonisation. Current ESG related capital expenditure remains small and is primarily for our continuous improvement ('CI') activities. Our increased capacity is expected to enhance asset efficiency.

Cash flow

Cash generated from operations was £42.9m (FY 2022: £90.7m), giving an operating cash conversion[1] of 18% (FY 2022: 49%). This was driven by the weaker trading environment and increased inventory. We expect to see an improvement on operating cash conversion in FY 2024.

Cash and other financial assets at 30 September 2023 was £33.5m (FY2022: £68.8m). This lower cash position reflects weaker demand and high capital expenditure for completion of our China manufacturing investments. It also includes £3.4m ring-fenced in our China subsidiaries (FY 2022: £2.8m) and other financial assets of £0.1m, representing cash which was held in deposit accounts greater than three months in duration (FY 2022: £10.1m).

With utilisation of the Group's China bank facilities – put in place during the investment phase in new China manufacturing assets – borrowings (current and non-current) at 30 September 2023 were £39.7m (FY 2022: £22.5m).

In Bond 3D, which is making good progress in porous PEEK spinal cages for medical, with regulatory approval planned in FY 2024, we committed a further £2.9m in convertible loan notes during the year. This takes the total carrying value of assets in Bond 3D to £18.8m (FY 2022: £17.0m). Further investment is required to complete the development phase and fund through to cash break-even, with the Bond board targeting new investors during 2024.

In February 2023 we paid the 2022 full year final dividend of 46.14p/share at a cash cost of £40.1m and in July 2023 paid the interim dividend of 13.42p/share at a cash cost of £11.7m. After the year end, the Group renewed its UK banking facilities, increasing the level of facilities to £60m (£40m committed and £20m accordion), to reflect higher inventory and provide support against the softer trading environment. The facility expires in October 2026.

Dividends

Despite the weaker trading environment during the year, the Board is proposing to maintain the final dividend at 46.14p/share (FY 2022: 46.14p/share), which reflects the Group being well placed for a macro-economic recovery. Underlying dividend cover[1] was 1.3x (FY 2022: 1.6x). The Group intends to grow the regular dividend in line with earnings growth once dividend cover returns closer to 2x.

Capital allocation; share buybacks a consideration, alongside special dividends

Whilst growth investment remains the focus for the Group, we note the income attractions of Victrex, with a cash-generative business model. We continue to review a number of potential investment opportunities, particularly in Medical as we see significant opportunities to enhance our portfolio.

Following engagement with shareholders during the year, share buybacks are now included as an option for future shareholder returns, alongside special dividends, within our capital allocation policy. Reflecting the liquidity of Victrex shares, any future buyback programme is likely to require a lower cash level than that required for special dividends. Current cash resources would not support a sufficient buyback programme at this time, although we note the prospect of improving cash flows as capital expenditure reduces and inventory levels come down.

Mid-term growth targets

Our new mid-term core growth targets 5–7% CAGR on revenue in the five-year period of our strategic plan. This is broadly in line with our performance on sales volume since 2015 (excluding Consumer Electronics). These targets reflect the opportunity from a macro-economic recovery in our core business, with the ability to grow faster than the wider market through new and differentiated applications, including growth in China. As our mega-programmes further increase their commercialisation, whilst noting growth rates will be influenced by the timing of milestones and the adoption pathway, we see upside potential towards double-digit growth (8–10%). With improved operating leverage and more modest investment expected, PBT has the opportunity to grow faster than revenue.

We are also targeting £25m-£35m of revenues from mega-programmes in FY 2025 (current mega-programme revenues of £11m, which excludes £6m of Gears revenue).

Outlook – a slow start but well placed for recovery & growth

The Group is expecting good progress in revenue and PBT for FY 2024, subject to an improving macro-economic outlook. Volumes have the potential for double-digit growth although, at this early stage, we have yet to see signs of a macro recovery, with a slow start to our typically seasonally weak Q1. Consequently, growth is expected to be second half weighted, which is consistent with some end-market indicators pointing to improvement during 2024. Demand continues to be soft in Electronics, Energy & Industrial and VAR. Automotive and Aerospace remain positive, with Medical also expected to deliver full year growth.

Input costs are tracking lower year on year, although the potential for energy volatility remains. Within operating overheads, we expect only limited increases, despite wage inflation and bonus accrual. However, the effect of lower asset utilisation and start-up costs in China will have some effect on our cost of manufacture and gross margin. In relation to currency, whilst spot rates imply a headwind, our hedging will offset this impact to PBT.

Overall, the Group is well placed for recovery and growth. With a strong and diversified core business, increasing commercialisation in our mega-programmes, well-invested assets and incremental capacity, and the opportunity for cash flow improvement, our investment proposition remains strong.

1 Alternative performance measures are defined in note 17.

2 Other internal metrics are defined below.

SUSTAINABLE SOLUTIONS

Sustainable Solutions revenue

£241.8m

-14% vs FY 2022, -17%* vs FY 2022

Sustainable Solutions gross profit

£110.5m

-11% vs FY 2022, -14%* vs FY 2022

* Constant currency.

	12 months ended 30 September 2023 £m	12 months ended 30 September 2022 £m	% change (reported)	% change (constant currency)
Revenue	**241.8**	282.7	-14%	-17%
Gross profit	**110.5**	124.8	-11%	-14%

Victrex's divisional performance is reported through Sustainable Solutions (formerly Industrial) and Medical. The re-positioning of Industrial to Sustainable Solutions has been driven by how we are increasingly demonstrating the technical, environmental or societal benefits our products bring to customers.

The Group continues to provide an end-market based summary of its performance and growth opportunities. Within Sustainable Solutions end markets, we have Electronics, Energy & Industrial, Value Added Resellers ('VAR') and Transport (Automotive & Aerospace).

Core business application pipeline
Despite a challenging macro-economic environment, we continue to build our core business growth pipeline, to support PEEK's use in a range of applications, driven by its lightweighting, durability, chemical and heat resistance, or other properties.

Mature Annualised Revenues ('MAR'), which reflect the pipeline of incremental opportunities in the core business, was robust at £300m (FY 2022: £294m). This number assumes all targets are converted. Automotive and Medical opportunities showed the highest year on year growth, reflecting the broader range of applications within these end markets.

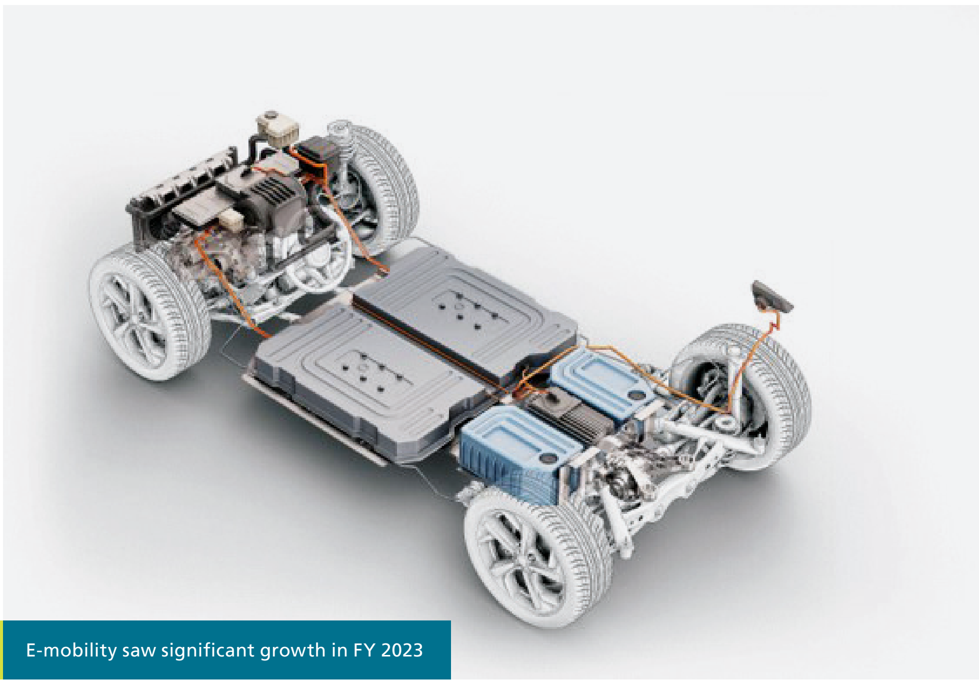
Weaker end markets driving revenue down 14%

The Sustainable Solutions division saw revenue of £241.8m (FY 2022: £282.7m), down 14% on the prior year, with a decline across Electronics, Energy & Industrial and VAR, as these end markets remained weak.

Performance in Transport (Aerospace & Automotive) was positive, driven primarily by Aerospace as plane build rates recover. Automotive volumes were stable, as supply chains continued to impact growth, though revenue was 9% ahead.

Sustainable Solutions revenue in constant currency was down 17%. With improved pricing and a more favourable sales mix, gross margin was up by 160bps to 45.7% (FY 2022: 44.1%).

Michael Koch (left) and John Devine are the leaders of Sustainable Solutions and Medical respectively



E-mobility saw significant growth in FY 2023

> Whilst the macro-economic downturn impacted several end markets this year, despite strong growth in Aerospace, our broader range of applications supports good mid-term growth prospects.

Energy & Industrial

Energy & Industrial sees materials used in a range of applications where Victrex™ PEEK has a long-standing track record of durability and performance benefit in many demanding Oil & Gas applications. Sales volume of 639 tonnes was down 23% on the prior year (FY 2022: 830 tonnes), reflecting the weaker performance in this area, which is currently a challenging end-market. Industrial (which makes up more than half of this segment) is driven by global activity levels and capital goods equipment, which was weaker during the period.

Elsewhere in the new energy space, we continue to assess applications in Hydrogen, where PEEK's inert nature and durability could have a strong play. In Wind, we have gained business on wind energy applications supporting durability in harsh environments. Energy volumes overall were down 19%.

Value Added Resellers ('VAR')

Victrex has significant business through VAR, much of which is specified by end users. End market alignment, whilst difficult to fully track, supports a similar alignment to our Sustainable Solutions end markets, with the exception of Aerospace, where sales volumes are largely direct to OEMs or tier suppliers. VAR is often a good barometer of the general health of the supply chain, with VAR customers processing high volumes of PEEK into stock shapes, or compounds.

After a strong period of growth and a strong comparative, VAR saw a particularly challenging year, leading to a 39% decline in VAR volumes, to 1,304 tonnes (FY 2022: 2,122 tonnes). Destocking was a key contributor in VAR volumes falling significantly this year, as supply chains adjusted to weaker demand, continuing the volatility in order patterns seen since the start of the pandemic. Although visibility remains low, we are well placed for when the global economic environment improves, with VAR typically seeing a strong bounce back as demand improves and restocking commences.

Transport (Automotive & Aerospace)

Our Transport area builds on both legacy applications and new applications with the use of composites or new innovative materials in electric vehicles. We continue to have a strong alignment to the CO_2 reduction megatrend, with our materials offering lightweighting, durability, comfort, dielectric properties and heat resistance. As well as long-standing core business within Automotive & Aerospace across a range of application areas, we also made good progress in our Transport related mega-programmes of E-mobility and Aerospace Composites.

Overall Transport sales volume was up 4% to 950 tonnes (FY 2022: 913 tonnes), with Aerospace up 20% and Automotive flat (Automotive revenue up 9%).

Automotive

Market indicators support a return to modest car production growth in 2024, with S&P forecasting a 1–3% increase in global production in 2024 (S&P, October 2023).

Core applications include braking systems, bushings & bearings and transmission equipment, with increasing opportunities and new business wins in electric vehicles, supporting a growing E-mobility business.

Translation across internal combustion engine ('ICE') to electric vehicles ('EVs') remains a net benefit opportunity, with current PEEK content averaging around 10g per car. Our assessment of the EV opportunity is now for a long-term potential per electric vehicle of over 200g, with several application areas.

We also gained some new gear business in the e-bike market during the year, which is expected to grow.

Aerospace

Aerospace volumes were up 20%, reflecting the benefit of plane build increasing during the year and new application growth. Application growth includes in Aptiv™ film and also our AE™250 PEEK grade (and use as composite tape). Emerging areas of business include the potential from PEEK's inert characteristics within fuel systems, including sustainable fuels. Our mega-programmes in Aerospace were consolidated into one programme of Aerospace Composites to simplify and focus resources. Aerospace Composites supports smaller and larger structural parts for Airbus, Boeing and tier companies, with qualifications well advanced, existing parts on planes and larger demonstrator parts being exhibited by major customers, ahead of commercial adoption.

FY 2023 also saw applications with COMAC start to yield growing revenue. Whilst relatively small at this stage (based on plane build of approximately two planes per month) we note the planned ramp-up of production over the coming years.

The mid-term outlook for Aerospace is good. We continue to consider future plane build forecasts, with our assessment that over 53 million tonnes of CO_2 could be saved over the next 15 years if all new single aisle planes were produced with over 50% PEEK composite content.

Electronics

2023 was a tough year for the global Semiconductor market and Consumer Electronics. Volumes into Semiconductor typically make up close to half of our Electronics exposure. Total Electronics volumes were down 23% at 513 tonnes (FY 2022: 662 tonnes), though we note industry forecasts suggesting an improvement in 2024 for Semiconductor of 11.8% (WSTS, October 2023).

Victrex has historic business in this end market, for core applications like CMP rings (for Semiconductor) as well as new applications utilising PEEK, including Semiconductor, 5G and cloud computing and other extended application areas. Our Aptiv™ film business and small space acoustic applications remain well positioned, though consumer devices was an area significantly impacted by the global downturn.

Home appliances has been an area of growth in recent years and our impeller application business in high end brands continues to offer good growth opportunities. These applications, with lighter materials and enhanced durability, also offer the opportunity for improved energy efficiency.

Regional trends

With a more challenging global macro-economic environment, regional performance in Europe and North America was adversely affected, with North America being the most impacted.

Overall by region, Europe was down 25%, at 1,903 tonnes (FY 2022: 2,554 tonnes), driven by declines in VAR and Energy & Industrial primarily. North America was down 32% at 650 tonnes (FY 2022: 952 tonnes), principally driven by Energy & Industrial. Asia-Pacific was down 14% at 1,045 tonnes (FY 2022: 1,221 tonnes), as we saw declines in Electronics and VAR.

Operating review continued

MEDICAL

Medical revenue

£65.2m

+12% vs FY 2022; +7%* vs FY 2022

Medical gross profit

£52.1m

+5% vs FY 2022; +2%* vs FY 2022

* Constant currency.

	12 months ended 30 September 2023 £m	12 months ended 30 September 2022 £m	% change (reported)	% change (constant currency)
Revenue	**65.2**	58.3	+12%	+7%
Gross profit	**52.1**	49.7	+5%	+2%

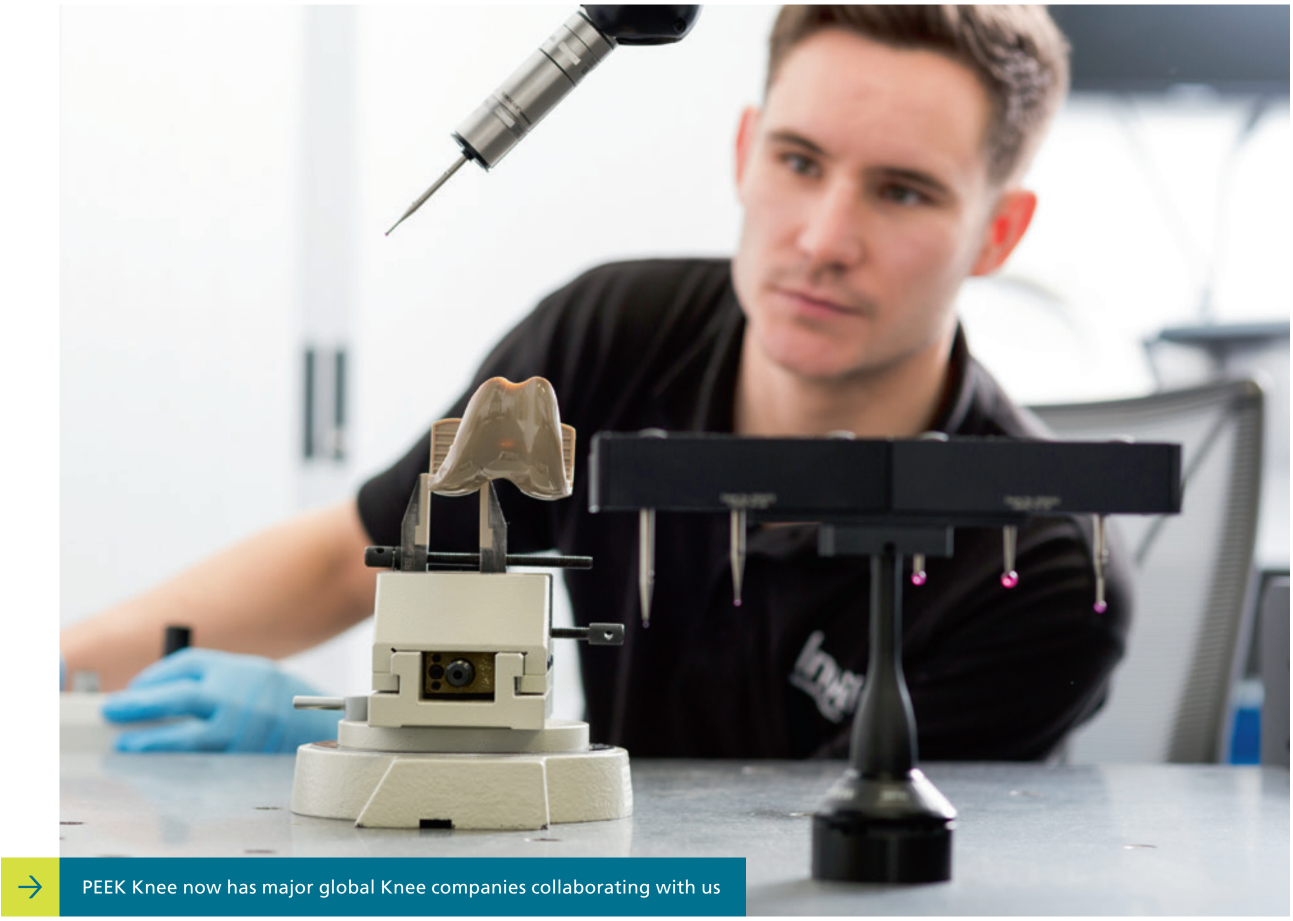
Our strategy of Polymer & Parts includes a goal of increasing the proportion of Medical revenues for the Group to above one-third of revenues by 2032 from a baseline year of FY 2022 (FY 2023 had Medical share of Group revenue at 21% vs FY 2022 at 17%). As a high value segment, this end market is seeing a broader range of opportunities to meet patient and surgeon requirements, as PEEK's performance supports improved patient outcomes. To date, over 15 million patients have PEEK implanted devices.

Medical saw a record performance in FY 2023, driven by further recovery of elective surgeries post-pandemic, and new application growth. Revenue in Medical was up 12% at £65.2m (FY 2022: £58.3m). In constant currency, Medical revenue was up 7%.

Gross profit was £52.1m (FY 2022: £49.7m) and gross margin was slightly lower at 79.9% (FY 2022: 85.2%) primarily reflecting sales mix and the higher growth in non-Spine. We continue to see faster growth in non-Spine as we purposely target emerging

> Record revenues, broader application uses and a demand for metal alternatives make us well placed to drive further growth in the core Medical business, alongside our Medical mega-programmes. Our goal is for approximately one third of Group revenues to come from Medical in 10 years.

Our PEEK composite Trauma plates demonstrate strong clinical evidence



or developing application areas in Cardio, Drug Delivery and Active Implantables. Geographically, Asia-Pacific revenues were up 31% year on year, with Medical revenues in the US up 4% and Europe up 9%.

Medical strategy

Our Medical aspirations are for our solutions to treat a patient every 15–20 seconds by 2027 (from approximately 25–30 seconds now) and the Group is prioritising targeted investment in Medical, including a New Product Development Centre of Excellence in Leeds, UK, which opened during the year. This facility will support customer scale-up in Trauma and Knee, aligned to major medical device companies, as well as working closely with academia. It was one of the key overhead investment items in FY 2023, as we build additional capability and skills in this area, with approximately 25 new roles initially.

Our Medical manufacturing capability is already strong in driving innovation for our parts businesses. As we focus on scale-up, we have established a manufacturing partner for Trauma plates, Paragon Medical (Paragon), in China, whilst retaining the design and development know-how. Paragon, who are contracted by many of the major global medical device companies, will help us to meet the initial excess demand. Our customer base is growing in this area, with additional development agreements now in place.

Spine and non-Spine

Non-Spine offers the highest growth area for our business over the medium term. Several application areas have seen good growth, including Arthroscopy and Cranio-maxillo facial ('CMF'). CMF also offers us an opportunity through 3D printed parts, with new product grades introduced, driving growth of 38% this year.

Current revenue split shows 46% of segmental revenue from Spine and 54% from non-Spine. Next generation Spine products will be key in maintaining PEEK's position in this segment, including the opportunity for Porous PEEK, where a spinal cage can support bone-in growth as well as bone-on growth. A US 510k submission is targeted during FY 2024. Whilst we continue to innovate and develop new products for Spine, partly through our associate investment in Bond 3D, usage of 3D printed titanium cages continues, largely in the US. PEEK, within spinal fusion, remains strong in Asia and Europe. In China, we are mindful of both the opportunities and risks from the emerging volume-based procurement ('VBP') approach, The first VBP cycle for Spine occurred during FY 2023 with the cycle for some other applications expected during FY 2024 Our differentiated PEEK-OPTIMA™ HA Enhanced product ('POHAE') – to drive next generation Spine procedures – is one part of our strategy, alongside the introduction of Porous PEEK, to grow our Medical business, with annualised revenues being approximately £2m and good opportunities globally, and in Asia particularly.

Other non-Spine applications include Cardio. More than 250,000 patients have now benefited from PEEK being used in heart pumps, containing implantable grade PEEK. We also introduced a new pharmaceutical grade, PC-101, for use in drug delivery devices and pharmaceutical contact.

Ian Melling
Chief Financial Officer
5 December 2023

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 in order to continually improve the performance of our business. This is particularly important as the business continues to move downstream into semi-finished and finished products and further expands geographically, building demand for new products, alongside growing the core business.

We have an established framework for risk appetite classification which guides our approach to managing principal risks. For example our 'very low' appetite for risk in areas such as Safety, Health and Environment ('SHE'), legal compliance and cyber security means that the avoidance of risk and uncertainty is a key objective and, when faced with multiple options, we will take the lowest risk option. This is in contrast our 'open' appetite to risk in strategic growth aspects, meaning that we will consider a wider set of delivery options that balance the merits of both risk and reward. We do not have a 'high' appetite for any of the principal business risks.

We believe that Victrex is well placed to meet the demands of the increasingly prominent ESG agenda but must also consider the risks and costs associated with stricter emissions targets, lifecycle impacts and other requirements.

Risk strategy
The Board is responsible for ensuring the effective operation of the Group's risk management framework 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 legal, regulatory and 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
Our business areas and functional teams are responsible for the day to day management and reporting of risks. They identify risks including new and emerging issues, escalating where required and ensuring risks are managed appropriately. The causes and potential consequences of each risk are recorded in risk registers. 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. This approach allows the consistent identification and evaluation of risks and identifies the current mitigations and any further activities required to bring the risk to a tolerable level.

We operate a three lines of defence risk assurance model:

1st line of defence: The day to day operational risk management, including the systems and processes established to ensure internal controls are in place and effective.

2nd line of defence: Monitoring and compliance activities which advise and oversee first-line controls and risk management processes, primarily through Group functions that are at least one step removed from first-line management.

3rd line of defence: Independent business assurance provided by both third parties and the Group Internal Audit team over the first and second lines of defence.

3 Risk response

The risk registers and profiles are regularly reviewed, to keep them up to date and relevant to our strategy.

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

We continually challenge the efficiency and effectiveness of existing internal controls and seek to continually improve our risk management framework. The risk profile ensures that risk reduction activity is captured and managed, with oversight provided by the Risk and Compliance team.

When a significant new risk arises where a response is required in a timely manner, a dedicated working group is established to ensure that robust oversight and management are applied and appropriate mitigations implemented.

We use insurance as a mitigation tool in our response to several risks and potential financial impacts that can result. We regularly review and update the types and limits of our insurance coverage, ensuring that they are aligned to external obligations, insurance product developments and changes to our corporate risk profile. The insurance programme and levels of cover are reviewed annually by the Board.

4 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 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 review of the principal risks;
- the Audit Committee responsibilities include reviewing the Company's risk management systems to provide assurance of operational effectiveness and compliance with laws, regulations and contracts;
- 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;
- the Group's Internal Audit function provides independent and objective 3rd line assurance to the Victrex plc Audit Committee on the adequacy and effectiveness of our risk management and key internal control processes within the business. A comprehensive 'audit universe' assessment defines the range of potential audit activities and the internal audit plan provides the schedule of audit work that covers specific risks, core processes (cyclical), key programmes and geographic regions. Both are approved by the Audit Committee, at least annually;
- the Victrex Management Team ('VMT') 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 is provided directly to the Audit Committee and the Board by the Director of Risk & Compliance. The VMT Risk Management Committee comprises: the Executive Directors (CEO and CFO), Chief Operating Officer, Managing Directors of the Medical and Sustainable Solutions businesses, Group HR Director, General Counsel & Company Secretary and Director of Risk & Compliance. Risk management subcommittees and Warranty Committees provide further governance for specific business areas or programmes where they are deemed necessary; for example, Transport (Automotive and Aerospace) and Medical are covered due to current business activity. These meetings and associated risks feed into both the bi-monthly Risk and Compliance meeting and the Executive Risk Management Committee (at least half yearly) via their respective Chairs, who are VMT Risk Management Committee members;
- 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, Managing Directors and COO alongside a number of other senior leaders;
- as appropriate, significant incidents, issues and new risks are reported into the Board via the relevant Executive Director; and
- risk management is also an integral aspect of Group function governance, including through the Safety, Health and Environment Steering and Quality Steering Committees (both meeting quarterly), and the ESG Steering Group, which meets twice a year.

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:

- further geo-political and macro-economic instability including:
  - impacts on energy prices, supply chains and end markets resulting from tension and conflict in the Middle East; and
  - increasing geo-political tensions, including those between the US and China, and associated import/ export controls and sanctions;
- raw materials – including potential longer-term issues with their continued availability, for example through climate-related impacts – 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 & 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 further understood and mitigated. They will also be considered as an integral part of the strategic planning process.

Climate-related risks and opportunities

We support the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') and have continued to make progress over the last year assessing and reviewing our climate-related risks and opportunities (see pages 49 to 53). Due to the longer-term nature of climate-related risks it has not been considered to be a principal risk in its own right at this time. There are, however, clear links to existing principal risks such as supply chain and strategy execution. As such, climate-related risks and opportunities have been a key feature of the FY 2023 strategic planning process and will continue to be reviewed and developed by the Corporate Responsibility Committee.

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

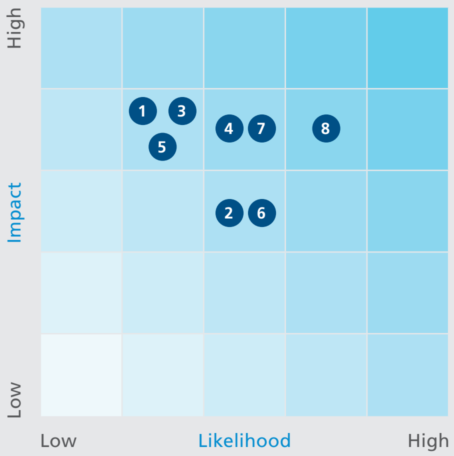
Drive

Create and deliver

Differentiate

Underpin

Risk heatmap



1. Safety, Health and Environment
2. Recruitment and retention of the right people
3. Supply chain
4. Network and IT systems & security
5. Product liability
6. Legal and regulatory compliance, ethics and contracts
7. Strategy execution
8. Geo-political and macro-economic environment

Safety, Health and Environment

1

Primary link to strategy

Link to climate change

Risk area and description

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.

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.

In addition, climate change poses a number of risks to the business. Minimising our environmental impact, protecting our assets from potential physical threats such as flooding and ensuring future business sustainability as we transition to a low-carbon economy are fundamental objectives.

Mitigation

Safety, Health and Environment ('SHE') remains our number one priority. We have policies and procedures to manage 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.

We have SHE improvement plans & KPIs that are reviewed on a monthly basis. A quarterly SHE Steering Committee provides oversight and governance for the Group SHE performance, progress with plans and 2nd line assurance activity.

Where issues are identified or events occur, these are investigated to determine root causes and are acted on accordingly to prevent re-occurrence. SHE management software in place across all global assets further supports this.

Our current SHE statistics are showing good progress with a clear reduction in recordable injury frequency rate ('RIFR') below target. Additional detail of the SHE performance and progress made in the year is contained in the Sustainability report on page 63.

Process safety has continued to be a key area of focus in FY 2023. We partner with external specialists to provide additional independent assessment and assurance of relevant plants and processes and have put plans in place for updates and improvements identified.

Change

No change

Viability statement links

Risk considered

Risk focused on in sensitivity analysis

Key to strategy

Drive | Differentiate | Create and deliver | Underpin

Recruitment and retention of the right people

2

Primary link to strategy

Link to climate change

Risk area and description

Our success depends on our ability to recruit and retain the right people. Victrex relies on the skills, knowledge, experience and competence of our people in order to drive business growth and successfully execute our downstream strategy.

Due to the nature of our business, there is an inherent requirement for highly skilled employees (for example in areas of polymer chemistry, R&D and process engineering) and the specific end market related competencies needed (for example in Medical and Aerospace parts manufacturing). Our ability to recruit and retain talent is affected by numerous factors including: pay and benefits, culture, sustainability credentials, the nature of the working environment, regional employment levels and changing workforce behaviours.

In the current recruitment market, there is a far greater expectation for flexible working arrangements and less dependency on location-based roles.

Mitigation

Digitalisation of recruitment and applying a future-skills perspective have been embedded via related tools, processes and the graduate programme. Our recruitment process has been streamlined to enable faster pace of change and more flexibility. We also have a targeted approach to learning and development programmes across all levels – investing in people as an attraction and retention tool. This has been enhanced in the year through new and improved e-learning resources and capabilities. We have succession plans in place for key roles and develop our future leaders, as well as bringing in new talent from the outside where required.

We have well-established Diversity, Equity & Inclusion, and flexible working policies and have set targets and action plans to ensure we continually increase the sense of belonging across our workforce. We regard this as a commitment to make full use of the talents and resources available. Active employee forums are in place for each region, further supported by our German works council and UK trade union representation at Hillhouse and Rotherham. An employee survey is conducted every two years with both corporate and functional plans established to drive continual improvement. We also operate targeted pulse surveys to measure in-year improvements. Continued high engagement scores indicate the effectiveness of the mitigation measures in this area.

Our annual voluntary employee turnover (8.7%) provides a healthy balance of introducing new talent whilst retaining key knowledge and skills, given our average tenure of 7.2 years. Improvements made in our recruitment and development processes, noted above, have led to a reduction in this risk in FY 2023.

Change

Decreased

Viability statement links

Risk considered

Supply chain

3

Primary link to strategy

Link to climate change

Risk area and description

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

In addition, climate change poses several specific supply related risks to Victrex and our suppliers, including: potential asset or production disruptions due to rising sea levels and increasingly harsh weather events or cost impacts due to changes in carbon taxation and increased energy costs.

Mitigation

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

Increases in demand are anticipated by and consistent supply is maintained through a robust integrated business planning ('IBP') process for which we have been awarded Class A Standard.

Strategic supplier sourcing, development and performance management are our key mitigations for the quality and security of supply of key raw materials. We have continued to focus on the breadth and resilience of our supplier base in response to the current and future uncertainties, particularly those associated with energy availability and energy related cost impacts including supplier assessments and audits. We also consider alignment with our Modern Slavery policy and human rights policies within our supplier review process.

In our own operations, we have reviewed the possible contingencies for energy interruptions affecting our manufacturing sites, including the use of alternative fuel sources.

We have increased the number of suppliers across several key raw materials, stabilised logistics costs (and availability) and increased inventory levels, which have resulted in a reduction in this risk in FY 2023.

Change

Decreased

Viability statement links

Risk considered

Risk focused on in sensitivity analysis

Risk continued

Key to strategy Drive | Differentiate | Create and deliver | Underpin

Network and IT systems & security

4

Primary link to strategy Underpin

Link to climate change

Risk area and description
Targeted cyber attack could result in the theft, manipulation or destruction of confidential and sensitive information and severely disrupt business operations.

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

The increase in homeworking could lead to an increased risk of breach or loss of key services.

Mitigation
Victrex operates a Global Information Security Management System, aligned to ISO 27001 and the National Institute of Science and Technology ('NIST'), to provide a multi-layered approach to security and control.

We have continued to make enhancements to the control framework and layers of defence, including: using best of breed Extended Detection and Response ('XDR') and Security Incident and Event Management ('SIEM') technologies, along with next generation firewalls and Network Access Control ('NAC').

Core networks have been improved to introduce a global Software Defined LAN and WAN.

Independent external experts are regularly engaged to conduct assessments, including penetration testing, cyber health and awareness along with ongoing certification to Cyber Essentials Plus. We also have a Global Incident Response plan, supported by third-party experts, for crisis response within both IT and Operational Technology ('OT') networks.

Our recently expanded internal Security Operations Centre and team provide round the clock detection and response capabilities.

We continuously review the latest threats and trends to ensure our protection is current and effective. To support this we have enhanced awareness across all users in the business by implementing both additional mandatory training and a culture monitoring platform in FY 2023. In addition, we have conducted exercises to test our resilience, covering both our defences and response capabilities.

Change
No change

Viability statement links
Risk considered

Product liability

5

Primary link to strategy Underpin

Link to climate change

Risk area and description
Selling into highly demanding end-use applications and regulated markets such as Medical and Aerospace 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 could result in fines or damages being payable and could in turn 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.

As the business continues to move downstream into semi-finished and finished products we are dealing with increasingly onerous and complex liabilities. As a result, we have established Warranty Committees which provide additional governance over our key programme activity in the Automotive and Aerospace sectors.

We continue to utilise external experts to support with complex contract matters, where required.

We use supply contract terms and conditions to limit exposure, which includes agreed specifications and manufacturing to defined standards and processes. In addition, the Group maintains appropriate levels of product liability insurance.

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

We have product regulatory control procedures and governance arrangements. Our Regulatory and Product Stewardship team ensures we have specialists covering all key markets including China.

Change
No change

Viability statement links
Risk considered

Risk focused on in sensitivity analysis

Legal and regulatory compliance, ethics and contracts

6

Primary link to strategy

Link to climate change

Risk area and description
We are required to adhere to all applicable laws, regulations and ethical standards including those covering:

- anti-bribery and corruption;
- exports and sanctions;
- competition;
- data protection; and
- human rights, modern slavery and labour.

Increasingly, geo-political factors pose additional complexities to navigate in several areas including export controls and sanctions.

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.

Our future opportunities in a number of markets, and activity in new geographies, for example, China bring new regulatory challenges and contractual requirements to meet.

Mitigation
Compliance policies, procedures and training are in place for key regulatory compliance risks.

Our Code of Conduct is in place, which is regularly reviewed, and mandatory training is provided. Over the last year these areas have been reviewed and refreshed. 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. Over the last year an external party has been engaged to review and advise on our risk and legal framework across the business.

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 being put in place to manage the associated regulatory requirements.

We have a dedicated Regulatory team in place which has been further strengthened over the last year, including additional resource in China.

Change

No change

Viability statement links

Risk considered

Risk focused on in sensitivity analysis

Strategy execution

7

Primary link to strategy

Link to climate change

Risk area and description
Our future business growth is dependent on the effective implementation of our strategy.

This risk considers the potential failure to execute the strategy effectively and generate value. Key elements include: maintaining the health of our core business, driving growth in China through our new assets, generating innovation-based growth including our mega-programmes, the increasing importance of parts and forms in addition to polymer, and protecting and managing intellectual property.

Successfully managing the climate-related risks (and opportunities) summarised in the TCFD section (pages 51 to 53), including the end market risks associated with internal combustion engine transportation and Oil & Gas, remains fundamental to the successful execution of the business strategy.

Mitigation
The Group has a well-established and clear business strategy which is subject to a robust annual Board review process to ensure its continued effectiveness. The Board also monitors progress in implementing the strategy at each Board meeting and is given specific updates from individual programmes and business units throughout the year, which have included Medical acceleration plans and developments in China during FY 2023.

Annual objectives (which support the execution of the business strategy) are cascaded throughout all levels of the business. The Victrex Management Team ('VMT') monitors progress through a monthly performance review process.

Growing our business in China to utilise new assets, driving volumes through other investments and effective pricing policies in a dynamic and competitive environment are key activities.

Our UK manufacturing improvement plans have continued and will be delivered over the coming years which will strengthen the security of supply to our customers.

We monitor 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.

As our intellectual property ('IP') is critical to the delivery of our strategy, robust protective controls are in place, supported by our dedicated IP team. Specific emphasis is placed on our approach to IP management in Transport applications and China, as we continue to accelerate our activity in the region.

Change

No change

Viability statement links

Risk considered

Risk focused on in sensitivity analysis

Risk continued

Key to strategy Drive | Differentiate | Create and deliver | Underpin

Geo-political and macro-economic environment

8

Primary link to strategy

Link to climate change

Risk area and description

We serve over 40 countries globally, operating in numerous geographies across a range of markets which can be affected by political and/or economic changes or uncertainties.

Risks related to the geo-political and macro-economic conditions have remained high over the year, primarily as a result of the ongoing war in Ukraine and China's economic outlook, but more recently with the conflict in the Middle East.

International tensions with China may also create additional challenges in doing business there.

Uncertainty in the global economic outlook including; inflation, potential changes in carbon taxation, energy prices and impacts on interest rates and exchange rates have the potential to affect our profitability.

The volatile external environment has the potential to impact a number of other principal risks and the delivery of our strategic objectives.

Due to the factors noted above this risk has increased in FY 2023.

Mitigation

A key mitigation is close monitoring of the geo-political and macro-economic conditions and reacting accordingly through the business strategy process. In FY 2023, the Board has received updates from external experts to provide independent context to this risk.

Our range of markets and geographic spread help to mitigate political and economic change. Threats from low cost (regional) competitors are being addressed through our strategy in China. Development of PEEK production capability in China has continued and remains on track for sales in FY 2024.

Uncertainty in supply chains is being addressed by accelerating supply resilience activity around dual/multiple sourcing of key raw materials, where there has been good progress made in the last year. Maintaining our UK production of key raw materials ensures we are not solely reliant on international routes.

Reducing the impact of potential regional changes to carbon-based taxation is being mitigated through the business carbon reduction plan, which includes transitioning to greener energy and targeting manufacturing processes to reduce absolute energy usage.

We use foreign exchange hedging to delay the impact of changes in exchange rates. We also conduct horizon scanning and scenario analysis to inform our plans, considering the longer-term options to address geo-political and macro-economic factors as part of the strategic review process.

Change

Increased

Viability statement links

Risk considered

Risk focused on in sensitivity analysis

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 32 to 38. This assessment has paid particular attention to current trading results and the impact of the current global economic challenges on the aforementioned forecasts.

The Company maintains a strong balance sheet providing assurance to key stakeholders, including customers, suppliers and employees. The combined cash and other financial assets balance at 30 September 2023 was £33.5m, having reduced from £68.8m at 30 September 2022 following payment of the regular dividends of £40.1m in February 2023 and £11.7m in June 2023 and a strategic increase in the level of inventory held. Of the £33.5m, £3.4m 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 £30.1m, approximately 70% is held in the UK, on instant access, where the Company incurs the majority of its expenditure. The Group has drawn debt of £31.6m in its Chinese subsidiaries (with a total facility of c.£34.2m available until December 2026) and has unutilised UK banking facilities, renewed and extended in October 2023, of £60m through to October 2026, of which £40m is committed and immediately available and £20m is available subject to lender approval.

The 24-month forecast is derived from the Company's Integrated Business Planning ('IBP') process which runs monthly. Each area of the business provides 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, rig count and purchasing manager indices for E&I, World Semiconductor Trade Statistics semiconductor market forecasts for Electronics, and Needham and IQVIA forecasts for Medical procedures.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which, given current economic forecasts and sales trends through the financial year ended 30 September 2023, where volumes dropped 24% year on year and 33% in the second half, exacerbated by rapid customer destocking, focused on the Group's ability to sustain a further period of suppressed demand. In assessing the severity of the scenario analysis the scale and longevity of the impact experienced during previous economic downturns have been considered, including the differing impacts on the Sustainable Solutions versus Medical segments.

Using the IBP data and reference points from previous downturns management has created two scenarios to model the continuing effect of lower demand at regional/market level and aggregated levels on the Company's profits and cash generation through to December 2024 with consideration also given to the six months beyond this. The impact of climate change and the Group's Net Zero 2050 goal (Scope 1, 2 & 3) are considered as part of the aforementioned IBP process, from both a revenue and cost perspective, with the anticipated impact (assessed as insignificant over the shorter-term going concern period) incorporated in the forecasts. As a result the scenario testing noted below does not incorporate any additional sensitivity specific to climate change.

During the second half of FY 2023 the drop in sales to a quarterly run rate of c.830 tonnes reflected the continuation of the contraction in demand in the global economy, which started in the first quarter of FY 2023, and also the rapid destocking by customers as they managed their inventory and had extended shutdowns. This level of demand is not inconsistent with that seen during COVID-19 with Q2 and Q4 for 2020 at similar levels and Q3 lower due to global lockdowns. Other than in the current economic cycle and during COVID-19 demand has not been at this level during the past decade. With customers now largely destocked the Board believes the low point of the economic cycle has been reached and, whilst there are limited signs of a return to growth, demand has stabilised. As a result the key downside risk is that of an extended period of subdued demand. The current downturn has been running for 12 months, already longer than the previous downturns during COVID-19 and the financial crisis, but with no clear signs of recovery, the Board has considered the impact of reduced demand, in line with the lowest quarter of the previous year, Q3, for a further 6 months (scenario 1) and a further 12 months (scenario 2). As noted above, the lower cash balance at 30 September 2023 is, apart from lower sales volumes, attributable to an increase in the level of inventory held. Current forecasts assume a gradual reduction in inventory across FY 2024 and FY 2025 with inventory providing the opportunity to benefit from market recovery. The scenarios modelled assume that a more aggressive inventory unwind approach is taken to mitigate the ongoing lower cash generation from subdued volumes.

Scenario 1 – the global economy remains subdued through the first half of FY 2024 with demand in line with the low point in FY 2023, quarter 3, before a slow recovery in the second half of FY 2024. The demand then increases modestly through the second half to c.1,900 tonnes before further modest growth for the remainder of the going concern period. Medical revenue remains in line with that seen during the past 12 months' run rate, with the economic situation historically having minimal impact on this segment, in line with the experience of the past 12 months. Inventory is reduced in line with sales.

Scenario 2 – in line with scenario 1 through the first half of FY 2024, with this lower demand continuing for a further 12 months, i.e. throughout the going concern period, taking the total period of lower demand to in excess of 24 months, well above the duration of any previous downturn experienced by the Company. This would give an annual volume below c.3,300 tonnes, a level not seen since 2013. In this scenario Medical revenue is reduced by 10% during the second six months to reflect a limited impact from a longer lasting slowdown. With the period of prolonged lower demand, a more aggressive unwind of the inventory balance has been assumed. Inventory is reduced in line with sales. The Group considers scenario 2 to be a severe but plausible scenario.

Commercial sales from the new PEEK manufacturing facility in China are expected in early 2024, a consequence of which is that the entity will require additional funding to see it through to net cash generation. In concluding on the going concern position, it has been assumed that Victrex will provide the additional funds in full, which the Board considers to be the worst case scenario.

Before any mitigating actions the sensitised cash flows show the Company has significantly reduced cash headroom, which would require use of the committed facility during the going concern period. The level of facility drawn down is higher in Scenario 2 but in neither scenario is the committed facility fully drawn, nor drawn for the whole year. With cash levels lower than has historically been the case for Victrex, the Company has identified a number of mitigating actions which are readily available to increase the headroom.

These include:

- use of committed facility – £40m could be drawn at short notice. Conversations with our banking partners indicate that the £20m uncommitted accordion could also be readily accessed. The covenants of the facility have been successfully tested under each of the scenarios;

Going concern and viability statement continued

Going concern continued

- deferral of capital expenditure – the base case capital investment over the next 12 months is lower than recent years at approximately £30–£35m, with major projects completed in China and the UK. This could be reduced significantly by limiting expenditure to essential projects, deferring all other projects later into 2025 or beyond;
- reduction in discretionary overheads – costs would be limited to prioritise and support customer related activity;
- reduction in inventory levels – inventory has been increased to provide additional security during plant shutdowns and to provide sufficient inventory to respond to a rapid economic recovery. The scenarios noted above include an acceleration of the inventory unwind but a more aggressive approach could be taken to provide additional cash resources; and
- deferral/cancellation of dividends – the Board considers the cash position and interests of all stakeholders before recommending payment of a dividend. A dividend has been proposed for payment in February 2024 of c.£40m and in the past an interim dividend of c.£12m has been paid in June, giving a combined annual outflow of c.£52m.

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 current economic uncertainty with a number of global economies close to/in recession, the war in Ukraine continuing and tensions in the Middle East, 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 the date of this report. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

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 12 and 13) 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 34 to 38) and the potential opportunities and risks of climate change (detailed on pages 49 to 53). The Directors continue to consider the ongoing challenges to the global economy, including the impact on each market and geography which the Group serves, and the uncertainty this creates, particularly in the early years of the strategic plan. The Directors have also considered the Group's ability to generate cash and maintain a strong financial position throughout the economic cycle, including the level of available cash at 30 September 2023.

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 May 2023 (covering the five years to September 2028). The strategy is built market by market and geography by geography recognising the differing dynamics in each whilst also considering the longer-term impact of the Company achieving our goal of Net Zero across all scopes by 2050 combined with the wider global ambition to reduce carbon usage. The Company also operates a shorter-term rolling 24-month forecast, predicated on the IBP process, which forms the basis for the 2024 budget and key operational decisions over this shorter time frame. The first two years of the strategy have been realigned to the rolling forecast, taking account of changes to the economic outlook since the strategy was finalised in May 2023. The subsequent three years of the strategy have been reviewed and updated where the revisions to the first two years are expected to have a consequential impact, either positive or negative.

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 2028, 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 on 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 with a target of £25–£35m revenue in 2025. The business case behind each of these programmes remains robust, and in most cases is enhanced by the global ambition to reduce carbon emissions, and increase adoption of and need for solutions from the Medical industry. Progress continues to be made across the mega-programmes with milestones being achieved as outlined in the Strategic report on pages 9 and 25. Timing of milestone achievement and the resulting impact on revenue growth remains the key variable across the mega-programme portfolio which the Directors have incorporated into scenario 3 described opposite.

The impact on the strategy of both the Company achieving its goal of Net Zero across all scopes by 2050 and the wider economy achieving Net Zero carbon over a long period continues to be understood and assessed. The physical risks and transitional opportunities and risks have been considered in detail as described in the Sustainability report starting on page 42. The physical risks presented by climate change are not expected to have a material impact on the Company's ability to manufacture product over the strategy period and therefore no sensitivity has been performed. At the revenue level the transitional opportunities are considered to outweigh the risks over both the short and longer time horizons, supporting continued growth in Company revenues, albeit the impact of this is only likely to be material outside of the five-year strategy window. The primary transitional risk relates to carbon pricing and the likely levers used by regulators and governments to drive down use of carbon – taxation and levies.

The Company's manufacturing and supply chain does use significant gas, electricity and water whilst also generating hazardous waste. Work is ongoing to reduce the use of carbon in the manufacturing process, both through using green sources but also redesigning the chemical process to reduce the overall energy requirement and waste generation. Acknowledging the risk regarding the decarbonisation of the manufacturing process, primarily in respect of timing, an increased cost of operation from taxation and levies has been assumed in scenario 5, with annual manufacturing costs increasing by £20mp.a, increasing annually by inflation, from 2025. The Company would seek to recover this cost from customers but for the purpose of the scenario analysis a worst case position of no recovery has been assumed.

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 Sustainable Solutions and Medical revenue for both core and mega-programmes. Annual volume reduction between 5% and 10% in each year of the strategy.	Geo-political and macro-economic environment Strategy execution
2.	Mega-programmes not achieving all milestones set or investment/adoption is delayed, for example, by economic conditions, therefore delaying the time to meaningful revenue. An average of two years, delay to revenue growth versus the base case.	Geo-political and macro-economic environment Strategy execution
3.	An extended period of economic contraction (in line with scenario 2 for going concern) resulting in lower sales in 2024 and 2025 before returning to strategy growth rates thereafter. Annual volume reduction between 6% and 22% in each year of the strategy.	Geo-political and macro-economic environment Strategy execution
4.	A natural or other event impairing key manufacturing assets resulting in supply disruption for c.two years, with associated reputational damage. Annual volume reduction from FY 2026 of 25% for two years followed by 10%.	Supply chain
5.	Increase to direct cost base potentially arising from: a. additional regulatory compliance, environmental or otherwise; b. increase in duty and tariffs; c. product liability issues; d. increased cost of manufacturing in a lower carbon way; e. the transitional risks of moving to a lower carbon economy – increases in tax/levies on utility or waste usage; or f. increase in raw material and/or other input prices. Operating costs increase by £20mp.a., increasing annually by inflation, over the base case from FY 2025 onwards in each year of the strategy.	Legal and regulatory compliance, ethics and contracts Safety, Health and Environment Product liability
6.	All of the above*, with an associated reduction in the overhead cost base and capital expenditure. Annual volume reduction between 16% and 49% in each year of the strategy (averaging 34% over the five years).	

* 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, the probability of occurrence and the 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 recent economic cycles, during the COVID-19 period (2020), the recovery from COVID-19 (2021–2022) and the recent contraction through 2023, with Medical and Sustainable Solutions following very different profiles, as well as Europe, US and China moving at different rates and in different directions across the respective periods. 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, reduce working capital and raise new finance and the possibility of delaying capital programmes and/or restricting shareholder returns over the viability period if required. Having moved through a period of higher capital expenditure, focused on growth in China and also the UK manufacturing base, the programme over the next few years is at a lower rate and offers increased flexibility. The Group's current debt facilities, in the UK and China, are due for renewal during the viability period in 2026. The Group currently expects to be able to renew both of these facilities.

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 balance was in scenario 6, in which the month-end cash balance remains positive albeit at a level where the RCF facility (available until October 2026 with covenant compliance tested under scenario 6) will be required to manage monthly working capital flows. Due to the severity and implausibility of scenario 6 and an outcome that may require limited use of the RCF facility 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 2028. 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 and that the current debt facilities are renewed in the normal course of business at the end of their respective terms in 2026.

SUSTAINABILITY REPORT

Through our purpose to bring transformational & sustainable solutions which address world material challenges, it is clear that Victrex has a well-established role to enable environmental & societal benefits for our customers and the planet. Our products support the lightweighting trend and consequently CO_2 reduction in Aerospace and Automotive, energy efficiency in Electronics and Energy & Industrial and the delivery of clinical benefits in the Medical industry (see page 43).

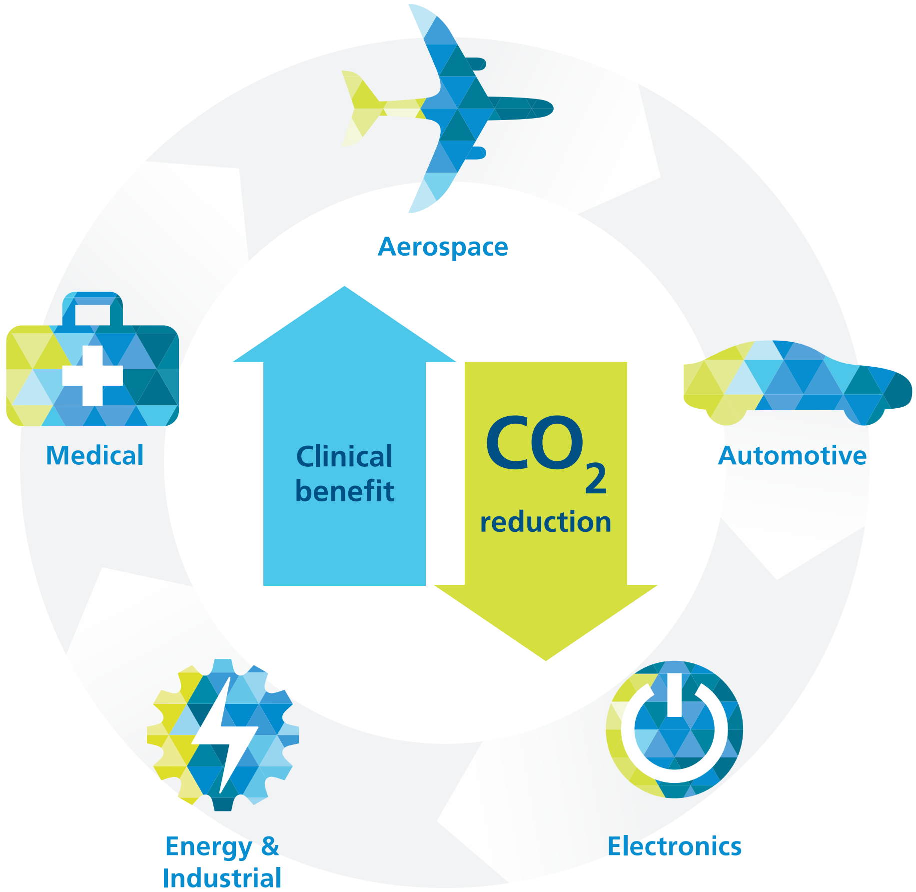
Our sustainability & ESG strategy seeks to build on these credentials through our 'People, Planet & Products' goals.

PEOPLE, PLANET & PRODUCTS

This year we further assessed our sustainable product revenues, to ensure that we fully capture our products serving applications in sustainable end markets, or applications which offer a more sustainable outcome compared to incumbent materials.

→ PRODUCT GOALS: Within our own assessment of how our products bring a quantifiable environmental and societal benefit, our target is to exceed 50% of revenues by 2025 and 70% of revenues by 2030

→ SUSTAINABLE PRODUCT REVENUES: In FY 2023, our sustainable products made up 55% of our revenues (FY 2022: 48%)



Aerospace
30–40%
lighter (vs metals)

Applications using Victrex™ PEEK polymer typically offer 30–40% weight reduction compared to metal used in Aerospace*

Our annual PEEK sales to Aerospace alone help support annual CO_2 savings c3x our own annual CO_2 footprint (based on Scope 1 & 2 emissions)**

Automotive
>200g
PEEK in EVs

Victrex™ PEEK has a long-standing history in ABS braking systems, transmission and other applications. Our penetration in electric vehicles ('EVs') is growing, with the opportunity of >200g per car (currently 10g average for existing ICE cars)

Electronics
40%
lighter (vs metals)

Home appliances, smart devices and machines demand greater energy efficiency, supported by lightweight and durable Victrex™ PEEK. A typical 40% weight saving vs metals used in Electronics supports the opportunity of improved energy efficiency*

Energy & Industrial
Less
metal

Metal replacement in energy applications, including growing revenues in renewable energy, with opportunities in hydrogen applications

Medical
Improved
patient outcomes

Higher union rates and improved patient outcomes have been achieved using Victrex™ PEEK composite Trauma plates, compared to metal solutions*.

* Data on file.

** IATA carbon reduction and climate change 2018, based on replacing 10kg of metal with PEEK and associated CO_2 reduction.

Sustainability report continued

"Through our clear purpose, everyone at Victrex aspires to enable environmental & societal benefits for our customers and the planet. We continue to make good progress on our People, Planet & Products based sustainability & ESG agenda, with particular emphasis this year on our decarbonisation roadmap."

Jakob Sigurdsson
Chief Executive Officer

With well-established 2030 sustainability & ESG goals across each of our People, Planet & Products based pillars (social responsibility, resource efficiency and sustainable solutions), Victrex's credentials as a sustainable business are strong. During FY 2023, governance and oversight of our short and long-term goals was also enhanced through the first full year for our Corporate Responsibility Committee ('CRC'), with further details on the activities of this Committee on pages 98 and 99.

Our People, Planet & Products pillars are also aligned to the UN Sustainable Development Goals 2030, with a summary of progress shown on pages 46 and 47, including long-term progress since our original Sustainability Vision started in 2013 (superseded by our 2030 Goals):

People (social responsibility): Safety, health and wellbeing goals come at the top of our agenda, as we seek to achieve a culture with zero accidents and zero incidents. Our mid-term progress on recordable injury frequency rates is strong, with an 83% reduction in the last three years. Our recordable injury frequency rate in FY 2023 of 0.2 was 85% below the industry average (OSHA average 1.3).

In our Diversity, Equity & Inclusion ('DE&I') agenda, we have positively enabled good progress, with a number of employee forums such as our Gender Engagement Network ('GEN'). We have a clear target of 40% of females in leadership roles by 2030, with FY 2023 at 19%, and an expectation of a gradual upward increase over the coming years. Outside of Victrex, our social responsibility agenda continues to evolve. Our long-standing focus on supporting the next generation of talent via Science, Technology, Engineering and Mathematics ('STEM') learning in UK schools has seen a greater globalisation of this programme, with our first STEM ambassador in China during the year. Apprenticeships at Victrex are also a key part of our development for the future, with 56 apprentices in our business this year. Our remarkable efforts in community volunteering never cease to amaze me and we committed 3,895 hours to local communities in FY 2023, with our cumulative target of 10,000 hours by 2030 now exceeded. We expect to formulate a new target in FY 2024.

Biodiversity is a new area that we have focused on. Our pilot project in the UK involves our employees driving collaboration between industry and nature where we operate.

Planet (resource efficiency): We made good progress in our decarbonisation roadmap during the year, including submitting short and long-term goals to the Science Based Targets initiative ('SBTi'), aligned to Net Zero by 2050 and an interim target by 2032. Post-review by SBTi, we expect to communicate the detail of these targets – covering Scope 1, 2 & 3 emissions – during FY 2024, with annualised reductions equating to over 4% (subject to SBTi review). A number of decarbonisation programmes are already underway, with capital investment to support alternative fuels or processes already built into our ESG capital plans, which will step up over the coming years. Whilst electrification of our assets is a primary focus, we continue to explore hydrogen or other sources, as well as the potential of sustainable chemistry. Our Continuous Improvement ('CI') programme also aims to 'self-help' through considering options such as air source heat pumps and increased solar. Delivering our SBTi targets will rely on access to sufficient renewable electricity, alternative fuels, a decarbonised grid system, and electrical capacity around our sites.

Several metrics were adverse this year, as we saw the inclusion of our China facilities in GHG and other metrics, as well as the impact from our UK Asset Improvement programme (carbon intensity against PEEK produced was 14% higher, but 4% lower excluding China). Pleasingly, we remain at 100% renewable electricity in the UK and 90% globally. Longer-term, we have seen progress in the areas of carbon intensity and waste intensity, with a 17% and 55% reduction since 2013 respectively. Our credentials are also supported by our recent Lifecycle Analysis (LCA), which showed Victrex™ PEEK is more favourable than the current industry value for PEEK manufacturing's global warming potential, based on Sphera materials data. Further LCAs are planned for 80% of the portfolio.

Products (sustainable solutions): With a favourable sales mix in FY 2023 – reflecting good growth in Aerospace and Medical, and a lower proportion of energy and VAR revenues – our sustainable product revenues grew to 55% (FY 2022: 48%). We are also in the process of considering VAR volumes and whether these can be tracked, and assessed as having a quantifiable environmental or societal benefit for relevant end markets. Sustainable product revenues also include Medical, where over 15 million implanted devices, to date, are using PEEK-OPTIMA™ as a replacement for metal, offering clinical benefit in a broader range of applications. Recycling and the circularity opportunities for our products is also an area we are focusing on. More detail on the environmental and societal benefits our products can bring is shown on page 64.

Delivering our goals

With our People, Planet & Products goals well-established and strong governance through our Corporate Responsibility Committee, together with accreditations from the likes of EcoVadis, an A rating from MSCI and continuation within the FTSE Russell Green Revenues Index, we see the opportunity to make a genuine difference to society in the coming years.

As Chief Executive Officer, it is hugely rewarding to see the motivation from our employees to enable environmental & societal benefit through our products, to play our part in social responsibility, and to commit to an active decarbonisation programme, which we anticipate being able to share more on during FY 2024, once reviewed by SBTi.

We look forward to sharing further progress over the coming years.

Jakob Sigurdsson
Chief Executive Officer
5 December 2023

OUR SUSTAINABILITY PROGRESS

Our People, Planet & Products ESG strategy continues to yield good results, with sustained progress since our original goals were set out in 2013.

PEOPLE

Social responsibility

STEM

58

global STEM ambassadors

Diversity

19%

of females in leadership roles

Community

3,895

employee volunteering hours

PLANET

Resource efficiency

Energy

100%

renewable electricity in the UK (90% globally)

Emissions

17%

reduction in carbon intensity since 2013 (Scope 1 & 2 CO_2 emissions per tonne of PEEK produced)

Waste

55%

reduction in hazardous waste produced since 2013 (tonnes/£m revenue)

PRODUCTS

Sustainable solutions

Sustainable revenues

55%

sustainable product revenues

Innovation

>200

patents filed or pending

>53m tonnes

potential CO_2 saving per year from future aircraft using PEEK composites vs metal (based on 50% of the aircraft)

OUR SUSTAINABILITY VISION AND GOALS

Our Sustainability Vision is aligned to both SBTi and the UN Sustainable Development Goals ('SDGs'), which are shown below. The majority of our goals are focused on a 2030 timeline, with our decarbonisation roadmap aligned to 2050 (Net Zero), as well as an interim target by 2032 (targets to be fully communicated in FY 2024, post-SBTi review):

SDGs | **Sustainability pillars**

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

PEOPLE

Social responsibility

Further inspire our employees and communities to positively impact sustainability

→ Read more on page 54

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

PLANET

Resource efficiency

Decarbonisation and focus on minimising resources (energy, waste, and water)

→ Read more on page 58

17 PARTNERSHIPS FOR THE GOALS

PRODUCTS

Sustainable solutions

Our sustainable products support CO_2 reduction and clinical benefit in Medical, as well as offering recyclability potential

→ Read more on page 64

Our key imperatives:

- Net Zero (Scope 1, 2 & 3) emissions in line with 1.5°C emissions scenarios of SBTi by 2050*
- 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 Diversity, Equity & Inclusion ('DE&I') agenda

* Subject to review and validation by SBTi (interim target by 2032).

Goals	Milestone targets	2023 progress
→ **Deliver zero accidents and zero incidents culture** → **Grow** global STEM programme → **Increase community activity** across our global locations → **Focus** on supporting gender Diversity, Equity & Inclusion ('DE&I')	→ **Improved safety metrics, based on the OSHA reporting standard** → **STEM ambassadors** in every region by 2030 → **Commit >500 employee hours** to global community activity annually by 2030 → **Embed DE&I** globally; Females in Leadership roles at 40% by 2030	→ **Continued low recordable injury rate (0.2 vs FY 2022: 0.2)** → **First STEM ambassador in China and 58 global ambassadors** → **3,895 employee volunteering hours; first Biodiversity partnership** → **19% of Females in Leadership roles**
→ **Decarbonisation plan (Carbon Net Zero for Scope 1, 2 & 3 emissions)** in line with the SBTi 1.5°C emissions scenarios[1] → **Sustained reduction in resources through improved productivity and asset efficiency:** carbon intensity, waste & water intensity	→ **Victrex using 100% renewable electricity by 2024[2]** → **Commitment to a science-based target**	→ 100% renewable electricity in the UK, 90% globally → SBTi targets and plan submitted across all scopes → Decarbonisation roadmap and options prepared for primary manufacturing facilities (dependent on access & availability of alternative fuels and technologies)
→ **Increase % of revenue** from sustainable products (driving CO_2 reduction & patient outcomes) → **Increase recycling rates** of PEEK/PAEK in the supply chain	→ **Exceed 70% of Group revenue** from sustainable products with environmental and societal benefits by 2030 (and exceed 50% by 2025) → **Establish Victrex's role** in supporting circularity	→ **Increase in revenue** from our sustainable products with positive environmental and societal benefits to 55% (FY 2022: 48%) → **Developed partnerships in the supply chain to facilitate recycling opportunities**

1 Scope 1, 2 & 3 emissions and science-based target. Goal based on 2022 manufacturing footprint and data.

2 For all countries where the market exists.

→ Read more on pages 43 to 66

OUR ACHIEVEMENTS AND ACCREDITATIONS IN FY 2023

FTSE Russell – Part of FTSE Russell Green Revenues Index – over 30% of Victrex revenues defined as coming from sustainable products.

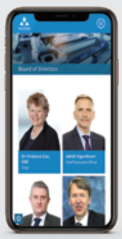
EcoVadis – EcoVadis is one of the leading organisations assessing the sustainability strategies of global companies. In FY 2023, Victrex was again awarded a Gold rating, meaning we are in the top 6% of companies assessed, out of more than 4,000 companies.

MSCI – MSCI is one of the leading organisations ranking listed companies for their sustainability performance. We maintained our A rating in 2023.

Sedex Member – Committed to an ethical and sustainable supply chain.

Apple Clean Energy Supplier programme – We have been accredited by Apple on its Clean Energy Supplier programme, with 100% renewable electricity supply in the UK and a goal to have 100% globally by 2024[1].

1 For all countries where the market exists.



CDP – Victrex has seen consistent improvement from the Carbon Disclosure Project ('CDP'), with a slight decrease in our ranking to C, but evidence of progress since our original D score in 2013.

Financial Times Climate Leaders – Victrex was named by the Financial Times as one of Europe's climate leaders, one of only 400 European companies selected from around 4,000 companies.

Community focus – Victrex has long-standing partnerships with the Science Industry Partnership, supporting the engineers and scientists of tomorrow; STEM learning, as part of our global STEM programme, supporting careers in Science, Technology, Engineering & Maths; and Business in the Community, where we support a range of local activities in the UK, with 3,895 employee hours committed to volunteering in FY 2023 alone.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

Overview

The Task Force on Climate-related Financial Disclosures ('TCFD') continues to provide a useful framework for the Company to assess its climate change approach against, and supports a full breadth of consideration which has been supplemented by external support with the appropriate expertise to challenge and provide guidance in evolving the strategy and approach to climate change.

In line with our products credentials to enable positive environmental and societal benefits through our products, Victrex also recognises the impact we have from our use of resources, i.e. energy, waste and water. Sustainability is firmly embedded in Victrex's purpose – bringing transformational & sustainable solutions which address the world's material challenges. Our products seek to bring technical or environmental benefits, for example supporting CO_2 reduction in Aerospace & Automotive, or improving energy efficiency in Electronics and Energy & Industrial end markets. This is underpinned by targeting our innovation investment in Research & Development.

As outlined on page 44 our Net Zero target has progressed during the year to now include all scopes by 2050. Our target, in line with the 1.5°C emissions scenarios of SBTi, also recognises the environmental impact of our manufacturing processes which create CO_2 emissions, utilise water and generate waste. Our near and long-term SBTi targets will be based upon data from the SBTi target setting tool and will form the basis for our Net Zero targets once our plans are approved. Our CO_2 metrics are included on pages 59 to 62 with our path to lower emissions included on page 61. We continue to research new technology aimed at minimising use of resources and significantly reducing our own operational carbon footprint.

We seek to exceed 50% of Group revenue from products with positive environmental and societal benefits by 2025 and exceed 70% by 2030 (FY 2023: 55% which reflects weaker industrial end-markets and is expected to reduce closer to 50% in FY 2024). Our commitment is clear to support a lower carbon economy and provide greater societal benefits to an increasing proportion of the population (through our materials supplied into Medical applications). In delivering our targets we are working closely with customers and collaborating with companies that share our ambitions and goals.

As plans to deliver our Net Zero target continue to evolve, management receives regular input from multiple stakeholders, as we keep our approach under review, supported by the Corporate Responsibility Committee. Engagement in our climate change strategy has been particularly strong amongst our employees, with not only commitment to supporting current workstreams but increasing levels of idea generation coming from all areas of the business, including energy saving, recycling and waste reduction.

Statement on TCFD

We set out below our climate-related financial disclosures. These comply with LR 9.8.6R by incorporating climate-related financial disclosures consistent with the TCFD recommendations, specifically under the four TCFD pillars and eleven recommendations. Whilst consistent with the recommendations, we note that the level of granularity provided will increase during FY 2024 following the SBTi review as the Company further matures and embeds its climate change processes, approach and KPIs, to track progress against targets. This will include an indication of the financial investment required, in support of the decarbonisation roadmap aligned to SBTi.

The table below is presented to demonstrate consistency and signpost where the specific disclosures are included in the Annual Report where they are not within this section. It also sets out the progress made during the year and future actions the Company is taking which will support more detailed disclosure in future years.

In making the above statement of compliance the Board has considered materiality and whether the incorporated disclosures provide sufficient detail to enable stakeholders to assess the Group's exposure to and approach to addressing climate-related issues. This includes an assessment of the level of exposure the Group has to climate-related risks and opportunities considering our products and manufacturing processes. Specifically on the financial disclosures incorporated in the financial statements (see note 1 for details) a materiality level consistent with that used for other financial statement disclosures, and with the level used by the external auditors, has been used, which for the current year is £4.0m.

The Board has considered the TCFD additional guidance (2021 TCFD Annex) in preparing the disclosures, including the sector specific guidance for Materials and Buildings, which is the sector relevant to the Company, as a chemical manufacturer. The Company has included the sector specific disclosures, principally the potential impacts of stricter constraints on emissions and the related impact on costs as well as the opportunities for its products to reduce carbon emissions, with a specific metric (and target) included to measure this. The emphasis of the additional guidance is to provide more granular and explicit disclosures which as stated above is aligned with the Company's objectives for future years. Victrex is a member of the Chemical industry Association which is planning to issue sector guidance on SBTi and climate change targets during 2024. This guidance will be incorporated into the Group's targets aiding consistency and comparability across the sector.

The Board is supported by the Audit Committee in assessing the level of consistency of disclosure with the requirements of TCFD. Further details on the role of the Audit Committee are included on page 90.

Oversight and governance of ESG risks & opportunities (including TCFD & climate change)

Victrex Board

The Board reviews and approves the Group's ESG and SBTi goals and has oversight of how these will be embedded and reported, whilst ensuring sustainability remains at the core of our purpose and strategy

Corporate Responsibility Committee ('CRC')

The CRC oversees the Group's conduct regarding its corporate societal obligations and commitments. This includes overseeing and reviewing the development and execution of the ESG and sustainability strategy and commitments including progress towards targets. Further details on the activities of the CRC are included on pages 98 and 99

Victrex Management Team ('VMT')

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

Sustainability workstreams

Head of Sustainability & ESG

1. People
2. Planet
3. Products
4. ESG Governance

Sustainability report continued

Summary of key focus areas

	Recommendation	Consistency and 2023 actions	Future actions	Further details (where relevant)
Governance				
a.	Describe the Board's oversight of climate-related risks and opportunities	The Victrex Board is responsible for reviewing and guiding strategy, with sustainability embedded into our purpose and our Polymer & Parts strategy. Board oversight is led by the Corporate Responsibility Committee ('CRC'), which was established during FY 2022, meets quarterly, and is chaired by a Non-executive Director. The CRC reviews progress against the ESG and sustainability goals and action plans to deliver these. It also assesses ongoing environmental performance against key performance indicators. The CRC has overseen the process for identifying and assessing risks and opportunities associated with climate change. The Chair of the CRC provides the Board with an update at each Board meeting.	The Board and the Corporate Responsibility Committee will continue to challenge how the proposed ESG and sustainability goals and plans are embedded, whilst ensuring sustainability remains at the core of our purpose, values, and strategy.	The key performance indicators and milestone targets are shown on page 47. Further information on the roles and responsibilities of the Board and CRC is included on page 77 and pages 98 and 99 respectively. The Board members' experience of climate change is included in their biographies on pages 70 and 71.
b.	Describe management's role in assessing and managing climate-related risks and opportunities	The VMT (chaired by the CEO) is responsible for reviewing and guiding major plans of action to achieve the sustainability strategy, including required capital investment and investment in R&D supporting sustainable products. During FY 2023, the VMT has embedded ESG and sustainability strategy target reviews into the regular performance reviews they undertake with their respective teams.	The VMT will review and propose necessary actions in support of our ESG and sustainability goals, for example options towards our SBTi goals, which include alternative low carbon fuels and processes (whilst noting access to and availability of alternative technologies is required).	
Strategy				
a.	Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term	Climate change related risks and opportunities have been identified and regularly reviewed throughout FY 2023. These risk and opportunities include those involving our products and solutions benefiting society (for example in quantified weight saving and CO_2 reduction in Aerospace & Automotive), the cost of carbon intensity through taxation from our operations and the potential increase in the cost of energy. Victrex has used the TCFD framework of six risks and five opportunities along with the related examples to support the identification process, of which four risks and two opportunities are considered to be most impactful and are disclosed below.	Climate-related risks and opportunities will continue to be reviewed on a regular basis by the CRC. Further locations, those which are smaller and have a much lower impact on current and medium-term revenue growth, will be assessed for physical risks when their revenue becomes material to the strategy period, with updates made to existing assessments and mitigation plans as information and climate change modelling become more sophisticated.	Risks and opportunities, both physical and transitional, are presented on pages 51 to 53.
b.	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	The potential climate-related benefits that our products offer present a strong business opportunity, which is considered to outweigh the climate-related risks from markets which will be adversely impacted by climate change. The benefits that our products bring are detailed in Products (Sustainable solutions) on page 64. Climate-related risks, both physical and transitional, are primarily assessed in the context of our own manufacturing operations. External assurance was gained on Scope 1 & 2 emissions for FY 2022, with limited assurance being given on Scope 3 from FY 2023 onwards.	The impact assessment of the identified risks and opportunities will be refreshed as part of the annual strategy review during each future financial year with the aim of maturing our models continuously. Assurance across all scopes using an external provider (SLR Consulting) to work towards carbon budgeting.	The impact of risks and opportunities is presented on pages 52 and 53. Examples of the benefits our products bring in reducing CO_2 emissions and therefore supporting the mitigation of climate change risk are included on page 64. Emissions reporting is detailed in the Resource efficiency section on pages 58 to 62.
c.	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a well below 2°C or lower scenario	The Group believes that its Polymer & Parts strategy is resilient in a well below 2°C or lower scenario, primarily through: → the Group's existing products, along with its mega-programmes in Transport, support applications aimed at reducing carbon dioxide emissions and therefore assist current and future customers meeting their own requirements to reduce emissions in a well below 2°C or lower scenario; and → the strategy of the Group includes a clear goal to decarbonise the manufacturing process as part of achieving Net Zero (noting access to technology). This will mitigate the impact of the Group's manufacturing processes on climate change and mitigate against the likely tightening of regulatory/government restrictions and taxes to drive down the use of carbon emitting processes.	Challenge the manufacturing process and chemistry to lower the overall energy usage, water usage and waste generation. Complete the assessment of the most climate sensitive and cost effective source of green energy to meet the future manufacturing requirements, replacing gas and non-green electricity currently used.	See pages 5, 58 to 62.

Recommendation		Consistency and 2023 actions	Future actions	Further details (where relevant)
Risk management				
a.	Describe the organisation's processes for identifying and assessing climate-related risks	During 2022 we conducted an initial climate-related risk assessment using external specialist support. This included a risk assessment workshop comprising senior management from across the business to review climate-related risk over the short, medium, and long-term horizons. This exercise considered both the climate-related physical and transition risks under three climate scenarios and the actions that could be taken to mitigate them. A summary of the most significant climate-related risks is included on pages 51 to 53. Climate risks have been part of our overall Corporate Risk Management process during 2023 and will continue to be going forward. Each risk is thoroughly evaluated based on the likelihood of occurrence and severity of impact.	Continue to monitor and review climate-related risks through the Corporate Risk Management process. In addition, the CRC will provide oversight to the newly established climate-related risks including action plans and progress made.	The risk management process is described on pages 32 and 33.
b & c.	Describe the organisation's processes for managing climate-related risks, and how these are integrated into the organisation's overall risk management	The CRC oversees sustainability workstreams, which includes climate-related risks. Climate-related risks are integrated into and managed alongside our corporate risk processes and principal risk profile. Each risk has a designated risk owner who is responsible for reviewing and monitoring the risk and providing the necessary oversight for the implementation and maintenance of appropriate mitigations. Our corporate risk framework (page 32) provides details of the processes used to assess and manage all risk types, including climate-related risks. We have a well-established risk impact rating methodology which we have used to complete qualitative assessments of our transitional and physical climate-related risks.	Further develop the response plans for each significant climate-related risk and its interaction with the options to Net Zero and monitor progress through the CRC. Fully establish assurance of key controls and actions related to the newly defined climate-related risks.	The building blocks to Net Zero are included on page 61. See pages 52 and 53 for the strategic response and resilience against the specifically identified risks.
Metrics & targets				
a.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	The climate-related metrics are proposed by management and agreed by the CRC. This includes the development of milestone targets on the path to Net Zero (Scope 1, 2 & 3 emissions aligned to SBTi).	Further refinement of metrics including setting of interim milestone targets to monitor progress towards reductions to Scopes 1, 2 & 3 in line with SBTi 1.5°C emissions scenarios.	Victrex metrics are set out on page 61. Targets for these metrics are being developed in line with our SBTi submission for publication in FY 2024.
b.	Disclose Scope 1, Scope 2 & Scope 3 greenhouse gas ('GHG') emissions and the related risks	We calculate and track Scope 1, 2 & 3 (Scope 3 categories where relevant – see page 62) GHG emissions, including our absolute carbon emissions, and measures of carbon intensity according to the GHG Protocol Corporate Standard.	We submitted our plan to SBTi for validation in September 2023 with options covering reductions to Scopes 1, 2 & 3 in line with its 1.5°C emissions scenarios.	Emissions disclosed on pages 58 to 62.
c.	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have established longer-term goals with associated near-term milestone targets related to climate change, which includes our aspiration of Carbon Net Zero aligned to SBTi. Interim goals include our target of increasing our sustainable products to over 70% of revenues by 2030 (from more than 50% in FY 2023). As set out in the Directors remuneration report, a proportion of executive remuneration will be assessed against challenging carbon reduction targets.	We have submitted our plan to SBTi for validation to start the process of science-based targets in line with the global accord to minimise global warming to 1.5°C.	Climate-related metrics and targets are set out on page 60 for emissions. The initial revenue metric is included on page 47. Executive targets detailed are set out on pages 111 to 123.

Climate-related risks and opportunities

As noted above the Group has been through a detailed process to identify climate-related risks and opportunities. As required by TCFD this has included the two major climate-related risk categories and their six subcategories along with the five major categories of opportunity.

Analysis has been undertaken against each of the subcategories to identify the key risk/opportunity relevant to the Group, the financial impact of that and the likelihood of them arising both across a range of timelines and transition climate scenarios. The time horizons and climate scenarios used for the transitional risk assessment are detailed below with those used for physical risks included on page 53. Different climate scenarios and time horizons have been used to best represent the different drivers behind transitional and physical risks and opportunities.

Time horizons:

Short term	Medium term	Longer term
Considered up to 3 years	Between 3 and 10 years	More than 10 years

They have also been assessed through multiple transition climate scenarios:

1 Accelerated Net Zero 2050 scenario (aligned to 1.5°C)	2 Mid case scenario (aligned to 2°C)	3 Current policies scenario (aligned to 3°C)
Global Net Zero target achieved by 2050 in line with the aim of the Paris Agreement. This would require swift and decisive action regarding both governments and businesses.	Achieve global Net Zero by 2080, requiring a progressive ramp in policy interventions compared with today.	Global Net Zero not achieved by 2100, reflecting lack of co-ordinated global commitments with limited policy interventions.

The analysis is split into transitional and physical risks and opportunities and detailed on pages 52 and 53.

Transition-related risks and opportunities

The Group undertook a detailed exercise to identify transition risks and opportunities for consideration. Those considered to have the largest impact are included in the table below. For some risks and opportunities, the time frame of impact spans multiple time horizons; where this is the case two time frames are shown to illustrate this with the impact expected to increase as the time horizon increases.

Climate-related risk/opportunity	Impact	Temperature scenario	Time frame of impact	Strategic response and resilience
Policy				
Risk: The Group's energy usage is disclosed on pages 59 to 61. Increasing the pricing of carbon emissions is a key lever for governments and regulators to reduce the use of hydrocarbon-based energy sources. **Link to principal risks:** Strategy execution	Current sources of energy, gas and electricity could increase in cost significantly as the government drives a move away from hydrocarbons to green energy sources, with alternative sources of green energy more expensive. An illustrative impact for financial modelling purposes has been made as outlined below.	Accelerated/ Mid/Current	Medium Medium–long	Reducing the impact of carbon-based taxes is being mitigated by both the switch to greener energy and the chemistry of the manufacturing process to reduce absolute energy usage. The Group's strategy for reducing carbon emissions is aligned to SBTi and outlined on page 61. The approval of new capital projects includes consideration of the source of energy and an assessment and access to green energy options.
Policy, market, and technology				
Risk: A proportion of the Group's sales go into industries expected to decline due to climate change (driven by both government policy and consumer behaviours), including Oil & Gas and internal combustion engine-based transportation. **Link to principal risks:** Strategy execution/ Geo-political and macro-economic environment	Declining sales and profits as demand falls for the Company's products. Approximately 21% of sales currently go into Oil & Gas and ICE related Automotive applications.	Accelerated/ Mid/Current	Medium–long Long	Whilst Oil & Gas and ICE-based transportation is expected to reduce significantly over time, this is likely to vary by geography and take many decades. PEEK has a continuing role to play in making both industries reduce their carbon footprint in the intervening period.
Opportunity: PEEK's properties play favourably in a low carbon world (see pages 43 and 45 providing opportunities to grow sales significantly as the world decarbonises and governments introduce policies and regulations.	Delivery of the Group's growth programmes, which underpin carbon reduction, including lightweighting of aircraft, electrification of vehicles and increased use of semiconductors, will lead to significant revenue and profit growth and cash generation.	Accelerated/ Mid/Current	Medium Medium–long	The Company continues to invest heavily in its mega-programmes supporting lower carbon transportation, but also has applications in green energy and electronics which support improved energy efficiency. Within Automotive, for example, the decrease in the ICE business is expected to be slower than the increase in the EV business and will therefore provide an increased net benefit over the medium-term horizon. Success in this area is aligned to our target of growing revenue from sustainable products.
Reputation				
Risk: Key stakeholders, including investors and employees, become disenfranchised with the Group's failure to deliver its Net Zero target. **Link to principal risks:** Recruitment and retention of the right people	Reduced interest from investors will adversely impact the Company's share price and make raising capital more difficult. Not being able to retain and attract talent will adversely impact the Group's ability to deliver the strategy.	Accelerated/ Mid/Current	Short–medium	The Company has established an ambition to become Net Zero across Scopes 1, 2 & 3 in line with SBTi 1.5°C emissions scenarios. Demonstrating progress against these milestones will retain the interest of key stakeholders.
Opportunity: Achieving Net Zero presents an attractive proposition for key stakeholders, including customers, investors, and employees, with increasing interest in being associated with ambitious companies delivering their commitments on climate change.	Increasing interest from ESG funds may boost the Company's share price and could provide greater access to capital, with financial institutions also providing more attractive access to capital for companies with green credentials. Attracting and retaining talent will support delivery of the Company's strategic growth ambitions.	Accelerated/ Mid/Current	Short–medium	Victrex has grown its position amongst several dedicated ESG funds (UK & global). It has also broadened its position in several external networks or industry forums as an advocate of decarbonising. The Group has sought external accreditation for its approach to climate change (e.g. MSCI) providing key stakeholders with assurance of its commitments to Net Zero.

The overall financial impact of the risks and opportunities in this section has been assessed. From a revenue perspective it has been concluded that climate change presents a net opportunity for the Company, with PEEK and its current and future applications playing strongly across several end markets where reductions in carbon emissions are a key driver for innovation. For financial planning and scenario modelling a cautious revenue neutral position has been assumed.

The primary adverse financial impact will come from higher carbon pricing, should the Company fail to identify a cost effective green energy solution to replace gas as its primary source. The Board remains confident that this will not be the case but the cost of implementing and running greener energy, based on current usage, can only be an estimate at this stage. The target is to mitigate any increase through improvements in the manufacturing process which facilitate operating at lower temperatures and producing less waste; however, this remains at early stages with cost increases likely to arise before the mitigation benefit. As a result, the Group has assumed a financial downside from carbon pricing (covering both the potentially higher cost of green energy, and the cost of carbon taxes if this fails). An assumed additional cost of £20mp.a. (from 2025), increasing annually with inflation, has been included in sensitised financial forecasts, including the models used for impairment testing and the viability assessment, to address this risk.

Physical risks

The Group has assessed the climate-related physical risks, both acute and chronic. The primary physical risk is that of increased severity and frequency of extreme weather events:

Climate-related risk	Impact	Risk	Potential financial impact
Physical: acute and chronic			
Increased frequency and severity of extreme weather events.	→ Disruption to production processes and/or loss of inventory. → Loss of assets. → Harm to employees. → Loss of reputation for ability to supply on time in full.	→ Employee welfare could be impacted by extreme weather ranging from impact of flooding through to heatwaves and droughts making working conditions harmful. → Increases in the frequency and severity of flooding events could result in damage to production assets or loss of inventory.	→ Loss of production resulting in loss of revenue (short term and/or long term) due to being unable to supply with customers seeking more reliable alternatives. → Cost of repairing/replacing assets not covered by insurance. → Increased cost of unavailability of insurance.

The Group's primary operational manufacturing assets are in the UK, with commissioning concluding in China on additional capacity which will be fully operational in early 2024. The Group has a network of regional warehouses, all of which are leased, which affords the flexibility of being able to readily relocate these within a short time frame where elevated risks exist or emerge over time.

The Company's ability to supply its customers has been and remains a key business priority. A key mitigation of this risk is the level of inventory, with targeted levels of three to four months' cover at each warehouse. This level is kept under review depending on the risks to global supply chains and the phasing of extended plant maintenance shutdowns at any point in time as well as the volatility in demand profiles. The risk to supply from climate change is incorporated into this consideration, but at current target levels of inventory, a temporary loss of production due to extreme weather events could be absorbed without losing the ability to supply customers.

Physical risk climate scenario analysis modelling

Climate scenario analysis ('CSA') was completed within FY 2022 on the Group's primary operational manufacturing sites, defined as those critical to the sustainability of our current revenue streams and those which will deliver most of the growth over our strategic planning horizon, five years. Three sites met the criteria for inclusion in the initial assessment, all based in the United Kingdom. The information assisted our understanding of the potential impact of climate change on the future of our business which in turn will support the evolution of our strategy.

The CSA was carried out using a standard methodology in line with TCFD guidance by third-party advisors to assess the exposure to the physical risk noted above. In total nine hazard types were assessed, including flood, wind, precipitation, and drought, up to 2100 in 10-year increments. The modelling has been based on three IPCC climate change scenarios with a baseline of 2020. The scenarios are detailed in the 2022 Annual Report, based on Shared Socio-environment Pathways ('SSP') ranging from SSP 1-2.6 to SSP 5-8.5.

The conclusion from the analysis of these three sites is that there was no material financial impact from the physical risks arising from climate change through the short-term time horizon, mid-term time horizon (2041–2060) nor well into the long-term time horizon (2081–2100) (under any of the temperature scenarios), neither directly in the working conditions for our employees nor the operational cost of the business nor the cost of insuring the Group's key assets. The analysis highlights several factors for the Company to consider in expanding, replacing and protecting its assets and providing a safe working environment for its employees at these sites. The incorporation of these into the future plans of the business will be monitored by the CRC. The hazard types and levels remain consistent within those disclosed in the FY 2022 Annual Report.

An updated analysis based on the 2023 strategy update, confirmed that the three sites identified in 2022 remain the most impactful over the next five years. Further work is scheduled to widen the scope of this analysis to other manufacturing sites, as they become more significant, and through the supply chain to our strategic suppliers, focusing on suppliers in markets with limited participants.

Financial statement impact

The impact on the financial statements for the year ended 30 September 2023 of the aforementioned risks and opportunities from climate change has been detailed in the notes to the financial statements (see note 1 for further details).

PEOPLE (SOCIAL RESPONSIBILITY)

Our social responsibility pillar focuses on inspiring our employees and communities to positively impact on our three priority areas:

- Safety, Health and Wellbeing;
- Diversity, Equity & Inclusion; and
- Community and employee volunteering.

Safety, Health and Wellbeing

The safety, health and wellbeing of our employees continues to be our highest priority and fundamental to everything we do at Victrex.

This year we changed our annual Global SHE Week, to quarterly Focus on SHE sessions, allowing for more allocated time for our colleagues to spend on SHE related activities including Health & Wellbeing. This year we have run a number of workshops which include Lifestyle Management, Movement Matters, Financial Wellbeing and Managing Menopause. We had 441 colleagues attend workshops. Notably our team in Shanghai was able to hold its first in-person SHE event since the COVID-19 pandemic and this was well received by our colleagues.

We continue to build digital resources and toolkits accessible year-round for all our employees which included articles focused on a variety of topics including grief, mental health, digital wellbeing, surviving long-term illnesses and women's health, some of which shared personal stories from our employees, which led to valued conversations and collaboration across all our sites.

During the year we started our podcast series with a group of colleagues to discuss the topic of bereavement, at the request of one of our colleagues who had recently suffered a loss. We had a great response from colleagues wanting to get involved and support their colleague.

We continued to celebrate international days and events and in November we celebrated our month of supporting men, along with celebrating our month of supporting women in March. In these months we provided a number of activities, articles and learning to support our colleagues. In March 2023 for example, we held a dance-a-thon where colleagues gathered and raised money for Fylde Coast Women's Aid.

Safety, health and wellbeing activities take place globally, keeping SHE as our highest priority

Victrex formed a Biodiversity partnership this year to help industry and nature work in harmony

Employee assistance programme

We continue to provide occupational health, private medical and employee assistance programme ('EAP') services to all our employees. This year, in the UK, we launched an employee assistance app with our EAP provider, to allow our colleagues to have help and advice at their fingertips. We also saw the return of UK on-site health checks from our private medical provider, supporting our employees with tailored health enhancing advice.

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 improvement in the safety, health and wellbeing of all our employees.

Diversity, Equity & Inclusion

We are fully focused on our target of achieving 40% of females in our leadership group by 2030 through promotions and targeted development solutions.

Our second diversity data collection exercise saw an increase in employees responding to the questionnaire giving us further insight into our employee base. This continues to inform our activities throughout the year ensuring the correct alignment.

Ongoing work with our applicant tracking system continues to help us interrogate who is applying for jobs at Victrex and who is being employed. This has enabled a more focused approach to recruitment ensuring a greater diversity of candidates are applying for jobs. A number of initiatives have been introduced to support in this area including using gender decoding software for advertisements, using more diverse job boards and a greater emphasis on facilitating flexible working.

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 who 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.

This year we have established a new employee resourcing group – the 'Enable' network with a focus on supporting employees with disabilities. Activities this year have included carrying out an audit of workplace premises from an inclusion perspective to identify what changes could be made to enhance our inclusiveness and highlighting all the accessibility tools available to all colleagues across Victrex.

Our rebrand last year to Diversity, Equity & Inclusion is embedding well. Focused workshops on understanding equity helped further embed the DE&I messages with good attendance. Our mid-year Employee Experience Pulse Survey further highlighted our progression on our diversity journey with an increase of 4% to show that 81% of employees believe that Victrex appreciates individual differences.

Progress in FY 2023

- Facilitated delivery of workshops on understanding: equity (129 attendees), allyship (62), bias (37) and specifically for managers – creating an inclusive culture (53). Delivered information sessions for manufacturing-based employees in the UK. Over 400 employees engaged and participated in facilitated DE&I sessions.
- In addition, 726 employees have completed our Introduction to Diversity, Equity & Inclusion e-learning.
- Our employee resourcing groups continue to grow with 140 people involved in our gender engagement networks and 30 people involved in the Enable group. Our Race4equality group continues to develop, now encompassing the US and the UK.
- 23 guest speakers on diversity included:
  - Vivienne Cox – a view from the Chair;
  - Sarah Furness – Fly Higher – leadership and resilience;
  - Darren Edwards – Disability and Thriving in the face of adversity; and
  - Rachel Yankey – redefining the game: A lioness' Call to End Racism in Football.
- Creation of DE&I toolkits to support managers having conversations around diversity.
- Successful piloting of a Reverse Mentoring programme.
- Ongoing development of the DE&I library including resources on generational differences, accessibility in the workplace and Pride.
- Promoted several global awareness days including Movember, International Women's Day, 'Pride Month' and the Invictus Games.
- Outreach work at Blackpool Sixth Form with a focus on LGBTQ+.

Employee breakdown

At the end of FY 2023:

- 56% of our Board were male and 44% were female.
- 33% of our senior managers were female**.
- In the grouping of senior managers and their direct reports***, 69% were male and 31% were female.
- Of the rest of our employees 75% were male and 25% were female.

As at 30 September 2023:

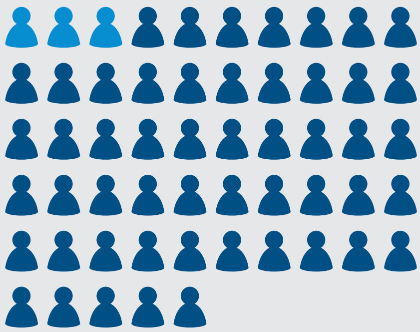
	Male	Female	Grand total
Board of Directors*	5	4	9
Senior managers**	4	2	6
Senior managers and direct reports***	33	15	48
Rest of employees	796	265	1,061
Grand total permanent employees (incl. Executive Directors)	**829**	**280**	**1,109**

* Board of Directors includes Martin Court as at 30 September 2023.

** VMT members excluding the Executive Directors. VMT members are listed on page 81.

*** VMT members including Executive Directors and direct reports.

Permanent employees (as at year end)

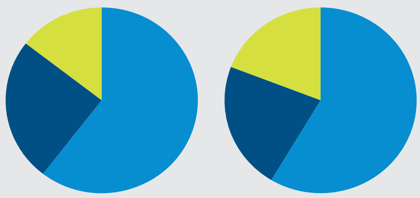


IN 1993 **60**

IN 2023 **1,109**

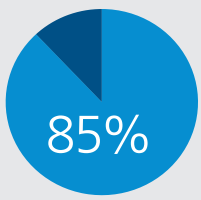
Average number of people employed during the year, by category

TOTAL: 1,004 TOTAL: 1,117



IN 2022		IN 2023	
Make	586	Make	654
Develop, market and sell	230	Develop, market and sell	249
Support	188	Support	214

Participation in employee share schemes



2023	2022	2021	2020	2019
85%	77%	89%	90%	93%

Note: Based on eligible employee population.

9%

Voluntary employee turnover

2023	2022	2021	2020	2019
9%	8%	7%	4%	5%

PEOPLE (SOCIAL RESPONSIBILITY) continued

Learning & development

Our digitalisation of learning continues, with an increasing number of blended learning solutions being developed.

We continue to focus on the development of our managers and our newly launched 'Management for Success' programme has seen a total manager participation of 565, across the 10 modules.

The focus on safety training continues with a further 65 employees completing their IOSH accredited qualification.

In FY 2023 we had 56 (45 male: 11 female) employees on apprenticeship programmes including 15 employees (12M:3F) completing their qualifications. 19 employees (13M:6F) started professional qualifications in FY 2023 and 9 people completed professional qualifications (5M:4F).

Employees across Victrex completed 23,523 hours of learning in FY 2023.

Recognition

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

In FY 2023, there were 493 Above & Beyond Awards, 109 Functional Excellence Awards, 57 CEO Awards and 37 Professional Development Awards.

Involvement

- 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.
- Operating a hybrid approach to our virtual quarterly staff briefings this year, with both face to face and virtual, to support our flexible working ethos. These sessions allow our employees to 'stay in touch' with our leadership team and hear about business updates and also give the opportunity to ask questions.
- Brendan Connolly, our Non-executive Director for Workforce Engagement, has been meeting with our employees globally to listen to employee voice, explore views and drive employee engagement. We have had excellent feedback from our employees on the interactions. His fourth annual report can be found on pages 84 and 85.
- Following our 2023 Employee Experience Pulse Survey we continue to be focused on reviewing the results and creating and delivering action plans to drive improvements. Over 70% of our colleagues have been involved in creating and delivering on improvement action plans for their teams. We saw a 5% increase in overall engagement to 74%.
- Our quarterly regional Employee Forums continue to give our employees an opportunity to feed back on broader employee experience and provide an employee view to planned business initiatives and projects.

Gender pay in Victrex

For Victrex, Diversity, Equity & Inclusion ('DE&I') are all central to our sustainability & ESG strategy, with targets specifically focused on measuring the effectiveness of interventions to support female progression within our organisation. Our Corporate Responsibility Committee chaired by a Non-executive Director continues to increase the focus and rigour on our efforts to drive change in the DE&I agenda (see page 98 for Corporate Responsibility Committee report).

Gender diversity and pay

We continue to report and publish our statutory gender pay and bonus gap each year, in line with the guidance introduced in the Gender Pay Regulations in 2017. In addition, we look for trends and indicators of our successful implementation of targeted initiatives or identify new opportunities to support bridging the gap over time. Victrex continues to meet the standards of the Minimum Wage and National Living Wage where these apply.

The full Gender Pay Report is available on our Victrex plc website at www.victrexplc.com.

For gender pay gap reporting purposes, we took our 'snapshot' of Victrex Manufacturing Limited at 5 April 2023 and have outlined the headline statistics and analysis in this section. We have then set out a summary of the key improvement actions we have been taking and the positive trends emerging since we started our reporting in 2017.

Snapshot headlines for 2023

- There were 733 relevant people employed on full pay (in Victrex Manufacturing Limited).
- 78% were male and 22% were female.
- The percentage of female employees overall has increased from 17% in 2017 to 22% in 2023.
- The percentage of female employees in the upper middle quartile increased from 6.15% in 2017 to 17.03% in 2023.
- The percentage of female employees in the upper quartile has increased from 17.83% in 2017 to 22.40% in 2023.
- The median gender pay gap has reduced from 13.49% in 2017 to 6.42% in 2023.
- 93.80% of males were paid a bonus, compared with 91.57% of females.
- The proportion of male vs female employees in each of our pay bands was split as follows:
  - Lower quartile – 65.43% male vs 34.57% female.
  - Lower middle quartile – 86.67% male vs 13.33% female.
  - Upper middle quartile – 82.97% male vs 17.03% female.
  - Upper quartile – 77.60% male vs 22.40% female.

Summary

We are committed to taking sustainable, positive, and proactive actions to close the gender pay gap through focused interventions. We are actively reviewing, defining and developing initiatives to accelerate our progress towards our targets to become a more gender balanced organisation by 2030.

We have made steady incremental progress over the past six reporting years, reducing the pay gap and increasing our female leadership and talent pipeline at apprentice level; however, we remain focused to do even better.

Over time, we are confident that the actions and initiatives we put in place, 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 sustainability goals.

Community & employee volunteering

Victrex seeks to inspire the next generation of talent, with a growing Science, Technology, Engineering & Maths ('STEM') programme, and community partnerships, both in the UK and globally.

Primary education

Inspiring the next generation is our driving force behind our STEM outreach, and it's pivotal that we start inspiring children at a young age. Much of our outreach historically has been aimed at ages 11–18, but this year, we connected with several primary schools in the Blackpool, Fylde, and Wyre area to bring STEM careers into their schools. A key relationship has been built with Larkholme Primary School, through which we have connected with 125 children aged 7–11 across two activities, as well as funding an outdoor learning space that promotes STEM and everyday life skills as part of the curriculum. Without the funding, the children would have had limited outdoor time due to weather for the next two years.

Throughout FY 2023 we have continued to support the communities where we operate, through partnership and consultation in our relationships with SIP, Business in the Community ('BITC'), Blackpool Pride of Place, Career Ready, Royal Society of Chemistry, Careers & Enterprise Company, and Speakers for Schools to offer meaningful impact where it is needed most. Our global network of social responsibility ambassadors is strong.

Lab interns & STEM

In FY 2023, we welcomed our first Victrex STEM ambassador in China who engaged a local university chemistry course and supported three interns in the laboratory at our AITC Shanghai technical centre. The students experienced lab testing and other daily tasks, learning from Victrex employees. This programme was a great success, and we intend to welcome more interns next year.

Biodiversity

Biodiversity is a growing theme for many of our stakeholders, in ensuring that industry and nature can co-operate collaboratively. With clear links to the communities where we operate, we became members of The Wildlife Trust for Lancashire, Manchester, and North Merseyside in the UK, our first Biodiversity partnership. A group of employees took part in a volunteer day at the Lunt Meadows Reserve in the UK, to help conserve the venue for wildlife. As part of our new membership, we plan to support many more events in the coming years and are considering how we could broaden these activities to other sites.

Special educational needs ('SEN') inclusion

Through the development of our new Enable network, supporting people with disabilities, we identified that we needed to connect with young aspiring people at local special educational schools in Blackpool to include them directly in our STEM outreach. We connected with three local SEN schools, running STEM workshops, and we are now in conversations about work experience, and further engagement opportunities.

Gender workshops

As part of the global celebrations for International Women's Day, Victrex was invited to support at the Fylde Coast International Women's Day event at Blackpool Sixth Form College in the UK. Several employees attended on the day to deliver workshops about women in STEM to girls aged 13–15 from around the UK.

Charitable donations

Our global, employee-led charity and community teams have continued to support the local communities where we work throughout FY 2023. Our key focus has been social mobility, global donation drives, and a wide range of other community-led initiatives aimed at giving back.

Victrex has supported a range of charitable donations totalling £82,331 (FY 2022: £81,811).

Responsible taxation policy

The Group is committed to managing its tax affairs in a responsible and transparent manner, as outlined in our Tax Strategy (www.victrexplc.com), with the Group acknowledging its corporate responsibility in this area. The profit-based corporation tax charge for the year was £8.0m (FY 2022: £11.4m), with a total tax charge, incorporating deferred tax, of £11.5m (FY 2022: £12.2m) giving an effective tax rate of 15.9% (FY 2022: 13.9%). Taxation paid during FY 2023 was £2.0m (FY 2022: £10.6m), in relation to profit-based taxes, which was below the corporation tax charge reflecting a repayment of tax from previous years. The Group's mid-term guidance for the effective tax rate is 13%–17% compared to the current (25%) UK corporation tax rate and the global minimum rate of 15% due to take effect for applicable multinational enterprise groups from FY 2025 (albeit the Group currently does not meet the group revenue threshold of €750m). The discount to the standard UK rate, which the government has increased to offset the increase in the UK corporation tax rate, is due to the specific UK government reliefs, including Research & Development expenditure credit, Patent Box and, from time to time, enhanced capital allowances, available to UK companies which invest heavily in Research & Development, create highly skilled innovation jobs and develop unique value-generating intellectual property ('IP'). Victrex's strategy of investing in, and patenting the output of, innovative and sustainable products and processes allows the Group to benefit from these reliefs.

The Group currently manufactures the majority of finished goods in the UK, which are then sold to Group companies in other jurisdictions which serve their respective customers. The prices levied between Group companies, and resulting profits in each jurisdiction, are governed by the Group's global transfer pricing policy, which is based on the arm's length principle and set in compliance with OECD principles with regular benchmarking undertaken using external advisors.

It is noted that the total tax contribution for the Group is significantly higher than the profit-related taxes alone. The total tax contribution for the Group includes employee-based taxes, customs duties and elements of unrecoverable VAT, in addition to taxes collected on behalf of the government, including VAT and taxes borne by the Group's employees.

Group policies

Victrex annually reviews its key employment policies, several of which are shown on www.victrexplc.com. The Group, through its Code of Conduct programme, also targets a 100% completion rate by employee training covering SHE training, the Code of Conduct (Ethics), IT Acceptable Use and other linked topics. A list of the key policies relating to our employees can be found on page 66.

PLANET (RESOURCE EFFICIENCY)

Resource efficiency

Beyond our products playing a role in society, or having recyclability potential in applications, we also have clear goals to improve our resource efficiency, including reductions in energy, waste, and water usage. Several metrics were adverse compared to the prior year (largely down to our new China facilities being commissioned, and the UK Asset Improvement programme, with significant engineering work at UK facilities). Energy and water usage will continue, in the short term, to be driven by production volumes, with lower year on year production in FY 2023 compared to the prior year. Our total carbon intensity (Scope 1 & 2 emissions/ tonnes of PEEK manufactured) has shown a 14% increase this year, although pleasingly, our carbon intensity (excluding China) was down 4% vs FY 2022.

In context, long-term carbon intensity has reduced by 17% (8.52 in FY 2023 vs 10.24 in FY 2013), primarily driven by operating efficiency and an increase in renewable electricity, which benefits our Scope 2 emissions, and Continuous Improvement ('CI') projects. Our priorities remain the efficient use of energy and water and waste minimisation. Hazardous waste per unit of revenue has decreased by 55% since FY 2013.

Principal environmental impacts

The Group's main environmental impacts are set out in the charts on page 59 and are different from the Group's overall greenhouse gas ('GHG') emissions (on pages 60 to 62).

We report data per unit of revenue and per tonne of PEEK produced, 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. Over recent years, targeted improvement programmes have resulted in lower energy and water efficiencies per unit of plant output. Environmental indicators have 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 CO_2 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 indirect from other sources). Absolute emissions data is reported along with Scope 1 & 2 emissions per unit revenue.

Assessment & measurement

We have submitted our decarbonisation and emissions reduction plan to SBTi and we have a long-standing participation in the Carbon Disclosure Project ('CDP'), which benchmarks global companies and has recognised our efforts in this area. MSCI, one of the leading ESG rating agencies, FTSE Russell and EcoVadis are other organisations that assess our performance (see page 48).

This year we introduced the Sphera ESG reporting software to ensure all ESG and sustainability-related reporting is contained within a central platform. This has been used for the first time to generate the data for FY 2023.

Sustainability & ESG compliance

Working with global regulatory authorities, we 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 regulatory review by the UK Environment Agency. We carry out extensive routine monitoring in line with our environmental permits, to proactively ensure our plants are well controlled with zero notifiable permit breaches during the year.

During the year we successfully retained our ISO 14001:2015 certification for the environmental management system on all our UK polymer manufacturing plants, melt filtration, compounding, film, tape, pipe, dispersion, and innovation plants, validating our high level of commitment to environmental improvement. Victrex has an effective system for reporting and investigating incidents and near misses with zero reportable environmental incidents within the period.

Through our Head of Sustainability & ESG, Victrex is continuing to monitor future regulatory development requirements, e.g. the Taskforce on Nature-related Financial Disclosures ('TNFD'), and the Carbon Border Adjustment Mechanism ('CBAM') to assess both impact and opportunities.

UK Emissions Trading Scheme ('UK ETS')

The combustion of permitted fuels at our main UK Hillhouse production site is enabled through our Greenhouse Gas Permit under the UK ETS scheme. Verification of emissions was undertaken via a registered third party and a submission made to the Competent Authority (UK Environment Agency) in April 2023. Victrex plans to reduce its costs under UK ETS during 2024 by proving the efficiency of its boiler plant equipment and thereby being granted free allowances under the New Entrants Reserve ('NER') element of the scheme. These allowances will be back-dated to the point at which the Company joined the scheme in August 2021. As part of our decarbonisation roadmap, we have also fully assessed the option to electrify our boilers, supporting our reduction in emissions over the coming years, subject to sufficient electrical grid capacity in the UK.

UK employees active in the community

Energy use

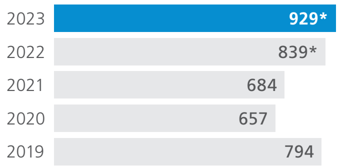
Our primary energy use is reported from all global Victrex locations with usage data based on meter readings and/or invoices.

Although the Group saw lower production volumes vs FY 2022, absolute energy use and primary energy per unit of revenue increased due to improved reporting, and commissioning of our China operations, which will be fully operational within FY 2024.

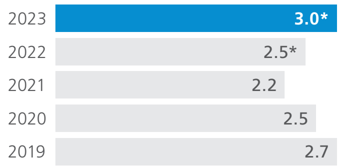
Excluding China, primary energy usage (in GJ) was 4% lower vs FY 2022.

* Includes data from all global locations. FY 2022 energy data restated following improvements in basis of calculations.

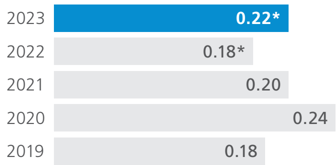
Primary energy
Thousands GJ**



Primary energy per unit revenue
Thousands GJ/£m**



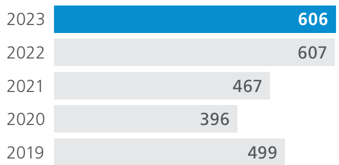
Primary energy per tonne ('PEEK') produced GJ/tonne



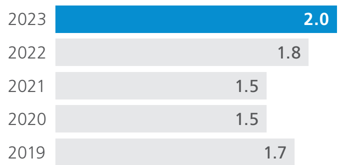
Water

All of our current main manufacturing assets within the UK and US are located within areas of low or very low water stress***. In FY 2023 we completed our first full Carbon Disclosure Project ('CDP') water disclosure submission and note that, despite commissioning our China operations, our water usage is broadly flat compared to FY 2022 principally because of operational improvements to our processes and a focus on water and resource efficiency. During FY 2023, water usage per unit revenue increased 11%, solely due to reduced revenue and new usage within our China operations.

Water usage
Thousands m^3



Water usage per unit revenue
Thousands m^3/£m



Water (UK assets) is taken in primarily from mains sources and returned via utility providers or as effluent, with cooling and process water being the main drivers. We expect to assess the opportunities for increased reuse of water, noting that water intensity has improved over the medium term.

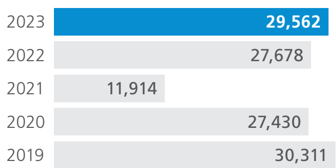
*** UK Environment Agency Flood Risk Assessment; Rhode Island Statewide Planning and Grantsburg Site 2021 Insurance Risk Assessment.

Waste

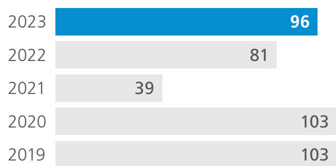
Victrex has made good progress in waste management over recent years. Over a 10-year period starting in FY 2013, Victrex saw a 55% decrease in hazardous waste produced per £m of revenue. We work closely with licensed waste service providers to ensure that waste is recycled, or otherwise reused, or disposed of with minimal environmental impact.

Our manufacturing assets, used to produce PEEK, provide us and our customers with security of supply; however, using our own ingredients and raw materials means that we do produce some hazardous waste due to the nature of our processes. This is primarily in our monomer production assets within the UK (Rotherham and Seal Sands). We are currently assessing options that could reduce this type of waste within our process, including exploring sustainable chemistry, and have committed a proportion of our Research & Development investment towards this, noting the long-term nature of such assessments.

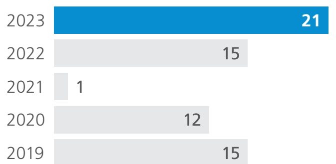
Hazardous waste produced
Tonnes



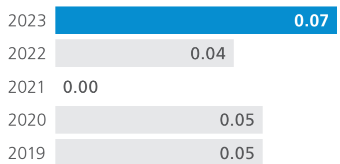
Hazardous waste produced per unit revenue Tonnes/£m



Hazardous waste disposed to landfill (after treatment) Tonnes



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



During FY 2023, waste disposed to landfill increased due to our UK Asset Improvement programme and large-scale maintenance. We have completed a full zero waste to landfill exercise and are working with our waste suppliers to identify areas of improvement.

PLANET (RESOURCE EFFICIENCY) continued

Greenhouse gas ('GHG') emissions

Our GHG report has been completed following guidance within the UK government regulations on Streamlined Energy & Carbon Reporting ('SECR') policy guidance.

Emissions have been calculated based on the GHG Protocol Corporate Standard with all emissions reported being within FY 2023. We include emissions from global assets (owned and leased), which include our manufacturing plants, technical centres, and offices. No material Scope 1 or Scope 2 emissions are omitted, and national and regional emissions conversion factors have been used.

Our operations in China – ready to support sales during FY 2024 – are included within our greenhouse gas ('GHG') emissions reporting data. We are working to assess China's decarbonisation options, as the facilities ramp-up in FY 2024.

In FY 2023 we conducted a thorough analysis of the following indirect value chain emissions (Scope 3) identified as relevant to Victrex globally:

Category 1. Purchased goods and services.

Category 2. Capital goods.

Category 3. Fuel and energy-related activities.

Category 4.Upstream transportation and distribution.

Category 5. Waste generated in operations.

Category 6. Business travel.

Category 7. Employee commuting.

Category 15. Investments.

The remaining seven Scope 3 categories are either not applicable or not material.

Note: Victrex produce and sell an intermediate product with many potential downstream applications, each of which has a different GHG emissions profile, and are hence unable to reasonably estimate the downstream emissions associated with the various end uses of the intermediate products. This is in line with section 6.4 of the Scope 3 GHG Protocol standard.

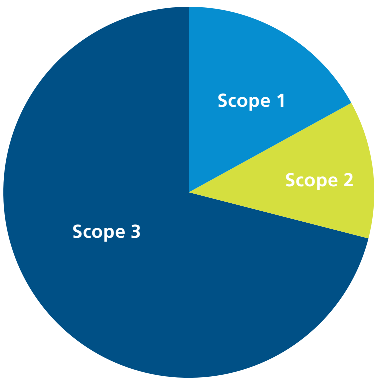
Our GHG emissions are calculated primarily from gas combustion, electricity and steam use across all of our global locations. Emissions from downstream manufacturing facilities in the US and the UK are included but are relatively immaterial, as are the emissions from our overseas technical facilities and offices, versus production activities.

Despite good progress on our long-term carbon intensity measurement (down 17% vs 2013), which is based on Scope 1 & 2 emissions/tonnes of PEEK manufactured, the FY 2023 intensity increased by 14% vs FY 2022, even after lower production volumes. This reflects an increase in energy use in our new China facilities during the commissioning phase. This impacted our Scope 2 emissions as China operates on primarily non-renewable electricity currently. Scope 1 emissions were lower, driven by plant shutdowns as part of the UK Asset Improvement programme.

Excluding China facilities, our carbon intensity was 4% lower than FY 2022.

Victrex's GHG emissions based on FY 2023

Tonnes of CO_2e equivalent 2023 from PEEK manufacture and downstream products.



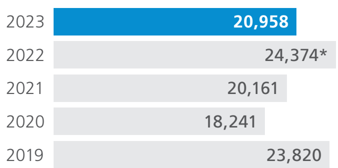
Scope 1: 17%

Scope 2: 12%

Scope 3: 71%

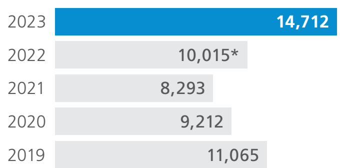
SCOPE 1#

Direct emissions resulting from combustion of fuels Tonnes CO_2e



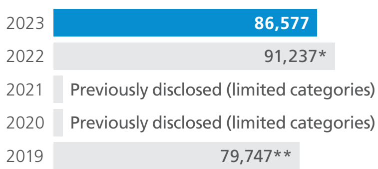
SCOPE 2#

Indirect emissions resulting from electricity and steam purchased (location-based method) Tonnes CO_2e



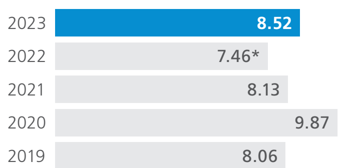
SCOPE 3#

Other indirect emissions across eight categories as listed above Tonnes CO_2e



INTENSITY MEASUREMENT SCOPE 1 & 2

Tonnes CO_2e/tonnes of PEEK manufactured



* Scope 1, 2 & 3 emissions data restated following external assurance review of Scope 1 & 2 by SLR Consulting on a limited assurance basis to ISAE 3000 standard.

** Scope 3 emissions for FY 2019 were the baseline for our full Scope 3 assessment covering the eight relevant categories to Victrex. FY 2023 Scope 3 emissions have been calculated on the same basis. The other years have been reported on as part of prior year disclosures based on a more limited number of Scope 3 categories and are not shown here to minimise an inaccurate comparison. Future Scope 3 disclosures will now cover the full eight categories relevant to Victrex.

Global GHG emissions and energy use data#

	2023	2022
Scope 1/tCO_2e#		
Global	**20,958**	24,374
UK	**20,654**	24,172
Global (excluding UK)	**304**	202
Scope 2 (location based)/tCO_2e#		
Global	**14,712**	10,015
UK	**8,691**	8,492
Global (excluding UK)	**6,021**	1,522
Scope 2 (market based)/tCO_2e#		
Global	**5,772**	2,353
UK	**801**	830
Global (excluding UK)	**4,971**	1,523
Gross Scope 1 & Scope 2 (location based)/tCO_2e#		
Global	**35,670**	34,388
UK	**29,345**	32,664
Global (excluding UK)	**6,325**	1,724
Energy consumption/kWh#*		
Global	**164,717**	170,085
UK	**147,569**	166,182
Global (excluding UK)	**17,148**	3,903
Intensity ratio/tCO_2e Gross Scope 1 & Scope 2/tonnes of PEEK manufactured		
Global – Scope 2 (location based)	**8.52**	7.46
Global – Scope 2 (market based)	**6.39**	5.80
Methodology		
Based on GHG Protocol Corporate Standard		

NOx (oxides of nitrogen reporting)

Our manufacturing operations emit well below our environmental permit's threshold levels of 100 tonnes per annum.

In FY 2023, 9 tonnes of NOx (expressed as NO_2) were generated from our principal manufacturing sites directly in the manufacture of PEEK. This was lower than the prior year (FY 2022: 11 tonnes) and is calculated using monitoring data and assumptions around plant availability and actual operational periods.

SLR Scope 1,2 and 3 GHG assurance statement

SLR Consulting has undertaken limited assurance of Victrex's greenhouse gas (GHG) emissions (Scope 1, 2 & 3), for the 2023 reporting year (1 October 2022 – 30 September 2023), against the WRI / WBCSD 'GHG Protocol Corporate Accounting and Reporting Standard', 2015 revised edition, and the GHG Protocol 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard'. (See pages 60 to 62).

This engagement was performed in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the relevant subject-matter specific ISAE for GHG data (ISAE 3410, Assurance Engagements on Greenhouse Gas Statements).

SLR has complied with the requirements for independence, professional ethics and quality control as stipulated by ISAE 3000 (2020) Requirement 3a and 3b.

\# Metrics on pages 60 and 61 covered by limited assurance, provided by SLR Consulting Limited (FY 2022 and FY 2023 only). Scope 1, 2 & 3 emissions FY 2022 data restated following this external assurance review.

* Energy consumption/kWh for 2023 of 164,717 comprises Scope 1 106,340 (UK: 105,006 and Global (excluding UK) 1,334) and Scope 2 58,377 (UK: 42,563 and Global (excluding UK) 15,814). Energy consumption/kWh for 2022 of 170,085 comprises Scope 1 122,155 (UK: 121,697 and Global (excluding UK) 458) and Scope 2 47,930 (UK: 44,485 and Global (excluding UK) 3,445).

Based on the scope of the work and assurance procedures performed, nothing has come to our attention that causes us to believe that the Scope 1, 2 & Scope 3 categories 1-7 and 15 GHG emission calculations for financial year 2023 is not prepared, in all material respects, in accordance with WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard 2015 revised edition.

SBTi & our decarbonisation roadmap

Aligning with SBTi and Net Zero 2050

As part of our commitment to decarbonisation, and to build on our strong ESG credentials, Victrex submitted our SBTi plan and targets for validation in September 2023 with options covering reductions to Scopes 1, 2 & 3 in line with its 1.5°C emissions reduction scenarios. VictrexTM PEEK already has a favourable global warming potential ('GWP') compared with the available industry data for PEEK manufacture (see page 64), and a decarbonisation roadmap, with options, underpins our commitment.

Our alignment to SBTi follows our original commitment in FY 2021, with a clearer assessment of our Scope 3 impacts.

As a consequence, our original 2030 goal of Net Zero in Scope 1 & 2 emissions will be updated to a target out to 2050 for Net Zero emissions across all scopes, with a new Scope 3 goal also included. This will include an interim target by 2032, with emissions reduction equating to over 4% per year on an annualised basis across the three scopes, whilst noting that full disclosure of targets will be made in FY 2024, post-review by SBTi. These goals underpin our aspiration to have a clear differentiator in our products – as evidenced by our favourable lifecycle analysis data – and in decarbonising our operations over the coming years. We retain options in how we deliver our decarbonisation, whilst also having reliance on governmental directives (e.g. electrical grid capacity) or technology (alternative fuel availability and sustainable chemistry).

There are several options under consideration for us, including:

→ electrification of production equipment;

→ use of alternative fuels to generate steam for process heating;

→ increased use of wind, solar and heat pumps;

→ continuous improvement activities; and

→ carbon capture – we are currently engaged with academia to evaluate.

Capital investment to support decarbonisation

The capital required in our capital expenditure plans to support alternative fuel use or process technology (whilst noting the increased operating expense of alternative fuels) is now built into mid-term capex guidance at 8-10% of revenue per year. We have also assessed the potential carbon tax implications for a non-decarbonised scenario.

Carbon offsetting

Whilst Victrex will consider the opportunities from carbon offsetting, we currently view this as a very small part of achieving our goals.

Continuous Improvement ('CI') programmes & productivity

Continuous Improvement has played a growing part in assessing opportunities across our resource efficiency in areas that haven't already been implemented. These include in recycling, energy usage, waste, and water. Several improvement programmes have already delivered ongoing benefits, helping to save CO_2 during FY 2023 by:

→ increasing polymer powder batch size;

→ improving polymer batch cycle times; and

→ increasing production line speed.

PLANET (RESOURCE EFFICIENCY) continued

Scope 3 emissions and goals

In FY 2023, we completed a Scope 3 assessment across eight categories identified as relevant to Victrex, with a 5% reduction compared to FY 2022.

Our Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organisation, but that the organisation indirectly impacts in its value chain. These include all sources not within an organisation's Scope 1 & 2 boundary, with Victrex's Scope 3 emissions representing 71% of our total emissions.

The result of this assessment identified our FY 2023 Scope 3 of 86,577 tCO_2e, giving a total FY 2023 carbon footprint figure, Scopes 1, 2 & 3, of 122,247 tCO_2e (FY 2022: 125,626 tCO_2e).

Total carbon intensity

The Victrex carbon intensity figure accounts for the total carbon produced from making all commercial products, i.e. all manufacturing assets, back-office functional operations, waste produced, procurement of goods and services. To calculate this for Victrex we use the following method:

Victrex total carbon footprint (Scope 1, 2 & 3) ÷ total PEEK production to give an enterprise total. FY 2023 accounts for 29kg** CO_2e per kg of PEEK, a marginal increase vs FY 2022 (27kg*). ***NOTE: 8.5kg CO_2 per kg of PEEK based on Scope 1 & 2 only.***

* Restated due to external assurance of FY 2022 Scope 1 and 2 data.

** Figure not related to our individual product life cycle assessment data.

Scope 3 opportunities

As part of our recent SBTi submission, we submitted a Scope 3 target, which will be fully disclosed post-SBTi review in FY 2024.

Our purchased goods and supplies, and capital projects categories both decreased in FY 2023 due to lower spend as a result of our UK Asset Improvement programme and plant shutdowns. We note business travel and employee commuting have increased, reflecting post-pandemic working.

Our main areas of focus are to reduce our Scope 3 emissions for SBTi targets:

→ prioritisation of key supplier partners – a significant number of key suppliers are already aligned to SBTi or have publicly stated GHG reduction targets;

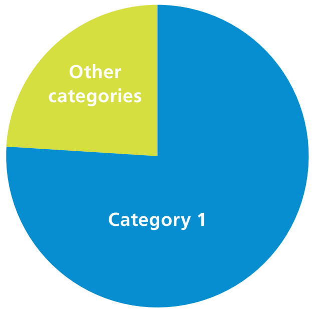
→ energy reduction in manufacturing;

→ fuel switching – replace natural gas with electricity (renewably sourced/long-term impact of grid emissions reduction);

→ reduce airfreight & switch to lower impact transport; and

→ encourage greener methods of employee commuting.

SCOPE 3 EMISSIONS BASED ON FY 2023:



Category 1: 76% – purchased goods and services.

Other categories: 24% – capital goods, fuel & energy (not in Scope 1 & 2), upstream transportation, waste generation, business travel, employee commuting and investments.

SBTi & our decarbonisation roadmap continued

Continuous Improvement ('CI') programmes & productivity continued

This focus on productivity also helped to increase nameplate capacity in our production assets. Together with our UK Asset Improvement project, we anticipate nameplate capacity will increase to over 8,000 tonnes per year (c.9,500 tonnes including China), supporting core business growth and our mega-programmes.

Our CI team is also assessing opportunities to support our decarbonisation roadmap, particularly in areas like increasing our own solar PV generation, the opportunity in air source heat pumps, and incentivised electric car chargers at a number of our sites.

Renewable electricity

Our goal is to use 100% renewable electricity across all our global sites by the end of 2024 (where the market exists). Currently, 100% of electricity purchased for our UK sites is from renewable sources, with 90% globally, though the cost of sourcing renewable electricity is only set to increase.

REACH

Victrex Manufacturing Ltd remains fully compliant to REACH and is committed to ensuring compliance for all its current and future products. UK REACH (S.I. 2020 No. 1577) is a regulatory requirement for the chemical industry and was refined post-the Brexit agreement. Victrex has registered all required substances manufactured in (or which it imports into) the UK and works closely with suppliers to ensure key materials that support its supply chain are registered. Victrex continues to work with suppliers to ensure all raw materials will be supported and Victrex's manufacturing processes are not affected, which is essential both for Victrex and for our customers who are focusing on long-term demand.

If any chemicals used by Victrex to manufacture its products become 'chemicals of concern', i.e. are officially listed within the UK REACH regulation under 'Substances of Very High Concern' ('SVHC'), or listed in UK REACH Annex XVII 'The Restricted List', or listed in UK REACH Annex XIV 'The Authorisation List', and accompanying conditions are met, Victrex would seek to phase out affected products in line with sunset clauses or reformulate to ensure we maintain our compliance to UK REACH.

Supply chain and energy sourcing

The impact of challenges in the global supply chain became even more paramount in FY 2023, with globalisation and concerns from customers around energy sourcing, and destocking in several industries. Victrex continually seeks to ensure it has robust security of supply for customers and invests accordingly.

The majority of BDF – one of the key monomers used to manufacture PEEK – is manufactured in our own operations within the UK. The remainder is sourced internationally through several contractual sources in Asia. Victrex has strong security of supply for all other raw materials utilised in the production of PEEK. Currently, our raw material sourcing other than BDF is primarily from Europe, with Asia and the US also hosting our strategic suppliers.

For energy supply, most of our production is in the UK, so we procure energy on UK-based contracts (primarily gas and electricity used in our heating processes). Whilst UK energy costs have reduced from their peak, raw material prices remain high. We will also focus on energy and raw material costs for our China manufacturing, once this facility is fully commercially operational.

SAFETY, HEALTH AND 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 and is fundamental to everything we do.

This year we have seen improvements in our overall lagging SHE indicators. Our OSHA injury rate reduced by 83% in the last three years to 0.2 reportable injuries per 200k hours. In our high hazard facilities, our site safety improvements are recognised by favourable comments from the UK HSE regulator with no outstanding actions remaining. In the last two years we have focused on updating our SHE management systems and integrating requirements from external process safety frameworks supported by detailed audit guides and expertise from a leading consultant firm for process safety with an improving maturity score and endorsed action plan. All areas now have a simple SHE KPI dashboard, supported by an online SHE database tool, and have a safety improvement plan for both people and process safety.

FY 2023 saw the continuation of our zero incidents and zero accidents SHE culture improvement programme and we have:

- introduced a rolling Tier 1 self-assessment tool to identify gaps and drive continuous improvement in SHE;
- implemented a Tier 2 audit programme for compliance aligned to ISO 45001;
- implemented our Occupational Health and Hygiene model and completed a baseline assessment; and
- completed the second process safety external assurance, against our top priority SHEMS at our high hazard sites.

SHE KPIs

The culture and behavioural safety across areas is improving with the increased reporting of safety observations, near misses and the timely reporting of incidents and accidents. Our commitment to SHE continuous improvement through SHE investigations and escalation is increasing, identifying actions to drive down accidents and incidents.

Am I taking care? Is it safe? Am I doing the right thing? Because for every one of us Safety Starts with Me.

Recordable injury frequency rate (Global)	FY 2023	FY 2022	FY 2021
Total number of recordable injuries	**3**	4	6
Total hours (employee and contractor)	**2,996,604**	3,854,016	1,690,374
Frequency rate	**0.2**	0.2	0.7
OSHA benchmark	**1.3**	1.4	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 2023	FY 2022	FY 2021
Total number of lost time injuries	**2**	2	4
Frequency rate	**0.1**	0.1	0.5
Total hours (employee and contractor)	**2,996,604**	3,854,016	1,690,374
OSHA benchmark	**0.5**	0.8	0.6

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

China

Our new China manufacturing subsidiary in Panjin ('PVYX') has recorded over 2 million hours (employees and contractors) since the project commenced, with no recordable injuries in FY 2023. Data on performance during construction is shown below:

PVYX (employees & contractors)	FY 2023
Hours worked	**247,156**
Recordable injuries	**0**
Total RIFR	**0**
Reportable environmental incidents	**0**
High potential incidents	**1**

PRODUCTS (SUSTAINABLE SOLUTIONS)

Favourable lifecycle analysis

Our own internal assessment, validated by KPMG last year, suggests Victrex™ PEEK, with its own upstream UK integrated monomers and the fact we are using 90% global renewable electricity in our own operations, shows a favourable sustainability profile against the industry average for PEEK production, based on GaBi materials data.

Lifecycle Analysis ('LCA') is the process of measuring the environmental impact of a product or service throughout its lifecycle – from cradle to gate. Following on from the successful completion of our first LCA, which identified that the total global warming potential for Victrex™ PEEK is 13kg CO_2e/kg of PEEK (GaBi industry data PEEK 15.6kg/CO_2e/kg), we have successfully implemented the Sphera GaBi LCA software and lifecycle assessment tool to enable us to develop a standard approach for the collation of LCA data and complete LCAs internally to ISO 14040/44 standards.

We have identified the products that account for 80% of sales and volume and created a plan to complete Lifecycle Analysis on them by the end of FY 2026, ensuring that our wider portfolio products are covered.

The process involves measuring the impacts of each part of the process such as energy used in production or additional processing, and in inbound logistics. This helps us compare between products, materials and methods used, providing useful information by which to make decisions that could help the environment and an understanding of our total carbon footprint for us and the carbon footprint of our products for our customers.

Overall, the LCA enables us to consider future opportunities for further environmental improvement, including:

- → reduce supplier impacts – gather suppliers' LCA data and identify suppliers with lower impacts;
- → recycle raw materials – explore increased recycling options;
- → explore alternative materials – use LCA data to identify high impact materials for replacement; and
- → target CO_2 reductions – reduce natural gas usage and waste streams.

Sustainable solutions: accelerating CO_2 reduction through innovative composite thermoplastic polymers, forms, and parts

Environmental benefits

Victrex's goal to grow application areas that positively support carbon reduction and bring societal benefits to 70% of revenue by 2030.

For decades Aerospace has been a key end-market for Victrex. Today over 20,000 planes rely on Victrex™ PEEK applications, including thermal acoustic blankets, brackets, and pipes. Typically used as an alternative to metal, PEEK delivers against key engineering requirements as well as offering significant weight reduction of 30-40% when compared with typical metal alternatives, critical to supporting aviation carbon emission reduction and improving the aircraft buy to-fly ratio. These savings are significant compared to our own Scope 1 & 2 emissions. The weight reduction by using just 10kg of PEEK in Aerospace replacing 10kg of metal helps save around three times the CO_2 compared to our own Scope 1 & 2 emissions (FY 2023: 34,123 tonnes of CO_2 from Scope 1 & 2 emissions).

Game-changing technology

In 2015 Victrex developed and introduced Victrex AE™ 250 based on its new LMPAEK™ polymer that offers the light weighting and performance attributes, plus enhanced processing, that enables manufacturing flexibility for thermoplastic composites.

Combined with advanced manufacturing processes such as hybrid over-moulding technology and automated fibre placement, the LMPAEK™ technology has been a game-changer in enabling Aerospace manufacturers to successfully produce large scale primary and secondary structural parts such as airplane fuselage, and wings that are fatigue and damage tolerant.

This processing technology supports the industry need for faster processing times, which is achievable with LMPAEK™ composites in minutes when compared with aluminium or thermoset alternatives.

Another benefit of these LMPAEK™ thermoplastics is the lower environmental impact versus similar alternative materials at lifecycle stages beyond use. In production customers produce less waste in processing than with metals and lower disposal rates than thermosets, due to the recyclable properties of LMPAEK™ thermoplastics.

From concept to commercialisation

Victrex AE™ 250 technology is showing indications of successful disruption within the industry. Earlier this year the first approval for uni-directional ('UD') tape was provided by the National Center for Advanced Materials Performance ('NCAMP') for use in Aerospace. NCAMP works with industry partners to qualify and publish material systems so manufacturers can achieve quicker, cost effective qualification.

Victrex continues as an alliance partner in the 'Clean Sky 2' European research programme supporting break-through technologies and the next generation of more environmentally friendly aircraft. Airbus and others recently exhibited sizeable structural composite parts manufactured from our materials, offering the potential of a 10x content increase in future aircraft, driving weight and CO_2 reduction benefits.

With post-pandemic build rates now increasing, Victrex AE™ 250 materials provide a real opportunity to support the Aerospace industry in the reduction of carbon emissions throughout their lifecycle, from process to use and recycle as well as faster processing and ultimately producing more sustainable planes.

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. You can read more about our Code of Conduct on our website at www.victrexplc.com.

All our employees and Board members are responsible for following our Code of Conduct and its supporting policies. All employees are required to complete Code of Conduct e-learning on commencement of employment and annual e-learning thereafter. In September 2023 the completion rate was 96% on a rolling annual basis. Additional training on specific supporting policies is undertaken by relevant employees.

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 sets out how to do this.

Sustainability at the heart

Whilst our products enable environmental and societal benefits, we also 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 a principal risk on page 34. Our Safety, Health and Environment ('SHE') 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 35. 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, including our Group Diversity, Inclusion & Equal Opportunities Policy and our Global Flexible Working Policy.

Our Gender Pay Gap Report was published this year, details of which can be found on www.victrexplc.com. In cases where the National Minimum Wage or National Living Wage applies within the UK, the Company complies in full with its obligations and meets both conditions.

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 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.

Compliance including anti-bribery and corruption

Our Code of Conduct includes our commitment to being open and honest and following all relevant laws and regulations. This is supported by underlying policies and processes including with respect to Anti-bribery & Corruption, Financial Crime, Gifts & Hospitality, Share Dealing (Market Abuse), Data Protection, Data Retention & Disposal, Competition Law and Export Controls & Sanction Compliance, and is reflected in our principal risks on page 37. Our policies and procedures are published on the Company's intranet on a dedicated Group Policies page. 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, is to ensure we act responsibly in all our dealings and foster a sustainable business.

Victrex is committed to a zero-tolerance position on bribery, made explicit through our anti-bribery and corruption policy and supporting policies and procedures on gifts and hospitality, sponsorship and donations, and interactions with politically exposed persons and healthcare professionals. We maintain a manual for the management of anti-bribery and corruption risk including a three lines of defence controls assessment and an action plan for implementation of further enhancements to existing measures. The risk of bribery and corruption is considered a key aspect of the ethics and regulatory compliance principal risk on page 37 and several mitigations are in place which are reviewed at least annually. 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 where the Company is conducting due diligence for a potential joint venture or acquisition. Our mandatory Code of Conduct training includes 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, gifts and hospitality and conflict of interest, are supplemented by face-to-face or virtual training from time to time. 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 periodic review of the adequacy of the Company's procedures in relation to anti-bribery controls and procedures.

We operate a Global Data Protection Policy (and a suite of supporting procedures and arrangements) to support compliance with applicable data protection legislation in the regions in which we do business. Employees who handle personal data continue to be required to complete mandatory annual training and as of September 2023 we had a completion rate of 95% on a rolling annual basis.

Sustainability report continued

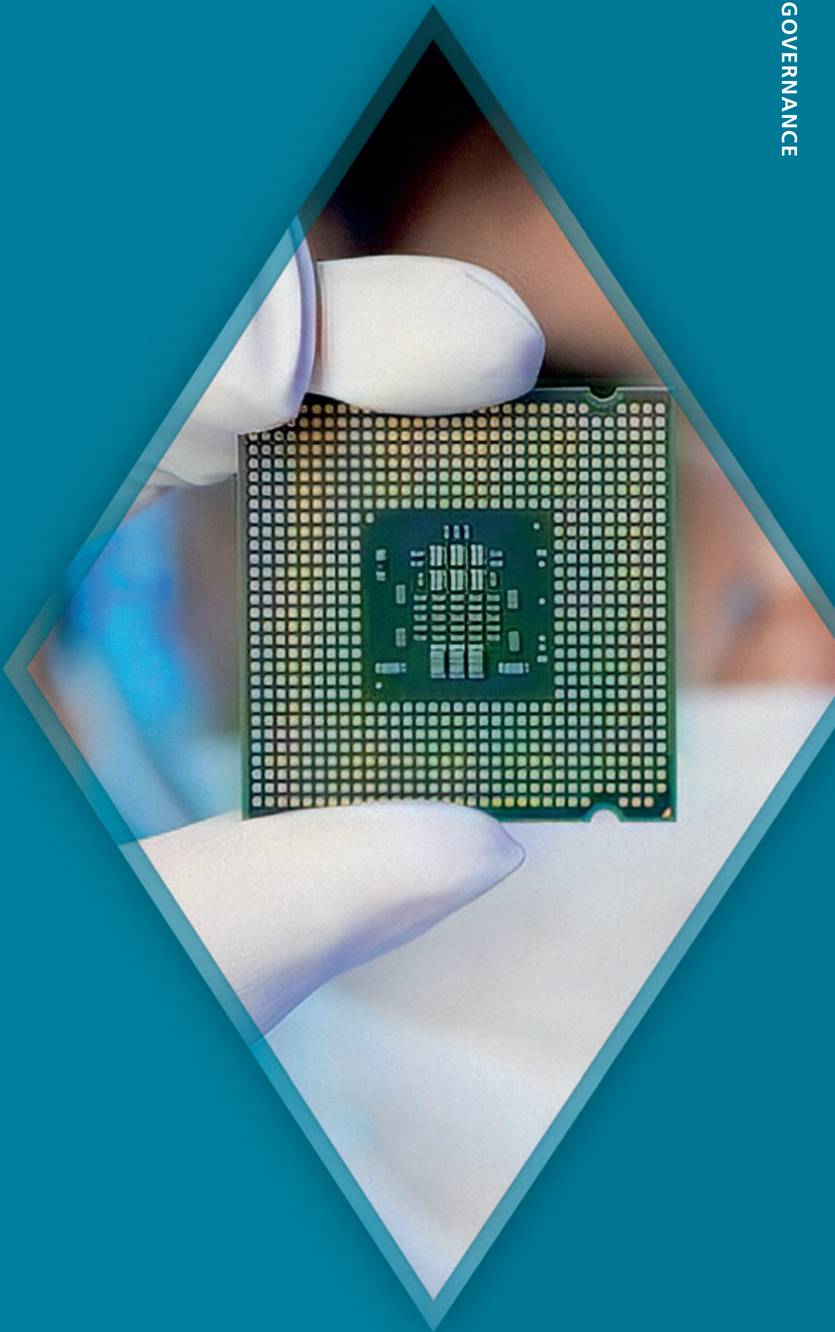
Non-financial and sustainability information statement

This section of the Strategic report constitutes Victrex plc's non-financial information statement, produced to comply with 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 34 to 38)	Read more
Sustainability & environmental	→ Safety, Health and Environment ('SHE') Policy → Environmental Policy (ISO system) → Sustainability Policy → Code of Conduct*	→ Safety, Health and Environment → Legal and regulatory compliance, ethics and contracts	→ Task Force on Climate-related Financial Disclosures and Companies Act 2006 s414CB2A(A-H) "climate related disclosures", pages 49 to 53 → Sustainability report – resource efficiency, pages 58 to 62 and safety, health & environment, page 63 → Corporate Responsibility Committee report, page 98 and 99
Employees	→ Group Diversity, Inclusion & Equal Opportunities Policy → Disciplinary Policy & Procedure → Grievance Policy & Procedure → Global Flexible Working Policy → Employee Handbook → Global Whistleblowing Policy → Share Dealing Code → Code of Conduct → Prevention of Bullying & Harassment Policy	→ Recruitment and retention of the right people → Legal and regulatory compliance, ethics and contracts	→ Sustainability report – Our Code of Conduct, page 65 → Sustainability report – People (Social Responsibility), pages 54 to 57 → Gender pay in Victrex, page 56
Respect for human rights	→ Modern Slavery & Human Trafficking Policy → Modern slavery statement* → Conflict minerals statement* → Global Data Protection Policy → Global Document Retention & Disposal Policy → Code of Conduct*	→ Legal and regulatory compliance, ethics and contracts	→ Sustainability report – Our Code of Conduct, page 65 → Modern slavery, human trafficking and conflict minerals statements – see www.victrexplc.com
Social matters	→ Sustainability Policy → Code of Conduct*	→ Recruitment and retention of the right people	→ Our sustainability vision & goals, pages 46 and 47 → Sustainability report – People (Social Responsibility), pages 54 to 57 → Our Stakeholders, pages 20 and 21
Anti-corruption and anti-bribery	→ Anti-bribery & Corruption Policy → Fraud Policy → Conflict of Interests Policy → Gifts & Hospitality Policy → Sponsorship & Donations 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*	→ Legal and regulatory compliance, ethics and contracts	→ Sustainability report – Our Code of Conduct, page 65
Description of the business model		→ All principal risks	→ Business model, pages 12 and 13
Non-financial key performance indicators		→ All principal risks	→ Non-financial key performance indicators, pages 18 and 19

* 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.

CORPORATE GOVERNANCE



Introduction from the Chair

> I remain greatly encouraged by how the Company, our Board and our employees have worked together to navigate the challenging macro-economic environment in several of our end markets. This bodes well for delivering our strategy.

Dr Vivienne Cox DBE
Chair

INTRODUCTION FROM THE CHAIR

FY 2023 highlights

- Navigating the Group through an uncertain macro-economic outlook
- Continuing to invest to support the acceleration of Medical opportunities
- Monitoring progress of China investments
- Further development of our ESG agenda and submission of SBTi plan

FY 2024 focus areas

- Further broadening of the application areas in our core business and execution on our opportunities
- Continuing focus on commercialisation of our mega-programmes
- Progressing our decarbonisation agenda
- Overseeing the embedding of organisational changes following the establishment of our Sustainable Solutions and Medical business areas
- Monitoring progress in our Diversity, Equity & Inclusion programme

Dear shareholders,

After completing my first full financial year as Chair, I remain greatly encouraged by how the Company, our Board and our employees have worked together to navigate the challenging macro-economic environment in several of our end markets. This bodes well for delivering our strategy. Victrex's innovative culture, our purpose to bring transformational and sustainable solutions that address world material challenges every day, and our clear 'Polymer & Parts' strategy continue to put us in a good position, supported by long-term megatrends across the industries we serve.

→ An overview of our results can be found on pages 24 to 31.

Stakeholders

Stakeholder interests are at the centre of our decision making as we strive to meet our purpose and strategic aims. Our Section 172 statement is set out on pages 20 to 23. Details of the Group's stakeholders and Board engagement channels can be found on page 83. The annual report from our Non-executive Director for Workforce Engagement, Brendan Connolly, can be found on pages 84 and 85. During the year the Board visited our European base in Germany and our manufacturing site at Rotherham enabling further valuable opportunities to engage directly with a number of the Group's employees through site tours, presentations and informal interactions. During the Board's visit to Europe we also met with a number of key strategic customers and gained an enhanced understanding of their priorities.

Victrex's culture is built on innovation. The Board routinely monitors culture and ensures that it is aligned to the Group's purpose, values and strategy. The Board received insights from the Employee Experience 'pulse survey' which was conducted during the year. More information can be located on page 55.

Sustainability

Our employees can take great pride in the fact our products come with environmental, technical or medical benefits. As such, we are aligned to strong megatrends to support our future growth. Victrex plays a key role to enable environmental and societal benefits in the industries we serve, which will drive value for all of our stakeholders.

Our sustainability & ESG strategy focuses on three pillars: People, Planet & Products. We made good progress across a number of our sustainability & ESG goals this year, including growing our sustainable product revenues to 55% (FY 2022: 48%), as well as employee volunteering and support for the next generation through STEM activities. Further detail can be found on pages 44 to 47.

The first full year of our Corporate Responsibility ('CR') Committee ensured that we further sharpened our focus on

decarbonisation. The CR Committee and the Board spent significant time during the year reviewing our decarbonisation roadmap, which culminated in our plan and targets being submitted to the Science Based Targets initiative ('SBTi') at the end of the year.

Diversity

Victrex supports diversity in its widest sense. Our CR Committee monitors progress against our Diversity, Equity & Inclusion ('DE&I') goals at an enterprise level as well as supporting initiatives, and this is an area where the Board continues to support and challenge. As at 30 September 2023 we have 44% female representation on our Board and two of our senior Board positions (as defined in the FCA Listing Rules) are held by women. Accordingly we are compliant with, and exceed, the FCA Listing Rules gender targets at Board level.

Below the Board, as at 30 September 2023, we have two women on our Victrex Management Team ('VMT') which means we have 22% female representation at senior management level. As at 30 September 2023 15 of the 48 people who comprise senior management (VMT) and their direct reports were women (31% female representation at this level). A description of the VMT, its members and the key below Board meetings which support the Chief Executive Officer is set out on pages 80 and 81. Details of our progress in meeting our gender target for our leadership population are set out on page 44. In line with the Parker Review, we will submit a target for ethnic diversity in our leadership population during December 2023 (post-the Company's preliminary results announcement) and we will publish this in our FY 2024 Annual Report.

Our Board Diversity & Inclusion Policy can be found on page 88. Appointments to our Board and Committees are made on merit with regard to skills, background and experience and overall Board balance and composition, with diversity being an important consideration. Please see the report from our Nominations Committee on page 86 which includes gender and ethnicity disclosures under the FCA Listing Rules on page 89.

As well as Brendan Connolly's programme of activities as Non-executive Director for Workforce Engagement, I led a session on the theme of DE&I attended by over 60 employees. Through such activities, and a programme of events and initiatives during the year, details of which are set out on page 55, the Board demonstrates our commitment to DE&I.

Board evaluation

An external Board evaluation was conducted in the summer of 2023, and this provided valuable insights on the operation of our Board and Committees and what the Board does well, as well as identifying areas for focus going forward. More information on the external evaluation process and outcomes, as well as progress on the focus areas identified in FY 2022, can be found on pages 81 and 82.

Annual General Meeting

During the year I met with a number of our major shareholders. We look forward to welcoming our broader shareholders at our Annual General Meeting ('AGM') in February 2024. Please see page 124 for more information. Whether or not you propose to attend the AGM 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 AGM 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, they 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 be put to the vote on a poll.

If you have any questions for the Board on the business of the AGM, please send them in advance of the AGM 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 AGM.

Dr Vivienne Cox DBE
Chair
5 December 2023

Board of Directors

All Directors listed below were Directors throughout FY 2023.

Dr Vivienne Cox DBE
Chair

N

Qualifications: MA (Hons)

Nationality: British

Appointed to the Board: December 2021, Chair February 2022

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 and was made a Dame Commander of the Order of the British Empire ('DBE') in the 2022 New Year Honours List for services to sustainability, diversity and inclusion in business. 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, as chair of Vallourec SA 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. She has also previously served as a non-executive director of GSK, as well as GSK's workforce engagement director, and Stena AB in Sweden.

Other significant appointments: Vivienne is currently a non-executive director of Haleon plc and Venterra Group plc (a non-listed company), chair of the Rosalind Franklin Institute and deputy chair of the Saïd Business School in Oxford.

Specific contribution to the Company's long-term success:
Vivienne's extensive board, corporate governance and sector experience, as well as her leadership in and passion for sustainability and diversity matters, enables strong leadership of the Board.

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 Alfesca, 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.

Ian Melling
Executive Director – Chief Financial Officer

Qualifications: MChem FCA

Nationality: British

Appointed to the Board: July 2022

Independent: No

Skills and experience: Ian is a Chartered Accountant and holds a first class Master's degree in chemistry from Oxford University in the UK.

Previous roles: Most recently Ian held the role of senior vice-president, corporate finance and R&D for Smith & Nephew plc, the medical technology company, having served as interim chief financial officer during 2020. Ian has worked in a number of senior finance roles in the UK and internationally for Smith & Nephew, including those with divisional and functional responsibility, having joined the group in 2006. He was senior vice-president, group finance for five years until October 2021. Ian started his career and qualified as a Chartered Accountant at Deloitte LLP.

Other significant appointments: Ian is a member of the UK Endorsement Board Preparer Advisory Group.

Specific contribution to the Company's long-term success:
Ian contributes his significant financial experience as well as his background in the medical device sector which is relevant to the Company's growth plans.

Dr Ros Rivaz
Senior Independent Director

A N R C

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, 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, Rexam plc and CEVA Logistics AG and has also previously served as chair of the Nuclear Decommissioning Authority and as a non-executive director of the Ministry of Defence Equipment and Support board.

Other significant appointments: Ros is currently senior independent director, employee engagement director and chair of the remuneration committee of Computacenter plc and is lead independent director of Aperam SA. Ros was appointed chair designate at privately owned Anglian Water with effect from 22 November 2023 and will become chair in the New Year.

Specific contribution to the Company's long-term success:
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 Chair in her role as Senior Independent Director.

Key to Committees

(A) Audit (N) Nominations (R) Remuneration (C) Corporate Responsibility ( ) Committee Chair

Jane Toogood
Non-executive Director

A N R C

Qualifications: MA (Hons)

Nationality: British

Appointed to the Board: September 2015

Independent: Yes

Skills and experience: A senior executive in the energy transition space, Jane has a wealth of experience across a number of business management, senior commercial and business development roles within the global chemicals industry and with a focus on sustainable solutions. Jane holds an MA in natural sciences (chemistry) from Oxford University and is a Fellow of the Royal Society of Chemistry.

Previous roles: Until recently Jane was the chief executive of Catalyst Technologies at Johnson Matthey Plc, having previously led the precious metals division. Jane has held senior roles at Borealis, ICI and Uniqema and as a non-executive director for the NHS. Jane recently served as the UK Hydrogen Champion and her report to the UK Government was published in March 2023.

Other significant appointments: Jane is the Co- Chair of the UK Hydrogen Delivery Council.

Specific contribution to the Company's long-term success: Jane brings strategic and industry expertise and insights drawing on her extensive international experience across multiple sectors, embracing technologies, materials, chemistry and sustainability. Jane has led significant business transformation and growth programmes to meet future market demands including decarbonisation, the energy transition and deployment of hydrogen and circularity.

Janet Ashdown
Non-executive Director

A N R C

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, health & safety, security & cyber committee of the Nuclear Decommissioning Authority and non-executive director of Stolt-Nielsen Norway AS.

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 three to four years.

David Thomas
Non-executive Director

A N R C

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 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 at Ernst & Young specialising in long-term industrial contracting businesses and was a member of the Auditing Standards Board. Until May 2023 he was interim chair of Dialight plc as well as chair of the nomination committee, having previously served as senior independent director and chair of the audit committee.

Other significant appointments: None.

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.

Brendan Connolly
Non-executive Director

A N R

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 Intertek 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 and until May 2023 Brendan was senior independent director and chair of the remuneration committee of Synthomer plc.

Other significant appointments: Brendan is a non-executive director of Pepco Group N.V. and also an independent director on 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 one private equity board.

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.

Dr Martin Court (retired from the Board 30 September 2023)
Executive Director – Chief Commercial Officer

Qualifications: BSc (Eng) PhD

Nationality: British

Appointed to the Board: April 2015

Retired from the Board: 30 September 2023

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'). The Code can be found on www.frc.org.uk. For the year ended 30 September 2023, we are pleased to report that we have applied the principles and complied with all provisions of the Code.

1. Board leadership and Company purpose

A. Role of the Board

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 77 to 79.

For a description of the business model and a description of strategy, please see pages 12 to 15.

B. Purpose, values, strategy and culture

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 and maintain a dashboard of cultural indicators which is reviewed formally by the Board twice each year, with any actions to address any areas of concern being monitored more frequently. The Audit Committee reviews 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 workforce engagement, in conjunction with the annual review of purpose and strategy undertaken, the Board confirmed the alignment between purpose, strategy, values and desired culture.

For more information on our purpose, strategy, values and culture, please see page 2.

C. Resources and controls

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 Executive Risk Management Committee manages risks and establishes and monitors controls in place.

For more information about the risks faced by the Company and the associated governance framework, see pages 32 to 38.

See the Audit Committee report on pages 95 and 96 for information about controls.

D. Engagement with shareholders and stakeholders

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. The Board regularly reviews and considers our key stakeholder relationships, including how we engage with them and whether any enhancements 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.

The relevance of each stakeholder group will depend on the particular 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.

The matters we have discussed and debated during the year are set out on pages 79 and 80.

For more information about shareholder engagement, please see page 83 of this section and page 101 of the Remuneration Committee report.

For more information about engagement with other stakeholders including the annual report from our Non-executive Director with designated responsibility for Workforce Engagement, please see pages 84 and 85. Our Section 172 statement is contained on pages 20 to 23 of the Strategic report.

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 was also informed about how cases were being investigated and remedial actions taken. Relevant employees undertake periodic 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 page 65.

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 118.

Please see page 125 for further information.

2. Division of responsibilities

F. Role of the Chair

Our Senior Independent Director, Ros Rivaz, led the annual performance review of our Chair, Vivienne Cox. The outcome of that process found Vivienne to be an effective Chair, which was also supported by feedback gained during the external Board performance evaluation conducted in FY 2023.

For more information, see pages 82 and 89.

G. Composition and responsibilities

As at 30 September 2023, our Board was comprised of nine members: the Chair, five independent Non-executive Directors (one of whom is Senior Independent Director) and three Executive Directors. Our Chair was independent on appointment. All Non-executive Directors have less than nine years' service. Martin Court stepped down as a Director with effect from 30 September 2023, resulting in our Board having eight members thereafter.

Details of the distinct roles and responsibilities of the Chair, the Senior Independent Director and the Chief Executive Officer are summarised on page 77, with full details set out on our website.

Information about our individual Directors is set out on pages 70 and 71. Details about our Board and its Committees are set out on page 77.

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 the externally facilitated Board and Committee performance review supported this. At the end of most Board meetings, the Chair 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.

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 as set out in the Code. Following assessment, no circumstances were identified which are likely to impair, or could appear to impair their independence and therefore all of the Company's Non-executive Directors are considered independent. The Chair was considered independent on appointment. A chart showing the independence of the Non-executive Directors is contained on page 78.

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 Director 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 Chair. The 2023 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, the Board member is required to confirm sufficient time remains available to discharge their responsibilities to Victrex.

A summary of the roles and responsibilities of the Chair and the Non-executive Directors (including that of the Senior Independent Director) is contained on page 77. Other significant appointments of each individual Director are included in the Board biographies on pages 70 and 71.

For more information on meeting attendance in FY 2023, please see page 78.

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 125.

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. 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 at the Annual General Meeting.

The activities of the Nominations Committee are set out in the report on pages 86 to 89. The Board's Diversity & Inclusion Policy is set out on page 88 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 70 and 71, as well as in the notes accompanying the resolutions to re-elect 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 70 and 71, and page 87 of the Nominations Committee report.

L. Board evaluation

In FY 2023 an external Board and Committee performance review took place. Details of the process, outcomes and focus areas for FY 2024, together with progress on actions identified in FY 2022, are set out on pages 81 and 82.

For more information on the Board and Committee evaluation, please see pages 81 and 82.

Induction and Board development

The Group has in place a comprehensive induction programme for newly appointed Directors which is capable of being personalised according to that individual's proposed role, skills and experience. The induction programme was reviewed and updated during the year.

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.

During the year, the Board has received legal and governance briefings from the General Counsel & Company Secretary, Addleshaw Goddard (update on UK Market Abuse Regulation including case studies), Korn Ferry (remuneration) and PwC (corporate reporting update), as well as a briefing on geo-political risks from an external speaker.

The Board conducted a visit to the Group's European base in Germany in October 2022 which included employee interactions and presentations, as well as several in-person customer meetings, providing the Board with valuable direct stakeholder interactions. In March 2023, the Board conducted a visit to the Group's Rotherham manufacturing site.

See page 87 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 Chair 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 97. Further information on the work of the Audit Committee, internal audit and the external auditors, PwC, is set out on pages 90 to 97.

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. During the year, the decision has been taken to add two additional meetings to the Audit Committee's programme of business going forwards to provide enhanced opportunities for spreading its workload.

See pages 94 and 95 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.

Please see page 128 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.

The going concern statement is set out on page 39.

Statement of corporate governance continued

4. Audit, risk and internal control continued

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.

For further information, see the risk descriptions on pages 34 to 38, and the Audit Committee report on page 95.

5. Remuneration

P. Remuneration policy and practices

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 Chair is not a member and the Committee Chair has served on a remuneration committee for longer than 12 months. The remuneration of Non-executive Directors is determined by the Board, reflecting the time commitment and responsibilities of the individual roles.

The Company's remuneration advisor is Korn Ferry. Details of the engagement are contained on page 111.

The work of the Remuneration Committee is summarised on pages 100 and 101.

Please see pages 103 to 110 for details of remuneration policy.

Q. Executive remuneration

The executive remuneration policy was renewed at the 2023 AGM. The Remuneration Committee considered that the remuneration policy continues to align with corporate governance best practice which enables the attraction and retention of executive talent to achieve the Group's strategic aims and to promote the delivery of the long-term sustainable strategy. No Director is involved in deciding their own remuneration outcome.

Future policy table and notes, performance scenario charts and remuneration obligations in service contracts are set out on pages 103 and 110.

Please see the Directors' remuneration report for policy implementation (pages 102 and 111 to 123), remuneration paid to service advisors (page 111), single total figure tables (page 112), Chief Executive Officer total remuneration (page 120), CEO pay ratio (page 121), alignment of Directors' remuneration (including pension contributions) with the workforce's (pages 101 and 102) and relative importance of spend on pay (page 121). Please see the Remuneration Committee report for Directors' shareholdings (page 118) and variable pay awarded in the year (page 116).

R. Judgement and discretion

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 107. The Committee did not use discretion in relation to adjusting incentive outcomes for FY 2023.

For more information on remuneration outcomes, please see the Directors' remuneration report from page 111.

Leadership – our governance framework as at 30 September 2023

Chief Executive Officer: Jakob Sigurdsson

Key responsibilities:

- → Day to day running of the Group
- → Recommending to the Board and implementing agreed strategy
- → Executing Board decisions

Matters not reserved for Board decision are delegated to the CEO

Chair: Vivienne Cox

Key responsibilities:

- → Leading the Board
- → Creating the right Board dynamic
- → Ensuring Board effectiveness, including contribution and challenge from all Directors
- → Ensuring effective engagement with shareholders

Executive Directors*: Jakob Sigurdsson, Ian Melling

Key responsibilities:

- → Performing designated executive responsibilities
- → Discharging duties in respect of the Group as a whole

* Martin Court stepped down from the Board with effect from 30 September 2023.

Independent Non-executive Directors: Janet Ashdown, Brendan Connolly, Ros Rivaz, David Thomas, Jane Toogood

Key responsibilities:

- → Exercising independent and objective judgement in decision making
- → Scrutinising and constructively challenging senior management

General Counsel & Company Secretary: Jane Brisley

Key responsibilities:

- → 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

Senior Independent Director: Ros Rivaz

Key responsibilities:

- → Acting as a sounding board to the Chair
- → 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 Chair's performance
- → Deputising for the Chair if the Chair is unable to fulfil her duties

Board: one Chair (independent on appointment), five independent Non-executive Directors, three* Executive Directors

Key responsibilities:

- → 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 the interests of all stakeholders are taken into account
- → 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

How the Company generates value for shareholders and other stakeholders and contributes to wider society is set out on pages 6 to 17

* Two Executive Directors with effect from 1 October 2023.

Board Committees

Audit Committee members: five independent Non-executive Directors

Role:

- → Assisting the Board in its oversight of financial reporting, internal controls and risk management
- → Managing the relationship with the Group's external auditors

See the Audit Committee report from page 90 for more information

Nominations Committee members: Board Chair and five independent Non-executive Directors

Role:

- → Reviewing Board structure, size, composition and succession planning
- → Overseeing senior management succession

See the Nominations Committee report from page 86 for more information

Disclosure Committee members: whole Board

Role:

- → 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

Chair: Vivienne Cox, David Thomas, Jakob Sigurdsson or Ian Melling (in that order)
Quorum: Two of Vivienne Cox, David Thomas, Jakob Sigurdsson and Ian Melling

Remuneration Committee members: five independent Non-executive Directors

Role:

- → Setting remuneration policy for Executive Directors, senior management and the Chair
- → Determining the application of remuneration policy

See the Directors' remuneration report from page 100 for more information

Corporate Responsibility Committee members: a minimum of three Non-executive Directors

Role:

- → Overseeing the Company's conduct with regards to its corporate societal obligations and commitments
- → Overseeing and reviewing the development and execution of the Company's sustainability strategy and commitments including progress towards targets

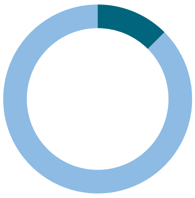
Statement of corporate governance continued

As at the date of this Annual Report

Roles and gender

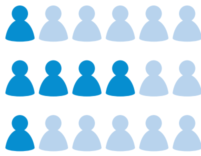
Female Chair	1
Female Senior Independent Director	1
Male Executive Directors	2
Male Non-executive Directors	2
Other female Non-executive Directors	2

Nationality



Icelandic	1
British	7

Chair and Non-executive Director tenure

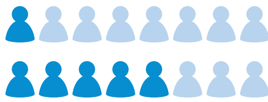


Up to 3 years 17%

3–6 years 66%

7–9 years 17%

Independence



Chair 1

Independent NEDs 5

Diversity

Our Board believes that diversity is important for Board effectiveness and recognises the value of diversity in its widest sense. Broadening the diversity of the Board and senior management will continue to be a focus area. Female representation on the Board was 44% during FY 2023 and as at the date of this Annual Report is 50%.

The current ethnic composition of our Board is 100% White, with a breakdown of nationalities provided above. Led by the Nomination Committee we aim to make progress in achieving the Parker Review recommendation and FCA Listing Rule target of having at least one Director from a minority ethnic background during our financial year commencing 1 October 2023.

Further details, including the mandatory FCA Listing Rules disclosures in relation to gender and ethnic representation and our Board Diversity & Inclusion Policy, can be found in the Nominations Committee report on pages 86 to 89. Details of the Group's Diversity, Inclusion & Equal Opportunities Policy can be found on page 65.

Attendance at meetings

The Directors' attendance record at the Annual General Meeting ('AGM') and scheduled Board and Committee meetings for the year ended 30 September 2023 is set out below. Attendance is shown as the number of scheduled meetings attended out of the number that each Director was eligible to attend. Only in exceptional circumstances would a Director not attend a Board or Committee meeting.

	AGM	Board	Audit Committee	Remuneration Committee	Nominations Committee	Corporate Responsibility Committee
Number of meetings	**1**	**8**	**4**	**4**	**3**	**3**
Chair						
V Cox	✓	**8/8**	—	—	**3/3**	—
Executive Directors						
J O Sigurdsson	✓	**8/8**	—	—	—	—
M L Court[1]	✓	**6/8**	—	—	—	—
I C Melling	✓	**8/8**	—	—	—	—
Non-executive Directors						
J E Ashdown	✓	**8/8**	**4/4**	**4/4**	**3/3**	**3/3**
B W D Connolly[2]	✓	**8/8**	**3/4**	**4/4**	**3/3**	—
D Thomas	✓	**8/8**	**4/4**	**4/4**	**3/3**	**3/3**
J E Toogood	✓	**8/8**	**4/4**	**4/4**	**3/3**	**3/3**
R Rivaz	✓	**8/8**	**4/4**	**4/4**	**3/3**	**3/3**

Notes

1 Martin Court was unable to attend two Board meetings due to external commitments and provided input on papers and insights in advance.

2 Brendan Connolly was unable to attend one Audit Committee meeting due to an urgent external matter arising at short notice.

Executive Directors may be invited to attend Committee meetings – please see the Committee reports for further information.

A summary of Board activity in FY 2023 and strategic outcomes is on pages 79 and 80. 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 20 to 23.

SUMMARY OF BOARD ACTIVITY IN FY 2023	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 corporate development activities → Conducted deep dives into strategic business unit and key functional strategies → Met with a number of key customers as part of the Board visit to Europe. The Board received a presentation from TechnipFMC, to further develop the relationship as it progresses its industrialisation and scale-up in Brazil → Reviewed and approved changes in the organisational structure → Reviewed and approved key contracts → Approved SBTi submission → Received regular updates on progress of establishment of manufacturing capability in China	→ Strategy updated to reflect five-year financial plan → Reviewed sustainability agenda and approved submission to SBTi → Creation of Sustainable Solutions and Medical business areas, with Managing Directors appointed for each, to support delivery of the Group's strategy → Approved customer and other third-party contracts to support progression of the Group's strategy → Further development of key customer relationships and understanding of customer priorities
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 2023/24 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 risk appetite agreed programme of periodic risk deep dives → Received updates on significant IT project (a new ERP system) → 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 and received a briefing from the Group's insurance brokers → Reviewed and approved changes to the Group's corporate structure and director and officer appointments to subsidiary boards → Received external briefing on geo-political risk	→ Ongoing monitoring of operational and financial performance → Reviewed principal risks and agreed a programme of risk deep dives → Approval of the interim and final dividend
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 & ESG and other engagement with large investors, prospective investors and analysts	→ 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 maintained focus on embedding an enhanced health and safety culture → 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 → Considered outcomes of the 2023 Employee Experience 'Pulse' Survey → Reviewed the Board Diversity & Inclusion Policy → Considered 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 → Met with employees at a number of the Group's locations → 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	→ Continued prioritisation of health and safety matters → Monitoring alignment of culture with our purpose, values and strategy → Enhanced insight into employee engagement, views of our employees and related actions

Statement of corporate governance continued

SUMMARY OF BOARD ACTIVITY IN FY 2023	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 periodic updates on developments in corporate governance and best practice → Received training on the UK Market Abuse Regulation → Implemented actions from the FY 2022 evaluation of Board performance and agreed the approach for the FY 2023 external evaluation of Board performance → Determined independence of the Non-executive Directors → Reviewed the performance of the external auditors and recommendation for re-appointment → Reviewed the Modern Slavery Policy and approved the FY 2023 Modern slavery and human trafficking statement → Reviewed and approved updates to key compliance policies	→ FY 2024 action plan agreed following 2023 Board and Committee external performance evaluation → Approval of Modern slavery and human trafficking statement

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 typically held at least once a 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 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 81.

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 Executive Directors, the Chief Operating Officer and MDs, with other VMT members and 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 Executive Directors, 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, IT security matters, and performance in SHE, quality and regulatory matters. This meeting is attended by the VMT 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 Group Head of IT & Security participate in relevant sessions. Industry-based risk committees meet at least twice a year.

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 32 and 33.

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. Attendees include the Chief Executive Officer. Further details on this policy and the activities of the Currency Committee are included in note 16 to the financial statements.

Innovation Portfolio Review: Meeting quarterly and chaired by the Marketing Director, 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 Executive Directors, 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 Portfolio Steering Committee oversees the selection, prioritisation, resourcing and delivery of our mega-programmes. This meeting is attended by SBU Directors responsible for their specific end market performance and mega-programme projects, the Marketing Director, the R&D Director, the Director of Global Manufacturing and the Sales Director, as well as other subject matter experts attending as necessary.

IP Committee: The IP Committee meets quarterly and manages the Group's IP portfolio. It is chaired by the Intellectual Property Director and attended by the Marketing Director, the R&D Director, the Chief Financial Officer, the Chief Scientist and the Group's Intellectual Property team, as well as those in senior positions in R&D.

VMT MEMBERS (AS AT THE DATE OF THIS ANNUAL REPORT), ROLES AND RESPONSIBILITIES

Jakob Sigurdsson[1] Chief Executive Officer (see page 77)	**Ian Melling**[1] Chief Financial Officer → Responsible for financial control → Leads the Finance, IT, Legal and IP teams	**Andrew Hanson**[1] Director of Investor Relations, Corporate Communications & ESG → Investor relations, internal communications and corporate communications → Leads the Communications and ESG teams
Jane Brisley[2] General Counsel & Company Secretary → Legal, governance and company secretarial matters → Leads the Legal, Company Secretariat and Executive PA teams	**Jeff Versterre**[1] Chief Operating Officer → Responsible for overall performance and development of the integrated supply chain → Leads the Procurement, SHE and Supply Chain teams	**Jilly Atherton**[2] Group HR Director → People strategy → Leads the Human Resources and Business Administration teams
John Devine[1] MD, Medical → Responsible for performance of Medical	**Michael Koch**[1] MD, Sustainable Solutions → Responsible for performance of Sustainable Solutions (Electronics, Energy & Industrial, Transport and VAR SBUs)	

1 Male.

2 Female.

Martin Court (Chief Commercial Officer) was a member of the VMT during FY 2023.

The VMT is treated as senior management for the purposes of the 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.

Performance evaluation

Our Board evaluation was conducted externally this year by an independent third party, EquityCulture Ltd, a firm which has no other connection with the Company or individual Directors. EquityCulture was appointed after a review of independent advisors in the field of formal Board evaluations which was led by the Chair and General Counsel & Company Secretary. David Mensley and Alison Crowther-Smith of EquityCulture conducted the external evaluation of the Board in FY 2019. Each Board member and the General Counsel & Company Secretary were interviewed to review and assess the performance of the Board and its Committees.

The Board performance review process was led by the Chair, with the support of EquityCulture and the General Counsel & Company Secretary, and entailed:

- → the review and agreement of an agenda of questions to be used at meetings with each Board member with the inputs from the Board Chair and each Committee Chair;
- → one-to-one meetings with each Board member and EquityCulture;
- → preparation of a report by EquityCulture;
- → discussions on the Board evaluation outcomes and recommendations with the Chair;
- → consideration of the relevant sections of the report for each Committee;
- → discussion of the results of the evaluation by EquityCulture with the Board as a whole; and
- → the Board identifying and agreeing areas for improvement.

During the interviews, five broad topic areas were considered, and EquityCulture ensured that pre-defined constituent elements of each topic were covered to ensure consistency in the evaluation process. The topic areas covered included Board meetings, people matters including succession planning, strategy, and risk. Committee effectiveness was also assessed in accordance with Code requirements.

The interviews were confidential, open and honest. Results were compiled on an unattributed basis and reported to the Board by the evaluator. The overall outcomes of the evaluation indicated that the Board is performing well and is both well led and well supported, and members enjoy being part of it.

Following the Board's discussion of the outcome of the FY 2023 Board evaluation, an action plan was agreed with actions in the following areas:

Topic	Action/recommendation
Non-executive director succession planning	Ensure smooth transition plan for refreshment of the Board in light of future departures of Non-executive Directors, particularly given three Non-executive Directors were appointed during the same calendar year.
Board papers and presentations	Build on the improvements to papers and presentations made to date to drive additional improvements.
Board and Committee resources	Factoring in the size of the Group and focus on operational efficiencies, consider opportunities for targeted enhancements to the level of management resource, for example in support of the Corporate Responsibility Committee which was established in FY 2022.

Statement of corporate governance continued

Performance evaluation continued

During the year, the Board has also reviewed progress made in relation to the actions identified from the internal Board evaluation conducted in FY 2022.

Topic	Action/recommendation	Progress
Board papers and presentations	Continue evolution of materials submitted to the Board to support focus and efficiency.	Notable improvements during the year. This has been identified as an area for further focus. Papers are provided in good time for review prior to meetings.
Engagement	Review opportunities for engagement outside of formal meetings and build on opportunities to meet with employees.	There are regular meetings between the Chair and CEO, with these also now established for the Chair and CFO. Board members have had numerous direct engagement opportunities with a number of employees during the year through site visits and Board presentations.
Strategy	Build on the strategy decision-making process and maintain focus on strategic matters and deployment.	Good progress during the year with continued focus on this topic.

Review of the Chair's performance

Dr Ros Rivaz, as the Senior Independent Director and in discussion with the other Non-executive Directors, led a separate appraisal of the Chair's performance which took into consideration both the Executive and Non-executive Directors' views. Vivienne's leadership of the Board was considered effective. Further, during FY 2023 the Non-executives met without the Chair present.

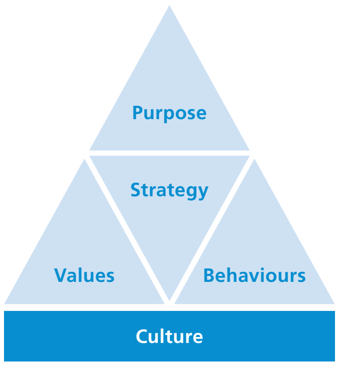
Review of the individual Directors' performance

The Chair reviewed the individual performance and effectiveness of each Director. 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. In addition to the formal evaluation, the Non-executive members of the Board met at various times during the year without the Executive Directors present.

All Directors will be subject to annual re-election at the AGM in February 2024. 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 our 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 page 65.
- → Our entire workforce (including our Executive Directors) is reviewed against our core behaviours of driving results, working together, doing the right thing, continuously improving and focusing on our customers.
- → Through its annual programme of business, receiving reports from Brendan Connolly, our Non-executive Director responsible for Workforce Engagement, 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

The Board retains the power to take decisions which affect the future developments and business prospects of the Group and the authority and responsibility for planning, directing and controlling the activities of the Group. Where the matter has not been reserved for Board decision, it is delegated to the Chief Executive Officer. The Group operates a Group Authorities Manual & Matrix which sets out the delegation of operational decision-making authorities for certain management roles operating at different levels of the organisation.

The operational management of our business is delegated by the Board to the Chief Executive Officer who uses several teams, meetings and below Board Committees to assist him in this responsibility. Further details are set out on pages 80 and 81.

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 20 and 21. The Board conducts a formal review of the Group's stakeholder engagement programme annually, considering other touch points 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 20 to 23 and outlines examples of how the Board has considered the interests of stakeholders in decision making during the year.

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 and this is supported by a range of direct and indirect engagement activities. The Board programme of business typically schedules visits to one or more of the Group's sites. This year, the Board visited the Group's operations in Germany and Rotherham, and the Senior Independent Director visited the Group's facility in Leeds. Board dinners with senior management have taken place periodically. Further, the Chief Executive Officer and Chief Financial Officer met with employees in all our Asia-Pacific locations, and the Chief Financial Officer visited all our locations in the US, during FY 2023. 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, regular communications from the Chief Executive Officer 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. Brendan's fourth annual report in this capacity is set out on pages 84 and 85.
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 and regularly reviews information on how the Group is performing for its customers including delivery 'on time in full' metrics and product quality statistics. During the year, Board members met with a number of key customers as part of the Board's visit to our European base in Germany. The Board received a presentation from TechnipFMC for the second consecutive year to further develop the relationship as it progresses its industrialisation and scale-up plans in Brazil. Material customer contracts are reviewed and approved. Since the year end Board members have held meetings with several key customers in the Asia-Pacific region as part of the Board's FY 2023 'virtual' site visit.
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. The Board reviews proposed updates to the Group's Modern Slavery & Human Trafficking Policy as well as approving the Group's Modern slavery and human trafficking statement, which can be found on our website, www.victrexplc.com. From time to time material supplier contracts are also reviewed and approved.
Investors	The Board receives monthly reports on investor engagement and sentiment, prepared by the Company's Investor Relations team which frequently interacts with key analysts and investors and prospective investors. The Chief Executive Officer, the Chief Financial Officer and the Director of Investor Relations, Corporate Communications & ESG regularly meet shareholders, prospective shareholders and analysts. This year, over 175 virtual meetings or calls were hosted with institutional investors or prospective investors. Two major UK roadshows were held and there was one major US and Canadian roadshow and one virtual roadshow in Europe. Three investor conferences were attended by our Director of Investor Relations, Corporate Communications & ESG with two selected 'Company Overview' Q&A sessions with North American prospective investors. A number of site visits were also hosted, to enable a clearer understanding of the Group's strategy and growth prospects. The Chair hosted engagements with three major shareholders as well as meeting other shareholders through the Annual General Meeting and financial results presentations. Both the Chair and Senior Independent Director remain available for engagement with shareholders. The Board receives reports from sector analysts to ensure that it maintains an understanding of investor priorities. The Board attends the Annual General Meeting so as to be available to answer any questions that may arise from investors. 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 page 57. The Board receives information on key community activities. The Corporate Responsibility Committee enables enhanced focus on ESG matters including monitoring of the Company's standing with key stakeholder groups. See page 98 for the Corporate Responsibility Committee report 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. The Board engages directly and indirectly with a wide range of government bodies and regulators. Board engagement is primarily through the Chief Operating Officer and our Global SHE Lead to reflect our SHE focus, environmental reporting and activities aligned to our sustainability agenda. Governmental and NGO interactions occur typically through the Chemical Industry Association (of which we are an active member) via the Chief Executive Officer, with relevant functions taking the lead in responding to UK government consultations and submissions of relevant data. From time to time the Group receives some government funding associated with its innovation and Research & Development agenda.

Statement of corporate governance continued

During my fourth year as the designated Non-executive Director for Workforce Engagement it has been pleasing to see the progress made on topics raised in previous years, and to continue the open and constructive dialogue with our employees in a variety of locations and forums. The passion and interest of our people is clear, and I would like to thank everyone for their continued engagement.

Brendan Connolly
Workforce Engagement NED

Workforce engagement report – hearing the employee voice

Brendan Connolly was appointed the designated Non-executive Director for Workforce Engagement (the 'Workforce Engagement NED') with effect from 1 October 2019. This statement summarises the activity undertaken during FY 2023.

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 multiple locations;
- organise bespoke events for additional feedback where required; and
- solicit employee views about executive remuneration and share feedback obtained with the Remuneration Committee.

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.

Highlights during FY 2023

The focus of the Workforce Engagement NED on regular dialogue with the workforce through a variety of means, including face-to-face meetings and site visits, has continued in FY 2023. Other Non-executive Directors have also been involved in engagement activities including a session focused on Diversity, Equity & Inclusion led by our Board Chair, and a visit to our Leeds facility by our Senior Independent Director. Progress has been made in areas previously identified for improvement, such as having an effective feedback loop in place to demonstrate that matters raised through the Workforce Engagement NED role are considered and acted on where appropriate. This is an area for further focus in FY 2024.

The Workforce Engagement NED reports to the Board on matters raised by employees. Relevant Board papers contain a workforce impact statement to ensure that the interests of our employees are a central consideration in Board decision making.

In FY 2023, the Workforce Engagement NED held or participated in a number of sessions with groups of employees through face-to-face and virtual meetings across a variety of forums:

- 'An Audience with Brendan Connolly' held in person at our UK head office with virtual attendance from other locations, covering topics such as executive remuneration, and open for questions from all employees including on topics such as wellbeing and strategy. Over 280 employees attended this, over two sessions;
- a Strategic Inclusion Group* meeting;
- a UK Gender Engagement Network ('GEN')* meeting; and
- an Enable Group* meeting.

* Please see page 55 for more information on the role and purpose of these groups.

Examples of topics raised or discussed during FY 2023 are set out below:

- ***Wellbeing & Safety***: A suggestion was raised to explore how Victrex handles mental health matters and if the right tools are in place. Safety was considered to be improving overall with a call for a refresh of the safety 'golden rules'. These topics are being addressed by our SHE leadership.
- ***Diversity, Equity & Inclusion:*** There was recognition that having a clarity of strategy and outcomes was important. The new Enable Network is off to a good start and there were calls to enhance visible support and engagement from leadership. The feedback was that progress is being made in general.
- ***ESG:*** Matters raised included why the focus is on carbon for external reporting purposes, and initiating customer-facing meetings on ESG. There were calls for more internal communication on our ESG goals and status.

In summary, no major negative themes arose during the year and there were many positives. The GEN forums have matured and continue to develop plans and training to ensure focus on diversity and inclusion. Clear passion was demonstrated by employees on ESG matters.

Key focus areas for FY 2024 include continuing to involve other Non-executive Directors in employee engagement initiatives where practical, arranging a presentation by our Enable Group and UK GEN to the Corporate Responsibility Committee as part of our Diversity, Equity & Inclusion agenda, and continuing to attend a cross-section of employee forums and bodies to gather feedback and to build on the understanding of the topics which are important to our employees.

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 9 February 2024. All shareholders will have the opportunity to ask questions at the AGM. The Chairs of the Audit, Nominations, Remuneration and Corporate Responsibility Committees will be available to answer questions at that meeting. The details of the 2024 AGM are summarised in the Chair's introduction on page 69 and in the Notice of Annual General Meeting from page 184. 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 184 to 191 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 2023 Annual General Meeting

At the 2023 Annual General Meeting, votes were cast in relation to approximately 84.85% of the issued share capital. All 22 resolutions were passed by the required majority. Votes were cast in favour of the re-appointment (or, in the case of Ian Melling, appointment) of the following Board Directors as follows:

- Vivienne Cox: 87.91%
- Jane Toogood: 98.48%
- Janet Ashdown: 98.27%
- Brendan Connolly: 96.68%
- David Thomas: 98.33%
- Ros Rivaz: 90.43%
- Jakob Sigurdsson: 99.91%
- Martin Court: 99.97%
- Ian Melling: 98.28%

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 126.

NOMINATIONS COMMITTEE REPORT

Dr Vivienne Cox DBE
Chair

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

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

Committee meetings in FY 2023
The Committee held three scheduled meetings during FY 2023 and has a programme of business reflecting its Terms of Reference.

Committee member	Meeting attendance
V Cox (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**

Secretary: Jane Brisley

Other attendees:

- the Chief Executive Officer is not a member of the Committee but is invited to attend; and
- the Group HR Director regularly attends meetings.

All members of the Committee are independent, thus fulfilling the Corporate Governance Code requirement that a majority of members of the Nominations Committee should be independent Non-executive Directors.

The Chair would not chair or otherwise participate in the Committee when it is dealing with the appointment of her successor. No Director would participate in the Committee when it is dealing with the appointment of his or her successor.

The Chair's other significant commitments are set out in her biography on page 70.

FY 2023 highlights

- Continued focus on Diversity & Inclusion at Board and senior management level
- Reviewing succession planning and overseeing changes in the composition of the Victrex Management Team
- Overseeing an externally facilitated Board and Committee evaluation exercise

FY 2024 focus areas

- Succession planning for our Non-executive Directors in order to facilitate a smooth and orderly refresh in due course
- Progress plans to achieve the target of having at least one Director from a minority ethnic background

Dear shareholders,

On behalf of the Nominations Committee, I am pleased to present its report for the year ended 30 September 2023.

During the year the Committee has reviewed succession planning at Board and senior management level, overseeing several changes to the senior team as Martin Court stepped down from the Board on 30 September 2023. Two new business areas have been created – Medical and Sustainable Solutions – and the Managing Director for each business area is a member of the Victrex Management Team (VMT'). Please see page 22 for more information.

The Committee has reviewed the framework for talent planning, including the talent matrix, and also considered a new programme for senior leadership which uses 360° feedback to identify strengths and areas for development.

Victrex is committed to diversity in the workforce, inclusive practices and equality of opportunity for all employees. In compliance with the FCA Listing Rules, please see page 89 for information on Board and executive management gender and ethnicity. The Board meets, and exceeds, the FCA target of having at least 40% female representation on the Board and in having at least one of the senior board positions held by a woman. The Committee is currently engaged in a recruitment process aimed at achieving the Parker Review recommendation and FCA Listing Rules target of having at least one Board member from a minority ethnic background during FY 2024.

While the Nominations Committee looks at diversity within the Board and approves the Board Diversity & Inclusion Policy, which can be found on page 88, our Corporate Responsibility ('CR') Committee oversees the focus on Diversity, Equity & Inclusion ('DE&I') in the wider workforce. This includes how we are performing against our targets. You can read more about DE&I on page 55.

The FY 2023 Board and Committee evaluation was externally facilitated by EquityCulture Ltd and I am pleased to say this was a very positive exercise with strong engagement from our Board members. Further details can be found on page 81.

The Nominations Committee approved this report on its work.

Dr Vivienne Cox DBE
Chair of the Nominations Committee
5 December 2023

Succession planning

During the year, the Committee reviewed the succession plans 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 toolkit which includes consideration of diversity and skills to help assess the Board's composition and identify any opportunities for enhancement. Our skills matrix was reviewed in FY 2023 and supports there being a broad balance of skills, experience and knowledge on the Board, with particular strength in chemicals, strategic direction setting, M&A, risk management and compliance, and balanced experience across functional disciplines.

The Committee holds regular Board succession planning discussions, to ensure that we balance skills, experience, knowledge, diversity and independence and take into account Directors' tenure and the evolving needs of the business. The tenure of Non-executive Directors is set out on page 78. Succession planning for our Non-executive Directors will be a particular focus area for FY 2024.

Board appointments

The succession planning process allows us to assess the need to refresh the Board.

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 and is tailored as appropriate depending on role, skills and experience. This has been reviewed and updated during FY 2023. Our induction programme allows new Directors to meet members of senior management, business and functional leaders, and high potential talent as well as external auditors, brokers and advisors. New Directors also visit operations and sites to understand the manufacturing and production process and meet operations staff. They have access to Board and Committee papers, undertake relevant training, and receive briefings on pertinent matters.

The Committee's agenda in FY 2023

The Committee's principal activities during the year, and up to the date of approval of this Annual Report, were as follows:

- Board and senior management composition;
- overseeing changes to senior management. Details of the composition of the Victrex Management Team are set out on page 81;
- 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 the refreshed Director induction policy;
- reviewing the Board skills matrix;
- reviewing the Board Diversity & Inclusion Policy for approval by the Board; and
- reviewing the Committee Terms of Reference and the Committee's annual programme of business.

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 and 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.

Nominations Committee report continued

Board diversity

The Company acknowledges the value of diversity in its broadest sense, believing that different perspectives help generate broader debate and better decisions. Our Board Diversity & Inclusion Policy is set out in the box on this page. This policy was updated in FY 2022 to expand its scope to our key Board Committees. Following review in FY 2023 the policy was endorsed. Our policy reflects diversity broadly, including gender, social and ethnic backgrounds, and cognitive and personal strengths. The Board and the Committee seek to encourage applications from a diverse range of candidates, subject to the selection criteria being met.

The Board has not set express gender, ethnic or other related diversity quotas or measurable objectives for the Board's composition. The Board will continue to consider the various diversity factors set out in the UK Corporate Governance Code, the FCA Listing Rules, and the recommendations of the FTSE Women Leaders Review and the Parker Review.

The current ethnic composition of our Board is 100% White, with a breakdown of nationalities provided on page 78. The Nominations Committee has a recruitment process underway aimed at achieving the Parker Review recommendation and FCA Listing Rule target of having at least one Board member from a minority ethnic background during FY 2024.

The Board strives to broaden the diversity of the Board and senior management pipelines. As at 30 September 2023, we have four women on our Board, representing 44% (FY 2022 44%). For the purposes of the UK Corporate Governance Code, as at 30 September 2023 two members of senior management are women (representing 22%) and 31% of senior management and their direct reports are women (33 men, 15 women). Senior management is defined as the VMT; please see page 81 for a list of members of the VMT.

For further details on diversity and inclusion across Victrex, including our Group Diversity, Inclusion & Equal Opportunities Policy, see pages 55 and 65.

Board Diversity & Inclusion Policy

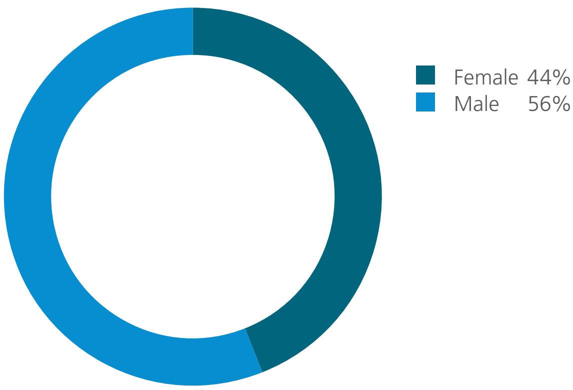
The Company acknowledges the value of diversity in its widest sense (age, gender, ethnicity, sexual orientation, disability and socio-economic background as well as educational and professional backgrounds) and its contribution towards effective Board and Committee operations and decisions.

The Group operates a Group Diversity, Inclusion & Equal Opportunities Policy which is reviewed each year and provides the framework for productive working relationships.

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 regulatory diversity targets and 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 – with diversity in its widest sense as described above being an important 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 and its Committees;
   c. whether the Company has met regulatory diversity targets on a comply or explain basis, and the Board's approach to such data collection;
   d. external reporting requirements including: (i) the ethnic background and gender identity or sex of the Board and executive management; and (ii) the gender balance of those in senior management and their direct reports; and
   e. 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.

Board diversity – gender
(as at 30 September 2023)



Board and executive management diversity data disclosures

As required by FCA Listing Rule 9.8.6R(9), below is the Company's compliance statement regarding Board diversity targets as at 30 September 2023, being the selected reference date used for the purposes of LR 9.8.6R(9)(a).

Target	Position as at 30 September 2023
At least 40% of the individuals on the Board are women	Victrex is compliant with this target as 44% of the Board are women.
At least one of the senior Board positions[1] is held by a woman	Victrex is compliant with this target as both the Chair and Senior Independent Director positions are held by women.
At least one individual on the Board of Directors is from a minority ethnic background[2]	Victrex was not compliant with this target. Please see the further information in the section headed 'Board diversity' above.

In accordance with LR 9.8.6R(10), set out below is the data on the gender identity and ethnic background of the Board and the VMT (including the Executive Directors and the Company Secretary) which is the cohort designated by the Company as executive management for the purposes of the FCA Listing Rules.

Gender identity or sex as at 30 September 2023[3]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management	Percentage of executive management
Men	5	66%	2	7	78%
Women	4	44%	2	2	22%
Not specified/prefer not to say	0	0%	0	0	0%

Ethnicity representation as at 30 September 2023[3]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management	Percentage of executive management
White British or other White (including minority White groups)	9	100%	4	9	100%
Mixed/multiple ethnic groups	0	0%	0	0	0%
Asian/Asian British	0	0%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

1 Senior Board positions are the Chief Executive Officer, Chief Financial Officer, Senior Independent Director and Chair.

2 Minority ethnic background is defined as from one of the following categories:

- → Asian/Asian British;
- → Black/African/Caribbean/Black British;
- → mixed/multiple ethnic groups; and
- → other ethnic groups, including Arab.

3 Martin Court stepped down from the Board as at 30 September 2023 and is included in the above information. Following Dr Court's departure from the Board, and as the date of this report our Board consists of eight Directors, of which four are women (50%) and four are men (50%). For executive management, of the resulting eight members of the VMT, six are men (75%) and two are women (25%). Ethnicity representation remains unchanged.

Data for the above disclosures has been collected by questionnaire and/or directly from the relevant individuals.

Board, Committee and individual Director effectiveness

The Board and its Committees carry out a formal review of effectiveness each year. An external performance review was conducted in FY 2023 by EquityCulture Ltd. Details of process, outcomes and focus areas for FY 2024, together with progress on actions identified in FY 2022, are set out on pages 81 and 82.

The reviews of the Audit, Nominations and Remuneration Committees confirmed that these Committees continue to provide effective support to the Board. The Corporate Responsibility Committee was within the scope of the evaluation and was considered to be a hugely welcome addition to our governance framework.

Each Director receives a formal performance review process. The Chair led the review of each Non-executive Director. The annual performance review of the Chair is led by the Senior Independent Director, Dr Ros Rivaz. The Nominations Committee reviewed the performance of the Executive Directors. 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 70 and 71. 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 page 70.

AUDIT COMMITTEE REPORT

David Thomas
Chair

Committee meetings in FY 2023
The Committee met four times during FY 2023 and has a programme of business reflecting the Committee's Terms of Reference.

Committee member	Meeting attendance
D Thomas (Committee Chair)	**4/4**
J E Ashdown	**4/4**
B W D Connolly	**3/4**
J E Toogood	**4/4**
R Rivaz	**4/4**

Secretary: Jane Brisley

The following other attendees regularly attend meetings:

- the Chair and Executive Directors;
- the Director of Risk & Compliance;
- the Finance Director;
- 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 Finance Director, Group Financial Controller, Director of Risk & Compliance and Head of Internal Audit 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 70 and 71. 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 externally facilitated by EquityCulture Ltd in summer 2023 and subsequently reported to the Board. The Committee 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.

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 the Audit Committee can be found on www.victrexplc.com.

FY 2023 highlights

- Completion of efficient and effective transition of PwC audit partner
- Reviewing the assessment of the Company's compliance with the FRC Minimum Standard for Audit Committees and building this into the Audit Committee's annual programme of business, including increasing the number of meetings in the annual cycle
- Further focus on enhanced reporting requirements of the Task Force on Climate-related Financial Disclosures ('TCFD'), including appropriate linkage between sections of the Annual Report

- → Maintaining focus on the ERP implementation project and opportunities for automation of the Company's control environment to further drive efficiencies
- → Continued focus on inventory valuation as input costs remain volatile which, combined with the overall increase in the volume of inventory held, increases the sensitivity of judgements and estimates made in this area
- → Monitoring of the work carried out by management to support the carrying value of assets associated with the Company's investment in Bond 3D High Performance Technology BV which resulted in the reclassification of these assets to a critical judgement and key source of estimation uncertainty during FY 2023
- → Monitoring developments resulting from the Department for Business, Energy and Industrial Strategy ('BEIS') 'Restoring trust in audit and corporate governance' agenda

FY 2024 focus areas

- → With the Company's new ERP system due to go live during 2024, ongoing monitoring of the robustness of implementation plans, testing, training and cutover to ensure robust financial records are maintained along with an appropriate audit trail. PwC's approach to auditing the transition will also be reviewed
- → Continued monitoring of the financial reporting and audit of the critical judgements, and key sources of estimation uncertainty, including specifically the valuation of inventory and the carrying value of Bond 3D High Performance Technology BV assets
- → Supporting the evolution of the interplay between the activities of the Audit Committee and the Corporate Responsibility Committee regarding the continued enhancement of climate change-related disclosure and assurance thereof
- → Continuing to monitor and effectively respond to developments in the governance agenda, including the changes to the Corporate Governance Code

The Committee's agenda in FY 2023

The Committee's principal activities during the year, in addition to those noted in the FY 2023 highlights, and up to the date of approval of this Annual Report, were as follows:

- → negotiated and agreed PwC's engagement letter and the statutory audit fee for the year ended 30 September 2023;
- → reviewed the results of the Committee's assessment of the effectiveness of the FY 2022 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 FY 2023 statutory audit, including the level of materiality applied by PwC and the final audit report from PwC on the financial statements detailing their key findings from the FY 2023 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 key areas of estimation uncertainty 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 FY 2023 Annual Report and recommended to the Board that it complied with the Code principle to be 'fair, balanced and understandable';
- → reviewed other market disclosures made, including the quarterly IMS and June Trading Update;
- → 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 internal audit plan and approach for FY 2024;
- → reviewed the effectiveness of the risk management and internal control systems prior to making a recommendation to the Board;
- → reviewed the Group's linkage between the identification of risk and the control environment, including the formal evaluation of the lines of defence conducted by the business and the processes for testing the second line of defence;
- → reviewed the conclusions of the Committee's annual evaluation. It was concluded that the Committee continued to be effective; and
- → reviewed the Committee's terms of reference and programme of business, including establishing two additional meetings in the Committee's annual cycle.

Dear shareholders,

I am pleased to present the report of the Audit Committee for the year ended 30 September 2023. The Directors' responsibility statement in respect of the Annual Report can be found on page 128.

Following the mandatory PwC partner rotation, I supported the smooth and efficient transition of Graham Parsons to the role of lead audit partner, succeeding Ian Morrison for our financial year ended 30 September 2023. This process commenced through the final stages of the prior year audit, supported by continuity across the rest of the engagement management team at PwC. The Committee remains mindful of the CMA requirement to undertake an audit tender at least every 10 years. With the audit market continuing to change at a rapid pace in response to resourcing challenges and regulatory expectations the Committee has determined that a tender in the next 12 months would not be in the Company's nor its shareholders' best interests, but continues to review this on a regular basis.

Following a review of the Committee calendar two additional meetings have been introduced into the annual cycle, in February and June. The meetings have been included to ensure timely updates for the Committee throughout the financial year along with supporting the Board in its review of the quarter one and three Interim Management Statements ('IMS'). The timing of the review was such that only the additional June meeting took place in FY 2023.

Audit Committee report continued

The focus of the internal audit and assurance activities during the year has been across key strategic and emerging risks, core financial and operational controls and regional compliance and control frameworks. Group internal audit ('GIA') methodologies have been enhanced in FY 2023 in order to improve the planning processes and better capture the overall level of assurance provided and management responses. Assessments of culture have also now been embedded in all audits in order to provide a more consistent insight to the Audit Committee, throughout the delivery of the GIA plan.

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 activity of the GIA function. In addition, an External Quality Assessment covering GIA has been conducted in FY 2023, which provided further reassurances over the maturity of the processes and practices in place.

During FY 2023 the Committee has maintained its focus on the robustness of financial forecasts used by management in assessing going concern, viability and the 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 analysis. The Committee also challenged management's assumptions on the potential impact of climate change on the longer-term forecasts used in assessing the carrying value of assets and viability.

As continued progress is made in the Company's new ERP system implementation, scheduled for go live during 2024, the Committee has supported management in ensuring the appropriate governance is in place around the project and advantage is taken of the opportunity to automate and improve the control environment, which will position the Company well in advance of the anticipated changes from the BEIS proposals on corporate governance. This has included supporting an internal audit review of the project performance along with discussion and input from PwC.

The UK 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 undertakes this role through independent review of the Annual Report, discussions with management, including assessment of alternative performance measures against the regulatory guidance, consideration of FRC Thematic Review findings and reporting from PwC. As well as the Annual Report, the Committee also considers other market disclosures to support the Board in providing fair and balanced reporting; this includes the Interim Report, Prelim Reports, IMS and, in the current year, the Trading Update made in June 2023.

The Committee receives regular reports from management 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 for 2023, it is pleasing to see PwC continue to obtain strong results across their FTSE 350 audits. The Committee challenged PwC on their response to the three key findings noted in the FRC's Quality Inspection Report (revenue testing, impairment assessments and the audit of cash and cash flow statements) and evidenced the increase in level of work performed in these areas compared to previous years. Through the Committee's programme to monitor audit quality and effectiveness, evidence has been seen over recent years that PwC are committed to addressing the findings, with significant increases in the level of substantive testing across most areas of the audit, including the aforementioned key findings. This work, along with increased regulatory pressure and new auditing standards, is the primary driver behind the significant annual fee increases since 2019. The fee of £716,000 represents an in-year increase of 25% and an increase of 275% since 2019. The Committee continues to challenge PwC on the efficiency of the audit approach and opportunities to work more closely together 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. The Committee has undertaken an assessment of its activities against the FRC's Minimum Standard for Audit Committees which was issued in May 2023. Pleasingly the Committee met the standard required, with minor improvements noted in the documentation of discussions which take place at Committee meetings which have been successfully implemented ahead of the Committee's final assessment. Details of the annual evaluation process of the Committee's performance can be found in the Corporate governance report.

The Audit Committee approved this report on its work.

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
5 December 2023

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 financial position and performance, business model and strategy?

The Committee made this assessment by:

- reviewing key messages proposed for the Annual Report to ensure reporting meets the requirement to be fair, balanced and understandable;
- 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.

External 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. Having observed the final audit in FY 2022 as part of the knowledge transfer plan, Graham Parsons took over this role for FY 2023 and the Committee oversaw an effective transition process.
- 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. Our auditors will not be asked to carry out non-audit work with the exception of a half-year review (should it be required) 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 2023 were £nil representing 0% of the audit fee (2022: £nil representing 0% of the audit fee). No further non-audit fees are expected to be incurred with PwC due to their revised general approach to not provide such services to listed audit clients along with the Committee's desire not to create potential independence issues.

Over a three-year rolling period, the level of non-audit fees has averaged 3% of the audit fee. The non-audit fees related to the interim review fee in FY 2021, which since FY 2022 has been discontinued.

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 and fees

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. Graham Parsons has completed his first year as lead audit partner. The next formal tender process, in compliance with the CMA Order 2014, is required ahead of the 2028 audit with PwC having completed 10 years as the Group's auditors in the year ended 30 September 2027. The Group has no current plans to perform a formal tender in advance of this, a decision which is reviewed annually by the Audit Committee following the review of auditor effectiveness.

The annual increases in the PwC audit fee have continued into FY 2023 with a fee of £723,000 agreed, an increase from £577,000 in FY 2022 (which included additional costs proposed after the signing of the 2022 Annual Report of £70,000). The fee has increased from £191,000 in FY 2019, an increase of 275% despite the composition and size of the Group remaining broadly consistent and management working with PwC to identify efficiencies. The increases have been attributed to factors including significant new auditing standards, regulatory changes and responses to AQRT findings, additional investment in training and technology, investment in improved risk and quality management and the impact of inflation in a competitive job market.

The Committee recognises the changing regulatory environment and the unfortunate consequence that companies, such as Victrex, are ultimately paying the price for the profession overlaying significant levels of substantive testing across all areas of the audit, including those which are considered low risk, with minimal perceived additional benefit for the key stakeholders. The Company continues to explore ways of mitigating elements of the increase through audit efficiency and smarter audit scoping.

The Committee recommended to the Board that PwC be proposed for re-appointment at the forthcoming AGM in February 2024. 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.

Audit Committee report continued

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 and estimation 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 128

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 facilities 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;
- the consideration of the impact of climate change on the Group's strategic plan; and
- ensuring transparent disclosures 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 FY 2023 financial year was prepared on a consistent basis with that reported in previous years and is on pages 39 to 41.

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 FY 2023 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.

During the year the Committee took the decision to elevate the risk in respect of the carrying value of the investment in associate and the fair value of convertible loans, both relating to the Group's interest in Bond 3D High Performance Technology BV ('Bond') to a 'critical judgement and key source of estimation uncertainty'. These two areas were considered 'other areas of judgement and sources of estimation uncertainty' in the preparation of the Group's 2022 Annual Report.

Inventory valuation and UK defined benefit accounting, detailed on page 144, remain critical judgements and key sources of estimation uncertainty. Other than these three areas, the primary focus is on those areas of accounting which rely on the use of future financial forecasts which inherently involve higher levels of judgement and estimation. 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 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, which in the current year considered the impact of inflation and the longer-term impact of climate change and the Company's revised decarbonisation goal of Net Zero carbon across all scopes by 2050. In the cases of both the carrying value of assets and going concern, the level of headroom remained at a level where, even under sensitivity, reasonable changes to the key sources of estimation would not cause a different outcome with the reverse sensitivity scenario analysis performed considered beyond plausible. PwC's report to the Committee came to the same conclusion.

The classification of costs as exceptional is inherently a judgemental area and one where the Audit Committee also supports the Remuneration Committee in making an assessment of the treatment of exceptional costs for executive remuneration purposes. In the prior year the Committee concluded that it was appropriate to disclose the cost of the new ERP multi-year implementation as exceptional. The Audit Committee assessed this treatment, considered management's rationale and also received input from PwC in reaching the conclusion that the treatment as exceptional was appropriate. The project will run from FY 2022 to FY 2024. The Committee will continue to monitor this position along with the level and nature of costs over the duration of the project. No other costs were disclosed as exceptional during the year.

The Committee considered 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, UK defined benefit pension accounting and the carrying value of assets held in Bond (investment in associate and the fair value of convertible loan notes) 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 past two financial years have seen significant fluctuations in raw material and energy costs along with general inflationary increases across other key inputs. These fluctuations have resulted in higher than usual variances to standard cost which management has assessed and incorporated into the value of inventory to reflect the actual cost of production. The Committee has reviewed the variances absorbed into inventory valuation resulting from the cost movements, assessing this for reasonableness, supported by the testing and reporting provided by PwC. The level of production over which costs were absorbed is judgemental with the higher of actual production and 'normal' production to be used. Production levels have fluctuated considerably over the past five years, particularly during the COVID-19 impacted years of FY 2020 and FY 2021 and the rapid recovery during FY 2022. In assessing the level considered 'normal' this has been taken into account. This judgement was 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. Management produced analysis showing the ageing profiles of inventory and analysed inventory movements over the past 12 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. The impact of changes in the key areas of estimation on inventory is included in note 13.

→ **UK defined benefit pension accounting:** the valuation of the UK 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, remains, with sensitivities of +/-1% having a material impact on the value of scheme liabilities 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.

→ 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 as the scheme worked towards self-sufficiency. The sensitivity of the scheme valuation to interest rate and inflation assumptions is disclosed in note 17.

→ **Carrying value of investment in associate in Bond and fair value of convertible loan notes due from Bond:** whilst the basis for assessing the carrying values of the respective instruments is different, with the investment in associate held at cost less post-acquisition losses subject to impairment, whereas the convertible loan notes are held at fair value through profit and loss, given the relative immaturity of Bond, both assessments are hinged on the future success of the business. The future success of Bond relies on key milestones being met in the development, regulatory approval and commercialisation of the technology, along with provision of further funding, all of which are inherently uncertain and therefore require significant judgement and estimation in reaching a conclusion. In the absence of an arm's length transaction in the equity of Bond and a lack of other observable market inputs the assessment is based on future forecasts for the business with the application of a number of scenarios to provide a range of potential outcomes which are used to both assess for indicators of impairment of the associate and to determine the range of fair values for the convertible loan notes. In making this assessment the Committee considers papers prepared by management, incorporating the status of milestones, regulatory approval and status of funding, along with the work undertaken by PwC. Further details of the valuation of the assets held in Bond are included in note 11 along with the sensitivity of the asset values to the key areas of estimation.

To aid the conduct of reviews, the Committee considers reports from the Chief Financial Officer, the Finance Director and Group Financial Controller and also reports from the external auditors on the outcomes of their annual audit.

Risk management systems and internal controls

The main features of the Group's internal controls and risk management systems are summarised below:

Risk management

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 32 to 38 and page 76. 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 Managing Directors, 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 32 to 38.

Over the last year, the Committee has overseen the development of climate-related risks and opportunities, ensuring that they are aligned to the requirements of TCFD and considered in the context of the principal business risks. Members of the Audit Committee are also members of the Corporate Responsibility Committee ('CRC'), which supports consistency between climate related and financial disclosure and discussion on the level of assurance obtained over climate-related reporting.

Audit Committee report continued

Risk management systems and internal controls continued

Risk management continued

During FY 2023 the Committee continued to review the Group's linkage between the identification of risk and the control environment, including the formal evaluation of the lines of defence conducted by the business and the processes for testing the second line of defence.

Internal controls

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 function 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; and
- → External Quality Assessment are performed on a regular basis with the results reviewed and discussed by the Committee, including the monitoring of the implementation of recommended improvements.

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 and 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.

The Committee discusses and agrees at the planning stage the draft list of specific risks to audit effectiveness and quality (specific audit quality risks).

The 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.

The 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.

The 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 are brought to the attention of the external auditors.

The FRC's Audit Quality Inspection Report for PwC, published in July 2023, showed that PwC's responses to previous reviews continue to make a positive impact on the results, 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. 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 recent audits. The Committee, as a matter of course, does seek full explanation of work undertaken in the more judgemental aspects of the accounts.

CORPORATE RESPONSIBILITY COMMITTEE REPORT

Jane Toogood
Chair of Corporate Responsibility Committee

Main responsibilities of Committee

- Oversee the Company's conduct with regards to its corporate societal obligations and commitments
- Support and challenge the development and execution of the Company's sustainability strategy and commitments including progress towards targets

Full Terms of Reference can be found at www.victrexplc.com.

Committee meetings in FY 2023
The Committee held three scheduled meetings during FY 2023 and has a programme of business reflecting its Terms of Reference.

Committee member	Meeting attendance
J E Toogood (Chair)	**3/3**
J Ashdown	**3/3**
R Rivaz	**3/3**
D Thomas	**3/3**

Secretary: Jane Brisley

Other attendees:

- the Company Chair, CEO, CFO and Workforce Engagement NED are not members of the Committee but are invited to attend;
- the Director of Investor Relations, Corporate Communications & ESG, Chief Operating Officer and Group HR Director regularly attend meetings; and
- other employees, based on the programme of business, may be invited to attend.

FY 2023 highlights

- Overseeing the evolution and progress of the Corporate Responsibility Committee during its first full year
- Progressing our decarbonisation roadmap and enhanced Net Zero targets submitted to SBTi (across Scope 1, 2 & 3), in line with our commitment
- Constructively challenging progress in our Diversity, Equity & Inclusion ('DE&I') agenda, and approving metrics to measure employee wellbeing
- Progressing the definition for our portfolio of sustainable products, as these help to drive future growth

FY 2024 focus areas

- Broaden the focus of our DE&I agenda, specifically for our talent pipeline
- Build on our positive lifecycle analysis ('LCA') for Victrex™ PEEK through a roadmap of additional LCAs to support customer solutions
- Progressing our circularity and recycling opportunities in the supply chain, to differentiate and support customer choices
- Drive further progress in our decarbonisation journey

Dear shareholders,

On behalf of the Corporate Responsibility Committee, I am pleased to present its inaugural report, for the year ended 30 September 2023.

Newly formed during FY 2022, the Committee has focused its first full year on the oversight of existing sustainability & ESG targets, while also ensuring that our future goals and targets are realistic and ambitious, across our three pillars of 'People, Planet & Products'. Monitoring progress in achieving our goals and targets (which are set out on pages 46 and 47) will be central to the Committee's purpose going forward.

Victrex has long-standing sustainability & ESG credentials through how our products enable environmental and societal benefit, for example in supporting CO_2 reduction in the Aerospace and Automotive industries, or through patient outcomes in Medical. More information on these benefits can be found on page 43. The Committee's oversight on all of our key sustainability & ESG programmes ensures that climate change and our response to that is right at the heart of the Board's agenda. The Committee also ensured that appropriate assurance was in place for key metrics such as the Group's greenhouse gas emissions ('GHG').

People

Social responsibility

In our People agenda, the Committee reviewed the Group's Diversity, Equity & Inclusion goals and activities to positively influence the diversity of the organisation. Victrex has a target goal for 40% of females in leadership roles by 2030, which currently sits at 19% (FY 2022: 19%). With a pipeline of talent identified, and through working with our Employee Representative Groups, including our Gender Engagement Network ('GEN'), we expect to show further progress in FY 2024 and beyond. The Committee also expects to consider other potential goals in this area to support our DE&I agenda.

The Committee also met with female employees within our Integrated Supply Chain ('ISC') team, to understand the impact of the Group's activities in this area.

Social responsibility activities are focused on supporting the next generation of talent, through our Science, Technology, Engineering and Maths ('STEM') activities. The Committee reviewed progress towards a greater globalisation of our STEM programme, with our first STEM ambassador in China this year, and an increase in STEM ambassadors to 60.

Elsewhere, the Committee reviewed the good progress in employee volunteering activities, including a new Biodiversity partnership. This pilot programme is an opportunity to broaden across other sites, ensuring that industry and nature operate in harmony. With our community volunteering hours continuing to exceed targets, the Committee expects to review and set a new goal during FY 2024.

Since the year end, the Committee proactively considered the Parker Review's call for companies to set a target for ethnic diversity below Board ('exco and exco-1' level). Following submission of our target in December 2023 (post-the Company's preliminary results announcement) we will publish this in our FY 2024 Annual Report.

Wellbeing activities are a key topic for the Committee, particularly with a more normalised 'post-pandemic' business. We assess feedback on wellbeing as part of the engagement survey and 'pulse surveys' with employees, further details of which are shown on pages 54 to 57. The Committee also adopted metrics to measure wellbeing which will be monitored going forward.

Ensuring we promote how our employees support our societal obligations was an area the Committee focused on. All Victrex employees are required to participate in annual training on principles contained in the Code of Conduct, a summary of which is shown on page 65.

Planet

Resource efficiency

The Committee monitors the Group's environmental performance at each meeting, with particular focus on energy, water, waste and carbon intensity. Good progress has been made on long-term waste management since our original sustainability goals set out in 2013. We note that our carbon intensity per tonne of PEEK produced has reduced by 17% over the past 10 years. Further detail is shown on pages 58 to 62.

The key focus area during the year for the Committee was the Group's discussions on SBTi and fulfilling our original goal to submit a science-based target as part of our decarbonisation plans. Against the backdrop of an uncertain energy environment and the significant cost of decarbonisation, together with the reliance on available technology, alternative fuels or external factors (for example, electrical grid capacity), consideration was given to ensuring the SBTi route remained appropriate for all of our stakeholders. An assessment of peers and competitors was also considered, thereby ensuring that remaining aligned to SBTi, and building on our positive ESG credentials, would support the Group and its stakeholders over the years ahead. Our SBTi targets, which align to Net Zero 2050 across Scope 1, 2 & 3, with an interim target in 2032, are now being reviewed by SBTi, with the fully assessed targets set to be shared in FY 2024.

Products

Sustainable solutions

The Group has a target to reach 70% of revenues from sustainable products by 2030, with an interim target of 50% by 2025. Sustainable products are those defined as having a quantifiable or societal benefit. The Committee noted the positive progress during FY 2023, which saw 55% of revenues from sustainable products, whilst noting the favourable sales mix driving this. A focus area is to consider how we may be able to assess sustainable revenues from the VAR segment, where we have limited insight on end market destination.

The Committee continues to assess how Victrex can play a greater role in the circular economy. Our sustainability goals indicate we will seek to increase recycling rates in the supply chain. Victrex's role will be to facilitate the demand for recycling through existing channels – primarily processors.

Governance and assurance

The Committee agreed the need for assurance on the Group's GHG emissions, for Scope 1 & 2. On Scope 3, assurance is provided on a limited basis, noting this is in line with current practice. The Committee supported the approach by management of engaging a third-party provider, SLR Consulting, commencing for FY 2023 reporting.

The Committee supported management's approach not to seek external assurance on other matters in the Sustainability report, such as number of volunteering hours and numbers of STEM ambassadors. This is in line with current practice but will be kept under review.

Victrex's modern slavery policy and statement is also an area the Committee reviews, before it is proposed to the Board. Our statement can be located on the Group's website at www.victrexplc.com.

The Committee was within the scope of the external performance evaluation exercise conducted in FY 2023 by EquityCulture Ltd. The overall conclusion was that the Committee is a hugely welcome addition to the Company's ESG & corporate governance framework and is off to a great start.

The Committee's agenda in FY 2023

The Committee's principal activities, up to the date of approval of the Annual Report, were as follows:

- Oversight and assessment of our sustainability & ESG goals and activities
- Reviewing our environmental performance and ongoing measures
- Preparation and awareness of alignment with key disclosure requirements, particularly TCFD and future disclosures
- Ensuring appropriate governance across our People, Planet & Products pillars, including implementing assurance for our Scope 1 & 2 emissions, and limited assurance for Scope 3 emissions
- Progressing our Science Based Targets initiative ('SBTi') submission, including a costed decarbonisation roadmap
- Reviewing the definition of our portfolio of sustainable products
- Overseeing progress against DE&I goals and activities to positively influence diversity
- Reviewing the Committee's Terms of Reference and annual programme of business

Jane Toogood
Chair of Corporate Responsibility Committee
5 December 2023

DIRECTORS' REMUNERATION REPORT

Janet Ashdown
Chair

Main responsibilities of Committee

- Designing and determining the remuneration for the Company Chair, Executive Directors and senior management
- Reviewing workforce remuneration and related policies
- Exercising judgement when determining remuneration awards

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

Committee meetings in FY 2023
The Committee met four times during FY 2023 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 Chair 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, Korn Ferry, regularly attend meetings;
- the Director of Investor Relations, Corporate Communications & ESG is an occasional attendee based on engagement matters with shareholders; and
- the CFO is an occasional attendee to represent financial matters such as target setting.

No attendee participates in the Committee when it deals with their own remuneration.

FY 2023 highlights

- Oversaw the implementation of the remuneration policy
- Engaged with the wider workforce on the alignment between executive pay and the wider workforce
- 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
- Reviewed and approved salaries for the Executive Directors and the senior leadership team
- Considered and approved the Directors' remuneration report

FY 2024 priorities

- Oversee the implementation of the policy
- Set incentive plan performance targets for the upcoming year

Dear shareholders,

On behalf of the Remuneration Committee (the 'Committee') I am pleased to introduce the Directors' remuneration report for the year ended 30 September 2023. This report is divided into three sections: my statement, a summary of the Directors' remuneration policy put to shareholders at the 2023 Annual General Meeting and our annual report on remuneration for the year ended 30 September 2023.

Background

In one of the toughest years for the wider Chemical industry and for Victrex, the Group saw declines against most of its performance metrics. Sales volume was down 24% as several end-markets saw a downturn and customer destocking took hold. Underlying profit before tax of £80.0m was in-line with our revised guidance. Whilst our available cash was lower at £30.1m, our balance sheet remains strong, supporting investment for growth. Going forward, we expect cash flow to improve as capital expenditure reduces, following a period of investment in people, capability, and assets.

2023 remuneration outcomes

Annual bonus

The FY 2023 annual bonus was based on PBIT pre-exceptional items (60%), strategic (30%) and personal (10%) objectives. If the threshold PBIT target was not met, then no payment would be made under any element. The Committee retained the ability to adjust the outcome if it did not reflect the wider performance of the business.

As detailed in the Strategic report, FY 2023 was a year in which the Company operated in a softer macro-economic environment with industrial destocking taking place across several end markets. Given this market context, and our incentive plan targets having been set with reference to the record results we delivered in FY 2022, we did not achieve the threshold level of profitability above which bonuses are payable and so no bonuses were payable for the year under review. This was notwithstanding making strong strategic progress against our non-financial milestones within our 'mega-programmes'. For example, we delivered strong growth in E-mobility, achieving annual revenues well ahead of the targets set at the start of the year and we made good progress in medical with our PEEK composite Trauma plates, serving growing demand in the US and Asia. Our strong and diverse core business, allied to the growing commercialisation in our mega-programmes, provides a strong platform for delivering in FY 2024.

The Committee did consider whether it was appropriate to use its discretion to adjust the formula-based bonus assessment but noting both the financial and non-financial achievements delivered in the context of the current challenging external environment it concluded that the bonus was a fair reflection of overall performance and so it was not deemed appropriate to adjust the bonus outcome. As 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, calculating bonus outcomes based on the formulaic outcome was consistent with the approach taken across the Group.

LTIP

The FY 2021 long-term incentive awards are eligible to vest based on performance from 1 October 2020 to 30 September 2023. Performance was based on cumulative EPS (75%) and TSR performance VS FTSE 250 excluding investment trusts (25%). Notwithstanding robust performance over the first two years of the performance period, the challenging external market context in place throughout FY 2023 contributed to neither the threshold TSR or EPS performance targets being met and so the award did not vest.

After reviewing the relationship between performance and reward for FY 2023, the Committee did not consider it appropriate to use any discretion in relation to adjusting the formulaic incentive outcomes.

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.

Board changes

Dr Martin Court retired from the Board on 30 September 2023. Martin remained with the Company until 31 December 2023, in order to support a smooth transition. Martin was eligible to receive salary, pension and benefits during the period of his employment and, in line with the annual and long-term incentive plan rules, was treated as a good leaver in relation to his retirement. Martin is required to retain all of his shareholding for two years post-the cessation of his employment as the threshold of 200% of salary was not met (in accordance with the shareholding guidelines under the remuneration policy).

Other considerations during the year

Wider workforce context

During the year the Committee had oversight of the reward and compensation packages that operate across the Company, which are considered competitive. Victrex's pay and culture is aligned across the business, and we offer a competitive remuneration package to our employees. All employees are eligible for an annual bonus; high achievers may also receive additional awards for excellence and all new joiners receive share options after successful probation. In addition, the LTIP is cascaded below the Board in a consistent manner. During the year the Committee also reviewed the CEO pay ratio.

In FY 2023 the pay ratio has decreased significantly, predominantly due to the annual bonus and LTIP not meeting their performance criteria. In addition, targeted cost of living payments in FY 2023, to support global employees at certain grades, has had a positive impact on the pay ratio. The remuneration policy and its implementation are considered appropriate as it aligns with pay across the business and the resulting ratios are considered to be consistent with our wider pay, reward and progression policies for employees.

The Committee's agenda in FY 2023

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;
- → assessing FY 2023 bonus and FY 2021 LTIP outturns;
- → agreeing the Executive Directors' and senior management FY 2024 remuneration packages;
- → agreeing the retirement terms of Martin Court, Chief Commercial Officer;
- → considering remuneration across the Company and the cascade of incentives; and
- → preparing the Directors' remuneration report.

Wider workforce engagement

Brendan Connolly, who is the designated Non-executive Director for Workforce Engagement and is a member of the Committee, enables employees to provide feedback on remuneration during the various engagement mechanisms he undertakes that includes attendance at several forums. Brendan shares our approach to executive remuneration, and how it aligns with wider workforce and Company strategy and invites comments and questions. 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. The executive remuneration policy and its implementation were not raised as material issues during the year.

Shareholder engagement

The Committee consults with its larger shareholders on executive pay matters, where considered appropriate. Ahead of the 2023 AGM the Committee engaged with the Company's major shareholders and the leading shareholder advisory bodies in relation to the 2023 Directors' remuneration policy. We were grateful for the feedback we received during the consultation process and with the policy proposed aligned with general institutional investor best practice expectations, we received over 95% support. On behalf of the Committee, I am always happy to make myself available to shareholders to discuss any concerns or feedback they may have.

Directors' remuneration report continued

Implementation of policy in 2024

The Committee considered how remuneration should be implemented for FY 2024. 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 management, reflecting their roles and responsibilities. The key decisions taken for FY 2024 included:

Base salary: During the year the Committee reviewed the salary increases for the wider workforce taking into account high inflation and the increase in cost of living. As a result of the review, the wider workforce received an average increase of 4.5%.

With regard to the Chief Executive Officer, having considered both his market positioning and institutional investor guidance which continues to encourage restraint in increases to Executive Directors in a relatively high pay inflation environment, the Committee approved an increase of 3.5% with effect from 1 October 2023.

In relation to the Chief Financial Officer, at the time of his appointment in June 2022, he was appointed on a base salary at material discount to the former CFO given it was his first PLC executive director position. The Committee resolved at that time to reconsider his base salary subject to his performance and increased experience in post within 24 months of his appointment. Accordingly, the Committee reviewed his base salary at the end of FY 2023. The timing of this review was considered appropriate in light of: (i) the Committee's and wider Board's view that he is operating as a fully experienced and high performing Chief Financial Officer; (ii) the fact that the scope of his role has expanded since his appointment as a result of the retirement from the Board of the Chief Commercial Officer with effect from 30 September 2023; and (iii) his additional experience as a PLC chief financial officer. With regard to the scope of his role, it has increased to include a number of additional commercial activities including responsibility for managing the Company's intellectual property function, which in the context of the increasing importance of the Company's mega-programmes is a key priority. Having had regard to each of these factors, the Committee approved an exceptional increase of 9.1% of salary in addition to the 3.5% increase awarded to the Chief Executive Officer. The total increase to his salary was set to align it with that of the previous Chief Financial Officer allowing for the cost-of-living related increases he would have received in each of the past two years but for his resignation. This increase is considered to be a one-off repositioning of his salary to better reflect his current role and experience, with future increases expected to be limited to cost of living related adjustments. The Committee did consider whether the increase should be phased over two years but concluded that, in light of the additional responsibilities that the role now encompasses, single step increase was more appropriate to immediately recognise the role that the individual is fulfilling and strike an appropriate relativity with the Chief Executive Officer.

Pension: Executive Directors are eligible for a pension contribution of 14% of salary (in line with the UK employee population).

Annual bonus: In line with the bonus operated in FY 2023, the annual bonus will be subject to financial, strategic and personal objectives. Of the total bonus, 60% is earned against financial targets with 40% earned against non-financial 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 2023, 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.

Long-term incentives: In line with the approach for FY 2023, the FY 2024 performance targets will include a challenging range of EPS growth targets, a relative total shareholder return condition and ESG targets.

The EPS targets, determining vesting of 60% of the award, will require growth of between 8% and 15% p.a. over the three years ending 30 September 2026. The annual rate of growth required by the targets has been increased vis-a-via the targets set for FY 2023 (being 5% and 12% p.a.) in recognition of the FY 2023 EPS achieved, which is the base point from which performance will be measured, current internal planning, external market expectations for the Company and current economic conditions. Overall, the range of EPS targets is considered similarly challenging to the range set for the FY 2023 awards. The TSR portion, to determine the vesting of 30% 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. With regards to the carbon reduction targets, these are measured on emissions per tonne of PEEK produced, based on current production facilities, and require a reduction of between 5.3% p.a. and 11.2% p.a. The targets have been set to be consistent with the Company's stated 2030 goals. The Committee is retaining discretion to restate the carbon reduction targets in the event that there was a change to the Group's current manufacturing strategy (e.g. to internalise or outsource part of the current production processes). Any restatement would be made on the basis that it did not materially increase or reduce the inherent stretch in the targets.

With regard to the quantum of FY 2024 awards, the Committee intends to make awards at the normal policy levels at 175% of salary for the Chief Executive Officer and 150% of salary for the Chief Financial Officer. The Committee will undertake a final review of the targets and quantum prior to grant and will include a provision in the awards that enables the Committee to reduce vesting based on the formulaic outcomes if it considers there to have been a perceived windfall gain and/or a perceived disconnect between performance and reward.

Non-executive Board fees: An increase of 4.5% to the NED base fee was approved by the Board, in line with the increase for the wider workforce. The Remuneration Committee anticipated an increase of 3.5% for the Chair (in line with the increase for the CEO); however, the Chair waived this increase.

The whole Directors' remuneration report (excluding Policy) is subject to the advisory vote. I hope it is clear from the way we are proposing to apply policy in FY 2024 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.

Janet Ashdown
Chair of the Remuneration Committee
5 December 2023

Directors' remuneration policy

This part of the Directors' remuneration report sets out a summary of the remuneration policy approved by shareholders at our 2023 AGM and effective from 10 February 2023. The full remuneration policy is available in the 2022 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.

Directors' remuneration policy table

The table below and the accompanying notes describe the remuneration policy for Executive Directors.

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
Base salary	To provide competitive and fixed remuneration. To attract and retain executives of the calibre required to deliver the Company's strategy and enhance earnings over the long term.	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. 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. 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.	Executive Directors will normally receive a salary increase (expressed as a percentage of salary) up to the level of increase awarded to the general workforce. There is no prescribed maximum. 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. Current salary levels are shown in the annual report on remuneration on page 122.	None.

Directors' remuneration policy continued

Directors' remuneration policy table continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
Benefits	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. Car allowances to facilitate effective travel.	Benefit provision includes the following benefits and allowances: → 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). Executive Directors will be eligible for any other benefits or allowances which are introduced for the wider workforce on broadly similar terms and additional benefits or allowances might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with market practice.	There is no defined maximum as the costs of benefits can vary year on year.	Not applicable.
Pension	To attract and retain high calibre Executive Directors. To provide a level of benefits that allow for personal retirement planning.	Executive Directors are offered the choice of: → 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.	The maximum Company pension contribution for an Executive Director will be limited to that available to the wider workforce which is currently 14% of base salary.	Not applicable.

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
Bonus	To incentivise performance against personal objectives and selected financial and operational KPIs which are directly linked to business strategy. Deferral of part of bonus into shares aligns the interests of Executive Directors and shareholders.	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. With regards to the treatment of awards on cessation of employment, details are on page 109. DBS shares accrue dividend equivalents. Not pensionable. Bonus and DBS awards are subject to 'malus' and/or 'clawback' provisions (for up to two years following: (i) the payment of a cash bonus; or (ii) in the case of a DBS award, the end of the relevant deferral period) 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; insolvency; or a failure of risk management.	Maximum award of up to 150% of salary for the CEO and 125% for other Executive Directors.	At least 50% of the bonus will be based on financial and operational performance. The remainder of the bonus will be based on the achievement of other non-financial objectives such as personal objectives. 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 113. 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. Where financial targets are set, up to 20% of the relevant part of the bonus becomes payable at the threshold performance level rising on a graduated scale to the maximum performance level where 100% of the relevant part of the bonus becomes payable. Where non-financial targets are set (e.g. strategic and/or personal targets) it may not be practicable to set a pre-set percentage of the relevant part of the bonus that becomes payable at the threshold performance level (i.e. the testing of non-financial targets may be binary for the relevant part of the bonus).
Victrex Long Term Incentive Plan 2019 ('LTIP')	Designed to align the strategic objective of delivering sustainable earnings growth over the longer term with the interests of shareholders.	Awards under the LTIP are rights to receive Company shares, subject to certain performance conditions. Each award is measured over at least a three-year performance period. 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. Shares subject to awards may accrue dividend equivalents. LTIP awards are subject to 'malus' and/or 'clawback' provisions (for up to a year following the end of the relevant holding period) 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; insolvency; or a failure of risk management.	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. 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.	Awards will be subject to a combination of long-term measures which are aligned to the shareholder experience and may include financial metrics (such as EPS), shareholder value metrics (such as TSR), and ESG or strategic measures. At least half of the award will be subject to financial and/or shareholder return measures. The Committee will have discretion to set different measures and weightings for awards in future years to best support the strategy of the business at that time. Normally, below threshold performance, 0% will vest. Where practicable, no more than 25% of maximum will vest at threshold performance, increasing pro-rata to 100% vesting for maximum performance. 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.

Directors' remuneration policy continued

Directors' remuneration policy table continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
Share ownership guidelines	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 Chair) is set by a separate Committee of the Board. The policy for the Chair is determined by the Committee (of which the Chair is not a member). Fees are paid in cash and are reviewed annually considering the salary increase for the general workforce and the Executive Directors, 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, and 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 ('LTIPs'), 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 page 123.	Not applicable. Non-executive Directors do not participate in variable pay arrangements and do not receive retirement benefits.

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 taking account of the impact of other merger and acquisition activity.

With regards to performance measures for variable pay, these are set with reference to Victrex's strategy and align the senior executives' interests with those of shareholders. The annual bonus plan performance metrics include a mix of financial targets and non-financial objectives, reflecting the key annual priorities of the Company. The financial metrics determine at least half the bonus and typically include a measure of profitability (e.g. PBIT) alongside a combination of key strategic and wider non-financial targets (e.g. progress with our mega-programmes). For FY 2024 the performance measures are 60% PBIT (pre-exceptional items), 30% strategic targets and 10% personal targets. The long-term incentive plan performance metrics relate to creating long-term sustainable returns and typically include measures of long-term profitable growth (e.g. EPS) and shareholder returns (e.g. TSR), along with sustainability and/or strategic targets (e.g. carbon reduction). For FY 2024, the performance measures are 60% EPS growth, 30% TSR and 10% carbon reduction targets (set as a measure of emissions intensity).

The Committee retains discretion within policy to set different performance criteria and/or alter weightings for the annual bonus plan and long-term incentives in line with the Company's strategic priorities, 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 LTIPs adjust performance conditions to ensure that the awards fulfil their original purposes (for example, if a measure is no longer available). Performance targets are set based on a range of expected outcomes, taking into account both internal and external expectations of performance. Targets are set to be challenging yet realistic. 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.

Recovery provisions

As outlined in the policy table the Committee has the power to operate 'malus' and/or 'clawback' provisions in exceptional circumstances, including material misstatement of the Company's audited financial results; an error in the relevant financial information that led to a bonus, DBS or LTIP award being greater than it otherwise would have been; personal misconduct; serious reputational damage; a failure of risk management; or insolvency.

Discretion

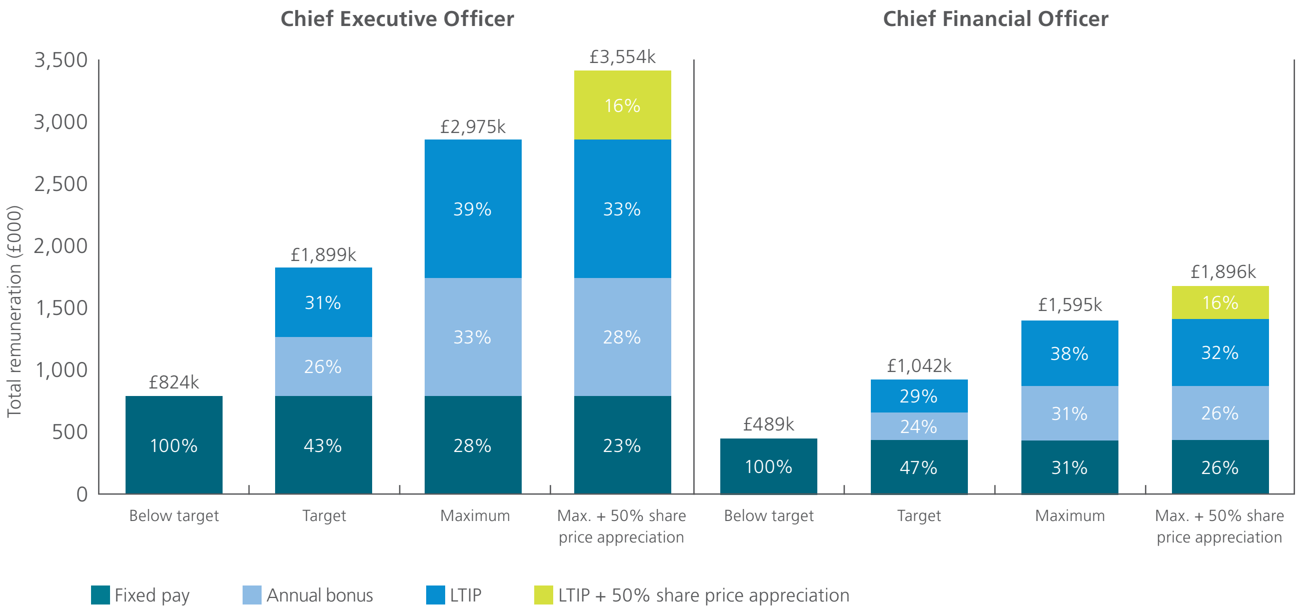
The Remuneration Committee can exercise discretion in a number of areas when operating the Company's incentive schemes, in line with the relevant rules of the schemes. These include (but are not limited to):

- the choice of participants;
- the size of awards in any year (subject to the limits set out in the Directors' remuneration policy table);
- the extent of payments or vesting in light of the achievement of the relevant performance conditions;
- the determination of good or bad leavers and the treatment of outstanding awards (subject to the provisions of the scheme rules and the remuneration policy provisions); and
- the treatment of outstanding awards in the event of a change of control.

In addition, if events occur which cause the Remuneration Committee to conclude that any performance condition is no longer appropriate, that condition may be substituted, varied or waived as is considered reasonable in the circumstances in order to produce a fairer measure of performance that is not materially less difficult to satisfy.

Directors' remuneration policy continued

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.
- Minimum is the base salary and pension contribution for FY 2024 plus the value of benefits as disclosed in the FY 2023 single figure table.
- On target is the aforementioned minimum plus an assumed 50% pay-out of the annual bonus opportunity and 50% vesting of LTIP awards to be made in FY 2024.
- Maximum is the aforementioned minimum with an assumed 100% pay-out of the annual bonus opportunity and full vesting of LTIP awards to be made in FY 2024.
- Maximum + share price assumption shows maximum plus 50% share price appreciation on the shares subject to vested LTIP awards to be made in FY 2024.

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 12 months' notice.

The Chair 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
I C Melling	29/06/2022	04/04/2022	12 months	12 months	Rolling contract
Non-executive Directors					
V Cox	01/12/2021	17/09/2021	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

M L Court stepped down from the Board on 30 September 2023.

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.

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	→ 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 benefits 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 benefits earned in new paid employment in that period.
Treatment of annual bonus on termination	→ 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 (e.g. for a good leaver) 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	→ 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 for good leavers is that any unvested awards will vest with no time pro-rating applying. Awards will normally vest at the normal vesting date unless the Committee decides they will vest on cessation of employment. Awards to 'bad leavers' lapse on cessation of employment.
Treatment of unvested long-term incentives on termination	→ 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 normal vesting date unless the Committee decides that they will vest on the date of cessation of employment.

Directors’ remuneration policy continued

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.

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 Chair 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 Chair’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 normally 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; and

→ 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

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 Chair 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; and
- → 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 70, 71 and 78. 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 2023 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.

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 2023 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 2023 AGM	69,059,541 (97.66%)	1,655,476 (2.34%)	3,108,995
Directors' remuneration policy 2023 AGM	70,116,683 (95.55%)	3,268,026 (4.45%)	439,303

Annual report on remuneration continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2023

A summary of how the Directors' remuneration policy was applied for the year ended 30 September 2023 is set out below.

Remuneration received by Directors for the year ended 30 September 2023 (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								
2023	**639,600**	**69,060**	**89,544**	**798,204**	**—**	**—**	**—**	**798,204**
2022	615,000	68,000	130,740	813,740	579,754	43,752*	623,506	1,437,246
I C Melling								
2023	**357,000**	**31,062**	**49,980**	**438,042**	**—**	**—**	**—**	**438,042**
2022	80,096	8,034	12,606	100,736	63,371	—	63,371	164,107
M L Court								
2023	**335,966**	**31,096**	**47,035**	**414,097**	**—**	**—**	**—**	**414,097**
2022	323,044	30,000	57,751	410,795	259,834	20,545*	280,379	691,174
V Cox								
2023	**280,000**	**—**	**—**	**280,000**	**—**	**—**	**—**	**280,000**
2022	214,292	—	—	214,292	—	—	—	214,292
J E Ashdown								
2023	**64,560**	**—**	**—**	**64,560**	**—**	**—**	**—**	**64,560**
2022	62,500	—	—	62,500	—	—	—	62,500
B W D Connolly								
2023	**62,560**	**—**	**—**	**62,560**	**—**	**—**	**—**	**62,560**
2022	60,500	—	—	60,500	—	—	—	60,500
D Thomas								
2023	**64,560**	**—**	**—**	**64,560**	**—**	**—**	**—**	**64,560**
2022	62,500	—	—	62,500	—	—	—	62,500
J E Toogood								
2023	**64,560**	**—**	**—**	**64,560**	**—**	**—**	**—**	**64,560**
2022	56,083	—	—	56,083	—	—	—	56,083
R Rivaz								
2023	**63,060**	**—**	**—**	**63,060**	**—**	**—**	**—**	**63,060**
2022	61,000	—	—	61,000	—	—	—	61,000

* The December 2019 and February 2020 LTIP vested for J Sigurdsson and M L Court on 11 December 2022 at a closing share price of £15.92 and on 12 February 2023 at a closing share price of £18.90. At the time of the 2022 Annual Report the LTIP figure used was based upon the average share price during the three-month period to 30 September 2022 (£17.93); therefore the published figure last year was J O Sigurdsson £47,334 and M L Court £22,109.

Notes and additional information (audited)

1. Salary and fees

Jane Toogood was appointed Chair of the Corporate Responsibility Committee with effect from 1 May 2022 and fees were pro-rated for FY 2022.

In FY 2022 the salary and fees for Ian Melling and Vivienne Cox were pro-rated due to both joining during FY 2022.

2. Taxable benefits

All Executive Directors are eligible for a company car allowance up to £21,000, membership to a private medical scheme covering themselves and their immediate families and an allowance of up to £22,000 in relation to tax services, communication and other benefits. The Chief Executive Officer also continues to receive a location allowance that is limited to £25,000.

3. Pensions

Executive Directors participate in a defined contribution pension scheme scheme in line with HMRC limits (£10,000) and receive the balance between these limits and the maximum Company contribution of 14%, which is aligned to the wider workforce, as a cash supplement. All supplements are subject to statutory deductions as appropriate.

Three of the Directors accrued pension benefits during the year under defined contribution schemes (FY 2022: two). None of the Directors is accruing pension benefits under defined benefit schemes (FY 2022: none).

4. Annual bonus payments

The FY 2023 annual bonus was subject to a stretching Group underlying profit before interest and tax (‘PBIT’) target (60% weighting), performance against shared strategic (30% weighting), and individual personal (10% weighting) performance objectives. No payment is made on any element of bonus (including strategic and personal) if the underlying PBIT threshold is not met.

The maximum annual bonus opportunity for the CEO is 150% of salary and 125% of salary for the other Executive Directors.

The performance against measures to 30 September 2023 is set out in the tables below.

		Threshold	Target	Stretch		Outcome (% of maximum)		
Measure	Weighting	20% of maximum	50% of maximum	100% of maximum	Actual result*	J O Sigurdsson	I C Melling	M L Court
Financial								
Underlying PBIT	60%	£93.4m	£98.3m	£103.2m	£79.4m	0%	0%	0%
Strategic and personal objectives								
Strategic objectives	30%				See below	0%	0%	0%
Personal objectives	10%				See below	0%	0%	0%
Total						0%	0%	0%

* See APM 11, note 25 for Underlying PBIT calculation.

Directors’ remuneration report continued

Annual report on remuneration continued

Implementation of the Directors’ remuneration policy for the year ended 30 September 2023 continued

Notes and additional information (audited) continued

4. Annual bonus payments continued

Executive Directors were set a number of stretching strategic and personal performance objectives for FY 2023, which account for 40% 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.)
Drive core business	**12.5%**	Deliver above market growth and manage pricing in high cost environment	Target: Revenue of at least £365m. Performance: £307m. Target: Price cumulative increase at budgeted volumes of £20.0m. Performance: £21.4m. Outcome: Below target on revenue and above target on price increases, so overall target performance.	**50%**
	12.5%	Deliver the supply and cost plans	Target: Manufacturing productivity increased between 2% and 4% (or greater). Performance: Productivity increased by 3.8%. Outcome: Between target and maximum performance.	**75%**
Differentiate through innovation	**25%**	Commercial traction in mega-programmes milestones to deliver forecast	Target: Establish commercial traction in targeted mega-programmes and, in aggregate, deliver forecasted revenue and path to £10m. Performance: Varied progress across mega-programmes with aggregate revenue target exceeded at £11m. Outcome: Target performance.	**50%**
Underpinning through safety, sustainability and capability	**12.5%**	Progress operations in China	Target: Completion and commissioning of new production facilities. Performance: Commissioning of targeted assets complete apart from PVYX finishing. Outcome: Target performance.	**50%**
	12.5%	Deliver developments in the supply chain and enhance capabilities	Target: Develop new and enhanced capabilities. Performance: Progress ranged from ahead of internal plans to at or below. Outcome: Target performance.	**50%**
Safety, sustainability and capability	**25%**	Achieve sustainability milestones	Target: Recordable injury frequency below 0.45 and deliver key elements of ESG milestone plan including initial product lifecycle analysis. Performance: Recordable injury frequency of 0.20 for FY 2023 and solid SHE performance with strengthening culture. Outcome: Between target and maximum performance.	**75%**
Total	**100%**			**59%**

Personal objectives	Weighting	Performance target and assessment by Committee	Achievement (% of max.)
Jakob Sigurdsson			
Drive core business	**25%**	Target: 1. Drive growth and improvement in core businesses with reference to revenue, gross margin, productivity and price/surcharge increases. 2. Deliver second source of monomer. Performance: Above target improvements in manufacturing processes with improved gross margin at 53.0% and productivity gains with monomer achievement outstanding. Outcome: Between target and maximum performance.	**70%**
Differentiate through innovation Mega-programmes	**25%**	Target: Customer programmes in Knee and Trauma milestones on plan and establish a new UK centre. Performance: Majority of programmes progressing well. Outcome: Between target and maximum performance.	**80%**
Create and deliver future value M&A, succession planning, talent build	**25%**	Target: Develop up to three specific initiatives (covering both process and execution). Performance: Initiatives developed in line with Board plans. Outcome: Target performance.	**50%**
Underpinning through safety, sustainability and capable organisation DE&I Programme and organisational change	**25%**	Target: Improve female representation vs FY 2022 and progress at least 10 targeted broader DE&I initiatives. Performance: Very good performance on focused interventions. Female representation increased to 26% and Leadership Advancement Programme completed on time for top 60 leaders. Outcome: Between target and maximum performance.	**80%**
Total	**100%**		**70%**

Personal objectives	Weighting	Performance target and assessment by Committee	Achievement (% of max.)
Ian Melling			
Drive core business Budgeting exercise	**20%**	Target: Complete zero-based budgeting exercise and identify at least £1m savings. Performance: £2m savings, including structural improvements. Outcome: Maximum performance.	**100%**
Differentiate through innovation Organisational development	**20%**	Target: Restructure IT & digital leadership. Performance: Restructured IT, culminating in the promotion of internal candidate to lead IT role. Outcome: Between target and maximum performance.	**75%**
Create and deliver future value Corporate development activities	**20%**	Target: Support up to two initiatives in M&A process and product development areas. Performance: Initiatives developed in line with Board plans. Outcome: Target performance.	**50%**
Underpinning through safety, sustainability and capability Drive developments in ESG	**20%**	Target: Develop carbon reduction roadmap with actions to deliver 2030 greenhouse gases targets. Develop capital allocation framework. Performance: Capital allocation programme agreed and rolled out. Plan in place and agreed with CRC for auditing of ESG data going forward. SBTi targets submitted with Board approval. Outcome: Between target and maximum performance.	**75%**
	20%	Target: Deliver 3 digital tool milestones. Performance: D365 milestones delivered, including successful roll out of D365 for PVYX. Outcome: Target performance.	**50%**
Total	**100%**		**70%**

Personal objectives	Weighting	Performance target and assessment by Committee	Achievement (% of max.)
Martin Court			
Drive core business Margin improvement	**25%**	Target: Gross margin of at least 52%. Performance: 53.0% gross margin achieved. Outcome: Between target and maximum performance.	**90%**
Differentiate through innovation Enhance mega-programmes	**12.5%**	Target: Customer programmes in Knee and Trauma milestones on plan and establish a new UK centre. Performance: Majority of programmes progressing in line with Board plans. Outcome: Between target and maximum performance.	**80%**
	12.5%	Target: Deliver substantive revenue from H1D projects and enhanced adoption rate. Performance: Achieved traction on H1D and portfolio streamlining, in line with Board plans. Outcome: Target performance.	**50%**
Create and deliver future value Develop sustainability milestones	**25%**	Target: Develop options to facilitate journey to Net Zero by 2030. Performance: Options developed in line with Board plans. Outcome: Target performance.	**50%**
Underpinning through safety, sustainability and capability Organisational capacity for change	**25%**	Target: Enhance culture and change management capability. Performance: Learning and development programme successfully delivered for Europe (excluding UK), with focus on Victrex behavioural framework, in particular regarding mindset and working with ambiguity. Outcome: Target performance.	**50%**
Total	**100%**		**64%**

The above reflects a full summary of the targets set and achievements delivered within the bounds of commercial confidentiality.

Annual report on remuneration continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2023 continued

Notes and additional information (audited) continued

4. Annual bonus payments continued

Based on performance to 30 September 2023, with the underlying PBIT threshold not having been met and so no bonus eligible to be paid under the strategic or personal element of the bonus, the outcome for Executive Directors during the year is shown below.

	Annual bonus outcome		
Measure	% of maximum	% of salary	Bonus outcome (£)
J O Sigurdsson	0%	0%	–
I C Melling	0%	0%	–
M L Court	0%	0%	–

5. Vesting of LTIP awards

The LTIP awards granted on 14 December 2020 were based on performance to the year ended 30 September 2023. The performance targets for these awards and actual performance against those targets were as follows:

Metric	Weighting	Vesting at threshold (% of max)	Threshold target	Stretch target[2]	Actual	% vesting
Underlying EPS growth over three years	**75%**	20%	89.25p (5% p.a.)	109.8p (12.5% p.a.)	**77.7p (1.1% p.a.)**	**0%**
Total shareholder return vs. FTSE 250 Index (excluding investment trusts)[1]	**25%**	25%	Median	Upper quartile	**Below median**	**0%**
Total	**100%**				**Total vesting**	**0%**

1 TSR measured over three financial years with a three-month average at the start and end of the performance period.

2 If the stretch target is achieved 100% of the element vests. Straight line vesting applies between the threshold and the stretch target.

The Committee is comfortable that the formulaic outcome of the FY 2021 award is appropriate considering overall business performance and wider market share price volatility.

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	14 December 2020	14 December 2023	45,792	—	45,792	—	—
M L Court	14 December 2020	14 December 2023	22,080	—	22,080	—	—

Long-term incentives granted during the year (audited)

On 12 December 2022, 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
J O Sigurdsson	Nil-cost option	175% of salary	£16.19	69,135	£1,119,296	21.5%	Three financial years to 30 September 2025
I C Melling	Nil-cost option	150% of salary	£16.19	33,075	£535,484	21.5%	
M L Court	Nil-cost option	150% of salary	£16.19	31,127	£503,946	21.5%	

1 The grant share price is the mid-market price quoted over a three-day average on 7, 8 and 9 December 2022 in accordance with the Plan rules.

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.

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 award is subject to the performance conditions set out below:

Performance measure	Weighting	Payment at threshold	Threshold	Maximum
Underlying EPS (compound annual growth over three years)	60%	20%	5% p.a.	12% p.a.
Relative TSR vs FTSE 250 (excluding investment trusts)	30%	25%	Median	Upper quartile
Reduction in market-based Scope 1 & 2 emissions (per tonne PEEK produced) FY 2025 compared to FY 2022	10%	20%	-3.4% p.a.	-9.1% p.a.

Deferred shares granted in the year to 30 September 2023 (audited)

Awards of deferred bonus shares over the Company's shares were granted to Executive Directors on 12 December 2022 as shown below. The deferred share awards are based on 50% of the bonus awarded for the year to 30 September 2022. No further performance conditions apply and vesting of the awards is subject to continued employment at the date of vesting in three years' time.

Executive	Type[3]	Number of shares granted[1]	Face value of the award at grant date	Grant date	Vest date
J O Sigurdsson	Nil-cost options	17,904	£289,866	12 December 2022	12 December 2025
I C Melling[2]	Nil-cost options	1,957	£31,684	12 December 2022	12 December 2025
M L Court	Nil-cost options	8,024	£129,909	12 December 2022	12 December 2025

1 The share price at date of grant is £16.19 and is the mid-market price quoted over a three-day average on 7, 8 and 9 December 2022 in accordance with the Plan rules. The closing share price on the date of grant was £15.92.

2 Ian Melling's bonus had pro-ration applied from his date of appointment of 29 June 2022.

3 There is no change in the approach to the exercise price or date.

Sharesave options granted during the year (audited)

During the year the Executive Directors received an award under the Company's Save as You Earn Scheme ('SAYE'). The details are set out below.

Name	Number of options granted[1]	Exercise price[1]	Face value at grant[2]	% of award vesting at threshold	Date on which exercisable
J O Sigurdsson	2,152	£13.94	£29,990	n/a	1 April 2028
I C Melling	1,291	£13.94	£17,991	n/a	1 April 2026
M L Court	645	£13.94	£8,989	n/a	1 April 2026

1 The exercise price represents a 20% discount to the average price used to determine the number of shares comprising the award which was the share price on 11 January 2023 of £17.42.

2 The number of shares included in the award was determined based on the expected monthly saving up to a maximum of £500 per month, over a 36 or 60-month period.

Payments for loss of office and to past Directors (audited)

Dr Martin Court stepped down from the Board on 30 September 2023. Martin is due to remain with the Company until 31 December 2023, in order to support a smooth transition. Martin received his base salary, pension and benefits during the year. The value received under each element is set out in the single figure table. Martin did not receive any payment in lieu of notice.

Dr Martin Court will be treated as a good leaver in accordance with Victrex's approved remuneration policy. As the FY 2023 bonus did not trigger a payment there will be no bonus paid or deferred for the period to 30 September 2023. Martin will not be eligible for a bonus in FY 2024. Outstanding deferred bonus share awards will vest on their normal vesting date.

With regards to outstanding share awards granted under the Long Term Incentive Plan ('LTIP'), he was granted options over 22,080 shares on 14 December 2020, 19,676 shares on 10 December 2021 and 31,127 shares on 12 December 2022. Of the options granted in 2020, nil will vest (as disclosed on page 116). The remaining awards will remain eligible to vest in line with their normal vesting dates subject to a pro-rata reduction for the period of time in employment and subject to the achievement of the relevant performance criteria.

Dr Martin Court is required to retain all of his shareholding upon cessation for two years as the threshold of 200% of salary in accordance with the shareholding guidelines under the remuneration policy was not met.

All payments have been made within the terms of the termination policy as set out in the remuneration policy.

Annual report on remuneration continued

Statement of Directors' shareholdings and share interests (audited)

During employment, Executive Directors are required to build and maintain a shareholding equivalent to 200% of their base salary. Executive Directors are required to retain 50% of the net of tax value of any vested LTIP shares until the guideline is met. The table below summarises each Director's current shareholding, and share awards subject to performance conditions, and whether or not the shareholding requirement has been met.

			Nil-cost options						
			With performance condition		Without performance condition				
Director	Beneficially owned at 1 October 2022	**Beneficially owned at 30 September 2023[1]**	Unvested (LTIP)	Vested but unexercised (LTIP)	Unvested (DBS/SAYE)	Vested but unexercised (DBS/SAYE)	Total	Total for shareholding guidelines	**Shareholding as a % of salary at 30 September 2023[2]**
J O Sigurdsson	22,000	**38,844**	158,629	2,366	35,897	—	235,736	58,705	**132%**
M L Court	22,613	**25,150**	72,883	1,106	16,669	450	116,258	33,941	**145%**
I C Melling	1,000	**2,000**	33,075	—	3,248	—	38,323	3,076	**12%**
V Cox	—	**1,304**	—	—	—	—	—	n/a	**n/a**
B W D Connolly	850	**850**	—	—	—	—	—	n/a	**n/a**
J E Ashdown	—	**1,039**	—	—	—	—	—	n/a	**n/a**
D Thomas	—	**—**	—	—	—	—	—	n/a	**n/a**
J E Toogood	500	**500**	—	—	—	—	—	n/a	**n/a**
R Rivaz	—	**—**	—	—	—	—	—	n/a	**n/a**

1 The table above includes the holdings of persons connected with each of the Directors. The holdings stated represent shares beneficially held.

2 The shareholding as a percentage shown above is based on the average share price during September 2023 of £14.39.

There are no unvested scheme interests in the form of shares.

There have been no other changes in the Directors' shareholdings and share interests up to the date of this report.

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, and an ESG measure also applying to options granted from 2021. Outstanding deferred bonus 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. The details of outstanding scheme interests are included in the table above.

The aggregate gain for Martin Court in the year from the exercise of awards granted under the LTIP was £36,060 based on the share price on the date of exercise of £15.89. The gain for Jakob Sigurdsson in the year of exercise of awards granted under the LTIP and DBS was £146,289 based on the share price on the date of exercise of £15.73.

Details of outstanding scheme interest (audited)

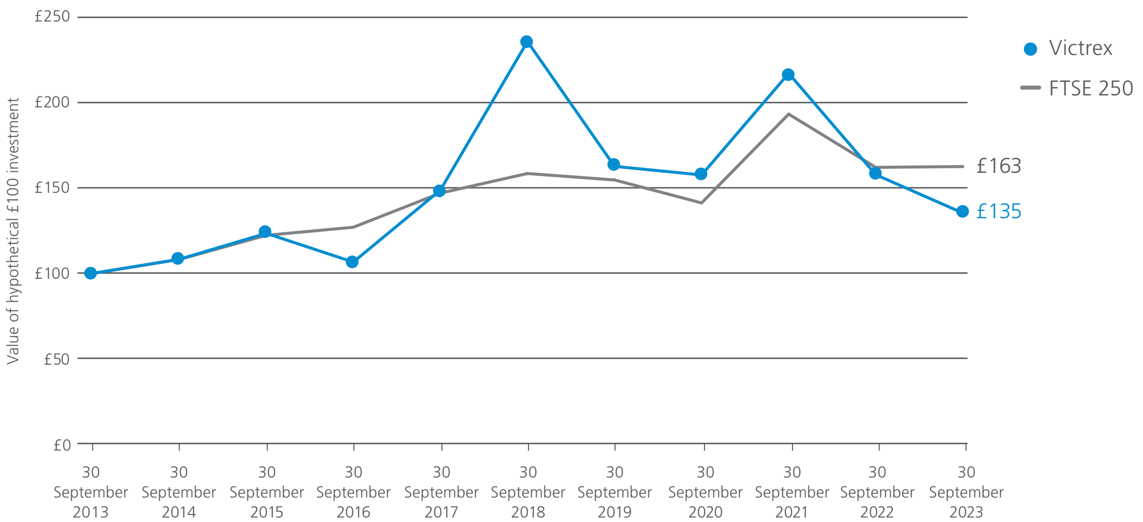
The table below sets out details of outstanding share awards held by Executive Directors. The table shows changes in the options held by each Director, taking into account grants made, options which have lapsed and any options exercised. The closing position at 30 September 2023 is shown in bold.

Plan	Grant date	Exercise price	No. of share awards at 1 October 2022	Granted during the year	Vested during the year	Exercised during the year	Lapsed/ cancelled during the year	**No. of share awards at 30 September 2023**	End of performance period	Date from which exercisable	Expiry date
J O Sigurdsson											
LTIP	08/12/2017	nil	4,890	—	—	4,890	—	**—**	30/09/2020	08/12/2022	08/12/2027
	11/12/2019	nil	29,327	—	1,972	—	27,355	**1,972**	30/09/2022	11/12/2024	11/12/2029
	12/02/2020	nil	5,865	—	394	—	5,471	**394**	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
	10/12/2021	nil	43,702	—	—	—	—	**43,702**	30/09/2024	10/12/2026	10/12/2031
	12/12/2022	nil	—	69,135	—	—	—	**69,135**	30/09/2025	12/12/2027	12/12/2032
Total		—	129,576	69,135	2,366	4,890	32,826	**160,995**			
SAYE	01/04/2019	£19.20	937	—	—	—	937	**—**	n/a	01/04/2022	30/09/2022
	01/04/2022	£18.91	951	—	—	—	951	**—**	n/a	01/04/2025	30/09/2025
	01/04/2023	£13.94	—	2,152	—	—	—	**2,152**	n/a	01/04/2028	30/09/2028
Total		—	1,888	2,152	—	—	1,888	**2,152**			
Deferred shares	10/12/2018	nil	4,410	—	—	4,410	—	**—**	n/a	10/12/2021	10/12/2026
	10/12/2021	nil	15,841	—	—	—	—	**15,841**	n/a	10/12/2024	10/12/2029
	12/12/2022	nil	—	17,904	—	—	—	**17,904**	n/a	12/12/2025	12/12/2030
Total		—	20,251	17,904	—	4,410	—	**33,745**			
M L Court											
LTIP	08/12/2017	nil	2,269	—	—	2,269	—	**—**	30/09/2020	08/12/2022	08/12/2027
	11/12/2019	nil	13,172	—	885	—	12,287	**885**	30/09/2022	11/12/2024	11/12/2029
	12/02/2020	nil	3,293	—	221	—	3,072	**221**	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
	10/12/2021	nil	19,676	—	—	—	—	**19,676**	30/09/2024	10/12/2026	10/12/2031
	12/12/2022	nil	—	31,127	—	—	—	**31,127**	30/09/2025	12/12/2027	12/12/2032
Total		—	60,490	31,127	1,106	2,269	15,359	**73,989**			
SAYE	01/04/2020	£19.97	450	—	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
	01/04/2023	£13.94	—	645	—	—	—	**645**	n/a	01/04/2026	30/09/2026
Total		—	909	645	450	—	—	**1,554**			
Deferred shares	10/12/2021	nil	7,541	—	—	—	—	**7,541**	n/a	10/12/2024	10/12/2029
	12/12/2022	nil	—	8,024	—	—	—	**8,024**	n/a	12/12/2025	12/12/2030
Total		—	7,541	8,024	—	—	—	**15,565**			
I C Melling											
LTIP	12/12/2022	nil	—	33,075	—	—	—	**33,075**	30/09/2025	12/12/2027	12/12/2032
Total		—	—	33,075	—	—	—	**33,075**			
SAYE	01/04/2023	£13.94	—	1,291	—	—	—	**1,291**	n/a	01/04/2026	30/09/2026
Total		—	—	1,291	—	—	—	**1,291**			
Deferred shares	12/12/2022	nil	—	1,957	—	—	—	**1,957**	n/a	12/12/2025	12/12/2030
Total		—	—	1,957	—	—	—	**1,957**			

Annual report on remuneration continued

Total shareholder return graph

The following graph shows the cumulative total shareholder return of the Company over the last 10 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.

CEO total remuneration

The total remuneration figures for the Chief Executive Officer during each of the last 10 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 pay-out and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

Year ended 30 September	**2023**	2022	2021	2020	2019	2018	2017	2016	2015	2014
Name	**J O Sigurdsson**	J O Sigurdsson	J O Sigurdsson	J O Sigurdsson	J O Sigurdsson	J O Sigurdsson	D R Hummel	D R Hummel	D R Hummel	D R Hummel
Total remuneration	**£798,204**	£1,437,246	£1,526,756	£888,780	£763,672	£1,071,351	£1,462,274	£668,211	£735,103	£832,147
Annual bonus (% of maximum)	**0%**	62.9%	93.3%	0%	0%	65%	77.6%	0%	22.5%	53.1%
LTIP vesting (% of maximum)	**0%**	6.73%	0%	19.8%	n/a[1]	n/a[1]	22.1%	0%	0%	0%

1 Jakob Sigurdsson was appointed as CEO on 1 October 2017. His first tranche of LTIPs was eligible to vest in 2020.

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 four financial years, compared to employee average.

	Average percentage change 2022–2023			Average percentage change 2021–2022			Average percentage change 2020–2021			Average percentage change 2019–2020[1]		
	Salary	**Taxable benefits**	**Annual bonus**	Salary	Taxable benefits	Annual bonus	Salary	Taxable benefits	Annual bonus	Salary	Taxable benefits	Annual bonus
J O Sigurdsson	**4.00%**	**1.60%**	**(100.0)%**	10.30%	(5.40)%	(25.70)%	0.00%	(24.50)%	100.00%	2.30%	(8.10)%	0.00%
I C Melling[2]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M L Court	**4.00%**	**3.50%**	**(100.0)%**	3.00%	80.00%	(30.10)%	0.00%	0.50%	100.00%	5.00%	1.60%	0.00%
Dr V Cox[2]	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
J E Ashdown	**3.30%**	n/a	n/a	4.20%	n/a	n/a	0.00%	n/a	n/a	3.40%	n/a	n/a
B W D Connolly	**3.40%**	n/a	n/a	4.30%	n/a	n/a	0.00%	n/a	n/a	20.80%	n/a	n/a
D Thomas	**3.30%**	n/a	n/a	4.20%	n/a	n/a	0.00%	n/a	n/a	3.40%	n/a	n/a
J E Toogood[3]	**15.10%**	n/a	n/a	12.20%	n/a	n/a	0.00%	n/a	n/a	4.20%	n/a	n/a
R Rivaz	**3.40%**	n/a	n/a	4.30%	n/a	n/a	140.00%	n/a	n/a	n/a	n/a	n/a
Employee average	**3.66%**	**(5.00)%**	**(100.0)%**	(0.40)%	(11.04)%	(43.10)%	(2.93)%	(2.02)%	100.00%	1.78%	7.56%	0.00%

1 Explanations for large increases in prior years are provided in the previous Annual Reports.

2 I C Melling and Dr V Cox both received pro-rated salary and fees in FY 2022; therefore percentage change is not representative.

3 J E Toogood's additional Chair fees in FY 2022 were pro-rated from May 2022.

As the Parent Company does not have any employees, the employee average is based on global employees. Changes to the employee average percentage change for salary and taxable benefits are due to changes in employee population, rather than due to any change in approach.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends:

	2023 £m	2022 £m	% change
Staff costs	**78.4**	72.3	8%
Dividends[1]	**51.8**	51.8	0%

1 FY 2023 includes a proposed final regular dividend of 46.14p.

The dividend figures relate to amounts payable in respect of the relevant financial year.

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, 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.

		CEO pay ratio		
Financial year	Calculation methodology	25th percentile pay ratio	50th percentile (median) pay ratio	75th percentile pay ratio
2023	**Option A**	**17:1**	**15:1**	**12:1**
2022	Option A	32:1	27:1	22:1
2021	Option A	33:1	28:1	23:1
2020	Option A	20:1	18:1	14:1
2019	Option A	18:1	16:1	13:1

Annual report on remuneration continued

CEO pay ratio continued

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 2022 to 30 September 2023. 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 2023, 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	£639,600	£798,204
25th percentile employee	£39,000	£47,804
50th percentile employee	£46,552	£54,269
75th percentile employee	£58,557	£66,755

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.

The pay ratio has decreased significantly since 2022. This is predominantly due to the annual bonus and LTIP not meeting their performance criteria. A similar impact can be seen in years 2019 and 2020, when the bonus did not meet threshold performance, resulting in lower pay ratio figures. In addition, targeted cost of living payments in FY 2023, to support global employees at certain grades, has had a positive impact on the pay ratio.

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 FY 2024

The section below sets out the implementation of the remuneration policy in FY 2024 which has been set in line with the remuneration policy to be put to shareholders at the 2024 AGM. There are no significant changes in the implementation of the policy proposed in FY 2024.

Salaries and fees

Executive Directors

During the year the Committee reviewed the salary increases for the wider workforce taking into account high inflation and the increase in cost of living. As a result of the review, the wider workforce received an average increase of 4.5%.

With regard to the Chief Executive Officer, having considered both his market positioning and institutional investor guidance which continues to encourage restraint in increases to Executive Directors in a relatively high pay inflation environment, the Committee approved an increase of 3.5% with effect from 1 October 2023.

In relation to the Chief Financial Officer, at the time of his appointment in June 2022, he was appointed on a base salary at a material discount to the former CFO given it was his first PLC Executive Director position. During the year, the Committee conducted a review of his base salary based on his performance and increased experience. Based on the outcome of the review, the Committee approved an exceptional increase of 9.1% of salary in addition to the 3.5% increase awarded to the Chief Executive Officer. Further details are set out in the Chair's letter on pages 100 to 102.

	2024	2023	% increase
J O Sigurdsson	**£661,990**	£639,600	3.5%
I C Melling	**£402,000**	£357,000	12.6%

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 chairing of Board Committees.

An increase of 4.5% to the NED base fee was approved by the Board, in line with the increase for the wider workforce. The Remuneration Committee anticipated an increase of 3.5% for the Chair (in line with the increase for the CEO); however, the Chair waived this increase.

The additional fees payable to the Senior Independent Director and Committee Chairs were adjusted to better reflect current market rates and the time commitment of the roles.

The table below shows the fees for the Board with effect from 1 October 2023.

Position	2024	2023	% increase
Chair[1]	**£280,000**	£280,000	0%
Base fee	**£55,970**	£53,560	4.5%
Senior Independent Director	**£10,500**	£9,500	11%
Workforce Engagement Director	**£9,500**	£9,000	6%
Audit Committee Chair	**£11,500**	£11,000	5%
Remuneration Committee Chair	**£11,500**	£11,000	5%
Corporate Responsibility Committee Chair	**£11,500**	£11,000	5%

1 V Cox waived her proposed fee increase of 3.5% (£9,800) for FY 2024.

Annual bonus

For FY 2024 the maximum annual bonus will be 150% of salary for the Chief Executive Officer and 125% of basic salary for the Chief Financial Officer. Half of any bonus earned will be deferred into shares for three years.

Targets will be a combination of PBIT (weighted at 60%), strategic objectives (weighted at 30%) and an executive's personal performance (weighted at 10%). Profit targets for FY 2024 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. 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 the CFO.

The extent to which the LTIP awards will vest will be determined by the performance measures listed below.

			Targets	
Performance measure	Weighting	Payment at threshold	Threshold	Maximum
EPS (compound annual growth over three years)	60%	20%	8%	15%
Relative TSR vs FTSE 250 (excluding investment trusts)	30%	25%	Median	Upper quartile
Reduction in market-based Scope 1 & 2 emissions (per tonne PEEK produced)	10%	20%	-5.3% p.a.	-11.2% p.a.

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 corporation 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.

The Committee will undertake a final review of the targets and quantum prior to grant and will include a provision in the awards that enables the Committee to reduce vesting based on the formulaic outcomes if it considers there to have been a perceived windfall gain and/or a perceived disconnect between performance and reward.

This Directors' remuneration report was approved by the Board on 4 December 2023 and is signed on its behalf by:

Janet Ashdown
Chair of the Remuneration Committee
5 December 2023

Directors' report – other statutory information

The Directors' report required under the Companies Act 2006 comprises this Directors' report (pages 124 to 127), the Corporate governance report (pages 67 to 134) and the Sustainability report set out in the Strategic report (pages 42 to 66). The management report required under Disclosure Guidance and Transparency Rule 4.1.8R comprises the Strategic report (pages 1 to 66) 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

The Notice of the 2024 Annual General Meeting of the Company ('AGM') and explanatory notes are set out on pages 184 to 191. The AGM will be held on Friday 9 February 2024 at 11am at the offices of J.P. Morgan Cazenove, 1 John Carpenter Street, London EC4Y 0JP.

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 or she 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.

If shareholders have any questions for the Board on the business of the meeting, please send them in advance of the AGM 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 AGM.

Results and dividends

Group profit before tax for the year was £72.5m (FY 2022: £87.7m).

The Directors recommend the payment of a final dividend of 46.14p per ordinary share that, subject to shareholder approval at the AGM on 9 February 2024, will be paid on 23 February 2024 to all shareholders on the register of members as at 6pm on 26 January 2024. Together with the interim dividend paid in July 2023 this makes a total regular dividend of 59.56p per ordinary share for the year (FY 2022: 59.56p per ordinary share).

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 2023

There have been no important events affecting the Company or any member of the Group since 30 September 2023.

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 16 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 and their biographical details are set out on pages 70 and 71.

Directors' interests in the Company's shares

The interests of the Directors of the Company and their connected persons at 30 September 2023 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 Directors' remuneration report on page 118. The biographies of all Directors serving at the date of this Annual Report are shown on pages 70 and 71. Details of Directors' interests in shares are provided in the Directors' remuneration report on pages 118 and 119.

Major interests in shares

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 2023:

	Holding	%
FIL Limited	6.893.672	7.92
Sprucegrove Investment Management (CA)	6,798,757	7.81
The Vanguard Group Inc (US)	6,238,620	7.17
Norges Bank Investment Management	5,591,308	6.43
BlackRock Inc	5,305,028	6.10
Ameriprise/Threadneedle	5,041,606	5.79
Franklin Resources Inc	3,681,566	4.22
Schroders Plc	3,575,643	4.11
Brown Capital Management Inc (US)	3,520,719	4.05
Evenlode Investment Management Ltd (UK)	3,158,120	3.63
Baillie Gifford & Co Ltd (SC)	2,659,959	3.06
Royal London Asset Management Ltd	2,644,048	3.04

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 2023. 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

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 time frame 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.

The maximum possible number of Directors under the Articles is 12, 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.

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.

The Articles are available on the Company's website (www.victrexplc.com).

Directors' indemnities and insurance

The Company has in place qualifying third party indemnities in favour of all of its Directors under Deeds of Indemnity ('Deeds'). The Deeds were in force during the year ended 30 September 2023 and remain in force as at the date of approval of the financial statements. The Deeds are available for inspection during normal business hours on Monday to Friday (excluding public holidays) at the Company's registered office. An appointment can be made with the General Counsel & Company Secretary to review the Deeds. Please contact cosec@victrex.com. The Company has appropriate directors' and officers' liability insurance cover in place in respect of legal action brought against the Directors.

Conflict of interest duties

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.

Principal activity

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.

Branches

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. Victrex Europa GmbH is a subsidiary of the Company and has a branch in France.

Information set out in the Strategic report

Certain information required to be included in the Directors' report has been set out in the Strategic report. The Strategic report required by the Companies Act 2006 can be found on pages 1 to 66. The report sets out the business model (pages 12 and 13), strategy (pages 14 and 15) and likely future developments (pages 1 to 66). 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 32 to 38). Such information is incorporated into this report by reference and is deemed to form part of this Directors' report.

Directors' report – other statutory information continued

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 54 to 57 of the Strategic report and page 83 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 65. Disclosures relating to the Group's human rights and anti-bribery policies are contained on page 65. The Group's non-financial and sustainability information statement is set out on page 66. Details of employee involvement in Company performance through share scheme participation can be found on page 55. 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 20 to 22. 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 20 to 21 and 83. 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 20 to 22. 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 83. 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 2023 (FY 2022: £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 55. 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 56 and 57.

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, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008/410 and our TCFD reporting is set out in the Sustainability report on pages 49 to 53. 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 22 to the financial statements. During the year 23,348 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 21 to the financial statements. The information in notes 21 and 22 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 22 to the financial statements. A summary of the Directors' powers in relation to buying back shares is set out 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 18 of the Notice of AGM, which can be found on page 185.

No market purchases of the Company's own shares were made during the year ended 30 September 2023 or from 1 October 2023 up to the date on which this Annual Report was approved.

A total of 75,847 ordinary shares are held by the Employee Benefit Trusts in order to satisfy the exercise of options by Directors under the Company's 2019 Long Term Incentive Plans ('LTIPs') and the 2017 Deferred Bonus Plan. No shares were purchased by the Employee Benefit Trusts in the financial year to 30 September 2023. The Directors and certain participating employees are beneficiaries of the Employee Benefit Trusts.

Related party transactions	During the year ended 30 September 2023, 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 23 to the financial statements.
Nominees, financial assistance and liens	During the year ended 30 September 2023, 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	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. The Directors were granted authority at the 2023 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 2023 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 2024 Annual General Meeting when shareholders will be invited to grant a similar allotment authority. The Directors were also empowered at the 2023 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 2023 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 2024 Annual General Meeting and shareholders will be asked to grant similar powers. The Directors also sought authority at the 2023 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 2023 Notice of AGM). This authority is also due to expire at the 2024 AGM and shareholders will be asked to grant a similar share repurchase authority.
Notice required for shareholder meetings	On the basis of a resolution passed at the 2023 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 19 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.
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 126 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 2024 Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as external auditors for the 2024 financial year.

The Directors' report was approved by the Board and signed on its behalf by:

Ian Melling
Chief Financial Officer
5 December 2023

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report 2023 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 the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 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 UK-adopted international accounting standards 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 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

The Directors consider that the Annual Report 2023 and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed below:

- Vivienne Cox, Chair;
- Jakob Sigurdsson, Chief Executive Officer;
- Ian Melling, Chief Financial Officer;
- Janet Ashdown, Non-executive Director;
- Brendan Connolly, 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 their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; 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 it faces.

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 4 December 2023 and is signed on its behalf by;

Ian Melling
Chief Financial Officer
5 December 2023

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 2023 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 UK-adopted international accounting standards as applied in accordance with the provisions 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 2023 (the ‘Annual Report’), which comprise: the Group and Company Balance sheets as at 30 September 2023; the Consolidated income statement, 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.

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.

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 profit before tax and exceptional items. Of the Group’s 27 reporting units, we identified five, 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, Victrex plc and 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 financial assets at amortised cost were in scope for Invibio Inc. Revenue and trade receivables were in scope for Victrex USA Inc. Property, plant and equipment, accruals and bank loans were in scope for Panjin VYX High Performance Materials Co., Ltd.
- 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 78% of Group revenue and 86% of Group profit before tax and exceptional items.

Key audit matters

- Valuation of the UK defined benefit pension scheme (Group).
- Valuation of inventories (Group).
- Risk of impairment of investments in subsidiaries and amounts owed by Group undertakings (parent).

Materiality

- Overall Group materiality: £4.0m (2022: £4.8m) based on 5% of profit before tax and exceptional items.
- Overall Company materiality: £1.4m (2022: £1.5m) based on 0.5% of total assets capped due to the Group materiality allocation.
- Performance materiality: £3.0m (2022: £3.6m) (Group) and £1.1m (2022: £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.

The key audit matters below are consistent with last year.

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 page 95 of the Audit Committee report and Note 17 within the Notes to the financial statements of the Annual Report 2023.** The measurement of the net defined benefit asset (£9.7m net surplus at 30 September 2023, (2022: £14.9m net surplus)) requires the application of an actuarial valuation method, the attribution of benefits to periods of service, and the use of significant actuarial assumptions including in particular the discount rate, inflation rates and the average life expectancy of members. Small changes in the assumptions used could have a significant effect on the financial position of the Group. The present value of the defined benefit obligation is deducted from the fair value of any plan assets in determining the net surplus.	To assess the appropriateness of the valuation of the UK defined benefit pension scheme, we performed the following: → we evaluated, with the support of our own actuarial experts, the key assumptions applied to calculate the year end defined benefit obligation. These procedures included assessing the methodology, consistency of approach with the prior period and comparison to acceptable ranges, which are developed using externally derived market data and internally developed benchmarks; → we considered the adequacy of the Group's disclosures in respect of the sensitivity of the surplus to changes in the assumptions; → we assessed the appropriateness of the recognition of the net UK surplus in line with accounting standards; and → we obtained the pension scheme administrators Type 2 report to test operating effectiveness of administrator controls over completeness and accuracy of member data. The total number of members as at the year end was also obtained to assess any material movements since the date of the triennial valuation. 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.
Valuation of inventories (Group) **Refer to pages 94 and 95 of the Audit Committee report and Note 13 within the Notes to the financial statements of the Annual Report 2023.** A number of estimates are involved in arriving at the valuation of inventories. At 30 September 2023 inventories amounted to £134.5m (2022: £86.8m). A standard costing process is adopted to value work in progress and finished goods. This process includes an assessment of the extent to which actual production levels are within a normal range and the level of variations between actual and standard costs capitalised into inventory at each period end. In addition, inventory provisions are recorded based on specific policies, taking into account batch ageing, quality, and future sales expectations based on forecast sales rates. Judgements are made with regards to the categorisation of stock as non-conforming, slow moving or obsolete, and therefore whether items should be considered for provision. Estimation is then involved in arriving at the provision percentage to apply to these identified items such that inventory is carried at the lower of cost or net realisable value.	To assess the appropriateness of the valuation of inventories, we performed the following: → we 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 understood and tested the application of Group's policy for capitalisation of cost variances; → we tested the cost of inventories, through tracing a sample of standard costs to bills of material and raw material inputs to source documentation. We understood management's approach to overhead allocation and tested the reasonableness of costs absorbed versus expensed; → for a sample of inventory items we evaluated the appropriateness of management's categorisation of inventories as non-conforming, slow moving or obsolete to supporting evidence; → we performed look-back procedures on the provision at the prior year end and compared the level of inventory write-offs and utilisation during the current period in order to assess the reasonableness of the estimated provision percentages applied by management; → we tested a sample of post-year-end sales in order to obtain evidence that inventory items are held at the lower of cost or net realisable value; and → we 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. 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.

Key audit matter	How our audit addressed the key audit matter
Risk of impairment of investments in subsidiaries and amounts owed by Group undertakings (parent) **Refer to Note 11 and Note 14 within the Notes to the financial statements of the Annual Report 2023.** The Company has investments in subsidiaries of £131.9m (2022: £131.9m) and amounts owed by Group undertakings of £141.0m (2022: £191.9m). Given the magnitude of both of these balances we considered there to be a risk that the performance of the subsidiary undertakings is not sufficient to support the carrying value and the assets may be impaired. Management have considered both of these balances for impairment and concluded that no impairments are required.	In assessing the appropriateness of valuation of investment in subsidiaries and amounts owed by Group undertakings we have performed the following procedures: → we obtained a schedule of investments in subsidiaries and ensured this is reconciled to the financial statements; → we performed a review of the performance and net assets of each material subsidiary against the carrying value of the investments; and → we compared the overall carrying value of the investments to the Group's market capitalisation and also our review of the discounted cash flow models prepared for the purposes of testing overall Group goodwill for impairment. → we performed a reconciliation of the amounts owed by Group undertakings and ensured this agrees with the counterparty; → we have obtained management's intercompany recoverability model and assessed whether the methods applied were consistent with IFRS 9. We checked the calculations within the model and agreed the figures included to the relevant financial information included in the Group consolidation schedules; → we evaluated management's assessment of the recoverability of amounts owed by Group undertakings including assessing the ability of other Group companies to settle the intercompany balances; and → we also assessed the adequacy of the disclosure provided in the Company financial statements in relation to the relevant accounting standards. Based on the above procedures we concluded that there were no triggers that would indicate the Directors were required to perform a full impairment test of the carrying value of the investments in subsidiaries. We found no exceptions as a result of our procedures and consider the recoverability of amounts owed by Group undertakings to be appropriate.

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.

The Group is organised into 27 reporting components and the Group financial statements are a consolidation of these reporting components. The reporting units vary in size. We identified five 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, Victrex plc and 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 financial assets at amortised cost were in scope for Invibio Inc. Revenue and trade receivables were in scope for Victrex USA Inc. Property, plant and equipment, accruals and bank loans were in scope for Panjin VYX High Performance Materials Co., Ltd. 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. On the remaining 19 components we performed analytical procedures to respond to any potential risks of material misstatement to the group financial statements.

All audit work was performed by the Group team, with the exception of one component audit 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.

The impact of climate risk on our audit

We made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate risk on the Group's financial statements, including their commitments made to achieving Net Zero carbon emissions for Scope 1, 2 & 3 by 2050. The key areas of the financial statements where management evaluated that climate risk has a potential impact are set out in note 1 – Basis of preparation – Climate change in the notes to the financial statements. The Directors have reached the overall conclusion that there has been no material impact on the financial statements for the current year from the potential impact of climate change.

We used our knowledge of the Group, to challenge management's assessment. We particularly considered how climate risk would impact the assumptions made in the forecasts prepared by management used in their impairment analyses, going concern and viability. We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures ('TCFD') section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or on our key audit matters for the year ended 30 September 2023.

Independent auditors’ report to the members of Victrex plc continued

Report on the audit of the financial statements continued

Our audit approach continued

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	£4.0m (2022: £4.8m).	£1.4m (2022: £1.5m).
How we determined it	5% of profit before tax and exceptional items.	0.5% of total assets capped due to the Group materiality allocation.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report 2023, 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 between £0.4m and £3.6m. 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% (2022: 75%) of overall materiality, amounting to £3.0m (2022: £3.6m) for the Group financial statements and £1.1m (2022: £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) (2022: £0.2m) and £0.1m (Company audit) (2022: £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 24 month forecast and downside scenarios (Scenario 1 and Scenario 2) 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 challenged management with regards to the impact of climate change and how this has been taken into account in the forecasts;
- we received financing agreements to understand bank covenants and performed covenant calculations under Scenario 2;
- we tested the mathematical integrity of management’s going concern forecast models; and
- we reviewed the disclosures made in respect of going concern included in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern for a period of at least 12 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations. 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 2023 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 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 12 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 and Company 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.

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, 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.

Independent auditors' report to the members of Victrex plc continued

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Responsibilities of the members for the financial statements continued

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 and tax legislation. 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 throughout the year and post-year end to identify any one off or unusual transactions.

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; or
- 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; or
- 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 six years, covering the years ended 30 September 2018 to 30 September 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5 December 2023

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

Consolidated income statement

for the year ended 30 September

	Note	2023 £m	2022 £m
Revenue	2	**307.0**	341.0
Losses on foreign currency net hedging		**(7.6)**	(2.8)
Cost of sales	3	**(136.8)**	(163.7)
Gross profit		**162.6**	174.5
Sales, marketing and administrative expenses	3	**(70.8)**	(70.3)
Research and development expenses	3	**(18.6)**	(15.7)
Operating profit before exceptional items		**80.7**	96.4
Exceptional items	3	**(7.5)**	(7.9)
Operating profit		**73.2**	88.5
Finance income	6	**1.3**	0.5
Finance costs	6	**(0.7)**	(0.3)
Share of loss of associate	11	**(1.3)**	(1.0)
Profit before tax and exceptional items		**80.0**	95.6
Exceptional items	3	**(7.5)**	(7.9)
Profit before tax		**72.5**	87.7
Income tax expense	7	**(11.5)**	(12.2)
Profit for the financial year		**61.0**	75.5
Profit/(loss) for the year attributable to:			
– Owners of the Company		**61.7**	76.2
– Non-controlling interests	11	**(0.7)**	(0.7)
Earnings per share			
Basic	8	**70.9p**	87.6p
Diluted	8	**70.5p**	87.3p
Dividend per ordinary share			
Interim	22	**13.42p**	13.42p
Final	22	**46.14p**	46.14p
	22	**59.56p**	59.56p

A final dividend in respect of FY 2023 of 46.14p per ordinary share has been recommended by the Directors for approval at the Annual General Meeting on 9 February 2024.

Consolidated statement of comprehensive income

for the year ended 30 September

	Note	2023 £m	2022 £m
Profit for the financial year		**61.0**	75.5
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial (losses)/gains	17	**(6.9)**	0.2
Income tax on items that will not be reclassified to profit or loss	7	**1.4**	(0.1)
		(5.5)	0.1
Items that may be reclassified subsequently to profit or loss			
Currency translation differences for foreign operations		**(10.0)**	11.1
Effective portion of changes in fair value of cash flow hedges		**10.0**	(19.7)
Net change in fair value of cash flow hedges transferred to profit or loss		**7.6**	2.8
Income tax on items that may be reclassified to profit or loss	7	**(3.4)**	3.2
		4.2	(2.6)
Total other comprehensive expense for the year		**(1.3)**	(2.5)
Total comprehensive income for the year		**59.7**	73.0
Total comprehensive income/(expense) for the year attributable to:			
– Owners of the Company		**60.4**	73.7
– Non-controlling interests		**(0.7)**	(0.7)

Balance sheets

as at 30 September

	Note	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Assets					
Non-current assets					
Property, plant and equipment	9	**351.2**	347.2	**—**	—
Intangible assets	10	**18.7**	20.2	**—**	—
Investment in subsidiaries	11	**—**	—	**131.9**	131.9
Investment in associated undertakings	11	**9.1**	10.4	**—**	—
Financial assets held at fair value through profit and loss	11	**13.2**	10.1	**—**	—
Financial assets at amortised cost	16	**0.6**	—	**—**	—
Deferred tax assets	12	**5.6**	7.2	**—**	—
Retirement benefit asset	17	**9.7**	14.9	**—**	—
		408.1	410.0	**131.9**	131.9
Current assets					
Inventories	13	**134.5**	86.8	**—**	—
Current income tax assets		**1.3**	7.9	**—**	—
Trade and other receivables	14	**47.2**	68.1	**141.0**	191.9
Derivative financial instruments	16	**2.0**	—	**—**	—
Other financial assets	16	**0.1**	10.1	**—**	—
Cash and cash equivalents	16	**33.4**	58.7	**0.1**	0.3
		218.5	231.6	**141.1**	192.2
Total assets		**626.6**	641.6	**273.0**	324.1
Liabilities					
Non-current liabilities					
Deferred tax liabilities	12	**(34.0)**	(34.3)	**—**	—
Long-term lease liabilities	19	**(8.9)**	(7.8)	**—**	—
Borrowings	15	**(34.5)**	(21.6)	**—**	—
Retirement benefit obligation	17	**(2.5)**	(2.7)	**—**	—
		(79.9)	(66.4)	**—**	—
Current liabilities					
Derivative financial instruments	16	**(1.8)**	(19.9)	**—**	—
Borrowings	15	**(5.2)**	(0.9)	**—**	—
Current income tax liabilities		**(3.0)**	(2.3)	**—**	—
Trade and other payables	18	**(34.1)**	(59.7)	**(0.1)**	(0.1)
Current lease liabilities	19	**(1.6)**	(1.8)	**—**	—
		(45.7)	(84.6)	**(0.1)**	(0.1)
Total liabilities		**(125.6)**	(151.0)	**(0.1)**	(0.1)
Net assets		**501.0**	490.6	**272.9**	324.0
Equity					
Share capital	22	**0.9**	0.9	**0.9**	0.9
Share premium	22	**61.9**	61.5	**61.9**	61.5
Translation reserve	22	**2.8**	12.8	**—**	—
Hedging reserve	22	**0.6**	(13.6)	**—**	—
Retained earnings[1]	22	**432.8**	427.2	**210.1**	261.6
Equity attributable to owners of the Company		**499.0**	488.8	**272.9**	324.0
Non-controlling interest		**2.0**	1.8	**—**	—
Total equity		**501.0**	490.6	**272.9**	324.0

1 The loss for the financial year dealt with in the financial statements of the Company is £0.8m, which includes dividends from subsidiaries of £nil (FY 2022: profit of £132.4m, which includes dividends from subsidiaries of £132.8m).

These financial statements of Victrex plc on pages 136 to 182, registered number 2793780, were approved by the Board of Directors on 5 December 2023 and were signed on its behalf by:

Jakob Sigurdsson
Chief Executive Officer

Ian Melling
Chief Financial Officer

Cash flow statements

for the year ended 30 September

	Note	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Profit/(loss) for the financial year		**61.0**	75.5	**(0.8)**	132.4
Income tax expense	7	**11.5**	12.2	**—**	—
Finance income		**(1.3)**	(0.5)	**—**	—
Finance costs		**0.7**	0.3	**—**	—
Share of loss of associate		**1.3**	1.0	**—**	—
Dividends received from subsidiaries		**—**	—	**—**	(132.8)
Operating profit/(loss)		**73.2**	88.5	**(0.8)**	(0.4)
Adjustments for:					
Depreciation	9	**19.8**	19.0	**—**	—
Amortisation	10	**1.7**	2.6	**—**	—
Loss on disposal of non-current assets	9, 10	**0.3**	2.4	**—**	—
Gain on early termination of long-term lease liabilities	19	**(0.2)**	—	**—**	—
Equity-settled share-based payment transactions	21	**1.1**	1.8	**1.1**	1.8
(Gains)/losses on derivatives recognised in income statement that have not yet settled	16	**(2.5)**	4.0	**—**	—
Losses/(gains) on financial assets held at fair value	11	**0.2**	(0.3)	**—**	—
Increase in inventories		**(50.7)**	(13.4)	**—**	—
Decrease/(increase) in receivables		**16.4**	(16.9)	**50.9**	(39.2)
(Decrease)/increase in payables		**(14.6)**	2.8	**—**	0.1
Retirement benefit obligations charge less contributions		**(1.8)**	0.2	**—**	—
Cash generated from/(used in) operations		**42.9**	90.7	**51.2**	(37.7)
Interest received		**1.0**	0.3	**—**	—
Interest paid		**(0.2)**	(0.4)	**—**	—
Net income tax paid		**(2.0)**	(10.6)	**—**	—
Net cash flow generated from/(used in) operating activities		**41.7**	80.0	**51.2**	(37.7)
Cash flows (used in)/generated from investing activities					
Acquisition of property, plant and equipment and intangible assets	9, 10	**(38.5)**	(45.5)	**—**	—
Proceeds from disposal of financial asset held at fair value through profit and loss		**—**	4.2	**—**	—
Withdrawal of cash invested for greater than three months	16	**10.0**	27.4	**—**	—
Dividends received		**—**	—	**—**	132.8
Other loans granted	16	**(0.9)**	—	**—**	—
Loans to associated undertakings	11	**(2.9)**	(2.3)	**—**	—
Net cash flow (used in)/generated from investing activities		**(32.3)**	(16.2)	**—**	132.8
Cash flows used in financing activities					
Proceeds from issue of ordinary shares exercised under option	22	**0.4**	0.4	**0.4**	0.4
Repayment of lease liabilities	19	**(2.1)**	(2.1)	**—**	—
Transactions with non-controlling interest	11	**2.6**	—	**—**	—
Bank borrowings received	15, 16	**19.0**	14.5	**—**	—
Bank borrowings repaid	15	**(0.9)**	—	**—**	—
Interest on bank borrowings paid	15	**(0.9)**	—	**—**	—
Dividends paid	22	**(51.8)**	(95.2)	**(51.8)**	(95.2)
Net cash flow used in financing activities		**(33.7)**	(82.4)	**(51.4)**	(94.8)
Net (decrease)/increase in cash and cash equivalents		**(24.3)**	(18.6)	**(0.2)**	0.3
Effect of exchange rate fluctuations on cash held		**(1.0)**	2.4	**—**	—
Cash and cash equivalents at beginning of year		**58.7**	74.9	**0.3**	—
Cash and cash equivalents at end of year		**33.4**	58.7	**0.1**	0.3

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 Company £m	Non-controlling interest £m	Total £m
Equity at 1 October 2021		0.9	61.1	1.7	0.1	445.4	509.2	2.5	511.7
Total comprehensive income/(expense) for the year									
Profit for the year attributable to owners of the Company		—	—	—	—	76.2	76.2	—	76.2
Loss for the year attributable to non-controlling interest		—	—	—	—	—	—	(0.7)	(0.7)
Other comprehensive income/(expense)									
Currency translation differences for foreign operations		—	—	11.1	—	—	11.1	—	11.1
Effective portion of changes in fair value of cash flow hedges		—	—	—	(19.7)	—	(19.7)	—	(19.7)
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	2.8	—	2.8	—	2.8
Defined benefit pension schemes' actuarial gains	17	—	—	—	—	0.2	0.2	—	0.2
Tax on other comprehensive expense/(income)	7	—	—	—	3.2	(0.1)	3.1	—	3.1
Total other comprehensive income/(expense) for the year		—	—	11.1	(13.7)	0.1	(2.5)	—	(2.5)
Total comprehensive income/(expense) for the year		—	—	11.1	(13.7)	76.3	73.7	(0.7)	73.0
Contributions by and distributions to owners of the Company									
Share options exercised	22	—	0.4	—	—	—	0.4	—	0.4
Equity-settled share-based payment transactions	21	—	—	—	—	1.8	1.8	—	1.8
Tax on equity-settled share-based payments	7	—	—	—	—	(1.1)	(1.1)	—	(1.1)
Dividends to shareholders	22	—	—	—	—	(95.2)	(95.2)	—	(95.2)
Equity at 30 September 2022		0.9	61.5	12.8	(13.6)	427.2	488.8	1.8	490.6
Total comprehensive income/(expense) for the year									
Profit for the year attributable to owners of the Company		**—**	**—**	**—**	**—**	**61.7**	**61.7**	**—**	**61.7**
Loss for the year attributable to non-controlling interest		**—**	**—**	**—**	**—**	**—**	**—**	**(0.7)**	**(0.7)**
Other comprehensive (expense)/income									
Currency translation differences for foreign operations		**—**	**—**	**(10.0)**	**—**	**—**	**(10.0)**	**—**	**(10.0)**
Effective portion of changes in fair value of cash flow hedges		**—**	**—**	**—**	**10.0**	**—**	**10.0**	**—**	**10.0**
Net change in fair value of cash flow hedges transferred to profit or loss		**—**	**—**	**—**	**7.6**	**—**	**7.6**	**—**	**7.6**
Defined benefit pension schemes' actuarial losses	17	**—**	**—**	**—**	**—**	**(6.9)**	**(6.9)**	**—**	**(6.9)**
Tax on other comprehensive (income)/expense	7	**—**	**—**	**—**	**(3.4)**	**1.4**	**(2.0)**	**—**	**(2.0)**
Total other comprehensive (expense)/income for the year		**—**	**—**	**(10.0)**	**14.2**	**(5.5)**	**(1.3)**	**—**	**(1.3)**
Total comprehensive (expense)/income for the year		**—**	**—**	**(10.0)**	**14.2**	**56.2**	**60.4**	**(0.7)**	**59.7**
Contributions by and distributions to owners of the Company									
Share options exercised	22	**—**	**0.4**	**—**	**—**	**—**	**0.4**	**—**	**0.4**
Contributions of equity from non-controlling interest	11	**—**	**—**	**—**	**—**	**—**	**—**	**0.9**	**0.9**
Equity-settled share-based payment transactions	21	**—**	**—**	**—**	**—**	**1.1**	**1.1**	**—**	**1.1**
Tax on equity-settled share-based payment transactions	7	**—**	**—**	**—**	**—**	**0.1**	**0.1**	**—**	**0.1**
Dividends to shareholders	22	**—**	**—**	**—**	**—**	**(51.8)**	**(51.8)**	**—**	**(51.8)**
Equity at 30 September 2023		**0.9**	**61.9**	**2.8**	**0.6**	**432.8**	**499.0**	**2.0**	**501.0**

Company statement of changes in equity

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Equity at 1 October 2021		0.9	61.1	222.6	284.6
Total comprehensive income for the year					
Profit for the year (including dividends from subsidiaries of £132.8m)		—	—	132.4	132.4
Contributions by and distributions to owners of the Company					
Share options exercised	22	—	0.4	—	0.4
Equity-settled share-based payment transactions	21	—	—	1.8	1.8
Dividends to shareholders	22	—	—	(95.2)	(95.2)
Equity at 30 September 2022		0.9	61.5	261.6	324.0
Total comprehensive expense for the year					
Loss for the year		**—**	**—**	**(0.8)**	**(0.8)**
Contributions by and distributions to owners of the Company					
Share options exercised	22	**—**	**0.4**	**—**	**0.4**
Equity-settled share-based payment transactions	21	**—**	**—**	**1.1**	**1.1**
Dividends to shareholders	22	**—**	**—**	**(51.8)**	**(51.8)**
Equity at 30 September 2023		**0.9**	**61.9**	**210.1**	**272.9**

Notes to the financial statements

1. Basis of preparation

General information

Victrex plc (the 'Company') is a public company, which is limited by shares and is listed on the London Stock Exchange. The Company is incorporated and domiciled in England 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 2023 comprise the Company and its subsidiaries (together referred to as the 'Group').

These consolidated financial statements have been approved for issue by the Board of Directors on 5 December 2023.

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 in accordance with UK-adopted International Accounting Standards. 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 1 to 66. In addition, note 16 on financial risk management details the Group's exposure to a variety of financial risks, including currency and credit risk.

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 and Company financial statements.

The accounting policies have been consistently applied by Group entities.

Climate change

In preparing the financial statements of the Group an assessment of the potential impact of climate change has been made in line with the requirements of the Task Force on Climate-related Financial Disclosures ('TCFD') and with specific consideration of the disclosures made in the Sustainability report starting on page 42. This has specifically incorporated the impact of the physical risks of climate change and transitional risks including the potential impact of government and regulatory actions as well as the Group's stated Net Zero targets. The potential impact has been considered in the following areas:

- the key areas of judgement and sources of estimation – see below;
- the expected useful lives of property, plant and equipment;
- those areas which rely on future forecasts which have the potential to be impacted by climate change:
  - carrying value of non-current assets;
  - going concern; and
  - viability;
- the recoverability of deferred taxation assets; and
- the recoverability of inventory and trade receivables.

The specific considerations have been included in the corresponding financial statement notes below.

The Directors recognise the inherent uncertainty in predicting the impact of climate change and the actions which regulators and governments, both domestic and overseas, will take in order to achieve their various targets. However, from the work undertaken to date, outlined in the Sustainability report, the Directors have reached the overall conclusion that there has been no material impact on the financial statements for the current year from the potential impact of climate change.

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 towards Net Zero across all scopes by 2050.

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 32 to 38. This assessment has paid particular attention to current trading results and the impact of the current global economic challenges on the aforementioned forecasts.

The Company maintains a strong balance sheet providing assurance to key stakeholders, including customers, suppliers and employees. The combined cash and other financial assets balance at 30 September 2023 was £33.5m, having reduced from £68.8m at 30 September 2022 following payment of the regular dividends of £40.1m in February 2023 and £11.7m in June 2023 and a strategic increase in the level of inventory held. Of the £33.5m, £3.4m 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 £30.1m, approximately 70% is held in the UK, on instant access, where the Company incurs the majority of its expenditure. The Group has drawn debt of £31.6m in its Chinese subsidiaries (with a total facility of c.£34.2m available until December 2026) and has unutilised UK banking facilities, renewed and extended in October 2023, of £60m through to October 2026, of which £40m is committed and immediately available and £20m is available subject to lender approval.

1. Basis of preparation continued

Going concern continued

The 24-month forecast is derived from the Company's Integrated Business Planning ('IBP') process which runs monthly. Each area of the business provides 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, rig count and purchasing manager indices for E&I, World Semiconductor Trade Statistics semiconductor market forecasts for Electronics and Needham and IQVIA forecasts for Medical procedures.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which, given current economic forecasts and sales trends through the financial year ended 30 September 2023, where volumes dropped 24% year on year and 33% in the second half, exacerbated by rapid customer destocking, focused on the Group's ability to sustain a further period of suppressed demand. In assessing the severity of the scenario analysis the scale and longevity of the impact experienced during previous economic downturns have been considered, including the differing impacts on the Sustainable Solutions versus Medical segments.

Using the IBP data and reference points from previous downturns management has created two scenarios to model the continuing effect of lower demand at regional/market level and aggregated levels on the Company's profits and cash generation through to December 2024 with consideration also given to the six months beyond this. The impact of climate change and the Group's Net Zero 2050 goal (Scope 1, 2 & 3) are considered as part of the aforementioned IBP process, from both a revenue and cost perspective, with the anticipated impact (assessed as insignificant over the shorter-term going concern period) incorporated in the forecasts. As a result the scenario testing noted below does not incorporate any additional sensitivity specific to climate change.

During the second half of FY 2023 the drop in sales to a quarterly run rate of c.830 tonnes reflected the continuation of the contraction in demand in the global economy, which started in the first quarter of FY 2023, and also the rapid destocking by customers as they managed their inventory and had extended shutdowns. This level of demand is not inconsistent with that seen during COVID-19 with Q2 and Q4 for 2020 at similar levels and Q3 lower due to global lockdowns. Other than in the current economic cycle and during COVID-19 demand has not been at this level during the past decade. With customers now largely destocked the Board believes the low point of the economic cycle has been reached and, whilst there are limited signs of a return to growth, demand has stabilised. As a result the key downside risk is that of an extended period of subdued demand. The current downturn has been running for 12 months, already longer than the previous downturns during COVID-19 and the financial crisis, but with no clear signs of recovery, the Board has considered the impact of reduced demand, in line with the lowest quarter of the previous year, Q3, for a further 6 months (scenario 1) and a further 12 months (scenario 2). As noted above, the lower cash balance at 30 September 2023 is, apart from lower sales volumes, attributable to an increase in the level of inventory held. Current forecasts assume a gradual reduction in inventory across FY 2024 and FY 2025 with inventory providing the opportunity to benefit from market recovery. The scenarios modelled assume that a more aggressive inventory unwind approach is taken to mitigate the ongoing lower cash generation from subdued volumes.

Scenario 1 – the global economy remains subdued through the first half of FY 2024 with demand in line with the low point in FY 2023, quarter 3, before a slow recovery in the second half of FY 2024. The demand then increases modestly through the second half to c.1,900 tonnes before further modest growth for the remainder of the going concern period. Medical revenue remains in line with that seen during the past 12 months' run rate, with the economic situation historically having minimal impact on this segment, in line with the experience of the past 12 months. Inventory is reduced in line with sales.

Scenario 2 – in line with scenario 1 through the first half of FY 2024, with this lower demand continuing for a further 12 months, i.e. throughout the going concern period, taking the total period of lower demand to in excess of 24 months, well above the duration of any previous downturn experienced by the Company. This would give an annual volume below c.3,300 tonnes, a level not seen since 2013. In this scenario Medical revenue is reduced by 10% during the second six months to reflect a limited impact from a longer lasting slowdown. With the period of prolonged lower demand, a more aggressive unwind of the inventory balance has been assumed. Inventory is reduced in line with sales. The Group considers scenario 2 to be a severe but plausible scenario.

Commercial sales from the new PEEK manufacturing facility in China are expected in early 2024, a consequence of which is that the entity will require additional funding to see it through to net cash generation. In concluding on the going concern position, it has been assumed that Victrex will provide the additional funds in full, which the Board considers to be the worst case scenario.

Before any mitigating actions the sensitised cash flows show the Company has significantly reduced cash headroom, which would require use of the committed facility during the going concern period. The level of facility drawn down is higher in Scenario 2 but in neither scenario is the committed facility fully drawn, nor drawn for the whole year. With cash levels lower than has historically been the case for Victrex, the Company has identified a number of mitigating actions which are readily available to increase the headroom. These include:

- use of committed facility – £40m could be drawn at short notice. Conversations with our banking partners indicate that the £20m uncommitted 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 capital investment over the next 12 months is lower than recent years at approximately £30-£35m with major projects completed in China and the UK. This could be reduced significantly by limiting expenditure to essential projects, deferring all other projects later into 2025 or beyond;
- reduction in discretionary overheads – costs would be limited to prioritise and support customer related activity;
- reduction in inventory levels – inventory has been increased to provide additional security during plant shutdowns and to provide sufficient inventory to respond to a rapid economic recovery. The scenarios noted above include an acceleration of the inventory unwind but a more aggressive approach could be taken to provide additional cash resources; and
- deferral/cancellation of dividends – the Board considers the cash position and interests of all stakeholders before recommending payment of a dividend. A dividend has been proposed for payment in February 2024 of c.£40m and in the past an interim dividend of c.£12m has been paid in June, giving a combined annual outflow of c.£52m.

1. Basis of preparation continued

Going concern continued

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 current economic uncertainty with a number of global economies close to/in recession, the war in Ukraine continuing and tensions in the Middle East, 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 the date of this report. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

Critical judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with UK-adopted international accounting standards 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 including formal consideration by the Audit Committee. 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 12 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 estimates and assumptions that, if revised, would have a significant risk of a material impact on the valuation of assets and liabilities within the next financial year, and therefore classified as critical, are retirement benefits (see note 17), the valuation of inventory (see note 13) and the carrying value of the investment in associate and fair value of convertible loan notes (see note 11) held in Bond 3D High Performance Technology BV ('Bond'). The latter two were disclosed as 'other areas of judgement and sources of estimation uncertainty' in the FY 2022 Annual Report. At 31 March 2023 the Directors reassessed this resulting in the reclassification to 'critical judgements and key sources of estimation uncertainty'. This conclusion was reached in the knowledge that further investment was required to support Bond through to net cash generation, the economic environment had tightened the financing market for early stage businesses, there were delays to the delivery of the key milestones and current funding was only sufficient to sustain Bond through to mid-FY 2024. The Directors therefore concluded there was an increased risk of a material change to the carrying values of both the investment in associate and convertible loans in the next 12 months.

The critical judgements and key sources of estimation uncertainty that the Directors have considered 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.

The consideration of critical judgements and key sources of estimation uncertainty includes consideration of the potential impact of climate change on the financial statements. The areas considered and the conclusions made can be identified throughout the financial statements by the symbol . None of the areas of estimation uncertainty considered had a significant risk of material adjustment in the next 12 months as a result of climate change, although it is noted that there could be a more significant impact over the medium and longer-term time frames.

Other areas of judgement and sources of estimation uncertainty

The financial statements include other areas of judgement and sources of estimation uncertainty which do not meet the above definition of critical either due to the level of risk or the time frame of the potential impact, however apply to the measurement of certain material assets and liabilities. These include the useful economic lives and residual value of property, plant and equipment and the recognition of deferred taxation balances for which there is uncertainty over the longer term.

New accounting standards and amendments to existing standards

New standards and amendments to existing standards were effective for the financial year ended 30 September 2023, which included:

- Amendments to IAS 1 – Practice Statement 2 and IAS 8 – Distinguish Between Changes in Accounting Policies and Accounting Estimates;
- Amendment to IAS 12 – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction;
- IFRS 17 – Insurance Contracts – Replacement of IFRS 4; and
- Amendment to IAS 12 – International Tax Reform – Pillar Two Model Rules.

None of these have had a material impact on the consolidated or Company result or financial position.

1. Basis of preparation continued

New accounting standards and amendments to existing standards continued

Standards effective from 1 October 2023 onwards

A number of standards, amendments and interpretations have been issued and endorsed by the UK but are not yet effective or have been issued but not endorsed by the UK and, accordingly, the Group has not yet adopted them. These include:

- Amendment to IFRS 16 – Leases on Sale and Leaseback;
- Amendment to IAS 1 – Non-Current Liabilities with Covenants;
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements; and
- Amendments to IAS 21 – Lack of Exchangeability.

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 ('CODM'). The 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, and research and development 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): Sustainable Solutions (formerly Industrial), which focuses on our Energy & Industrial, VAR, Automotive, Aerospace and Electronics markets, and Medical, which focuses on providing specialist solutions for medical device manufacturers.

	Year ended 30 September 2023			Year ended 30 September 2022		
	Sustainable Solutions £m	**Medical £m**	**Group £m**	Sustainable Solutions £m	Medical £m	Group £m
Segment revenue	**250.3**	**65.2**	**315.5**	285.8	58.3	344.1
Internal revenue	**(8.5)**	**—**	**(8.5)**	(3.1)	—	(3.1)
Revenue from external sales	**241.8**	**65.2**	**307.0**	282.7	58.3	341.0
Segment gross profit	**110.5**	**52.1**	**162.6**	124.8	49.7	174.5

Impact of climate change

The CODM for the Group monitors climate change metrics, primarily the revenue from sustainable products, on a six-monthly basis. However, the primary basis for reviewing financial performance over all time horizons, from monthly to annually, remains at the operating segment level. It is noted that products sold into sustainable applications are primarily the same as products sold into non-sustainable applications. It is only the end application which differentiates them. As a result it is not anticipated that any change will be required in the segmental reporting as a result of the Group's focus on sustainable applications.

Transactions between segments are conducted at arm's length.

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.

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.

Notes to the financial statements continued

2. Segment reporting continued

Information about geographical areas

The Group's country of domicile is the United Kingdom.

1) Revenue from external sales

The following is an analysis of revenue from external sales based on the customer's location.

	Revenue from external sales					
	Sustainable Solutions £m	**Medical £m**	**2023 £m**	Sustainable Solutions £m	Medical £m	2022 £m
United Kingdom	**4.2**	**—**	**4.2**	4.3	—	4.3
Europe, the Middle East and Africa ('EMEA')	**111.2**	**16.4**	**127.6**	129.1	15.2	144.3
Americas	**52.7**	**30.0**	**82.7**	65.8	28.7	94.5
Asia-Pacific	**73.7**	**18.8**	**92.5**	83.5	14.4	97.9
	241.8	**65.2**	**307.0**	282.7	58.3	341.0

Revenue from external customers based in Germany was £73.2m (2022: £90.1m), the US was £75.7m (2022: £87.6m) and China was £45.5m (2022: £40.3m). The revenue from any individual country, with the exception of Germany, the US and China, is not more than 10% of the Group's total revenue in either the current or prior year.

2) Non-current assets

The following is an analysis of the carrying value of non-current assets by the geographical area in which the assets are located. Non-current assets include property, plant and equipment, intangible assets, and investments in associates. It does not include retirement benefit assets, deferred tax assets and financial instruments.

	2023 £m	2022 £m
United Kingdom	**253.8**	257.8
China	**91.3**	85.3
Other	**33.9**	34.7
	379.0	377.8

Non-current assets held in any individual country, with the exception of the United Kingdom and China, is not more than 10% of the Group's total non-current assets (FY 2022: same).

Information about major customers

In the current year no customers contributed more than 10% to Group revenue (FY 2022: one customer within our Sustainable Solutions segment contributed more than 10% to Group revenue).

3. Operating profit

Detailed below are the key amounts recognised in arriving at our operating profit:

	Note	**2023 £m**	2022 £m
Research and development expenses	10	**18.6**	15.7
Staff costs	5	**78.4**	72.3
Depreciation of property, plant and equipment	9	**19.8**	19.0
Loss on disposal of non-current assets	9, 10	**0.3**	2.4
Amortisation of intangibles	10	**1.7**	2.6
Trade receivables impairment allowance during the year	16	**1.3**	1.4
Reversal of trade receivables impairment allowance	16	**(1.9)**	(1.0)
Inventory written down during the year	13	**3.1**	3.2
Reversal of previously written down inventory	13	**(2.7)**	(2.5)
Fees payable to auditors	4	**0.8**	0.5

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 IFRS 9, are a loss of £0.6m (FY 2022: gain of £2.2m).

3. Operating profit 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:

	2023 £m	2022 £m
Included within sales, marketing and administrative expenses:		
Implementation of SaaS ERP system	**7.5**	7.9
Exceptional items before tax	**7.5**	7.9
Tax on exceptional items	**(1.7)**	(1.5)
Exceptional items after tax	**5.8**	6.4

Implementation of SaaS ERP system
During FY 2022 the Group commenced a multi-year implementation of a new cloud-based ERP system. The implementation, which includes process redesign, customisation and configuration of the system, change management and training, will deliver benefits to both customer interactions and internal business processes.

The new ERP system does not meet the criteria for capitalisation (as the majority of costs relating to past systems have), in line with the IFRS Interpretations Committee's decision clarifying how arrangements in respect of cloud-based Software as a Service ('SaaS') systems should be accounted for. Accordingly, the cost is expensed rather than capitalised and amortised. Given the size of the project and its impact on the reported profit-based metrics, the fact the system is evergreen and thus this level and nature of cost will not happen again, it meets the Group's criteria to be presented as exceptional. The ERP system is expected to be substantially complete in 2024.

The cash flow in the year associated with exceptional items was a £7.6m outflow (FY 2022: £5.6m outflow).

4. Fees payable to auditors
Auditors' remuneration was as follows:

	2023 £000	2022 £000
Audit services relating to:		
– Victrex plc and Group consolidation*	**330**	172
– The Company's subsidiaries, pursuant to legislation	**463**	335
	793	507

* In relation to FY 2022 year-end reporting, PwC charged an additional audit fee of £70,000 which was billed in 2023. Given the timing of the agreement of this fee, the amount was not included within the audit fee disclosed for FY 2022 of £507,000. It has been added to the FY 2023 fee of £723,000, increasing the total amount disclosed to £793,000.

Non-audit fees for FY 2023 were £nil (FY 2022: £nil).

5. Staff costs

	Note	2023 £m	2022 £m
Wages and salaries		**65.0**	59.7
Social security costs		**6.7**	5.8
Defined contribution pension schemes	17	**6.7**	5.8
Defined benefit pension schemes	17	**(0.7)**	(0.3)
Equity-settled share-based payment transactions	21	**0.7**	1.3
		78.4	72.3

Detailed disclosures that form part of these financial statements are given in the Directors' remuneration report on pages 100 to 123.

The monthly average number of people employed by the Group during the year, analysed by category, was as follows:

	2023 Number	2022 Number
Make	**654**	586
Develop, market and sell	**249**	230
Support	**214**	188
	1,117	1,004

There are no people employed by the Company (FY 2022: same).

Notes to the financial statements continued

6. Finance income and costs

	2023 £m	2022 £m
Finance income/(costs):		
– Interest received	**1.3**	0.5
– Interest payable and similar charges	**(0.2)**	(0.1)
– Other finance costs	**(0.3)**	—
– Interest on lease liabilities	**(0.2)**	(0.2)
	0.6	0.2

In addition, the Group has incurred interest costs of £1.2m (FY 2022: £0.5m) on bank loans and loans payable to the non-controlling interest funding the construction of property, plant and equipment in China, which have been capitalised within the associated cost of the qualifying property, plant and equipment (see note 9).

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 or asset based on either the Group's judgement of the most likely outcome or, where there is a wide range of possible outcomes, the expected value.

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 time frame (typically a period of up to five years), that future taxable profits will be available against which the asset can be utilised. The probability assessment takes into account the legislation in each jurisdiction, including any restrictions in place, on a company by company basis, including consideration of the ability to relieve losses between Group companies in the same country and jurisdiction. The availability of taxable temporary differences (i.e. deferred tax liabilities) relating to the same tax jurisdiction and company, which are expected to reverse over a similar time frame, is also taken into account when assessing the recognition of any deferred tax asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The assessment over the recoverability of deferred tax assets is reviewed at each reporting date. Where forward-looking forecasts are used to assess the recognition of a deferred tax balance, forecasts consistent with those used for other assessments within the Annual Report (including going concern, impairment and viability) are used, but disaggregated to a level appropriate for tax to be assessed, either by company or by tax jurisdiction.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

	Note	2023 £m	2022 £m
Current tax			
UK corporation tax on profits for the year		**5.5**	9.0
Overseas tax on profits for the year		**2.5**	2.4
		8.0	11.4
Deferred tax			
Origination and reversal of temporary differences	12	**3.2**	1.7
Tax adjustments relating to prior years:			
– Current tax		**1.0**	(2.6)
– Deferred tax		**(0.7)**	1.7
Total tax expense in income statement		**11.5**	12.2

7. Income tax expense continued

Reconciliation of standard and effective tax rate

	2023		2022	
	%	£m	%	£m
Profit before tax		**72.5**		87.7
Tax expense at UK corporation tax rate	**22.0**	**16.0**	19.0	16.7
Effects of:				
– (Income)/expenses not deductible for tax purposes		**(1.0)**		1.3
– Higher rates of tax on overseas earnings		**0.7**		0.7
– UK tax incentives for capital expenditure and other allowances		**(0.5)**		(1.2)
– Foreign deferred tax		**0.1**		—
– Tax adjustments relating to prior years		**0.3**		(0.9)
– Share of loss of associate		**0.3**		0.2
– Difference in rates between deferred tax and corporation tax		**0.5**		0.9
– Deferred tax on losses not recognised		**0.9**		0.9
– Deferred tax on unremitted earnings		**0.3**		0.1
– Patent Box deduction		**(6.1)**		(6.5)
Effective tax rate and total tax expense	**15.9**	**11.5**	13.9	12.2

The UK corporation tax rate changed from 19% to 25% after 1 April 2023, meaning the rate applicable to the UK companies for the year ended 30 September 2023 is a blended rate of 22%.

Deferred tax assets/liabilities have been recognised at the rate they are expected to reverse. For UK assets/liabilities this is 25% of the assets and liabilities (30 September 2022: 25% for the majority), being the UK tax rate effective from 1 April 2023, in accordance with the Finance Bill 2021, which was substantively enacted on 24 May 2021. For overseas assets/liabilities the corresponding overseas tax rate has been applied.

Tax components of other comprehensive (expense)/income

	2023 £m	2022 £m
Tax on items that will not be reclassified to the income statement:		
Deferred tax credit/(charge) on defined benefits pension schemes' actuarial result	**1.4**	(0.1)
Tax on items that have or may be subsequently reclassified to the income statement:		
Current tax (charge)/credit on changes in fair value of cash flow hedges	**(3.4)**	3.2
	(2.0)	3.1
Current tax (charge)/credit	**(3.4)**	3.2
Deferred tax credit/(charge)	**1.4**	(0.1)
	(2.0)	3.1

Tax components of items recognised directly in equity

	2023 £m	2022 £m
Tax (credit)/charge on equity-settled share-based payment transactions	**(0.1)**	1.1
	(0.1)	1.1

8. Earnings per share

Basic 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 22). Diluted earnings per share is calculated by adjusting the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the year. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted earnings per share calculation.

		2023	2022
Earnings per share	– basic	**70.9p**	87.6p
	– diluted	**70.5p**	87.3p
Profit for the financial year attributable to the owners of the Company		**£61.7m**	£76.2m
Weighted average number of shares used:		Number	Number
– Issued ordinary shares at beginning of year		**86,995,029**	86,968,573
– Effect of own shares held		**(75,847)**	(87,903)
– Effect of shares issued during the year		**18,005**	16,683
Basic weighted average number of shares		**86,937,187**	86,897,353
Effect of share options		**559,222**	341,959
Diluted weighted average number of shares		**87,496,409**	87,239,312

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.

Borrowing costs relating to the construction of qualifying property, plant and equipment are capitalised, at the actual cost incurred where the funds are borrowed specifically to fund the construction project. All other finance costs are expensed as 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 and transferred from assets in course of construction into the relevant asset category.

Profits and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Impact of climate change
The impact of climate change on property, plant and equipment is primarily a result of physical risks, for example increasing severity of flooding or high winds which could impact the useful economic life of the asset. The maximum useful life of assets is 50 years, relating to office buildings, with primary plant assets being depreciated over 30 years. The latest date for an asset to be fully depreciated is 2062, with the latest date for manufacturing assets currently under construction expected to be 2054. Based on the site by site climate change impact assessments performed to date, it is not anticipated that any physical risks would materially impact the Group's assets to the extent that their current carrying value or remaining useful economic lives would be reduced.

Assets which may be impacted by proactive actions to reduce carbon emissions, for example gas powered boilers, or by potential regulations to curb carbon emissions are being assessed as the path to Net Zero is planned in detail and regulators provide more transparency on their potential approach. Based on the planning work performed to date, for example replacing gas as the heat source with hydrogen, biogas or green electricity, and the infancy of the regulatory approach, there is not expected to be a material impact on the remaining useful economic lives, or the carrying value, of the assets held by the Group.

The Company has minimal asset value in market/application specific property, plant and equipment where there is expected to be a material drop in demand due to climate change.

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 economic 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 economic 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.

9. Property, plant and equipment continued

	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 2021	63.2	343.1	5.9	3.9	13.1	58.0	487.2
Exchange differences	1.2	2.9	0.1	0.1	—	6.3	10.6
Additions	—	3.9	0.2	—	1.6	45.6	51.3
Disposals	—	(0.8)	—	—	(1.2)	—	(2.0)
Reclassification	0.2	3.4	0.6	0.1	—	(4.3)	—
At 30 September 2022	64.6	352.5	6.8	4.1	13.5	105.6	547.1
Exchange differences	(0.9)	(1.8)	(0.1)	(0.2)	—	(7.8)	(10.8)
Additions	—	0.2	0.1	—	3.0	30.5	33.8
Disposals	—	(0.3)	—	—	(3.2)	—	(3.5)
Reclassification	4.1	28.2	2.5	0.1	—	(34.9)	—
At 30 September 2023	**67.8**	**378.8**	**9.3**	**4.0**	**13.3**	**93.4**	**566.6**
Accumulated depreciation							
At 1 October 2021	16.6	155.5	2.4	3.6	3.4	—	181.5
Exchange differences	0.4	0.7	0.1	—	—	—	1.2
Disposals	—	(0.6)	—	—	(1.2)	—	(1.8)
Depreciation charge	2.0	13.8	1.0	0.1	2.1	—	19.0
At 30 September 2022	19.0	169.4	3.5	3.7	4.3	—	199.9
Exchange differences	(0.2)	(0.6)	(0.1)	(0.2)	—	—	(1.1)
Disposals	—	(0.2)	—	—	(3.0)	—	(3.2)
Depreciation charge	2.2	14.3	1.2	0.1	2.0	—	19.8
At 30 September 2023	**21.0**	**182.9**	**4.6**	**3.6**	**3.3**	**—**	**215.4**
Carrying amounts							
At 30 September 2023	**46.8**	**195.9**	**4.7**	**0.4**	**10.0**	**93.4**	**351.2**
At 30 September 2022	45.6	183.1	3.3	0.4	9.2	105.6	347.2
At 30 September 2021	46.6	187.6	3.5	0.3	9.7	58.0	305.7

£1.2m (FY 2022: £0.5m) of additions within assets in the course of construction relate to borrowing costs capitalised; see note 15 for further details.

Reclassification relates to the movement from assets in the 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.

At 30 September 2023 and 30 September 2022, 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 2021	9.4	0.3	9.7
Additions	1.5	0.1	1.6
Depreciation charge	(1.9)	(0.2)	(2.1)
Balance at 30 September 2022	9.0	0.2	9.2
Additions	2.7	0.3	3.0
Depreciation charge	(1.8)	(0.2)	(2.0)
Disposal	(0.2)	—	(0.2)
Balance at 30 September 2023	**9.7**	**0.3**	**10.0**

The information in respect of the lease liabilities associated with the right of use assets is disclosed in note 19.

Land and building right of use assets are primarily leases to support manufacturing capability.

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. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. The cost of intangible assets acquired in a material business combination is the fair value as at the date of acquisition. Other intangible assets are assessed for impairment only when there is an indication that they might be impaired. The estimated useful economic 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.

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.

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 2021	14.3	18.3	1.7	0.7	3.2	0.8	39.0
Additions	—	0.1	—	—	—	0.1	0.2
Disposals	—	(1.8)	—	—	—	(0.8)	(2.6)
Reclassification	—	0.1	—	—	—	(0.1)	—
At 30 September 2022	14.3	16.7	1.7	0.7	3.2	—	36.6
Additions	—	—	—	—	—	0.2	0.2
Reclassification	—	0.2	—	—	—	(0.2)	—
At 30 September 2023	**14.3**	**16.9**	**1.7**	**0.7**	**3.2**	**—**	**36.8**
Accumulated amortisation							
At 1 October 2021	—	11.5	1.7	0.7	0.3	—	14.2
Amortisation charge	—	2.3	—	—	0.3	—	2.6
Disposals	—	(0.4)	—	—	—	—	(0.4)
At 30 September 2022	—	13.4	1.7	0.7	0.6	—	16.4
Amortisation charge	—	1.3	—	—	0.4	—	1.7
At 30 September 2023	**—**	**14.7**	**1.7**	**0.7**	**1.0**	**—**	**18.1**
Carrying amounts							
At 30 September 2023	**14.3**	**2.2**	**—**	**—**	**2.2**	**—**	**18.7**
At 30 September 2022	14.3	3.3	—	—	2.6	—	20.2
At 30 September 2021	14.3	6.8	—	—	2.9	0.8	24.8

Computer software is an internally generated intangible asset. The average remaining useful life is two years (FY 2022: three years).

The Group has know-how in respect of the hybrid overmoulding technology for brackets. The remaining useful life of the know-how is seven years (FY 2022: eight years).

Goodwill recognised is assessed for impairment against discounted future pre-taxation 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 and viability reviews. 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;

→ cash conversion, based on historical rates; and

→ the impact of climate change (see below).

Impact of climate change

The impact of climate change on the carrying value of goodwill has been considered. The majority of the goodwill relates to the acquisition of the monomer supply chain. As with all manufacturing areas the monomer supply chain is being assessed for its impact on the path to Net Zero with the potential for decarbonising and reducing water usage and waste. The impact of this on the processes associated with the goodwill is not yet known, but current forecasts used for the consideration of impairment, see below, underpin the carrying value at 30 September 2023. This position will continue to be monitored as the approach to decarbonisation of the monomer supply chain is developed to support the Group's path to Net Zero.

Climate change will potentially impact the future forecasts of the Group which are used for the aforementioned impairment review. The overall impact on the revenue of the Group is assessed as positive, with the majority of the growth programmes supporting carbon reduction in end markets, which will more than offset the adverse impact from reductions anticipated to be seen, for example, in Oil & Gas and internal combustion engine related applications. The primary adverse impact is expected to be seen in carbon pricing and the cost of using greener energy sources. To reflect this in the impairment review an amount of £20m per annum (growing by inflation) from 2025 has been included in the scenarios used for the sensitivity analysis supporting the impairment review. Further detail of this is included in the Sustainability report starting on page 42.

10. Intangible assets continued

The sensitivity analysis performed as part of the 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, Sustainable Solutions (formerly 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: Sustainable Solutions £12.8m (30 September 2022: £12.8m) and Medical £1.5m (30 September 2022: £1.5m).

The goodwill and other intangible assets that relate to the Sustainable Solutions CGU include Kleiss Gears Inc., Zyex Limited and TxV which have been fully integrated. These businesses are employed to generate revenue across all Sustainable Solutions geographies and markets.

The long-term average growth rate used was 2.0% (FY 2022: 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 10.7% (FY 2022: 9.1%). The impairment test results in more than 100% headroom in the base scenario (FY 2022: more than 100% headroom). In addition a number of sensitivities have been performed including increasing the discount rate by 20%, removing both the growth through the strategy period and the terminal growth rate and the aforementioned potential impact of climate change, with the results indicating that a reasonably possible change in key assumptions would not 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, including technical feasibility of completing the asset, intention to complete, probability of future economic benefits, the availability of resources to complete and the ability to reliably measure expenditure attributed to the development.

Research & Development expenditure of £18.6m (FY 2022: £15.7m) was expensed to the income statement in the year within sales, marketing and administrative expenses. No development expenditure was capitalised (FY 2022: £nil) as the Directors consider there is insufficient evidence available that the criteria have been met for the reasons noted below.

The Group has the intention and resources to complete the projects being undertaken, along with the ability to accurately measure attributable expenditure. Therefore whilst these criteria are met, the assessment of the technical feasibility and future economic benefits is more difficult.

For Medical-based development projects there are strict regulatory approvals which are required to be obtained before a new product can be brought to market. Prior to these approvals a varying degree of clinical trials need to be undertaken, many of which are multi-year in length. The vast majority of development expenditure is incurred up to the point of regulatory approval; however, the outcome cannot be considered probable until approval is obtained. Without approval the Group or its customers cannot sell a medical product. Even with regulatory approval, market adoption remains uncertain and therefore the criteria for capitalisation is rarely met.

Sustainable Solutions-based development projects typically do not have the same strict regulatory approvals; however, they are often subject to rigorous qualification and testing programmes, often over a sustained period of time. Examples of this include wear testing within Automotive, Aerospace and Energy & Industrial. Potential customers are also often testing multiple solutions at the same time with a view to selecting one following the testing/qualification programme. As a result it is only when a successful outcome to the testing/qualification programmes is achieved that technical feasibility is reached and market adoption becomes the key assessment. At this point, whilst market adoption risk remains, the vast majority of development expenditure has been incurred and expensed.

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 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.

11. Interests in other entities continued

Basis of consolidation continued

Subsidiaries continued

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 balance sheet 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. Objective evidence includes observable data about the associate that comes to the Group's attention covering the loss events described in IAS 28 Investments in Associates and Joint Ventures paragraphs 41A to 41C. Where objective 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 transactions, and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit and loss comprise 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 and 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.

11. Interests in other entities continued

Group

Material subsidiaries and non-controlling interest ('NCI')

Panjin VYX High Performance Materials Co., Ltd ('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 Liaoning Xingfu New Material Co., Ltd. ('LX'), whose company name has changed from Yingkou Xingfu Chemical Co., Ltd during FY 2023. Consistent with prior years, 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 LX represented by a non-controlling interest.

During the current year LX made further cash injections in to PVYX, totalling RMB 22.5m (£2.6m), split as RMB 15m (£1.7m) in the form of loans and further equity investment of RMB 7.5m (£0.9m).

In the year to 30 September 2023 the subsidiary incurred a loss of £2.6m (FY 2022: loss of £2.9m), of which £0.7m (FY 2022: £0.7m) is attributable to the non-controlling interest. Total non-controlling interest as at 30 September 2023 is £2.0m (FY 2022: £1.8m). At 30 September 2023 the subsidiary had aggregate capital and reserves of £8.2m (30 September 2022: £10.9m).

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
Surface Generation Limited	—	3.5	3.5
Bond 3D High Performance Technology BV	10.4	6.6	17.0
At 1 October 2022	10.4	10.1	20.5
Group's share of loss of Bond 3D High Performance Technology BV	(1.3)	—	(1.3)
Convertible loans issued to Bond 3D High Performance Technology BV	—	2.9	2.9
Interest on loans issued to Bond 3D High Performance Technology BV	—	0.4	0.4
Loss on financial assets held at fair value recognised in profit and loss – exchange differences	—	(0.2)	(0.2)
At 30 September 2023	**9.1**	**13.2**	**22.3**
Surface Generation Limited	—	3.5	3.5
Bond 3D High Performance Technology BV	9.1	9.7	18.8
At 30 September 2023	**9.1**	**13.2**	**22.3**

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.

The total carrying value of assets held with Bond as at 30 September 2023 is £18.8m (30 September 2022: £17.0m), comprising investment in associate of £9.1m (30 September 2022: £10.4m) and convertible loan notes of £9.7m (30 September 2022: £6.6m).

Investment in associate

The Group's investment in the ordinary share capital of Bond at 30 September 2023 is €14.7m/£12.8m (24.5%) at cost (30 September 2022: same), with a carrying value of £9.1m (30 September 2022: £10.4m) which includes the impact of the Group's share of losses since investment. Bond's share capital consists solely of ordinary shares. For the year to 30 September 2023 Bond made a loss of £5.3m of which the Group's share of Bond's losses was £1.3m (30 September 2022: Bond loss of £4.0m, Group's share £1.0m). At 30 September 2023 Bond had aggregate capital and reserves of £3.8m (30 September 2022 - £9.1m). As the Group is considered to have significant influence, but not control, in Bond, the investment continues to be accounted for as an associate using the equity method with the investment being held at cost less post-acquisition losses and subject to impairment.

Convertible loan notes ('CLAs') due from Bond

The Group has also been providing regular cash injections to Bond in the form of CLAs. The CLAs are convertible into ordinary shares of Bond, at the Group's option, or are to be repaid by Bond on or before the end of the five-year agreed term. The majority of the CLAs accrue interest which is accumulated into the value of the CLA and attracts the same conversion rights as the principal. The CLAs have preferential treatment to the ordinary equity in an exit scenario.

The convertible loan notes due from Bond as at 30 September 2023 are as follows:

Convertible loan note agreements	Interest rate %	Principal €m	As at 1 October 2022 €m	Interest accrued €m	CLA drawdown €m	Currency movement €m	**As at 30 September 2023 €m**
CLA 1	3.0	0.3	0.3	—	—	—	**0.3**
2020 CLA	n/a	2.0	2.0	—	—	—	**2.0**
2021 CLA	6.0	6.7	5.1	0.4	1.9	—	**7.4**
2023 CLA	6.0	3.1	—	—	1.5	—	**1.5**
Total (€m)			**7.4**	**0.4**	**3.4**	**—**	**11.2**
Total (£m)			**6.6**	**0.4**	**2.9**	**(0.2)**	**9.7**

11. Interests in other entities continued

Group continued

Under the 2023 CLA a further €1.6m will be advanced to Bond, subject to the satisfactory completion of pre-determined milestones, which are expected to be completed during FY 2024.

If all the CLAs are fully converted to equity, including the accumulated interest, Victrex's ownership interest will increase to 45.5%.

The CLAs in Bond do not meet the criteria to be classified as amortised cost nor FVTOCI, as 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.

In the absence of an arm's length transaction in the equity of Bond there remains a lack of observable market inputs for subsequent fair value assessments which results in the instrument continuing to be classified as Level 3 (see note 16). No gains or losses on the valuation of the CLAs have been recognised in the year (FY 2022: same). The use of unobservable inputs in measuring fair value is disclosed below.

Critical judgements and key sources of estimation uncertainty in relation to the carrying value of investment in associate in Bond and fair value of convertible loan notes due from Bond

The carrying value of investment in associate in Bond and the fair value of convertible loan notes due from Bond (together the 'assets in Bond') both require the use of judgement and estimates. While the basis of measurement for each is different, as noted above, given the relative immaturity of Bond, both assessments are dependent on the delivery of the company's strategy and the inherent uncertainties therein.

The clearest evidence of carrying value of the assets in Bond would be an arm's length transaction in the equity of Bond; however, due to the market conditions and the Bond board's decision to obtain additional funding from existing shareholders until the perceived risk in the company has reduced following delivery of key milestones, no such evidence exists.

In the absence of this evidence and a lack of other observable market inputs the assessment is based on the future forecasts for the business with the application of a number of scenarios to provide a range of potential outcomes which are used to both assess for indicators of impairment of the associate and to determine the range of fair values for the convertible loan notes. In making this assessment the status of each of the key milestones identified as driving the business valuation has been considered. Assumptions on the discount rate have also been considered in determining the business valuation range.

The delivery of the strategy relies on key milestones being met in the optimisation of the technology, regulatory approval being obtained from the relevant medical authority for the resulting products and successful commercialisation. The CLA 2023 funding is sufficient to fund the business through to mid-FY 2024 at which point additional funding is required to deliver the strategy. Work on delivering these milestones was in progress at the 30 September 2023, with the outcome not necessarily being clear until early in 2024, or later for the successful commercialisation. The current funding market for early stage technology companies remains difficult, and therefore assessing the fair value of Bond, along with any impact on the carrying value of Victrex's investment, requires significant judgement and estimation.

Using the Bond strategic plan and forecast, the board of Bond has developed a business valuation based on discounting future cash flows. The valuation takes into account the risks in the delivery of the plan and includes a number of unobservable input assumptions that market participants would use when valuing the business, including, for example, the total addressable market, level of market penetration achievable and industry growth rates.

Management has assessed a range of possible outcomes around the Bond business valuation by varying key inputs, which will have the largest impact on the valuation over the next 12 months, including a delay to achieving the technology optimisation required to make the products commercially viable and a delay to obtaining regulatory approval, a delay to the growth in sales forecast, an increase in the discount rate applied and a reduction in the assumed terminal growth rate. A range of potential outcomes is illustrated below noting that additional funding is required by mid FY 2024 across all scenarios:

- Scenario 1 – The strategy is delivered in full which based on the strategic forecasts would value the business in excess of the current carrying value resulting in an increase in the fair value of the convertible loan notes.
- Scenario 2 – The strategy is delivered, but with a two-year delay and the discount rate increased from 12% to 14%. This two-year delay covers milestone delivery delays and sensitivity of the unobservable market inputs noted above. In this scenario the valuation is materially in line with the current carrying value of the assets in Bond.
- Scenario 3 – Bond is able to gain additional funding but, due to delays in executing its strategy or other factors, the valuation of the company is such that existing shareholders are significantly diluted or exit at a loss. The protections associated with the convertible loan notes, which have preference on exit over equity, mean that this balance is recoverable at carrying value (£9.7m) but an impairment of the investment in associate of up to £9.1m is required.
- Scenario 4 – The technology is superseded and does not make it to market or further external funding cannot be obtained and the existing shareholders decide not to continue funding, which, with minimal saleable assets, would result in the assets in Bond having little or no value, incurring a write down for the Company of up to £18.8m, considered the worst case outcome.

The analysis performed by the Board illustrates a wide range of potential outcomes, which is not uncommon given the relative immaturity of Bond and its current stage of development. It is likely to be a longer time period, in the absence of an arm's length equity transaction, before the range of outcomes can be reduced to such an extent that a fair value which is different to the initial fair value can be established with a sufficient degree of reliability. Therefore, cost is considered to be the best estimate of fair value, sitting within the range of possible outcomes, in line with the criteria of IFRS 9 – Financial Instruments.

In undertaking the above analysis, the Directors have considered whether there is any objective evidence that a loss event (or events), which would trigger the requirement to perform an impairment review, as detailed in IAS 28 – Investments in Associates and Joint Ventures, exists at 30 September 2023. The Directors have concluded that the challenges facing Bond (for example delays, further funding requirements, etc.) are typical of experiences in early stage technology companies and therefore the requirement to perform an impairment review has not been triggered. The investment has therefore not been tested for impairment.

11. Interests in other entities continued

Group continued

Bond 3D High Performance Technology BV ('Bond') continued

Impact of climate change

The impact of climate change on the Medical market (primary focus of Bond) is expected to be limited, with the applications providing proven clinical benefits to patients in a low carbon way. The use of 3D printed PEEK being developed by Bond will only serve to reduce carbon usage through a lower level of waste in the manufacturing process and therefore climate change is not expected to have a negative impact on the carrying value of assets associated with Bond, including the associate investment and the convertible loans.

Company

	Investment in subsidiaries £m
Cost and carrying value	
At 1 October 2022 and at 30 September 2023	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	Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, UK
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[2]	4956435	Dormant	
Zyex Limited	2890014	Dormant	
Victrex USA Holdings Inc.[1]		Intermediate holding company	300 Conshohocken State Road, Suite 120, West Conshohocken, PA 19428, USA
Victrex USA Inc.		Trading entity	
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 undertaking with non-controlling interests			
Panjin VYX High Performance Materials Co., Ltd		Trading entity	Room 501–23, Technology Mansion, Qingyu Road East, Zhifang Street North, Liaodong Bay New District, Panjin, Liaoning Province, China
Associate			
Bond 3D High Performance Technology BV		Trading entity	Institutenweg 50, 7521 PK, Enschede, Netherlands

11. Interests in other entities continued

Company continued

Joint operation			
Aghoco 1491 Limited[3]	10523749	Trading entity	Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, UK
Investment			
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 An application is currently in progress to dissolve Victrex Trading Limited.

3 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.

The following companies, which were all dormant, wholly owned subsidiary undertakings in FY 2022, were dissolved on 20 June 2023:

Company name	Company number	Company status as at 30 September 2023	Company status as at 30 September 2022
Victrex Trustee Limited[1]	3075501	Dissolved	Dormant
Victrex USA Holdings Limited[1]	7752971	Dissolved	Dormant
Zyex Group Limited	2839512	Dissolved	Dormant
Zyex Reclaim Limited	2890011	Dissolved	Dormant

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.

In the opinion of the Directors the recoverable amount of investments in and amounts due from the Company's subsidiary undertakings are at least the carrying value at which they are stated in the balance sheet.

12. Deferred tax assets and liabilities

	As at 30 September 2023							
	Property, plant and equipment £m	**Employee benefits £m**	**Inventories £m**	**Unremitted earnings £m**	**Other £m**	**Total £m**	**Set-off of deferred tax balances* £m**	**Net £m**
Deferred tax assets	**—**	**1.5**	**7.0**	**—**	**1.2**	**9.7**	**(4.1)**	**5.6**
Deferred tax liabilities	**(34.7)**	**(2.4)**	**—**	**(1.0)**	**—**	**(38.1)**	**4.1**	**(34.0)**
Net deferred tax (liabilities)/assets	**(34.7)**	**(0.9)**	**7.0**	**(1.0)**	**1.2**	**(28.4)**	**—**	**(28.4)**

	As at 30 September 2022							
	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Unremitted earnings £m	Other £m	Total £m	Set-off of deferred tax balances* £m	Net £m
Deferred tax assets	—	1.5	6.1	—	1.6	9.2	(2.0)	7.2
Deferred tax liabilities	(32.0)	(3.7)	—	(0.6)	—	(36.3)	2.0	(34.3)
Net deferred tax (liabilities)/assets	(32.0)	(2.2)	6.1	(0.6)	1.6	(27.1)	—	(27.1)

* The Group has applied the tax consolidation legislation, in accordance with IAS 12, whereby deferred tax assets and liabilities recognised on consolidation have been allocated to the tax jurisdictions where they arise, resulting in an offset within deferred tax assets and deferred tax liabilities in the balance sheet.

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 2021		(27.4)	(1.5)	5.5	(0.5)	1.2	(22.7)
Exchange differences		—	—	—	—	0.2	0.2
Prior period adjustment		(1.7)	—	—	—	—	(1.7)
Recognised in income statement	7	(2.9)	0.5	0.6	(0.1)	0.2	(1.7)
Recognised in other comprehensive income		—	(0.1)	—	—	—	(0.1)
Recognised directly in equity		—	(1.1)	—	—	—	(1.1)
At 30 September 2022		(32.0)	(2.2)	6.1	(0.6)	1.6	(27.1)
Exchange differences		—	—	—	(0.1)	(0.2)	(0.3)
Prior period adjustment		0.7	—	—	—	—	0.7
Recognised in income statement	7	(3.4)	(0.2)	0.9	(0.3)	(0.2)	(3.2)
Recognised in other comprehensive income		—	1.4	—	—	—	1.4
Recognised directly in equity		—	0.1	—	—	—	0.1
At 30 September 2023		**(34.7)**	**(0.9)**	**7.0**	**(1.0)**	**1.2**	**(28.4)**

Of the net deferred tax liability of £28.4m (30 September 2022: £27.1m), a £3.9m net asset (30 September 2022: £4.5m net asset) is expected to be recovered no more than 12 months after the balance sheet date, and a £32.3m net liability (30 September 2022: £31.6m net liability) is expected to be settled more than 12 months after the balance sheet date.

Deferred tax liabilities of £1.0m (30 September 2022: £0.6m) have been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of £19.4m of the EU subsidiary, as the Group no longer benefits from the EU Parent Subsidiary Directive on dividends. 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 (30 September 2022: £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 from non-EU subsidiaries totalled £55.6m at 30 September 2023 (30 September 2022: £54.2m).

Impact of climate change
Deferred tax assets are recognised to the extent that it is probable that future taxable profits are generated against which to utilise the carried forward tax losses and other timing differences. The majority of the deferred tax assets relates to profit in inventory generated when the UK manufacturing entities sell products to overseas subsidiaries who distribute the products to the end customer. The targeted inventory levels at overseas locations is set at approximately three to four months, a time period considered to be too short to be impacted by climate change. The short time period between 30 September 2023 and the expected external sale of the aforementioned inventory makes the realisation of the deferred tax asset probable, supporting its recognition at the end of the year.

Unrecognised deferred tax assets
In the USA, the Group has unrelieved net operating losses arising in the year ended 30 September 2023 of £0.2m (FY 2022: £nil). The potential deferred tax asset on the cumulative unrelieved tax losses of £8.6m in the USA amounts to £2.2m (FY 2022: £1.6m), which have accumulated from the early stage losses resulting from the readiness investment in Kleiss Gears Inc. and TxV Aerospace Composites LLC. As the companies continue to drive market adoption of their respective products further losses are expected in the short term with the time to profitability remaining uncertain. As a result it is not considered probable that the losses will be utilised over a reasonable time frame.

In addition, the Group has unrelieved net operating losses arising in the year ended 30 September 2023 of £2.6m (FY 2022: £2.9m), which relate to the early stage losses in Panjin VYX High Performance Materials Co., Ltd. Total cumulative losses are £6.8m (FY22 £4.6m) and the potential deferred tax asset on these losses amounts to £1.7m (FY 2022: £1.1m). The Company is in the final stages of commissioning with manufacturing for commercial sale due to commence shortly. Given the early stage in the commercialisation of the new polymer grades being manufactured there is inherent uncertainty over the time period to profitability, and therefore utilisation of the losses means that recovery within a reasonable time frame is not probable.

13. Inventories

Inventories are measured at the lower of cost and 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 the higher of actual and normal production levels). 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.

In calculating the estimated selling price a number of factors are taken into account, including the age of the inventory, customer order profiles, the quality status, alternative routes to market and options to reprocess. Where the net realisable value is below the cost of the inventory a provision is made to write down the inventory to the net realisable value which is expensed to the profit and loss account. If subsequently the value realised from the inventory is above the net realisable value the provision is written back to the profit and loss account.

13. Inventories continued

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 £134.5m, requires the use of estimates and judgement. The Group absorbs directly attributable costs over the higher of actual production and normal production to avoid absorbing more overheads than incurred in periods of high production or absorbing excess overheads in periods of low production. Judgement is required when assessing the level of normal production to compare with the actual production in determining the rate at which to absorb the directly attributable costs. This judgement considers historical production levels and budgeted production, as well as the relationship between production and sales 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 £12.8m increase in inventory to a £2.0m reduction in inventory at 30 September 2023, a larger range than in previous periods due to increase volatility in input costs, and therefore could result in a material adjustment to the carrying value of inventory within the next 12 months.

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 £1.6m to a decrease of £2.1m and is therefore not considered to materially impact the carry value of inventory within the next 12 months.

Impact of climate change
The impact of climate change on consumer behaviour may affect the demand for the Group's products, resulting in obsolescence or reduced demand, thus reducing the net realisable value. The Group targets carrying approximately three to four months of inventory at any point in time, a time frame over which the impact of climate change on consumer behaviour is not expected to impact. The majority of the Group's core products serve multiple applications in multiple markets further reducing the risk of material obsolete inventory over the longer term with each SKU's inventory holding levels and manufacturing plan regularly reviewed against forecast demand over the next 24 months.

As at 30 September	2023 £m	2022 £m
Raw materials and consumables	**33.7**	16.7
Work in progress	**30.9**	13.7
Finished goods	**69.9**	56.4
	134.5	86.8

The amount of inventory expensed in the year is £122.1m (FY 2022: £147.1m).

During the year the Group wrote down inventory by £3.1m (FY 2022: £3.2m) and reversed previously written down inventory by £2.7m (FY 2022: £2.5m) resulting in a net decrease in the overall inventory write down charge in the year of £0.6m (FY 2022: increase of £0.7m). The Group 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 16.

	Group		Company	
As at 30 September	2023 £m	2022 £m	2023 £m	2022 £m
Trade receivables	**35.5**	39.3	**—**	—
Amounts owed by Group undertakings	**—**	—	**141.0**	191.9
Prepayments and accrued income	**7.6**	20.1	**—**	—
Sales taxes recoverable	**2.4**	5.6	**—**	—
Other receivables	**1.7**	3.1	**—**	—
	47.2	68.1	**141.0**	191.9

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.

14. Trade and other receivables continued

The value of MUPs recognised but not invoiced is included in prepayments and accrued income. The value at 30 September 2023 was £0.9m (30 September 2022: £1.8m). No credit loss has been recognised in respect of the MUPs balance at 30 September 2023 (30 September 2022: £nil).

No credit losses are expected on the sales taxes recoverable balance due to the financial strength of the counterparties.

15. Borrowings

Borrowings are recognised initially at fair value, which equals the proceeds received less attributable transaction costs. Following the initial recognition, borrowings are subsequently held at amortised cost.

As at 30 September	2023 £m	2022 £m
Due within one year		
Bank loans	**5.2**	0.9
Total due within one year	**5.2**	0.9
Due after one year		
Bank loans	**26.4**	14.8
Loan payable to non-controlling interest	**8.1**	6.8
Total due after one year	**34.5**	21.6

Bank loans
RMB 44m (£5.1m) of the amount due within one year relates to the working capital facility in China, which comprises RMB 50m of the Group's total facility of RMB 300m, the remaining RMB 250m relates to the capital expenditure facility. Each drawdown under the working capital facility is required to be repaid at least annually, after which the balance can be redrawn. Interest is charged at the one-year Loan Prime Rate of the People's Bank of China +50bps and is charged to the income statement, included within finance costs. The remaining RMB 232m (£26.5m, 30 September 2022: £15.7m), relating to the capital expenditure facility, is repayable in line with an agreed schedule up to December 2026, of which £0.1m (30 September 2022: £0.9m) is repayable within one year. Interest is charged at the five-year Loan Prime Rate of the People's Bank of China, which has been in the range of 4.2% – 4.3% in the year ended 30 September 2023. The purpose of the loan is funding the construction of a manufacturing facility in China, with the interest payable capitalised as part of qualifying capital expenditure within property, plant and equipment. During the year, interest of £0.9m (FY 2022: £0.3m) has been capitalised accordingly.

Loan payable to non-controlling interest
The Group's loan payable to the non-controlling interest is interest bearing at 4% per annum. Interest payable on the shareholder loan is rolled up into the value of the loan, until repayment occurs. The purpose of the shareholder loan is funding the construction of a manufacturing facility in China, with the interest payable capitalised as part of qualifying capital expenditure within property, plant and equipment.

During the year, in line with the shareholder loan agreement, a loan of RMB 15m (£1.7m) was received from the non-controlling interest in Panjin VYX High Performance Materials Co., Ltd, Liaoning Xingfu New Material Co., Ltd. ('LX'). This is the second and final instalment, with the first instalment of RMB 50m (£5.6m) being received in FY 2021. Both instalments are unsecured and denominated in Chinese Renminbi ('RMB'), and had a combined Sterling value (including rolled up interest and the impact of foreign currency movements between the date the loan was received and the balance sheet date) of £8.1m at 30 September 2023 (30 September 2022: £6.8m).

The first instalment is repayable on 30 September 2026, with the second instalment repayable on 30 September 2027, or such date as may be mutually agreed by the shareholders, LX and Victrex Hong Kong Limited. During the year, the total interest cost of £0.3m was capitalised into assets under construction (30 September 2022: £0.2m).

16. 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 expenses 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. The policy is reviewed and approved annually by the Board. Hedging is only applied for the most significant currency exposures which is reviewed annually alongside the policy. During FY 2023 the currencies hedged were US Dollars and Euro (FY 2022: same).

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.

16. Financial instruments and risk management continued

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.

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 Consolidated 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 – the cumulative gain or loss transferred from equity is separately presented on the face of the income statement within gains/(losses) on foreign currency net hedging. Subsequent revaluations prior to settlement date are included in sales, marketing and administrative expenses; and
- 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.

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.

Group

Currency risk

Currently, the Group exports in excess of 98% of sales from the UK and also imports raw materials from 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 translation risk are primarily US Dollar and Euro.

Sensitivity analysis

The impact of a 5% strengthening in the average Sterling/US Dollar and Sterling/Euro rates reduces profit for 2023 by £2.7m and £4.2m (FY 2022: £4.8m and £6.0m) respectively. The impact of a 5% strengthening in the average Sterling/US Dollar and Sterling/Euro rates reduces equity for 2023 by £0.7m and £0.8m (FY 2022: £2.2m and £1.1m) 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 profit.

16. Financial instruments and risk management continued

Group continued

Sensitivity analysis continued

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 2023		As at 30 September 2022	
	Notional contract amount £m	Carrying amount and fair value £m	Notional contract amount £m	Carrying amount and fair value £m
Current assets	**105.5**	**2.0**	—	—
Current liabilities	**86.7**	**(1.8)**	197.5	(19.9)
	192.2	**0.2**	197.5	(19.9)

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.

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 2023				As at 30 September 2022			
	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	**105.5**	**48.1**	**49.7**	**7.7**	—	—	—	—
– Liabilities	**86.7**	**30.9**	**39.2**	**16.6**	197.5	85.8	90.1	21.6
	192.2	**79.0**	**88.9**	**24.3**	197.5	85.8	90.1	21.6
The average exchange rates on open forward currency contracts are:								
US Dollar		**1.23**	**1.24**	**1.22**		1.34	1.29	1.27
Euro		**1.13**	**1.13**	**1.13**		1.17	1.16	1.15

Gains and losses deferred in the hedging reserve in equity on forward foreign exchange contracts at 30 September 2023 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 2023, there are a number of hedged foreign currency transactions which are expected to occur at various dates during the next 12 months. During the year, losses of £0.6m (FY 2022: losses of £3.1m) relating to unsettled forward exchange contracts on the balance sheet at 30 September 2023 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 statement. This equated to a gain of £2.5m in the year (FY 2022: loss of £4.0m).

There was no hedge ineffectiveness during the year (FY 2022: 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 macro-economic information, has been applied to the Group's two segments differently. For trade receivables in the Sustainable Solutions sector, a different loss rate has been applied to the USA 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 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.

16. Financial instruments and risk management continued

Group continued

Credit risk continued

Impact of climate change

Climate change will impact the Group's customers in different ways and over different time horizons. Whilst the overall impact of climate change on the Group's revenue is anticipated to be positive, there will be markets/sectors which are adversely impacted. This is not anticipated to have an adverse impact in the short-term assessment of recoverability, i.e. over the life of the receivables on the balance sheet at 30 September 2023. The ageing of trade receivables is shown below with 84% not yet due of which the vast majority will be cleared within 60 days of the year end. The Group monitors the ageing and profile of the receivables on a regular basis, including the regular use of external credit rating agencies, and updates the expected credit loss model assumptions if evidence of changing trends or risk profiles emerges.

Trade receivables, being 'held to collect' assets, can be analysed as follows:

As at 30 September	**2023 £m**	2022 £m
Amounts not past due	**30.5**	36.0
Amounts past due:		
– Less than 30 days	**4.6**	2.3
– 30 to 60 days	**0.6**	0.9
– More than 60 days	**0.3**	1.2
Total past due	**5.5**	4.4
Lifetime expected credit losses	**(0.5)**	(1.1)
Amounts specifically impaired	**0.1**	0.1
Specific allowances for bad and doubtful debts	**(0.1)**	(0.1)
Carrying amount of impaired receivables	**—**	—
Trade receivables net of allowances	**35.5**	39.3

Movements in the allowance for impairments were:

	2023 £m	2022 £m
At beginning of year	**1.2**	0.8
Charge in the year	**1.3**	1.4
Release of allowance	**(1.9)**	(1.0)
At end of year	**0.6**	1.2

The range of expected credit loss ('ECL') allowance is as follows:

	Current £m	Less than 30 days past due £m	30 to 60 days past due £m	60 to 90 days past due £m	More than 90 days past due £m	**Total £m**
2023						
% allowance	0%–0.3%	0.5%–1.5%	20%–50%	50%–60%	75%–100%	
Trade receivables	30.5	4.6	0.6	0.1	0.3	**36.1**
Allowance (inclusive of specific impairments)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	**(0.6)**
						35.5
2022						
% allowance	0%–0.3%	0.5%–1.5%	20%–50%	50%–60%	75%–100%	
Trade receivables	36.0	2.3	0.9	0.6	0.7	40.5
Allowance (inclusive of specific impairments)	(0.1)	(0.1)	(0.2)	(0.3)	(0.5)	(1.2)
						39.3

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.

16. Financial instruments and risk management continued

Group continued

Credit risk continued

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 cash flow statement include £3.4m ring-fenced in the Group's Chinese subsidiaries, which is committed to capital expansion (FY 2022: £2.8m) 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 with original maturities 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 assets held at amortised costs

Financial assets held at amortised cost consists of loans receivable. The loan receivable's initial fair value is the present value of the future repayments, discounted using a market rate of interest for an arms length loan, when the loan is granted interest free. As the loans receivable are held for collection of contractual cash flows, where cash flows represent solely payments of principle and effective interest, they are measured at amortised cost in accordance with IFRS 9. Both the initial discount between the fair value and loan value, and the subsequent unwind of the discount is included within finance (costs)/income in the income statement.

As at 30 September 2023, the maximum exposure with a single bank for deposits (cash and cash equivalents and other financial assets) was £19.8m (30 September 2022: £26.3m) for the Group. As at 30 September 2023, the largest mark to market exposure for gains on forward foreign exchange contracts to a single bank was £0.9m (30 September 2022: £nil). 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 had a UK bank facility of £40m (£20m committed and £20m accordion) at the year end, which was all undrawn at the year end date. Subsequent to the year end, the Group has renewed its bank facility, increasing the facility to £60m (£40m committed and £20m accordion), which expires in October 2026.

Both the previous and renewed facility contains covenant measures that are tested biannually. They consist of:

→ leverage, being the ratio of Group consolidated net debt to Group consolidated profit before interest, tax, depreciation and amortisation; and

→ interest cover, being the ratio of Group consolidated profit before interest and tax to the Group consolidated net interest.

In addition to the UK bank facility, the Group has an RMB loan facility in PVYX, details of which are included in note 15.

As at 30 September 2023, the Group had a cash and cash equivalents balance of £33.4m (30 September 2022: £58.7m). In addition to this, the Group had cash held on 95-day notice deposit accounts of £0.1m (30 September 2022: £10.1m). The maximum deposit length utilised by the Group when cash is invested both during the year ended 30 September 2023 and up to the date of this report is 95 days (FY 2022: 95 days).

Financial assets held at amortised cost

The loans receivable granted in the current year are secured, non-interest bearing with an agreed term of 12 years, with repayments commencing from FY 2029. The loans receivable have been discounted to present value, with this discount charge included in finance costs in the income statement, matching against where the interest is being unwound over the term of the loan.

The credit risk in relation to the loans receivable is deemed to be low after consideration of the risk of default; the debtor is considered to have capacity to meet the contractual cash flow obligations per the contract.

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 influence 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.

16. Financial instruments and risk management continued

Financial assets held at amortised cost continued

Capital management continued

Following engagement with shareholders during FY 2023, share buybacks are now included as an option for future shareholder returns, alongside special dividends, within our capital allocation policy. The Board does not expect to make share repurchases during 2024, based on current cash resources and ongoing investment in the business. To ensure the Board has the necessary flexibility, 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:

As at 30 September	2023 £m	2022 £m
Total equity	**501.0**	490.6
Total assets	**626.6**	641.6
Equity ratio	**80%**	76%

Financial instruments

Summary of categories of financial assets and liabilities

As at 30 September	Note	Classification under IFRS 9	Carrying amount and fair value 2023 £m	2022 £m
Financial assets				
Forward exchange contracts used for hedging (derivative instruments)		Fair value – hedging instrument	**2.0**	—
Unquoted investments	11	FVTPL	**3.5**	3.5
Other financial assets held at fair value		FVTPL	**9.7**	6.6
Other financial assets held at amortised cost		Amortised cost	**0.7**	10.1
Trade and other receivables	14	Amortised cost	**37.2**	42.4
Cash and cash equivalents		Amortised cost	**33.4**	58.7
Financial liabilities				
Forward exchange contracts used for hedging (derivative instruments)		Fair value – hedging instrument	**(1.8)**	(19.9)
Borrowings – due within one year	15	Amortised cost	**(5.2)**	(0.9)
Borrowings – due after one year	15	Amortised cost	**(34.5)**	(21.6)
Trade and other payables	18	Other financial liabilities	**(34.1)**	(59.7)

Financial assets and liabilities 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.

All financial assets and liabilities measured at fair value are categorised as Level 2 within the fair value hierarchy, with the exception of investments in unquoted companies and other financial assets held at fair value which are categorised as Level 3. See note 11 for further details. The maturity profiles of the derivative instruments in designated hedge accounting relationships and trade receivables are given on pages 164 and 165 respectively. Information on the maturity of the financial liabilities is included both within this note and within note 15. 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.

Reconciliation of movement in net funds/(debt)

Net funds/(debt) consists of cash and cash equivalents together with other financial assets, long-term and short-term loans and finance lease liabilities.

	Note	As at 1 October 2022 £m	Cash flow £m	Exchange and other non-cash movements £m	Movement in loans £m	As at 30 September 2023 £m
Cash and cash equivalents	16	58.7	(24.3)	(1.0)	—	**33.4**
Other financial assets	16	10.1	(10.0)	—	—	**0.1**
Borrowings – due within one year	15, 16	(0.9)	0.9	(0.1)	(5.1)	**(5.2)**
Borrowings – due after one year	15, 16	(21.6)	0.9	1.8	(15.6)	**(34.5)**
Lease liabilities	19	(9.6)	2.1	(3.0)	—	**(10.5)**
Net funds/(debt)		36.7	(30.4)	(2.3)	(20.7)	**(16.7)**

16. Financial instruments and risk management continued

Reconciliation of movement in net funds/(debt) continued

	Note	As at 1 October 2021 £m	Cash flow £m	Exchange and other non-cash movements* £m	Movement in loans £m	As at 30 September 2022 £m
Cash and cash equivalents	16	74.9	(18.6)	2.4	—	58.7
Other financial assets	16	37.5	(27.4)	—	—	10.1
Borrowings – due within one year	15, 16	—	—	—	(0.9)	(0.9)
Borrowings – due after one year	15, 16	(5.9)	0.3	(2.3)	(13.7)	(21.6)
Lease liabilities	19	(10.0)	2.1	(1.7)	—	(9.6)
Net funds		96.5	(43.6)	(1.6)	(14.6)	36.7

* The only other non-cash movement relates to lease liabilities, see note 19.

Company

The only receivables of the Company are amounts owed by subsidiary undertakings. These are carried at amortised cost subsequent to initial recognition.

There are no future expected credit losses on amounts owed by subsidiary undertakings.

17. 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 asset and 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 asset and obligation are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit asset and 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 Consolidated statement of comprehensive income.

Critical judgements and key sources of estimation uncertainty in relation to pension scheme valuation

The valuation of pension scheme assets and liabilities are calculated in accordance with Group policy. The valuations are 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 assets and obligations and also the sensitivity of the pension asset and liability to movements in these assumptions is presented below. The sensitivity shows that a change in the estimation assumptions could result in a material change in the carrying value of the scheme assets and liabilities within the next 12 months.

Impact of climate change

The impact of climate change has been discussed with the UK pension trustee. Whilst not an income statement impacting change, a movement in the net defined benefit pension balance would potentially impact long-term cash flows if further contributions were required or a lower surplus were returned to the Company on satisfaction of all outstanding liabilities. The potential impact of climate change would most likely be seen in the value of scheme assets if they were not appropriately managed.

At 30 September 2023 the scheme does not hold any equities or growth funds with the funds held at 30 September 2022 sold during the year. At 30 September 2022, approximately 30% of its scheme assets were in equities and growth funds spread across a number of funds, each of which was tasked with maximising return within an appropriate risk framework. The pension trustees, with the support of the Company, continue to develop their own ESG policy which is likely to result in an ESG linked investment strategy for when equity and growth assets are held by the scheme. This will align to the Company's strategy and also ensure that investments are not 'stuck' in declining equities thus risking under performance. As a result, the Directors have concluded that no climate-related risk adjustment is required at 30 September 2023.

17. Retirement benefits continued

Employee benefits continued

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. Each scheme operates under the regulatory environment of the jurisdiction in which it is located.

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 2022 and showed a scheme surplus of £16.8m. The surplus position means the Group has no current obligation to make further contributions to the scheme, although this may change following future valuations. The Group made additional contributions of £1.0m during the years ended 30 September 2022 and 2023 as part of an ongoing programme with the trustees to work towards self-sufficiency. The Group remains committed to working towards self-sufficiency and intends to continue to make voluntary contributions where appropriate.

The current investment strategy was agreed with the trustees following the latest triennial valuation and focused on working towards self-sufficiency with the assets increasingly matched to the nature and term of the liabilities. This included reducing the exposure to equities and increasing the use of liability-driven investments to better manage the scheme's exposure to interest rate risk. By 30 September 2023 all growth assets have been transferred to liability-driven investments. The investment strategy is reviewed on a regular basis with the trustees and scheme advisors.

The defined contribution scheme is open to all UK employees with the Group making contributions at a level which varies with the percentage of salary the employee contributes. The total expense for the defined contribution scheme is included in 'staff costs' within the income statement line where the employee operates. The expense for the year ended 30 September 2023 was £6.7m (FY 2022: £5.8m).

Victrex Europa GmbH Pension Fund (Germany)

The Group 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 financial year ended 30 September 2021, the insurance policies which comprise the assets of the scheme started to mature. At that point, under German law, having received permission from the beneficiary, the Group elected to assume the benefit of these assets for use in the business and leave the scheme unfunded – making the pension payments from the Group's cash flow. As a result the net liability of the scheme increased, and increased further during the year ended 30 September 2022, as the last remaining assets were transferred to the Group. Following the decision to transfer the assets to the Group, which increased the net liability, the German scheme has been separately disclosed from FY 2021 onwards.

Risks associated with the defined benefit scheme

Investment risk

The scheme has the option to hold 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.

17. Retirement benefits continued

Risks associated with the defined benefit scheme continued

Longevity risk continued

IAS 19 disclosures relating to defined benefits are as follows:

Principal actuarial assumptions

As at 30 September	2023 – UK Scheme	2023 – German Scheme	2022 – UK Scheme	2022 – German Scheme
Discount rate	**5.40%**	**3.75%**	5.05%	3.72%
RPI inflation	**3.55%**	**n/a**	3.80%	n/a
CPI inflation	**2.95%**	**2.30%**	3.20%	2.00%
Future pension increases	**3.40%**	**n/a**	3.50%	n/a
Mortality tables:				
– Male	**92% of S3PMA**	**100% of RT2018G**	92% of S3PMA	100% of RT2018G
– Female	**95% of S3PFA**	**n/a**	95% of S3PFA	n/a
Mortality improvements:				
– Model	**CMI 2022**	**RT2018G**	CMI 2021	RT2018G
– Long-term rate of improvement	**1.25%**	**Individual**	1.25%	Individual
– Initial addition	**0.25%**	**Individual**	0.25%	Individual
Life expectancy from age 62 of current pensioners:				
– Male	**25.3 yrs**[1]	**23.5 yrs**[1]	25.4 yrs[2]	23.4 yrs[2]
– Female	**27.6 yrs**[1]	**n/a**	27.7 yrs[2]	n/a
Life expectancy from age 62 of active and deferred members:				
– Male	**26.5 yrs**[3]	**26.0 yrs**[3]	26.6 yrs[4]	25.8 yrs[4]
– Female	**28.8 yrs**[3]	**n/a**	28.9 yrs[4]	n/a

1 Life expectancy from age 62 for members aged 62 in 2023.

2 Life expectancy from age 62 for members aged 62 in 2022.

3 Life expectancy from age 62 for members aged 45 in 2023.

4 Life expectancy from age 62 for members aged 45 in 2022.

The average duration of the benefit obligation at the end of the reporting period is 15 years (FY 2022: 17 years).

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:

	UK Scheme – reduction in fund surplus as at 30 September	
Change in assumption	**2023 £m**	2022 £m
Reduce discount rate by 1% p.a.	**7.6**	8.6
Increase inflation expectations by 1% p.a.	**5.0**	5.8
Increase life expectancy by one year	**1.3**	1.3

Inter-relationships 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 inter-relationships into account.

Amounts recognised in the balance sheet

As at 30 September	2023 £m	2022 £m
Retirement benefit assets		
UK Scheme	**9.7**	14.9
Total retirement benefit assets	**9.7**	14.9
Retirement benefit liabilities		
German Scheme	**(2.5)**	(2.7)
Total retirement benefit liabilities	**(2.5)**	(2.7)

17. Retirement benefits continued

UK Scheme/Combined Scheme disclosures

As at 30 September	UK Scheme 2023 £m	UK Scheme 2022 £m	Combined Schemes 2021 £m	Combined Schemes 2020 £m	Combined Schemes 2019 £m
Present value of funded obligations	**(45.7)**	(49.2)	(81.1)	(88.2)	(85.8)
Fair value of scheme's/schemes' assets	**55.4**	64.1	95.3	95.7	94.9
Net asset before deferred taxation	**9.7**	14.9	14.2	7.5	9.1
Related deferred taxation liability	**(2.4)**	(3.7)	(3.6)	(1.4)	(1.5)
Net asset after deferred taxation	**7.3**	11.2	10.6	6.1	7.6
Change in assumptions and experience adjustments arising on scheme's/schemes' liabilities	**3.4**	30.8	(0.4)	(2.2)	(14.8)
Experience adjustments arising on scheme's/schemes' assets	**(10.4)**	(31.4)	4.1	(0.8)	8.9

Changes in the present value of the funded obligation

	UK Scheme 2023 £m	UK Scheme 2022 £m
Defined benefit obligation at beginning of year	**(49.2)**	(81.1)
Interest cost	**(2.4)**	(1.6)
Actuarial gains	**3.4**	30.8
Benefits paid	**2.5**	2.7
Defined benefit obligation at end of year	**(45.7)**	(49.2)

Changes in the fair value of the scheme assets

	UK Scheme 2023 £m	UK Scheme 2022 £m
Fair value of scheme assets at beginning of year	**64.1**	95.3
Interest income on assets	**3.2**	1.9
Return on assets excluding interest	**(10.4)**	(31.4)
Contributions by employer	**1.0**	1.0
Benefits paid	**(2.5)**	(2.7)
Fair value of scheme assets at end of year	**55.4**	64.1

Major categories of scheme assets

As at 30 September	UK Scheme 2023 Quoted £m	UK Scheme 2023 Unquoted £m	UK Scheme 2023 Total £m	UK Scheme 2022 Quoted £m	UK Scheme 2022 Unquoted £m	UK Scheme 2022 Total £m
UK equities	**—**	**—**	**—**	—	0.3	0.3
Non-UK equities	**—**	**—**	**—**	—	9.0	9.0
Diversified growth and absolute return funds[1]	**—**	**—**	**—**	—	10.3	10.3
Liability-driven investments[2]	**40.5**	**—**	**40.5**	19.7	—	19.7
Debt instruments	**1.2**	**12.6**	**13.8**	5.8	16.9	22.7
Cash in transit	**—**	**—**	**—**	1.9	—	1.9
Cash	**1.1**	**—**	**1.1**	0.2	—	0.2
Fair value of scheme assets at end of year	**42.8**	**12.6**	**55.4**	27.6	36.5	64.1

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 investments 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.

The Group does not hold any of it's own transferable financial instruments as plan assets and the plan assets do not contain any properties that are occupied by the Group.

17. Retirement benefits continued

Amounts recognised in the income statement

	Note	UK Scheme 2023 £m	UK Scheme 2022 £m
Interest on liabilities		**(2.4)**	(1.6)
Interest income on assets		**3.2**	1.9
Total income		**0.8**	0.3
Interest on liabilities – German Scheme (see below)		**(0.1)**	—
Total income included in 'staff costs'	5	**0.7**	0.3

The total income included in 'staff costs' is included within sales, marketing and administrative expenses.

Gross amounts of actuarial gains and losses recognised in the Consolidated statement of comprehensive income

	UK Scheme 2023 £m	UK Scheme 2022 £m
UK Scheme at beginning of year	**3.1**	3.7
Loss in year	**(7.0)**	(0.6)
Cumulative amount at end of year	**(3.9)**	3.1

Up to and including the year ending 30 September 2020 the cumulative amount of actuarial gains and losses on the UK and German schemes were presented on a combined basis and totalled a loss of £16.3m. Obtaining a historical split of this balance between this schemes was not practical and therefore, from 1 October 2021, following the presentation of these schemes gross, the individual cumulative effects were restarted from £nil. The cumulative aggregate amount of actuarial gains and losses on the UK and German schemes at 30 September 2023 was a loss of £20.4m (30 September 2022: loss of £13.5m).

Actuarial gains and losses arising from changes in demographic and financial assumptions

	UK Scheme 2023 £m	UK Scheme 2022 £m
Changes in demographic assumptions	**1.1**	0.3
Changes in financial assumptions	**3.5**	34.1
Experience losses on liabilities	**(1.2)**	(3.6)
Total actuarial gains on scheme liabilities	**3.4**	30.8
Return on assets excluding interest	**(10.4)**	(31.4)
Total actuarial losses	**(7.0)**	(0.6)

German Scheme disclosures

As at 30 September	German Scheme 2023 £m	German Scheme 2022 £m
Present value of funded obligations	**(2.5)**	(2.7)
Net liability before deferred taxation	**(2.5)**	(2.7)
Related deferred taxation asset	**0.4**	0.7
Net liability after deferred taxation	**(2.1)**	(2.0)
Change in assumptions and experience adjustments arising on scheme's liabilities	**0.1**	0.8

Changes in the present value of the funded obligation

	German Scheme 2023 £m	German Scheme 2022 £m
Obligations at beginning of year	**(2.7)**	(3.5)
Exchange gain/(loss) on opening obligations	**0.1**	(0.1)
Interest cost	**(0.1)**	—
Actuarial gains	**0.1**	0.8
Benefits paid	**0.1**	0.1
Defined benefit obligation at end of year	**(2.5)**	(2.7)

17. Retirement benefits continued

Changes in the fair value of the scheme assets

	German Scheme	
	2023 £m	2022 £m
Assets at beginning of year	**—**	1.6
Exchange gain on opening assets	**—**	0.1
Benefits paid	**—**	(0.1)
Assets distributed to employer	**—**	(1.6)
Fair value of scheme assets at end of year	**—**	—

Prior to maturity, the scheme assets were all held as unquoted insurance policies.

The total expense included in 'staff costs' in respect of the German Scheme were £0.1m (FY 2022: less than £0.1m), which is included within sales, marketing and administrative expenses.

The gross amount of actuarial gains and losses recognised in the Consolidated statement of comprehensive income in respect of the scheme was a gain of £0.1m.

	German Scheme	
	2023 £m	2022 £m
German Scheme at the beginning of the year	**1.6**	0.8
Movement in year	**0.1**	0.8
Cumulative amount at end of year	**1.7**	1.6

Actuarial gains and losses arising from changes in demographic and financial assumptions

	German Scheme	
	2023 £m	2022 £m
Changes in demographic assumptions	**—**	—
Changes in financial assumptions	**(0.1)**	0.8
Experience gains on liabilities	**0.2**	—
Total actuarial gains on scheme liabilities	**0.1**	0.8

18. 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	
As at 30 September	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Trade payables	**7.6**	7.3	**—**	—
Accruals	**22.2**	40.1	**0.1**	0.1
Other	**4.3**	12.3	**—**	—
	34.1	59.7	**0.1**	0.1

The fair value of trade and other payables approximates to their carrying value.

19. 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 12 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 12 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 as follows:

	£m
Lease liabilities	
Balance at 1 October 2021	10.0
Additions	1.5
Payments	(2.1)
Interest on lease liabilities	0.2
Balance at 30 September 2022	9.6
Additions	3.0
Payments	(2.1)
Interest on lease liabilities	0.2
Disposals	(0.2)
Balance at 30 September 2023	**10.5**

The maturity of these lease liabilities at 30 September is as follows:

	2023 £m	2022 £m
Due within one year	**1.6**	1.8
Due between two and five years	**5.0**	3.3
Due after five years	**3.9**	4.5
Total	**10.5**	9.6

20. 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 2023, the Group had no contingent liabilities (30 September 2022: none).

The Company guarantees the RMB loan facility in PVYX (see note 15).

In addition the Company has a guarantee in favour of Barclays Bank PLC (the 'bank') to cover any liabilities due to the bank by the Company and its fellow UK subsidiaries up to a maximum value of £12m (30 September 2022: same).

21. 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 Black-Scholes or 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 2015 Executive Share Option Plan ('ESOP')
All employees are eligible to participate. All ESOP options are exercisable from the date of vesting to the 10-year anniversary of the grant date. 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(s), if 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% of salary. Straight line vesting will occur to the extent that EPS growth falls between these annual EPS growth targets.

For awards issued in December 2020 and May 2021, where awards granted are 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. Shares will vest up to 100% on a straight line basis if the EPS grows by 9.9% over the three-year period. For awards granted at 50% of salary, EPS must be at least 89.25p per ordinary share in the final financial year of the performance period to vest at 20%. Vesting will increase to a maximum vesting of 100% at 100.0p per share in FY 2023, with the options vesting on a straight line basis between these targets.

For awards issued in December 2021 and May 2022, where awards granted are at less than 50% of salary, to reach the threshold level of vesting, the EPS growth of the Group must exceed 5% per annum. Shares will vest up to 100% on a straight line basis if the EPS grows by 10.0% over the three-year period. For awards over 33% of salary, the threshold increases to 7.5% EPS growth. For awards granted at 50% of salary, EPS must be at least 96.5p per ordinary share in the final financial year of the performance period to vest at 20%. Vesting will increase to a maximum vesting of 100% at 111.0p per share in FY 2024, with the options vesting on a straight line basis between these targets.

For awards issued on or after December 2022, options with an aggregate exercise price of up to 33% of participant's salary become exercisable if EPS growth is not less than 2% per year, and these will vest on a straight line basis up to those with an aggregate exercise price of 100% of the participant's salary with EPS growth of 4% or more per year.

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.

21. Share-based payments continued

Victrex 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 175% 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 105.

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 2021	2,137p	908,840	1,942p	278,874	—	—	nil p	321,111	nil p	9,647
Granted during the year	2,369p	239,359	1,891p	113,785	2,153p	8,059	nil p	152,161	nil p	23,382
Forfeited during the year	2,212p	(272,910)	1,939p	(21,204)	—	—	nil p	(131,995)	nil p	—
Cancelled during the year	—	—	1,962p	(21,939)	—	—	nil p	—	nil p	—
Exercised during the year	1,771p	(9,559)	1,648p	(8,838)	2,153p	(8,059)	nil p	(14,550)	nil p	(5,237)
Outstanding at 30 September 2022	2,182p	865,730	1,932p	340,678	—	—	nil p	326,727	nil p	27,792
Granted during the year	1,596p	328,221	1,394p	374,055	1,490p	11,328	nil p	365,932	nil p	27,885
Forfeited during the year	2,079p	(257,085)	1,857p	(195,423)	—	—	nil p	(85,613)	nil p	—
Cancelled during the year	—	—	1,814p	(93,277)	—	—	nil p	—	nil p	—
Exercised during the year	1,573p	(12,020)	—	—	1,490p	(11,328)	nil p	(7,311)	nil p	(4,410)
Outstanding at 30 September 2023	**1,965p**	**924,846**	**1,520p**	**426,033**	**—**	**—**	**nil p**	**599,735**	**nil p**	**51,267**
Range of exercise prices										
2023		**1,496p–2,730p**		**1,394p–2,164p**		**—**		**nil p**		**n/a**
2022		1,502p–2,730p		1,891p–2,164p		—		nil p		n/a
Weighted average contractual life (years)										
2023		**7.0**		**3.2**		**0.4**		**8.6**		**6.8**
2022		6.9		1.9		0.4		8.3		6.8
Exercisable at end of year										
2023	**1,938p**	**249,014**	**2,015p**	**30,430**	**—**	**—**	**nil p**	**3,472**	**—**	**—**
2022	1,920p	285,286	1,920p	95,022	—	—	nil p	7,159	—	—

During the year, the weighted average share price at the date of exercise was 1,704p for ESOPs (FY 2022: 2,069p) and was not applicable for the Sharesave Plan as no Sharesave Plan options were exercised in FY 2023 (FY 2022: 1,784p). Details of the LTIP and DBS exercises are included in the Directors' remuneration report on page 119.

Fair value of share options and assumptions

Fair value of share options and weighted average assumptions

	As at 30 September 2023					As at 30 September 2022				
	ESOP	**Sharesave Plan**	**Stock Purchase Plan**	**LTIP**	**DBS**	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP	DBS
Fair value at measurement date	**370p**	**552p**	**165p**	**1,550p**	**1,826p**	388p	478p	144p	1,899p	2,272p
Share price at grant	**1,972p**	**1,968p**	**1,753p**	**1,910p**	**1,996p**	2,188p	2,225p	1,948p	2,358p	2,444p
Exercise price	**1,964p**	**1,520p**	**n/a**	**nil p**	**n/a**	2,181p	1,932p	n/a	nil p	n/a
Expected volatility	**30%**	**29%**	**25%**	**28%**	**n/a**	29%	28%	22%	28%	n/a
Expected dividends	**2.8%**	**3.0%**	**3.4%**	**3.2%**	**3.1%**	2.5%	2.6%	3.1%	2.6%	2.4%
Risk-free interest rate	**1.6%**	**2.6%**	**2.6%**	**2.0%**	**n/a**	0.5%	0.8%	0.3%	0.3%	n/a
Option life	**10 years**	**3.6 years**	**1 year**	**10 years**	**8 years**	10 years	3 years	1 year	10 years	8 years

21. Share-based payments continued

Fair value of share options and weighted average assumptions continued

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') and for the LTIPs issued from FY 2022, a further non-market condition for ESG, which is taken into account in the grant date measurement of fair value.

Staff costs – equity-settled share-based payment transactions

	Note	2023 £m	2022 £m
ESOP		**(0.2)**	(0.5)
Sharesave Plan		**0.6**	0.3
LTIP and Deferred Bonus Scheme		**0.3**	1.5
Total equity-settled share-based payment transactions recognised in staff costs	5	**0.7**	1.3
Reclassified from trade and other payables		**0.4**	0.5
Amount recognised directly in equity		**1.1**	1.8

22. Share capital and reserves

Share capital

	2023		2022	
	Number	**£m**	Number	£m
Allotted, called up and fully paid shares of 1p each				
Ordinary shares				
At 1 October 2022 and 1 October 2021	**86,995,029**	**0.9**	86,968,573	0.9
Issued for cash	**23,348**	**—**	26,456	—
At 30 September 2023 and 30 September 2022	**87,018,377**	**0.9**	86,995,029	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 23,348 (FY 2022: 26,456) shares were issued for cash, resulting in an increase in share premium of £0.4m (FY 2022: £0.4m).

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 2023 was 75,847 (30 September 2022: 87,903). 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, adjusted for exchange differences arising on intragroup monetary items, that, in substance, form part of the entity's net investment in a foreign operation.

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.

Notes to the financial statements continued

22. Share capital and reserves continued

Dividends to shareholders continued

	2023 £m	2022 £m
Year ended 30 September 2021		
– Final dividend paid February 2022 at 46.14p per ordinary share	—	40.0
– Special dividend paid February 2022 at 50.00p per ordinary share	—	43.5
Year ended 30 September 2022		
– Interim dividend paid June 2022 at 13.42p per ordinary share	—	11.7
– Final dividend paid February 2023 at 46.14p per ordinary share	**40.1**	—
Year ended 30 September 2023		
– Interim dividend paid June 2023 at 13.42p per ordinary share	**11.7**	—
	51.8	95.2

A final dividend in respect of 2023 of £40.1m (46.14p per ordinary share) has been recommended by the Directors for approval at the Annual General Meeting in February 2024. These financial statements do not reflect this dividend.

23. 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.

	Company	
	2023 £m	2022 £m
Trading transactions with subsidiaries		
Administrative expenses paid on Company's behalf by subsidiaries	**0.7**	0.4
Financing transactions with subsidiaries		
Dividends received from subsidiaries	—	132.8
Cash transfers received from subsidiaries	**56.0**	144.5
Cash transfers made to subsidiaries	**4.8**	191.9

Amounts receivable from subsidiaries are disclosed in note 14.

The Group's retirement benefit plans are related parties and the Group's and Company's transactions with them are disclosed in note 17.

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 2022: 24.5%), is an associated company. The Group's transactions with Bond in the year comprise Bond being engaged to provide technical services of £34,000 for the Group (FY 2022: none), the additional tranches of convertible loans made to Bond, and the share of loss recognised as set out in note 11. There was no sale of material to Bond in the current year (FY 2022: £33,000).

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:

	2023 £m	2022 £m
Short-term employment benefits	**2.0**	2.5
Post-employment benefits	**0.2**	0.2
Share-based payment benefits	—	0.5
	2.2	3.2

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 100 to 123.

Directors of the Company control 0.08% of the voting shares of the Company, details of which are given on page 118.

Details of Directors' indemnities are given on page 125.

24. 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.

The most significant Sterling exchange rates used in the financial statements under the Group's accounting policies are:

	2023		2022	
	Average spot	**Closing**	Average spot	Closing
US Dollar	**1.16**	**1.22**	1.30	1.10
Euro	**1.14**	**1.16**	1.16	1.13

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.

25. Alternative performance measures

This section includes a reconciliation of certain alternative performance measures ('APMs') to the most directly reconcilable line items in the financial statements. The presentation of APMs should not be considered in isolation or as a substitute for related financial measures prepared in accordance with IFRS. The APMs presented in this report may differ from similarly titled measures used by other companies.

Where one APM is derived from another APM, a cross-reference to the relevant APM has been included, which then provides the reconciliation to the most directly reconcilable line items. APM1 to APM 11 below have been calculated on a consistent basis to prior year with the exception of APM 8 ROCE, this change is explained below. One additional APM, underlying PBIT (APM 11), has been included in the current year.

APM 1 Operating profit before exceptional items (referred to as **underlying operating profit**) is based on operating profit before the impact of 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. Exceptional items for FY 2023 is a charge of £7.5m (FY 2022: charge of £7.9m) relating to the implementation of the SaaS ERP system (FY 2022: same), further details of which are disclosed in note 3.

	2023 £m	2022 £m
Operating profit	**73.2**	88.5
Exceptional items	**7.5**	7.9
Underlying operating profit	**80.7**	96.4

APM 2 Profit before exceptional items and tax (referred to as **underlying profit before tax**) is based on profit before tax ('PBT') before the impact of 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. Exceptional items for FY 2023 is a charge of £7.5m (FY 2022: charge of £7.9m) relating to the implementation of the SaaS ERP system (FY 2022: same), further details of which are disclosed in note 3.

	2023 £m	2022 £m
Profit before tax	**72.5**	87.7
Exceptional items	**7.5**	7.9
Underlying profit before tax	**80.0**	95.6

25. Alternative performance measures continued

APM 3 **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 2023) weighted average spot rates to prior year (FY 2022) 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	2023 £m	2022 £m	% change
Revenue	307.0	341.0	-10%
Impact of FX retranslation	—	10.5	
Revenue at constant currency	307.0	351.5	-13%

Sustainable Solutions	2023 £m	2022 £m	% change
Revenue	241.8	282.7	-14%
Impact of FX retranslation	—	8.1	
Revenue at constant currency	241.8	290.8	-17%

Medical	2023 £m	2022 £m	% change
Revenue	65.2	58.3	12%
Impact of FX retranslation	—	2.4	
Revenue at constant currency	65.2	60.7	7%

APM 4 **Operating cash conversion** is used by the Board to assess the business' ability to convert underlying operating profit to cash effectively, excluding the impact of financing activities and non-capital expenditure related investing activities. Operating cash conversion is underlying operating profit, depreciation and amortisation, working capital movements and capital expenditure/underlying operating profit.

	2023 £m	2022 £m
Underlying operating profit (APM 1)	80.7	96.4
Depreciation, amortisation and loss on disposal*	21.6	24.0
Change in working capital	(48.9)	(27.5)
Capital expenditure	(38.5)	(45.5)
Operating cash flow	14.9	47.4
Operating cash conversion	18%	49%

* Excludes impact of loss on disposal of right of use assets.

APM 5 **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:

	2023 £m	2022 £m
Cash and cash equivalents	33.4	58.7
Cash ring-fenced in Chinese subsidiaries	(3.4)	(2.8)
Other financial assets	0.1	10.1
Available cash	30.1	66.0

APM 6 **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.

	2023 £m	2022 £m
Profit after tax attributable to owners of the Company	61.7	76.2
Exceptional items	7.5	7.9
Tax on exceptional items	(1.7)	(1.5)
Profit after tax before exceptional items net of tax	67.5	82.6
Weighted average number of shares	86,937,187	86,897,353
Underlying EPS (p)	77.7	95.0

25. Alternative performance measures continued

APM 7 **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.

	2023 p	2022 p
Underlying earnings per share (APM 6)	**77.7**	95.0
Total dividend per share	**59.56**	59.56
Underlying dividend cover (times)	**1.3**	1.6

APM 8 **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 before exceptional items net of tax, finance costs and finance income ('ROCE adjusted profit')/average adjusted net assets. Adjusted net assets is total equity attributable to shareholders at the year end excluding cash and cash equivalents, other financial assets, retirement benefit asset/obligations and borrowings. Average adjusted net assets is (adjusted net assets at the start of the year plus adjusted net assets at the end of the year)/2. The method of calculating ROCE has been changed from FY 2022, with the comparative restated on a consistent basis. The change has been made following a review by the Board with the revised methodology considered to better reflect long-term value creation.

	2023 £m	2022 £m
Profit after tax attributable to owners of the Company	**61.7**	76.2
Exceptional items	**7.5**	7.9
Tax on exceptional items	**(1.7)**	(1.5)
Finance income	**(1.3)**	(0.5)
Finance costs	**0.7**	0.3
ROCE adjusted profit	**66.9**	82.4
Net assets	**501.0**	490.6
Cash and cash equivalents	**(33.4)**	(58.7)
Other financial assets	**(0.1)**	(10.1)
Retirement benefit asset	**(9.7)**	(14.9)
Retirement benefit obligations	**2.5**	2.7
Borrowings	**39.7**	22.5
Adjusted net assets	**500.0**	432.1
Average adjusted net assets	**466.1**	412.5
ROCE	**14%**	20%

APM 9 **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 revenue.

	2023 £m	2022 £m
Underlying profit before tax (APM 2)	**80.0**	95.6
Revenue	**307.0**	341.0
Return on sales %	**26%**	28%

APM 10 **Operating overheads** is made up of sales, marketing and administrative expenses, and research and development expenses, before exceptional items. This metric is used by the Board to assess the underlying movement in overheads of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature.

	2023 £m	2022 £m
Sales, marketing and administrative expenses	**70.8**	70.3
Exceptional items	**(7.5)**	(7.9)
Research and development expenses	**18.6**	15.7
Operating overheads	**81.9**	78.1

Notes to the financial statements continued

25. Alternative performance measures continued

APM 11 **Underlying PBIT** is used by the Group as the financial measure on which the Executive Director's performance is assessed for the annual bonus targets as set out in the Directors' remuneration report starting on page 100 and therefore has been included as an APM in FY 2023. This metric removes the impact of finance income and costs from the underlying profit before tax metric (APM 2).

	2023 £m	2022 £m
Underlying profit before tax (APM 2)	**80.0**	95.6
Finance income	**(1.3)**	(0.5)
Finance costs	**0.7**	0.3
Underlying PBIT	**79.4**	95.4

26. Commitments

Capital expenditure authorised and contracted for which has not been provided for in the financial statements amounted to £14.4m (30 September 2022: £16.4m) in the Group and £nil (30 September 2022: £nil) in the Company.

At 30 September 2023, the Group and another investor in Bond, have an agreed programme of further investments under the 2023 Convertible loan agreement during FY 2024, of which the Group's share is €1.6m, subject to Bond achieving pre-determined development milestones. See note 11.

Five-year financial summary

for the year ended 30 September and as at 30 September

	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**
Results					
Revenue	294.0	266.0	306.3	341.0	**307.0**
Profit before tax	104.7	63.5	92.5	87.7	**72.5**
Balance sheet					
Property, plant, equipment and intangible assets	288.2	300.1	330.5	367.4	**369.9**
Investments and other non current financial assets	16.2	20.3	24.1	20.5	**22.9**
Inventories	92.2	98.5	70.3	86.8	**134.5**
Net cash	72.5	73.1	74.9	58.7	**33.4**
Other financial assets	0.3	—	37.5	10.1	**0.1**
Trade receivables and other assets	57.7	50.0	63.8	83.2	**56.1**
Retirement benefit asset	9.1	7.5	14.2	14.9	**9.7**
Retirement benefit obligation	—	—	(1.9)	(2.7)	**(2.5)**
Borrowings	—	—	(5.9)	(22.5)	**(39.7)**
Trade payables and other liabilities	(74.6)	(68.5)	(95.8)	(125.8)	**(83.4)**
Equity shareholders' funds	461.6	481.0	511.7	490.6	**501.0**
Cash flow					
Net cash flow from operating activities	80.1	69.4	127.1	80.0	**41.7**
Capital expenditure	(22.7)	(24.9)	(41.9)	(45.5)	**(38.5)**
Withdrawal/(deposit) of cash invested for greater than three months	72.9	0.3	(37.5)	27.4	**10.0**
Other investing activities	(11.8)	(4.9)	(3.8)	1.9	**(3.8)**
Transactions with non-controlling interest	—	—	5.6	—	**2.6**
Net bank borrowings received	—	—	—	14.5	**17.2**
Dividends and other financing items	(118.1)	(38.7)	(47.3)	(96.9)	**(53.5)**
Net increase/(decrease) in cash and cash equivalents	0.4	1.2	2.2	(18.6)	**(24.3)**
Ratios					
Earnings per ordinary share – basic	107.2p	62.6p	84.3p	87.6p	**70.9p**
Full-year dividend per ordinary share	59.56p	46.14p	59.56p	59.56p	**59.56p**
Special dividend per ordinary share	—	—	50.00p	—	**—**
Return on capital employed ('ROCE')*	26%	17%	18%	20%	**14%**
Sales volume					
Tonnes	3,751	3,492	4,373	4,727	**3,598**

* ROCE calculation has been revised in FY 2023, with comparatives restated (see note 25).

Cautionary note regarding forward-looking statements

This Annual Report may contain forward-looking statements that may or may not prove accurate. Although it is believed that the expectations reflected in these statements are based on reasonable assumptions, such statements involve risk and uncertainty. There are a number of factors, many of which are outside the control of Victrex plc and its subsidiaries ('Victrex'), which could cause actual outcomes and results to be materially different from those anticipated. All written or oral forward-looking statements attributed to Victrex are qualified by this caution. Victrex does not undertake any obligation to update or revise any forward-looking statements to reflect any change in circumstances or in its expectations. The information in this Annual Report is believed to be accurate at the date of its preparation but no warranty, guarantee or representation as to its accuracy or completeness is made. Nothing in this Annual Report should be construed as a profit forecast.

Notice of Annual General Meeting

Notice is hereby given that the 31st Annual General Meeting ('AGM') of the members of Victrex plc (the 'Company') will be held at 11am on Friday 9 February 2024, at the offices of J.P. Morgan Cazenove, 1 John Carpenter Street, London EC4Y 0JP, to transact the business set out below. Resolutions 1 to 15 will be proposed as Ordinary Resolutions and Resolutions 16 to 19 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 2023.
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 2023.
3. To declare a final dividend of 46.14p per ordinary share in respect of the year ended 30 September 2023.
4. To re-elect Vivienne Cox as a Director of the Company.
5. To re-elect Jane Toogood as a Director of the Company.
6. To re-elect Janet Ashdown as a Director of the Company.
7. To re-elect Brendan Connolly as a Director of the Company.
8. To re-elect David Thomas as a Director of the Company.
9. To re-elect Ros Rivaz as a Director of the Company.
10. To re-elect Jakob Sigurdsson as a Director of the Company.
11. To re-elect Ian Melling as a Director of the Company.
12. 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.
13. To authorise the Audit Committee, acting for and on behalf of the Board, to set the auditors' remuneration.
14. 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.
15. 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 £290,061 (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 £580,122 (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 31 March 2025 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.

Special Resolutions

16. That, conditional upon Resolution 15 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 15, 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 £43,509.

    Such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 15 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.

17. That, conditional upon Resolution 15 in this Notice of AGM being passed and in addition to the power contained in Resolution 16, 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 15 (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 £43,509; and

    b) used only for the purposes of financing (or refinancing, if the power is to be used within 12 months after the date of the original transaction) a transaction which the Directors determine to be either an acquisition or a specified 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 15 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.

18. 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 8,701,837;

    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 31 March 2025 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.

19. 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
5 December 2023

Registered office:
Victrex Technology Centre
Hillhouse International
Thornton Cleveleys
Lancashire FY5 4QD

Registered in England and Wales 2793780

Notice of Annual General Meeting continued

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 6.30pm (UK time) on Wednesday 7 February 2024 (or, in the event of any adjournment, at 6.30pm (UK time) 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. A member wishing to attend and vote at the AGM in person should arrive prior to the time fixed for its commencement. 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 (UK time) on Wednesday 7 February 2024. 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, an 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. Any power of attorney or other authority under which an appointment of proxy is signed or authenticated (a copy certified in accordance with the Powers of Attorney Act 1971 (as amended) of that power or authority) must, unless previously registered with the Company, be received at the relevant address specified in these notes for receipt of such proxy appointment by the latest time indicated for receipt of such proxy appointment.
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 Equiniti'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. To be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with the relevant instructions must be transmitted so as to be received by no later than 11am (UK time) on Wednesday 7 February 2024.
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 & International 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 (UK time) on Wednesday 7 February 2024. 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 & International 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).

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 27 November 2023 (being the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 87,018,377 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 27 November 2023 were 87,018,377. 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.

12. 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 also do so by sending them in advance of the meeting to ir@victrex.com.

13. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at www.victrexplc.com.

14. All resolutions in this Notice will be put to vote on a poll at the AGM, 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.

15. 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.

16. Except as provided above, members who have general queries about the meeting should email the General Counsel & Company Secretary at cosec@victrex.com or ir@victrex.com (no other methods of communication will be accepted). 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 2023 (the 'Annual Report 2023'). This Ordinary Resolution will provide members with the opportunity to ask questions on the contents of the Annual Report 2023.

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 2023. The Directors' remuneration report is set out on pages 100 to 123 of the Annual Report 2023 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 103 to 106 . The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed.

The Companies Act 2006 requires that the Directors' remuneration policy must be put to members for approval whenever a new policy, or an amendment to an existing approved policy, is proposed. The Directors' remuneration policy must in any event be put to members for approval at least every three years. The Company is not proposing any changes to the Directors' remuneration policy approved at the Annual General Meeting held in 2023.

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 2023. 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 23 February 2024 to shareholders on the register at the close of business on 26 January 2024.

Resolutions 4 to 11 – Re-election of Directors

Resolutions 4 to 11 relate to the re-election of the Company's Directors.

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 Company's Directors as at the date of this Notice will seek re-election by shareholders.

Subject to her successful re-election, Jane Toogood will continue to serve on the Board as an independent non-executive Director and will complete nine years' service on the Board part way through her tenure, having first been appointed to the Board with effect from 1 September 2015. The Board recognises that, in view of the characteristics of independence set out in the UK Corporate Governance Code, the length of service is an important factor when considering a Non-executive Director's independence. The Board considers Jane to continue to be independent, but anticipates that this will be the final time that she stands for re-election by shareholders.

The Chair confirms that, following formal evaluation (as referred to on page 81 of the Annual Report 2023), each Director 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 are set out below:

Dr Vivienne Cox DBE, Non-executive Chair

Vivienne Cox was appointed to the Board on 1 December 2021, becoming Chair on 11 February 2022, and 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 and was made a Dame Commander of the Order of the British Empire ('DBE') in the 2022 New Year Honours List for services to sustainability, diversity and inclusion in business. 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.

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, as chair of Vallourec SA 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. She has also previously served as a non-executive director of GSK, as well as GSK's workforce engagement director, and Stena AB in Sweden.

Vivienne is currently a non-executive director of Haleon plc and Venterra Group plc (a non-listed company), chair of the Rosalind Franklin Institute and deputy chair of the Saïd Business School in Oxford. Vivienne's extensive board, corporate governance and sector experience, as well as her leadership in and passion for sustainability and diversity matters, enables strong leadership of the Board.

Ms Jane Toogood, Non-executive Director

Jane Toogood was appointed to the Board in September 2015. A senior executive in the energy transition space, Jane has a wealth of experience across a number of business management, senior commercial and business development roles within the global chemical industry and with a focus on sustainable solutions. Jane holds a MA in natural sciences (chemistry) from Oxford University and is a Fellow of the Royal Society of Chemistry.

Until recently Jane was the chief executive of Catalyst Technologies at Johnson Matthey Plc, having previously led the precious metals division. Jane has held senior roles at Borealis, ICI and Uniqema and as a non-executive director for the NHS. Jane recently served as the UK Hydrogen Champion and her report to the UK Government was published in March 2023.

Jane is the Co-Chair of the UK Hydrogen Delivery Council.

She brings strategic and industry expertise and insights drawing on her extensive international experience across multiple sectors. Jane is a current senior executive leading growth and transformation in a portfolio of businesses to meet future market demands including decarbonisation, the energy transition and deployment of hydrogen and circularity.

Resolutions 4 to 11 – 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.

She 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.

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 non-executive director at SIG Plc, Coventry Building Society and Marshalls plc.

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, heath & safety, security & cyber 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 10 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 & 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 (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 and until May 2023 he was senior independent director and chair of the remuneration committee of Synthomer plc.

Brendan is a non-executive director of Pepco Group N.V. and also an independent director on 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. He is also on a private equity board.

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 at Ernst & Young, specialising in long-term industrial contracting businesses, and is a former member of the Auditing Practices Board. Until May 2023 he was interim chair of Dialight plc as well as chair of the nomination committee, having previously served as senior independent director and chair of the audit committee.

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 at Exxon, 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 and has also previously served as chair of the Nuclear Decommissioning Authority and as a non-executive director of the Ministry of Defence Equipment and Support board.

Ros is currently senior independent director, employee engagement director and chair of the remuneration committee of Computacenter plc and is lead independent director of Aperam SA. Ros was recently appointed chair designate at privately owned Anglian Water and will become chair in the New Year. 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 Chair 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.

Mr Ian Melling, Chief Financial Officer
Ian Melling was appointed to the Board with effect from 4 July 2022 and is the Chief Financial Officer.

Ian is a Chartered Accountant and holds a first class master's degree in chemistry from Oxford University in the UK. Most recently Ian held the role of senior vice-president, corporate finance and R&D for Smith & Nephew plc, the medical technology company, having served as interim chief financial officer during 2020.

Explanatory notes continued

Resolutions 4 to 11 – Re-election of Directors continued

Mr Ian Melling, Chief Financial Officer continued

Ian has worked in a number of senior finance roles in the UK and internationally for Smith & Nephew, including those with divisional and functional responsibility, having joined the Group in 2006. He was senior vice-president group finance for five years until October 2021. Ian started his career and qualified as a Chartered Accountant at Deloitte LLP. Ian is a member of the UK Endorsement Board Preparer Advisory Group.

Ian contributes his significant financial experience as well as his background in the medical device sector which is relevant to the Company's growth plans.

Resolutions 12 and 13 – 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. 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 12, 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 13 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 147 and 90 to 97 of the Annual Report 2023.

Resolution 14 – 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 15 – 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 the 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 Share Capital Management Guidelines (revised in February 2023) 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 offers only. Under the previous iteration of the Investment Association's Guidelines, such excess was limited to fully pre-emptive rights issues only. The Board has considered the change in the Association's Guidelines during the year and has concluded that, for the time being, it is in the best interests of the Company and its shareholders to continue to seek an allotment authority similar in scope as that sought in previous years.

Accordingly, the proposed authority in Resolution 15 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 £290,061, being approximately, but not exceeding, one third of the issued share capital as at 27 November 2023 (the latest practicable date before the publication of this document). In addition, it will 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 £580,122, being 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 31 March 2025 or, if earlier, at the conclusion of the Company's next AGM. The Company held no treasury shares as at 27 November 2023.

Resolutions 16 and 17 – Powers 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. Resolutions 16 and 17 seek the disapplication of statutory pre-emption rights in specific circumstances.

In November 2022, the Pre-Emption Group revised its Statement of Principles on the Disapplication of Pre-Emption Rights. The revised Principles make a number of changes designed to improve capital raising processes for publicly traded companies by, among other matters, increasing the 'routine' disapplication thresholds and introducing new supplemental disapplication thresholds.

Resolutions 16 and 17 – Powers to allot a limited number of shares other than to existing shareholders continued

The Principles now provide that a company may seek power to issue, on a non-pre-emptive basis, shares for cash in any one year representing: (i) no more than 10% (previously 5%) of the company's issued Ordinary Share capital for use in any circumstances; and (ii) no more than an additional 10% (previously 5%) of the company's issued Ordinary Share capital provided that such additional power is only used in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding 12-month period (previously 6 months) and is disclosed in the announcement of the issue.

The Principles also provide that, in both cases (i) and (ii) outlined above, a company may now seek a further power to issue, on a non-pre-emptive basis, shares for cash representing no more than 2% of the company's issued Ordinary Share capital for the purposes of making a 'follow-on' offer (being an offer of a kind contemplated by the Principles) to certain retail investors and existing shareholders.

The Board has carefully considered the increased and supplemental thresholds available under the revised Principles, and has concluded that, for the time being, it is in the best interests of the Company and its shareholders to continue to seek disapplication powers similar in both scope and level to those sought by the Company in previous years.

Accordingly, Resolution 16 is proposed as a special resolution. If this resolution is passed, it will enable the Directors to allot shares (and/or sell treasury shares) for cash 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 maximum nominal amount of £43,509. This amount represents approximately 5% of the issued Ordinary Share capital as at 27 November 2023 (being the latest practicable date before the publication of this document). This resolution will permit the Directors to allot shares (and/or sell shares out of treasury) for cash on a non-pre-emptive basis, up to the specified 5% level, in any circumstances (whether or not in connection with an acquisition or specified capital investment).

Resolution 17 is in addition to Resolution 16 and will also be proposed as a special resolution in line with best practice. If this resolution is passed, it will enable the Directors to allot shares (and/or sell shares out of treasury) for cash free from statutory pre-emption rights up to a further maximum nominal amount of £43,509. This amount also represents approximately 5% of the issued Ordinary Share capital. The Board shall use the power conferred by this resolution only in connection with either an acquisition or a specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding 12-month period (previously 6 months) and is disclosed in the announcement of the issue.

The Directors have no current intention of exercising these powers if granted, but believe that it is in the best interests of the Company and its shareholders to have the flexibility, in the circumstances outlined, to allot shares and/or to sell treasury shares for cash free from statutory pre-emption rights. The Board confirms that, in exercising these powers, it will follow the shareholder protections and features set out in Part 2B of the Principles.

Resolution 18 – Authority to purchase own shares

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 18 will be proposed as a special resolution. If passed, it will authorise the Company to make market purchases of its own Ordinary Shares up until the close of business on 31 March 2025 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 27 November 2023 (the latest practicable date before the publication of this document)) 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 did not have any Ordinary Shares in treasury as at 27 November 2023.

As at 27 November 2023, options over a total of 1,276,051 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represented 1.47% of the Company's issued Ordinary Share capital at 27 November 2023. It would represent 1.63% of the issued Ordinary Share capital at that date if the authority to buy the Company's own shares now being sought by Resolution 18 were to be fully used.

Resolution 19 – 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 19 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	25 January 2024
Record date[1]	26 January 2024
AGM	9 February 2024
Payment of final dividend	23 February 2024
Announcement of 2023 half-yearly results	May 2024
Payment of interim dividend	June/July 2024

1 The date by which shareholders must be recorded on the share register to receive the dividend.

Advisors

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

Broker and financial advisor
J.P. Morgan Cazenove
25 Bank Street
Floor 27
Canary Wharf
London
E14 5JP

Lawyers
Addleshaw Goddard LLP
One St Peter's Square
Manchester
M2 3DE

Bankers
Barclays Bank PLC
3 Hardman Street
Manchester
M3 3AX

HSBC UK Bank PLC
St Peter's Square
Manchester
M1 4PB

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 Arena Extra White Smooth, 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, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

This is the Annual Report of Victrex plc for the year ended 30 September 2023.

This Annual Report has been sent to shareholders who have elected to receive a copy. A Notice of the AGM to be held on 9 February 2024 is also included within the report commencing on page 184.

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 2023/FY 2023, 2022/FY 2022, 2021/FY 2021 and 2020/FY 2020 are to the financial years ended 30 September 2023 (for 2023), 30 September 2022 (for 2022), 30 September 2021 (for 2021) and 30 September 2020 (for 2020). Unless otherwise stated, all non-financial statistics are at 30 September 2023.

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.

Produced by
designportfolio

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