> Our job is to protect people by relentlessly advancing the future of protection. Our purpose unites us, guides us and inspires us.

GOVERNANCE

Board of Directors

Bruce Thompson

Chair

First appointment: March 2020

Appointed Chair: December 2020

Skills and experience:

Bruce joined the Board in March 2020. During his executive career, Bruce was Chief Executive Officer of Diploma PLC, the FTSE 250 specialised technical products and services business, for over 20 years. Prior to joining Diploma, Bruce was a director with the technology and management consulting firm Arthur D. Little Inc., both in the U.K. and the U.S. He is currently the Senior Independent Non-Executive Director of discoverIE Group plc.

C

Paul McDonald

Chief Executive Officer

First appointment: February 2017

Skills and experience:

Prior to his appointment as Chief Executive Officer in 2017, Paul was Managing Director of milkrite | InterPuls, and since 2007, a key member of the Group Executive management team. Paul joined the Group in 2003 and spent the early part of his career at Avon in commercial and operational roles which included responsibility for all U.K. operations and the European divisional business units.

Nick Keveth

Chief Financial Officer

First appointment: June 2017

Skills and experience:

Nick was appointed as Chief Financial Officer in June 2017. Prior to joining Avon, Nick was Director of Finance, Planning and Reporting at Imperial Brands, the FTSE 100 tobacco group. He was with Imperial for 12 years and held a variety of senior finance roles during this period. Nick also served as a Non-Executive Director of the Spanish listed group Compania de Distribucion Integral Logista Holdings, S.A., a leading distributor of products and services to convenience retailers in Southern Europe, from 2014 until 2017. Prior to joining Imperial Nick worked for PricewaterhouseCoopers for 14 years in both audit and advisory roles.

Chloe Ponsonby

Non-Executive Director

Senior Independent Director

First appointment: March 2016

Skills and experience:

Chloe has spent her 20-year career in financial services, first in equity fund management at Jupiter; and then in investment banking at Altium, Oriel Securities (now owned by Stifel) and currently at Panmure Gordon where she is a Senior Managing Director. She is a Chartered Financial Analyst and has a first class Economics degree from the University of Manchester.

C i

OUR BUSINESS IS LED BY OUR EXPERIENCED BOARD OF DIRECTORS WHO FOCUS ON DEVELOPING THE GROUP'S STRATEGY AND SUPPORTING MANAGEMENT TO EXECUTE AGAINST IT.

Board membership key

Audit Committee | Nomination Committee | Remuneration Committee | C Chair | i Independent Director

Bindi Foyle

Non-Executive Director

First appointment: May 2020

Skills and experience:

Bindi has been Group Finance Director of Senior plc, a manufacturer for the aerospace, defence, land vehicle and power and energy markets, since July 2017, having served as an Executive Director since May 2017. Bindi joined Senior in 2006 as Group Financial Controller before becoming Director of Investor Relations and Corporate Communications in 2014. Prior to joining Senior, she held senior finance roles at Amersham plc and General Electric, having previously worked with BDO Stoy Hayward.

Victor Chavez CBE

Non-Executive Director

First appointment: December 2020

Skills and experience:

Victor has over 30 years of experience in the defence and security sectors. His early career focused on telecommunications and software before joining Thales U.K. in 1999. He was appointed Chief Executive in 2011, retiring in 2020 having successfully integrated and grown the business during this period. In recognition of his services to defence and security for the U.K. and France, Victor was appointed a CBE in 2015 and a Chevalier of the Legion d'Honneur in 2020.

Miles Ingrey-Counter

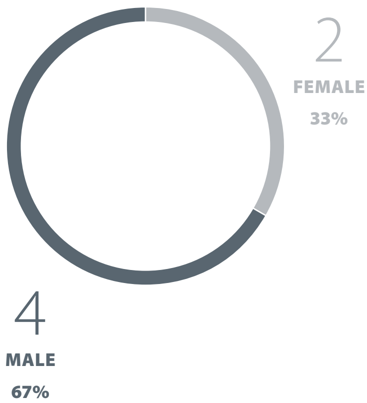
Group Counsel and Company Secretary

First appointment: October 2007

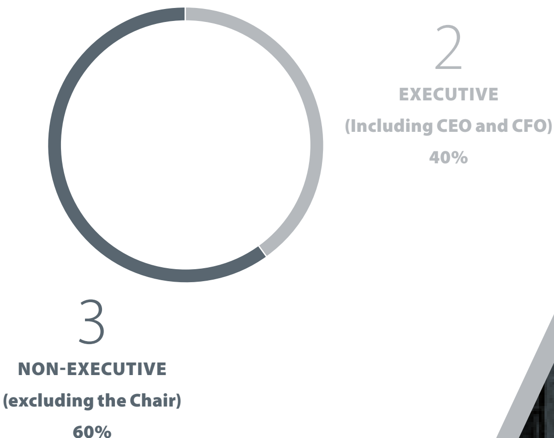
Skills and experience:

Miles is a qualified solicitor, he joined the Group in January 2004 and has been a member of the Group Executive management team since 2008. Miles also has responsibility for all Group HR matters and is Chair of the Avon Protection Retirement and Death Benefits Plan. Prior to joining Avon Protection, Miles was a solicitor with Osborne Clarke LLP.

Board gender diversity



Independence



The above graphs do not include the Company Secretary.

Corporate Governance Report

Introduction

This Corporate Governance Report, along with information in the Strategic and Remuneration Reports, explains how the principles and provisions of the U.K. Corporate Governance Code 2018 ('the Code') have been applied. A copy of the Code can be found on www.frc.org.uk.

Statement of compliance with the Code

We are pleased to confirm that the Board has complied with all provisions of the Code throughout 2021, with the exception of the following:

- Provision 38: The Code stipulates that pension contribution rates for Executive Directors should be aligned with those available to the workforce. Pension contributions for new Executive Directors are aligned with the rate available to the workforce. Following the announcement of the retirement of Nick Keveth as Chief Financial Officer, Paul McDonald has volunteered to accept a reduced pension contribution in line with the workforce upon the appointment of the replacement Chief Financial Officer, the recruitment process for which is described on page 69.

Board leadership

The Board comprises two Executive Directors and four Non-Executive Directors (including the Chair, Bruce Thompson). The Board regularly reviews its composition to ensure it has the necessary breadth and depth of skills to support the development of the Group. We believe that the Board continues to have a strong mix of experienced individuals who provide a unique perspective on Company matters and bring specific skills to the Board. Biographical details for each member of the Board can be found on pages 62 and 63 of this Annual Report. All Directors will stand for reappointment by shareholders at the 2022 AGM.

Company purpose

The Company purpose is stated on page 2. The Board recognises its role in establishing the purpose, values and strategy of the Group and ensuring that these are embedded throughout the business. Our purpose unites us, guides our decisions and inspires us wherever we operate.

Our culture

The Board clearly recognises the importance of culture and its link to delivering our purpose and strategy. Assessing and monitoring our culture is important to ensure we retain a successful culture as we grow. Through our employee engagement initiatives, explained in more detail on page 34, the Board has sought to achieve greater engagement with the workforce. The Board has considered carefully the most effective way of achieving this engagement and during the year decided to move away from a designated employee engagement NED to the creation of a Global Employee Advisory Forum.

In our business, with employees across seven sites (six of which are in the United States), it was felt that this is a better and more practical approach to ensuring local views are captured and reported back to the Board in a timely manner. Further details on the operation of the Global Employee Advisory Forum are set out on page 58.

Division of responsibilities

There is a clear division of responsibility between the running of the Board by the Chair and the running of the Group's business by the Chief Executive Officer. The Chair is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chief Executive Officer manages the Group and has the primary role, with the assistance of the Board, of developing and implementing business strategy. The Chair ensures that meetings of Non-Executive Directors take place without the Executive Directors present. Rules concerning the appointment and replacement of Directors of the Company are contained in the Articles of Association. Amendments to the Articles must be approved by a special resolution of shareholders. One of the roles of the Non-Executive Directors, under the leadership of the Chair, is to undertake detailed examination and discussion of strategies proposed by the Executive Directors, so as to ensure that decisions are made in the best long-term interests of shareholders and take proper account of the interests of the Group's other stakeholders.

The Non-Executive Directors are appointed by the Board on terms which allow for termination on three months' notice. Copies of Executive Directors' service contracts and terms and conditions of appointment for Non-Executive Directors are available for inspection at the registered office.

How the Board operates

The Chair ensures, through the Company Secretary, that the Board agenda and all relevant information is provided sufficiently in advance of meetings and that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chief Executive Officer and the Company Secretary discuss the agenda ahead of every meeting. At meetings, the Chair ensures that all Directors are able to make an effective contribution and every Director is encouraged to participate and provide opinions on each agenda item. The Chair always seeks to achieve unanimous decisions of the Board following due discussion of agenda items.

The Non-Executive Directors fully review the Group's operational performance and the Board as a whole has, with a view to reinforcing its oversight and control, reserved a list of powers solely to itself which are not to be delegated to management.

This list includes appropriate strategic, financial, organisational and compliance issues, including the approval of high-level announcements, circulars, the Annual Report and Accounts and certain strategic and management issues, which include:

- Approval of the annual operating budget and the three-year strategic plan.
- The extension of the Group's activities into new areas of business and/or geographical areas (or their cessation).
- Changes to the corporate or capital structure.
- Financial issues, including changes in accounting policy, the approval of dividends, bank facilities and guarantees.
- Changes to the constitution of the Board.
- The approval of significant contracts, for example the acquisition or disposal of assets worth more than £1,000,000 or the exposure of the Company or the Group to a risk greater than £1,000,000.
- The approval of unbudgeted capital expenditure.
- The approval of quotations and sale contracts where the sales commission payable to an intermediary exceeds 10% of the net invoice price.
- Consideration and approval of all proposed acquisitions and mergers.

Each Director has full and timely access to all relevant information and the Board meets regularly with appropriate contact between meetings. All Directors receive a tailored induction to the Group from the Company Secretary on joining the Board. When appointed, Non-Executive Directors are made aware of and acknowledge their ability to meet the time commitments necessary to fulfil their Board and Committee duties. Procedures are in place, which have been agreed by the Board, for Directors, where necessary in the furtherance of their duties, to take independent professional advice at the Company's expense and all Directors have access to the Company Secretary.

The Company Secretary is responsible to the Board for ensuring that all Board procedures and governance requirements are complied with. The removal of the Company Secretary is a decision for the Board as a whole.

Committees of the Board

Of particular importance in a governance context are the three committees of the Board, namely the Remuneration Committee, the Nomination Committee and the Audit Committee. Each Committee operates under clear terms of reference, copies of which are available on our website. Detail of the operation of each Committee are provided within the relevant Committee report.

Bindi Foyle took over as Chair of the Audit Committee on 29 January 2021 when Pim Vervaat stepped down from the Board. The Board is satisfied that Ms Foyle has recent relevant financial experience and her profile appears on page 63.

Bruce Thompson is Chair of the Nomination Committee but, in accordance with the Committee's terms of reference, is not permitted to chair meetings when the Committee is dealing with matters relating to the Board Chair's position.

Chloe Ponsonby is Chair of the Remuneration Committee. The Remuneration Committee's principal responsibilities are to decide on remuneration policy on behalf of the Board and to determine remuneration packages and other terms and conditions of employment, including appropriate performance-related benefits for the Executive Directors and other senior executives. The Remuneration Committee also has regard to the remuneration of the wider workforce. More details of the activities of the Remuneration Committee are set out in the Remuneration Report on pages 75 to 95.

Composition, succession and evaluation

The Nomination Committee is responsible for leading the process for Board appointments and making recommendations to the Board, putting in place plans for succession and regularly reviewing the Board's structure, size and composition. The Committee takes into account the challenges and opportunities facing the Group and the skills, knowledge and experience needed by the Board and makes recommendations to the Board with regard to any changes. Further information and the activities of the Nomination Committee during the year are detailed on page 68.

Attendance at meetings

All Committee and Board meetings held in the year were quorate. Directors' attendance during the year ended 30 September 2021 was as follows:

	Board (10 meetings)	Audit Committee (4 scheduled and 2 ad hoc meetings)	Remuneration Committee (3 scheduled and 2 ad hoc meetings)	Nomination Committee (3 scheduled and 1 ad hoc meeting)
Bruce Thompson	10 (10)	2(2)[2]	5 (5)	4 (4)
Bindi Foyle	9 (10)	6 (6)	4 (5)	4 (4)
Chloe Ponsonby	10 (10)	6 (6)	5 (5)	4 (4)
Victor Chavez[1]	7 (8)	4 (4)	3 (3)	4 (4)
Nick Keveth	10 (10)	–	–	–
Paul McDonald	10 (10)	–	–	–

The maximum number of meetings which each Director could have attended is shown in brackets.

1 Victor Chavez Joined the Board on 2 December 2020.

2 Bruce Thompson stepped down as a member of the Audit Committee on his appointment as Chair on 2 December 2020.

Corporate Governance Report continued

Performance evaluation

The Board continually strives to improve its effectiveness and conducts an annual review of its performance and that of its Committees and the individual Directors to enhance overall Board effectiveness. As a result of the COVID-19 pandemic, all Board meetings were held via video conference until July 2021. Given this and recent appointments it was agreed that the 2021 Board evaluation process would be conducted internally using questionnaires and interviews led by the Company Secretary. The 2022 evaluation will be externally facilitated.

The Board evaluation questionnaire, completed by all Board members and the Company Secretary, was structured to provide Directors with the opportunity to express views on a variety of topics including Board remit and responsibilities, skills and dynamics of the Board, meetings and content, Group strategy, internal control and risk management, decision-making and communication.

A detailed discussion of the findings from the performance evaluation took place at the September 2021 Board meeting. Overall, the evaluation concluded that the Board, its Committees, the individual Directors and the Chair performed effectively during 2021, both individually and as a collective unit. It was concluded that there had been an improvement in the skills and experience across the Board following the appointments of Bruce Thompson, Bindi Foyle and Victor Chavez. The following areas have been identified by the Board as areas of focus for 2022 and beyond: increasing opportunities for interaction between the Board and the wider management team (which was hampered in 2021 due to the pandemic), greater focus on succession planning and risk management.

Audit, risk and internal control

The Board has an established framework of internal controls covering both financial and non-financial controls. In addition, there is a process for identifying, evaluating and managing significant business risks, including emerging risks, faced by the Group. This process was in place throughout the 2021 financial year.

The Code requires that Directors establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

The Board, through the Audit Committee, review the effectiveness of the Group's system of internal controls on a continuing basis. The scope of this review covers all controls including financial, operational and compliance controls, as well as risk management. The Audit Committee has responsibility to review, monitor and make policy recommendations to the Board upon all such matters.

The Audit Committee keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis. Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses. The section on internal control in the Audit Committee Report on page 74 and the following paragraphs describe relevant key procedures within the Group's systems of internal control and the process by which the Directors have reviewed their effectiveness.

Systems exist throughout the Group which provide for the creation of three-year plans and annual budgets; monthly reports enable the Board to compare performance against budget and to take action where appropriate. Procedures are in place to identify all major and emerging business risks and to evaluate their potential impact on the Group. These risks are described within the Strategic Report on pages 52 to 57.

Risk management

Risk is managed by the Group Executive team during the year, led by the Risk Committee, which is led by the Company Secretary. Various enhancements to the risk management process were implemented during the year and these are set out in more detail in the Principle Risks and Risk Management section on pages 52 to 57.

The Audit Committee carried out quarterly reviews of the key risks facing the Group and risk management activities undertaken during the year, following the risk reviews conducted by the Risk Committee with the business leadership. The Audit Committee also carried out a robust annual assessment of the major business risks and emerging risks affecting the Group, including macro risks.

Internal control

There is a clearly defined delegation of authority from the Board to the business units, with appropriate reporting lines to individual Executive Directors. There are procedures for the authorisation of capital expenditure and investment, together with procedures for post-completion appraisal.

Internal controls are in existence which provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. The Group finance department manages the financial reporting process to ensure that there is appropriate control and review of the financial information including the production of the consolidated annual accounts. Group finance is supported by the operational financial managers throughout the Group, who have responsibility for providing information in keeping with the policies, procedures and internal best practices as documented in the internal control manual and are accountable under these.

The Board has issued a Code of Conduct which reinforces the importance of a robust internal control framework throughout the Group. The Board recognises that an open and honest culture is key to understanding concerns within the business and to uncovering and investigating any potential wrongdoing. The Code of Conduct sets out the procedure whereby individuals may raise concerns in matters of financial reporting or any other matter of concern with management or directly with the Chair of the Audit Committee, or anonymously through our 'Speak Up' process, to ensure independent investigation and appropriate follow-up action. The Code of Conduct is reviewed annually.

Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least four times a year with management and external auditors to review specific accounting, reporting and financial control matters.

This Committee also reviews the interim, preliminary and annual statements and has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors.

Relations with shareholders

The Directors regard regular communications with shareholders as extremely important. All members of the Board receive copies of analysts' reports of which the Company is made aware and receive an investor relations report from the Chief Financial Officer at every Board meeting. The Board reports formally to its shareholders in a number of ways, including via regulatory news announcements, press releases, routine reporting obligations, a detailed Annual Report and Accounts and, at the half year, an interim report.

Regular dialogue takes place with institutional shareholders, including presentations after the Company's preliminary announcements of the half and full year results. The Board receives comments from analyst meetings and shareholder meetings after both interim and final results and at other times during the year. The AGM includes a presentation by the Chief Executive Officer on aspects of the Group's business and shareholders have the opportunity to both ask questions and to leave written questions with the Company Secretary for the response of the Directors. Directors also make themselves available after the AGM to talk informally to shareholders, should they wish to do so, and respond throughout the year to any correspondence from individual shareholders.

Special Security Agreement

On 8 December 2020, our U.S. subsidiary Avon Protection Ceradyne, LLC ('APC') and the Company entered into a Special Security Agreement with the U.S. Department of Defense. The SSA was entered into in support of the U.S. DOD contracting and product development elements of the ballistic protection business and permits APC to perform classified U.S. defense contracts. There are a number of specific protocols that the Company and APC are required to comply with under the SSA, including the appointment to the APC board of two independent outside U.S. directors approved by the U.S. Government. The SSA imposes certain restrictions on the degree of influence the Company can exert over APC and it is therefore important that the Company maintains a strong relationship with the APC Board, in order to ensure that we are fulfilling our own governance obligations. The President of our Military business is an inside director on the APC board. We anticipate increased engagement with APC and the outside directors in the coming year under the governance of the SSA to support synergy opportunities across APC's product portfolio for the benefit of both our Military and First Responder businesses.

Disclosure and Transparency Rules (DTR)

Disclosures in respect of the DTR requirements under DTR 7.2.6 are given in the Directors' Report on pages 96 to 99 and have been included by reference.

Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons:

The Directors have prepared a going concern assessment covering the 12 month period from the date of approval of these financial statements. The assessment, which takes account of the impact of the strategic review of the armor business (see note 7.6), indicates that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

As part of their assessment, the Directors considered a base case, which reflects the impact of the strategic review of the armor business and a severe downside scenario involving a 25% decline in bank-determined adjusted EBITDA against the base case. Even in this severe downside scenario, the assessment indicates that the Group will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants, throughout the forecast period. The Group has committed RCF facilities of $200 million (see note 5.1) and related loan covenants include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-determined adjusted EBITDA (leverage).

On this basis, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the approval of these financial statements. Accordingly the Group and Company continue to adopt the going concern basis in preparing their financial statements.

Viability Statement

The Directors have assessed the viability of the Group over a three-year period to September 2024, taking account of the Group's current position, the impact of the strategic review of armor and potential impact of the principal risks documented in the Strategic Report. Based on this assessment, 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 period to September 2024.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but plausible downside scenarios, and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. In making their assessment, the Directors have taken account of the Group's revolving credit facility which covers the three-year lookout period. During the year the Group has complied with all covenant requirements attached to its financing facilities.

The Directors consider the three-year lookout period to be the most appropriate as this aligns with the Group's own strategic planning period. The Group has developed an annual business planning process, which comprises a strategic plan, a financial forecast for the current year and a financial projection for the forthcoming three years. This plan is reviewed each year by the Board as part of its strategy setting process. Once approved by the Board, the plan provides a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance. The forecast performance outlook is also used by the Remuneration Committee to establish the targets for both the annual and long-term incentive schemes.

Nomination Committee Report

"The Committee regularly reviews the Board's structure and gives full consideration to succession planning for Directors and other senior executives, to ensure we are best resourced to deliver the Group's strategy."

LETTER FROM THE CHAIR OF THE NOMINATION COMMITTEE

The Nomination Committee comprises all the Non-Executive Directors.

Main responsibilities

The main responsibilities of the Committee are as follows:

- To regularly review the Board's structure, size and composition, taking into account the challenges and opportunities facing the Group and the skills, knowledge and experience needed by the Board and to make recommendations to the Board with regard to any change.
- To put in place and periodically review succession plans for Directors and, more generally, senior executives.
- To lead the process for Board appointments and make recommendations to the Board.

The Committee's terms of reference are available within the Corporate Governance section of the Company's website and are reviewed annually.

All Directors are appointed by the Board following a rigorous selection process and subsequent recommendation by the Committee.

Diversity

The Board recognises the benefits of diversity and believe that the Board's perspective and approach is greatly enhanced by gender, age and cultural diversity. The Nomination Committee is responsible for the Board's policy in this area. Diversity of skills, background, knowledge, international and industry experience, and gender, amongst many other factors, will be taken into consideration when seeking to appoint new Directors to the Board. Notwithstanding the foregoing, all Board appointments will always be made on merit. The Board's Diversity Policy can be found in the Corporate Governance section of the Company's website.

The Balance@Avon initiative, supported by the Committee, aims to help develop and promote our female leadership, create a forum where we can identify, nurture and develop the female leaders of the future and ensure that all women at Avon Protection thrive in their careers. The initiative is driven by a steering group which collaborates on long-term ideas to help shape the future face of Avon Protection and create an agenda and platform to help build our future female talent pipeline.

During 2021 we have supported a number of Balance@Avon initiatives, including International Women's Day and the launch of a female mentoring programme. We have achieved our minimum target of 33% female representation on the Board and continue to work to achieve the same minimum target representation for the Group Executive team and their direct reports.

Further information, including the number of women in senior management and within the organisation is shown in the Sustainability Report on page 34.

Activities during 2021

During the year, the Committee:

- commenced the search for a new Chief Financial Officer to replace Nick Keveth when he stands down in March 2022;
- considered and confirmed the appointment of Chloe Ponsonby as the Senior Independent Director following the departure of Pim Vervaat;
- considered and confirmed the appointment of Victor Chavez as Non-Executive Director;
- reviewed the composition of the Board and its succession plan;
- reviewed progress made on the recruitment for senior positions, including a new Group Chief Operating Officer;
- carried out an annual review of the Committee's Terms of Reference;
- recommended re-election of the Board at the forthcoming Annual General Meeting; and
- reviewed the Board performance evaluation process.

Board changes

As set out in last year's report, David Evans stepped down from the Board in December 2020 and I replaced him as Chair. Pim Vervaat stood down from the Board at the 2021 AGM and Chloe Ponsonby took the role of Senior Independent Director.

Victor Chavez CBE was appointed to the Board as Non-Executive Director on 1 December 2020. The recruitment process for Victor's appointment was disclosed in last year's report. Victor's biography, together with those of all Board Directors, is included on page 62.

As announced to shareholders on 25 May 2021, after what will be approaching five years, Nick Keveth will be retiring from the Board on or before the end of March 2022. The recruitment process to find Nick's replacement commenced over the summer, led by me as Chair of the Committee. Independent executive search consultants Korn Ferry were retained and provided with a detailed description of the role and associated skills and experience required. Korn Ferry compiled a long list of potential candidates based on initial interviews, from which a shortlist of candidates was selected by the Committee.

Shortlisted candidates have been interviewed initially by the Chief Executive, Company Secretary and myself, and subsequently by Bindi Foyle and Nick Keveth. Preferred candidates were then interviewed by Chloe Ponsonby and Victor Chavez to ensure the candidates were exposed to all of the Directors. We expect to be in a position to provide an update on Nick's replacement on or before the date of the AGM in January. Korn Ferry has no other connection with the Company or its Directors.

The Committee have previously agreed that all Directors should be put forward for re-appointment by shareholders each year at the AGM. Taking into account the performance and value that each Director has brought to the Board, the Committee has considered whether the appointment of each Non-Executive and Executive Director should be renewed for a further year and has confirmed that this is indeed the case. Accordingly, resolutions to re-appoint each Director are being put to shareholders at the forthcoming AGM.

Succession planning

The Committee reviews succession planning for the Board formally at least once a year in order to ensure the Board is adequately prepared for potential changes to key Board positions. In addition, the Committee reviewed the executive leadership needs of the Group during the year and progress was made on the longer term succession planning of the Group Executive management team and their direct reports and this will remain a priority for the coming year.

Alongside this, the Committee also retains oversight of the programmes in place to assess and facilitate talent development amongst the management teams to ensure there is a structured approach to growing, developing and retaining the Company's future leaders.

Committee evaluation

The evaluation of the effectiveness of the Committee was conducted as part of this year's Board performance evaluation. The outcome of the 2021 Committee review was positive and highlighted the need for the Committee to retain focus on succession planning for Non-Executive and Executive Director roles in 2022 and to play a stronger role in the oversight of the internal talent pipeline. Further detail on the result of the Board evaluation exercise is included on page 66 of the Corporate Governance Report.

Bruce Thompson
Chair of the Nomination Committee

14 December 2021

Audit Committee Report

"The Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems."

AUDIT COMMITTEE CHAIR'S OVERVIEW

During the year, the Audit Committee continued its key oversight role for the Board of the Group's financial management and reporting to reassure shareholders that their interests are properly protected.

The Audit Committee works to a set programme of activities, with agenda items established to coincide with the annual financial reporting calendar. The Committee reports regularly to the Board on its work.

During the 2021 financial year, the Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems. The Committee also determined the focus of the Group's internal audit activity, reviewed its findings, and verified that recommendations were being appropriately implemented.

In accordance with the Code, the Committee continued to have oversight of the Group's whistleblowing function, known as 'Speak Up' together with the associated policies and procedures. The Committee received regular updates on the number and types of Speak Up reports and agreed follow up actions throughout the year from the General Counsel.

During 2021 the Audit Committee undertook a full evaluation exercise of KPMG's audit approach, to ensure the effectiveness of the external audit function. Reviewing the results of the evaluation of the external audit process, we are satisfied with both the auditor's independence and audit approach.

The Audit Committee acts on behalf of the full Board, and the matters reviewed and managed by the Committee remain the responsibility of the Directors as a whole.

Main responsibilities of the Audit Committee

The Audit Committee has delegated authority from the Board set out in its written terms of reference. The terms of reference for the Audit Committee are available for inspection at the Company's registered office and on our website.

The key objectives of the Audit Committee are:

- To provide effective governance and control over the integrity of the Group's financial reporting and review the significant financial reporting judgements.
- To support the Board with its ongoing monitoring of the effectiveness of the Group's system of internal controls and risk management systems.
- To monitor the effectiveness of the Group's internal audit function and review its material findings.

- To oversee the relationship with the external auditor and make recommendations to the Board in relation to the re-appointment of the external auditor and monitor the external auditor's objectivity and independence.
- To review the adequacy of the Company's whistleblowing arrangements and the provision of appropriate investigation of any matters raised.
- To advise the Board on whether the Committee believes the Annual Report and Accounts, 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.

Composition of the Audit Committee

The members of the Committee are set out on page 65 of the Corporate Governance Report. Whilst the Board Chair is no longer a member of the Committee, he is invited to attend all Committee meetings together with the Executive Directors.

The Committee members are all independent Non-Executive Directors and have the appropriate range of financial and commercial expertise necessary to fulfil the Committee's terms of reference. The Board considers that as a serving Group Finance Director of a U.K. listed company, I have both the current and relevant financial experience required to Chair this Committee.

2021 Annual Report

The main areas of focus considered by the Committee during 2021 were as follows:

- The presentation of the financial statements and the quality and acceptability of accounting policies and practices including the presentation of adjusted performance measures and the adjusting items. The Committee reviewed papers prepared by management, challenged management's judgements and estimates, and reviewed the disclosure of adjusted items within the Group's half year and full year results, agreeing that the position taken in the financial statements is appropriate.
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements. Material areas in which significant judgements have been applied, including impairment of armor business assets, are discussed separately in more detail below.
- Review of the acquisition accounting in respect of the acquisition of Team Wendy on 2 November 2020.
- Review of the impairment of armor business assets.
- At the request of the Board, the Committee considered whether the 2021 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's position and performance, business model and strategy. Having taken account of the other information provided to the Board throughout the year, the Committee was satisfied that, taken as a whole, the Annual Report and Accounts was fair, balanced and understandable.

The Committee was content, after due challenge and debate, with the assumptions made and the judgements applied in the accounts and agreed with management's recommendations. In addition, the Committee reviewed and recommended the approval of the statements on corporate governance, internal control and risk management in the Annual Report and Accounts and the half year and all trading statements.

Significant judgements and estimates considered by the Audit Committee

After discussions with management and the external auditor, the Committee determined that the key risk of material misstatement of the Group's 2021 financial statements arose in the following areas:

- Identification and valuation of acquired intangible assets.
- Development costs.
- Impairment of armor business assets.
- Estimation of the defined benefit pension obligation.

Identification and valuation of acquired intangible assets

The valuation of intangible assets acquired as a result of acquisitions involves significant judgement and changes in underlying assumptions could have a significant impact on the carrying value of these assets.

Acquired intangibles include customer relationships, brands and trademarks, patents, and order books. The fair value of assets acquired is determined using complex valuation techniques including the forecasting and discounting of future cash flows. This includes assumptions such as discount rates and estimates for growth rates, weighted average cost of capital and useful lives which are inherently judgemental.

Following a review of the key issues in relation to Group's acquired intangible assets, the Committee concurred with management that the carrying value as included in the 30 September 2021 balance sheet was appropriate.

Audit Committee Report continued

The external auditor explained their audit procedures to test the carrying value of acquired intangible assets and, based on the work undertaken, KPMG reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further analysis and detail on the Group's acquired intangible assets is set out in note 3.1 of the financial statements.

Development costs

The Group capitalises the development costs of new products and processes as intangible assets or property, plant and equipment. Initial capitalisation and any subsequent impairment are based on management's judgement of technological and economic feasibility, including regulatory approvals required and forecast customer demand. In determining the amounts to be capitalised the Group makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. If either technological or economic feasibility is not demonstrated then the capitalised costs will be written off to the income statement.

Following a review of the key issues in relation to the valuation of the Group's development costs, including armor business assets discussed further below, the Committee concurred with management that the carrying value as included in the 30 September 2021 balance sheet was appropriate.

The external auditor explained their audit procedures to test development costs and, based on the work undertaken, KPMG concluded the carrying values were acceptable. Further analysis and detail on the Group's development costs are set out in note 3.1 of the financial statements.

Impairment of armor business assets

On 12 November 2021 the Group announced the next-generation VTP ESAPI body armor product had failed first article testing. This followed a similar result in December 2020 for the legacy DLA ESAPI body armor product. It was also announced that the Group is experiencing further delays in achieving final product approval for the DLA ESAPI product following the successful completion of ballistic testing in August 2021, thereby pushing expected revenues from the second quarter into the third quarter of FY22. As a result, the Board concluded it is in the best interests of our stakeholders as a whole to undertake an orderly wind-down of the armor business.

The Committee specifically considered the following significant judgements in this area:

- The extent to which the failure of the VTP ESAPI body armor product is an adjusting event that provides evidence of conditions that existed at the end of the reporting period.
- Estimates of armor future cash flows included in the 30 September 2021 impairment review.

Following a review of these judgements, the Committee concurred with management that the decision to fully impair armor assets to recoverable amounts in the 30 September 2021 balance sheet was appropriate and that no further impairments were required at the higher levels tested.

The external auditor explained their audit procedures to test the impairment of armor business assets and, based on the work undertaken, KPMG concluded proposed charges were acceptable. Further detail on armor related impairments are set out in note 3.1 of the financial statements.

Estimation of the defined benefit pension assets and obligations

The Group operated a contributory defined benefit plan to provide pension and death benefits for the employees of its U.K. Group companies employed before 31 January 2003. The plan was closed to future accrual of benefits on 1 October 2009.

The investments held by the pension scheme include both quoted and unquoted securities, the latter which by their nature involve assumptions and estimates to determine their fair value. Where there is no active market for the unquoted securities the fair value of these assets is estimated by the pension trustees based on advice received from the investment manager whilst also using any available market evidence of any recent transactions for an identical asset. The assumptions used in valuing unquoted investments are affected by current market conditions and trends which could result in changes in fair value after the measurement date.

Estimation of the defined benefit pension obligation involves significant judgements concerning future changes in inflation, mortality rates, and the selection of a suitable discount rate, as well as the future performance and valuation of the scheme's assets. Changes to these actuarial judgements could have a significant impact on the estimated pension obligation.

An independent actuary is engaged to estimate the defined benefit pension obligation, undertaking a valuation of the scheme's assets and assessment of current and future pension liabilities. The Committee reviewed a report from the independent actuary on the appropriateness of the assumptions used in assessing the assets and liabilities of the scheme and agreed that the defined benefit pension obligation was being estimated appropriately with reasonable judgements being applied.

The external auditor applied their audit procedures to test the carrying value of the net pension obligation and, based on the work undertaken and assessment of the actuarial judgements used, reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole. Further analysis and detail on the Group's defined benefit pension scheme is set out in note 6.2 of the financial statements.

External auditors

The Audit Committee considers the appointment of the external auditor each year. KPMG LLP ('KPMG') were appointed as the Group's external auditors for the 2019 audit following a tender process in 2018. 2021 is KPMG's third year as the Group's external auditor and Andrew Campbell-Orde has acted as audit partner since KPMG's appointment.

The Committee oversees the relationship with the external auditors, and monitors all services provided by, and fees payable to them, to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained.

In particular, the Committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process. At the outset of the annual audit process, the Committee receives a detailed audit plan from the auditors, identifying their assessment of the key risks and their intended areas of focus. This is agreed with the Committee to ensure coverage is appropriately focused.

The Committee also holds separate discussions with the external auditor, without executive management being present. In addition, I held separate meetings with the external auditor during the course of the year.

Review of the effectiveness of the external auditor

The Committee evaluates the effectiveness of the external auditor annually. This evaluation includes a review of the effectiveness of the external audit process, consideration of whether management had been adequately challenged, interaction with the Committee and quality of the audit work. The 2020 review included reports from the external auditor and management incorporating feedback against a formal assessment framework from key members of the Group's finance team and those employees who had interacted with KPMG during the audit. This report was reviewed at the Committee's meeting in May 2021. Overall feedback was positive and where opportunities for improvement were identified in respect of earlier discussion with management of developments and changes during the year, KPMG were asked to take account of that feedback in the planning for future audit activity. KPMG and management also undertook to work together to more clearly define the information required from management during the audit to aid increased audit efficiency. This review concluded that the audit was conducted to a good standard with appropriate focus and challenge on the key audit risks.

KPMG have discussed more generally the firm's process for enhancing audit quality which includes internal quality reviews, and the I had direct discussions with the KPMG Head of Audit, UK to discuss the firm's quality improvement plans.

Audit fees and auditor re-appointment

During 2021, the Committee reviewed and approved the proposed audit fees and terms of engagement for the 2021 audit and recommended to the Board that it proposes to shareholders that KPMG be re-appointed as the Group's external auditor for 2022 at the AGM to be held on 28 January 2022.

Auditor independence

To ensure the independence and objectivity of the external auditors and avoid a situation where the auditor's familiarity with the Group's affairs results in excessive trust, the Committee maintains a formal Auditor Independence Policy. The Policy follows the ethical guidance on auditor independence issued by the FRC in December 2019 and was reviewed during the year to ensure it remained appropriate. Under the Policy all non-audit services permitted by the FRC require the specific approval of the Audit Committee.

The policy also establishes guidelines for the recruitment of employees or former employees of the external auditor. To ensure compliance with this policy, the Audit Committee carried out a review during the year, this included consideration of the remuneration received by KPMG for audit services, audit-related services, and non-audit work.

The breakdown of the fees paid to the external auditor is included in note 2.5 of the financial statements. No non-audit services were provided by KPMG during the year.

Interactions with Financial Reporting Council

The Group received a letter in July 2021 from the Conduct Committee of the FRC regarding its annual review of annual accounts, strategic reports and directors' reports of public and large private companies. The FRC requested additional information on three accounting disclosure areas in the Group's 2020 Annual Report and Accounts. These were a further explanation for using alternative performance measures (APMs), further APM reconciliations and further clarification on the classification of the revolving credit facility as a current liability. The Group, following Board approval, responded to the FRC with information on each of the three disclosure areas and confirmation of the inclusion of additional disclosures in this Annual Report along with the restatement of the ROCE for the FY20. The FRC closed the review process following the Group's response. No changes to the 2020 Annual Report were necessary as a result of the FRC's review. In their letter, the FRC also highlighted for consideration our presentation of certain other items in the Group's 2020 Annual Report and Accounts and, following this, we have made a small number of minor disclosure improvements in this Annual Report, including the incorporation of a new section focusing on the Group's Adjusted Performance Measures on page 101.

The FRC's review was based on the Annual Report and Accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. The review carried out by the FRC provides no assurance that the Annual Report and Accounts were correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Audit Committee Report continued

Internal control

The Committee regularly reviews the effectiveness of the Group's system of internal controls and risk management. This involves the monitoring and review of the effectiveness of internal audit activities, which included a review of the audits carried out including the recommendations arising, management's responses and actions to address recommendations and approving the internal audit programme and resourcing for 2022.

The Internal Audit programme is comprised of risk-based audits undertaken by Deloitte. Deloitte report directly to the Audit Committee who considered and approved the scope of the 2021 internal audit programme to be undertaken. The Chair of the Committee also holds separate meetings with Deloitte, without executive management being present. During the year, Deloitte focused their internal audit work on the Group's risk management processes, a post implementation review of the SAP ERP system implemented in November 2020 in the former 3M ballistic manufacturing sites, Cyber Security and the Team Wendy governance and controls environment.

Several improvements were identified in respect of developing and enhancing the Group's risk management processes, better documenting the operation of controls and improved access controls within the SAP ERP systems.

As part of the internal control framework, site controllers and plant managers are obliged to positively confirm, on a bi-annual basis, that the controls as documented in the internal control manual are in place and are being adhered to, with specific reference to key controls such as bank and control account reconciliations. This process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. It has been reviewed by the Board and continues to be monitored by the Committee, which remains satisfied with the arrangements.

As part of its work, and in line with its terms of reference, the Committee also considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the Code and the FRC guidance on Risk Management, Internal Control and Related Financial Business Reporting. Risk management activities are dealt with in more detail in the Principal Risks and Risk Management report on pages 52 to 57 and the Corporate Governance Report on pages 64 to 67.

Audit Committee effectiveness review

The evaluation of the effectiveness of the Audit Committee was conducted alongside the Board effectiveness review, information on which is provided in the Corporate Governance report on page 66. The review concluded that the Audit Committee continued to operate effectively during the year.

Bindi Foyle
Chair of the Audit Committee

14 December 2021

Remuneration Report

During the year, the Remuneration Committee implemented the Directors' remuneration policy which was approved by shareholders, ensuring an appropriate alignment between Company performance and reward outcomes.

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2021. This includes the following three sections:

- This Annual Statement which summarises the work of the Remuneration Committee (the 'Committee') in 2021.
- The Directors' Remuneration Policy (the 'Policy') which was approved by shareholders at the 2021 AGM and sets the parameters within which Directors are remunerated.
- The Annual Report on Remuneration which provides (i) details of the remuneration earned by Directors and the link between Company performance and pay in the year ended 30 September 2021 and (ii) how we intend to implement the Policy in 2022.

The Annual Statement and the Annual Report on Remuneration will, together, be subject to the usual advisory shareholder vote at the AGM on 28 January 2022. The Policy, which was approved in January 2021 will continue to apply for the 2022 financial year, the second year of the three year Policy.

Remuneration outcomes for FY2021

The bonuses for 2021 were dependent on a scorecard of measures which included operating profit (40%), cash conversion (20%), revenue (20%) and the delivery of strategic objectives (20%).

The threshold targets for the Group revenue and operating profit metrics were not met and therefore no bonus accrued under these measures. While the threshold target under the cash conversion metrics was exceeded and certain non-financial strategic objectives were achieved, the Executive Directors waived any potential bonus they could have earned for the year. Therefore there were no bonus awards for the Executive Directors. Details of the targets can be found on page 88.

Vesting of the long term incentive plan awards made on 20 March 2019 was based on relative TSR and EPS growth over the three-year performance period. The Group's three-year TSR was 67.5% which ranked the Company in the top quartile of the peer group resulting in this part of the award vesting in full. The 2021 adjusted basic EPS of 60.6c was below the threshold target and so none of this part of the award will vest. Therefore 50% of the awards will vest.

Remuneration Report continued

Application of Policy in 2022

The Committee will seek to implement the Policy as follows:

Base salaries

In line with the salary increase given to the wider workforce, Paul McDonald's base salary will be increased from £500,000 to £513,750 and Nick Keveth's from £350,000 to £359,625, a 2.75% increase respectively.

Annual bonus

Consistent with the approved Policy, the maximum annual bonus opportunity will be 125% of salary, with 25% of any bonus earned deferred into shares for two years. The bonuses will be based on operating profit (40%), cash conversion (20%), revenue (20%) and strategic objectives (20%). The targets are commercially sensitive but will be disclosed in full on a retrospective basis in next year's report.

LTIP

The Committee intends to grant LTIP awards to senior Executives in 2022. Due to the strategic review of the body armor business, the terms of the LTIP awards will be determined by the Committee in January 2022 and details of the measures and targets will be communicated in the accompanying RNS announcement.

Departure of Nick Keveth

Nick Keveth informed the Board of his intention to retire from the Board by no later than 31 March 2022, as announced on 25 May 2021. Nick will receive his salary, benefits and pension for the time he remains in employment. As a retiree, he will be treated as a good leaver under the incentive schemes with awards vesting on their normal vesting dates, subject to a pro rata reduction for time and performance testing (where relevant).

Shareholder and employee views

In advance of last year's AGM, we undertook a comprehensive review of our Policy which included a wide-reaching consultation exercise. While the Policy received support from 88% of shareholders, the Committee is aware that Resolution 2 to approve the Directors' Remuneration Report received votes against from 23.7% of the votes cast. Following the AGM, we engaged with the shareholders who voted against to understand the reasons for this. Further information on this is set out in this Remuneration Report, including a change to the proposed timing of pension alignment for Paul McDonald, reflecting shareholders' views in this area.

On behalf of the Remuneration Committee, I would like to thank the shareholders that took part in the engagement process. We remain committed to engaging proactively with shareholders and advisory bodies on remuneration matters.

Under the U.K. Corporate Governance Code, we are required to establish a mechanism for gathering the views of the workforce on all matters, including pay. The Board has considered carefully the most effective way of achieving this and has decided to move away from a designated employee engagement NED to the creation of a Global Employee Advisory Forum. In our business with employees across seven sites (six of which are in the U.S.), it was felt that this is a better and more practical approach as it ensures local views are captured and reported back to the Board in a timely manner. This will include a session on pay and how executive pay is aligned with pay generally for all employees.

I am always happy to hear from the Company's shareholders and you can contact me via the Company Secretary if you have any questions on this report or more generally in relation to the Company's remuneration.

Chloe Ponsonby
Chair of the Remuneration Committee

14 December 2021

Remuneration at a glance

The key elements of Executive Directors' remuneration packages and our approach to implementation in 2022 are summarised below:

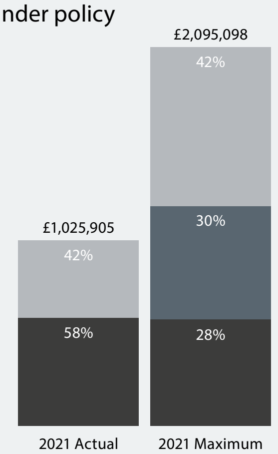
		Remuneration 2021	Remuneration 2022
FIXED PAY	**Salary (annual base)**	CEO £500,000 CFO £350,000	CEO £513,750 CFO £359,625
	Pension	15% of salary for current Executive Directors – reducing to workforce contribution rate from 1 October 2023 (new hires aligned with workforce contribution rate of 7.5% of salary)	15% of salary. The CEO's pension will reduce to 7.5% of salary upon the appointment of a new CFO. The new CFO will be aligned with the workforce contribution rate of 7.5% of salary.
	Benefits	Includes car allowance, private health insurance and life insurance.	No change
ANNUAL BONUS	**Maximum Opportunity**	125% of salary	No change
	Operation	• Performance measures: revenue (20%) operating profit (40%) cash conversion (20%), strategic objectives (20%) • 25% of the overall amount deferred into shares which vest after two years • Malus and clawback provisions apply	No change
LONG-TERM INCENTIVES	**Award level**	CEO 175% of salary CFO 150% of salary	The exact terms of the 2022 LTIP will be agreed by the Committee in January 2022 and will be set out in the RNS at the time of grant.
	Operation	• Performance measures: relative TSR (50% of award) and EPS with a ROCE underpin (50% of award) • Performance measured over three years • Two-year additional holding period applies to vested awards • Malus and clawback provisions apply	
SHAREHOLDING GUIDELINES	**In employment**	200% of salary	No change
	Post-employment	200% of salary to be held for two years post-employment	No change

Executive remuneration

2021 actual vs maximum under policy

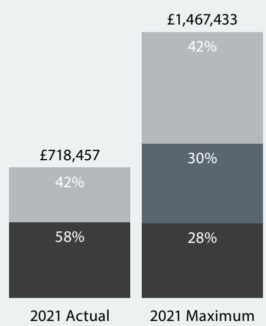
Paul McDonald

£1,025,905



Nick Keveth

£718,457



REMUNERATION POLICY REPORT

This section of the report sets out our Directors' Remuneration Policy which was approved by shareholders at the AGM on 29 January 2021 and took formal effect from that date.

Guiding policy

The Company's guiding policy on executive remuneration is that:

- Executive remuneration packages should be clear and simple, taking into account the linkage between pay and performance by both rewarding effective management and by making the enhancement of shareholder value a critical success factor in the setting of incentives, both in the short- and the long-term.
- The overall level of salary, incentives, pension and other benefits should be competitive (but not excessive) when compared with other companies of a similar size and global spread and should be sufficient to attract, retain and motivate Executive Directors of superior calibre in order to deliver long-term success.
- Performance-related components should form a significant proportion of the overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that are linked to the Company's KPIs and to the best interests of shareholders.

Considerations when determining remuneration policy

The Committee undertook a comprehensive review of the current Directors' Remuneration Policy during 2020 to ensure, primarily, that it continues to: (i) support the strategy and promote the long-term sustainable success of the Group, (ii) align executive remuneration with Company culture, purpose and values and clearly provide linkage to the successful delivery of the Company's long-term strategy, (iii) attract, retain and motivate executive management of the quality required to run the Company successfully (without paying more than is necessary), and (iv) have regard to the views of our shareholders and other stakeholders and appropriately reflect the best practice expectations of institutional investors.

The U.K. Corporate Governance Code has been a key touchstone and we have been careful to take full account of the remuneration-related provisions in our design considerations. With regard to how we have sought to comply with the six factors outlined in Provision 40 of the Code for example, we believe the following are worth noting in particular:

- **Clarity** – Our remuneration framework is structured to support financial delivery and the achievement of strategic objectives, aligning the interests of Executive Directors with those of our shareholders. Our Policy is transparent and well understood by our senior executive team. It has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and during consultation when changes are being made).
- **Simplicity** – Our remuneration framework is straightforward to communicate and operate. We have operated the same simple and transparent overarching structure for many years and applied it on a consistent basis across all employees.
- **Risk** – Our incentives have been structured to ensure that they are aligned with the Board's system of risk management and risk appetite. Inappropriate risk-taking is discouraged and mitigated through, for example (i) the operation of arrangements that provide an appropriate balance of fixed pay to short- and long-term incentive pay and through multiple performance measures based on a blend of financial, non-financial and shareholder return targets, (ii) the deferral of a proportion of annual bonus into shares and the operation of a post-vesting holding period for the LTIP, (iii) the operation of significant in-employment and post-employment shareholding guidelines, and (iv) the operation of robust recovery and withholding provisions.
- **Predictability** – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The Committee has full discretion to alter the pay-out level or vesting outcome to ensure payments are appropriately aligned with the underlying performance of the Company.
- **Proportionality** – Ensuring Executive Directors are not rewarded for failure underscores our approach to remuneration (e.g. the significant proportion of our packages is based on long-term performance targets linked to the KPIs of the Company, through our ability and openness to the use of discretion to ensure appropriate outcomes, and through the structure of our Executive Directors' contracts). There is a clear link between individual awards, delivery of strategy and our long-term performance. As mentioned above, formulaic incentive outcomes are reviewed by the Committee and may be adjusted having consideration to overall Group performance and wider workforce remuneration policies and practices.
- **Alignment to culture** – Our Policy is aligned to Avon Protection's culture and values. The Committee strives to instil a sustainable performance and continuous improvement culture at the management level that can cascade down throughout the Company. The Board sets the framework of KPIs against which we monitor the performance of the Company and the Committee links the performance metrics of our incentive arrangements to those KPIs. We are also keen to foster a culture of share ownership throughout the Company and operate all-employee share arrangements in pursuit of this objective.

Further details of the role of the Committee and its decision-making process can be found in the Annual Report on Remuneration on page 86.

Policy table

The table below sets out the main components of the current Remuneration Policy for Directors, together with further information on how these aspects of remuneration operate. The Remuneration Committee has discretion to amend remuneration and benefits to the extent described in the table and the written sections that follow it.

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Targets
Basic salary	To provide competitive fixed remuneration. To attract and retain Executive Directors of superior calibre in order to deliver long-term business success. Reflects individual experience and role. The Committee's aim is to position salaries around the mid-market level of companies of a similar size, scale and complexity.	Normally reviewed annually by the Remuneration Committee with increases typically effective 1 October. Individual salary adjustments take into account each Executive Director's role, competence and performance. Significant adjustments are infrequent and normally reserved for material changes in role, a significant increase in the size/complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance. Other factors which will be taken into account will include pay and conditions elsewhere in the Group, progression within the role, and competitive salary levels in companies of a broadly similar size and complexity.	No prescribed maximum or maximum increase. The normal approach will be to limit increases to the average level across the wider workforce, though increases above this level may be awarded subject to Committee discretion to take account of certain circumstances, such as those stated under 'Operation'. On recruitment or promotion, the Committee will consider previous remuneration and pay levels for comparable companies (for example, companies of a similar size and complexity, industry sector or location), when setting salary levels. This may lead to salary being set at a lower or higher level than for the previous incumbent.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the 'Operation' column of this table.
Benefits	To provide competitive fixed remuneration. To attract and retain Executive Directors of superior calibre in order to deliver long-term business success.	Executive Directors are entitled to benefits such as travel-related benefits including a car or car allowance, medical assessments every two years, private health insurance and life assurance. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses (and any tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses as appropriate.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not pre-determined. The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority from time to time.	Not applicable.
Pension	To reward sustained contributions by providing retirement benefits.	The Company funds contributions to a Director's pension as appropriate through contribution to the Company's money purchase scheme or through the provision of salary supplements or a combination of these.	Company contribution up to 15% of salary (to reduce to no higher than the general workforce contribution level from 1 October 2023). Future appointments to the Board will receive contributions in line with the prevailing rate offered to the general workforce (currently 7.5% of salary in the U.K.) in the country where they are based at the time.	Not applicable.

Remuneration Report continued

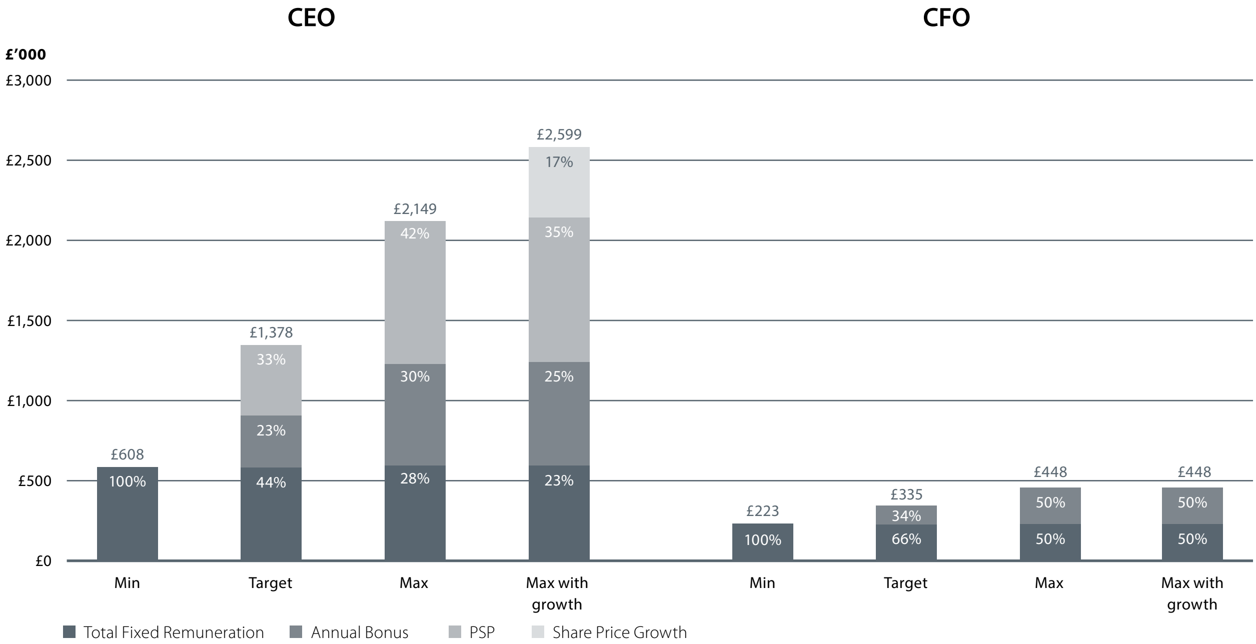
Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Targets
Annual Bonus	Rewards the achievement of annual financial and business targets aligned with the Group's KPIs. Maximum bonus only payable for achieving demanding targets. Deferred element encourages long-term shareholdings and discourages excessive risk taking.	Bonus is based on performance in the relevant financial year. Any payment is discretionary and will be subject to the achievement of stretching performance targets. Bonus is normally paid in cash, except 25% of any bonus which is deferred into shares for two years. Bonuses are not contractual and are not eligible for inclusion in the calculation of pension arrangements. Recovery and withholding provisions apply in cases of misconduct, corporate failure, reputational damage, error in calculation of a bonus and material misstatement of financial results. Dividends or dividend equivalents may accrue on deferred shares.	Capped at 125% of salary.	The Committee sets performance measures and targets that are appropriately stretching each year, taking into account key strategic and financial priorities and ensuring there is an appropriate balance between incentivising Executive Directors to meet targets, while ensuring they do not drive unacceptable levels of risk or inappropriate behaviours. Financial measures will normally determine at least 75% of the bonus opportunity and the balance may be based on non-financial, strategic, personal and/or ESG-related objectives. A graduated scale of targets is normally set for each measure, with no pay-out for performance below a threshold level of performance. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance.
Long Term Incentive Plan	Designed to align Executive Directors' interests with those of shareholders and to incentivise the delivery of sustainable earnings growth and superior shareholder returns.	Awards of conditional shares or nil cost option awards which normally vest after three years subject to the achievement of performance targets and continued service. An additional two-year holding period applies after the end of the three-year vesting period. Recovery and withholding provisions apply in cases of misconduct, corporate failure, reputational damage, error in calculation of award and material misstatement of financial results. Dividend equivalents may be paid for awards to the extent they vest. The Committee retains discretion to adjust vesting levels in exceptional circumstances, including but not limited to regard of the overall performance of the Company or the grantee's personal performance.	Executive Directors may receive an award of up to 175% of basic salary per annum. The Committee will consider the prevailing share price when deciding on the number of shares to be awarded as part of any LTIP grant. A 10% in 10 years' dilution limit governing the issue of new shares to satisfy all share scheme operated by the Company will apply.	Performance measures may include, and are not limited to, relative TSR, EPS, strategic measures and ESG-related objectives. The Committee retains discretion to set alternative weightings or performance measures for awards over the life of the policy. 100% of awards vest for stretch performance, up to 20% of an award vests for threshold performance and no awards vest below this. Underpins may apply.

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Targets
Share Ownership Guidelines	To increase alignment between Executives and shareholders.	Executive Directors are required to retain at least 50% of their net of tax vested awards until the in-employment shareholding guideline is met. Nil cost options which have vested but are yet to be exercised and deferred bonus awards subject to a time condition only may be considered to count towards the in-employment shareholding on a notional post-tax basis.	Executive Directors are required to build up and maintain an in-employment shareholding worth 200% of salary (100% for other senior management). Executive Directors are normally required to hold shares at a level equal to the lower of their shareholding at cessation and 200% of salary for two years post-employment (excluding shares purchased with own funds and any shares from share plan awards made before the approval of this policy).	Not applicable.
Chair and Non-Executive Directors' fees and benefits	To provide compensation in line with the demands of the roles at a level that attracts high calibre individuals and reflects their experience and knowledge.	Fees are normally reviewed annually taking into account factors such as the time commitment and contribution of the role and market levels in companies of comparable size and complexity. The Chair is paid an all-inclusive fee for all Board responsibilities. Fees for the other Non-Executive Directors may include a base fee and additional fees for further responsibilities (for example, chair-ship of Board committees or holding the office of Senior Independent Director). The Company repays 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, if appropriate. 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 prescribed maximum fee or maximum fee increase. Increases will be informed by taking into account internal benchmarks such as the salary increase for the general workforce and will have due regard to the factors set out in the 'Operation' column of this table.	Not applicable.

Remuneration Report continued

Illustration of the application of the Policy

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our policy results in a significant proportion of remuneration received by Executive Directors being dependent on performance. The charts below illustrate how the Policy would function for minimum, on target and maximum performance for each Executive Director in 2021/22.



Assumptions for the chart above

- Minimum: Comprises fixed pay made up of base salary levels (applying from 1 October 2021), the value of pension at 15% of annual basic salary and other benefits estimated at the value shown in the single total figure of remuneration table for 2021. For Nick Keveth, we have assumed a retirement date of 31 March 2022 (and therefore he will receive half of his annual base salary during the 2022 financial year).
- On-target: bonus achieved at 50% of the maximum opportunity, i.e. 62.5% of salary and with the on-target level of vesting under the LTIP taken to be 50% of the face value of the award at grant, i.e. 87.5% of salary. Nick Keveth will not receive an LTIP award in 2022 but he will be eligible for a pro rata bonus for the 2022 financial year.
- Maximum: full bonus achieved and LTIP vesting in full i.e. 125% of salary bonus payout (pro rated for Nick Keveth) and LTIP awards to the value of 175% of salary vesting for Paul McDonald only.
- Share price appreciation of 50% has been assumed for the LTIP awards under the final 'Max with growth' scenario.
- Amounts relating to all-employee share schemes have, for simplicity, been excluded from the charts.

Selection of performance measures and targets

Annual bonus

The Executives' annual bonus arrangements are focused on the achievement of the Company's short and medium-term financial objectives, with financial measures selected to closely align the performance of the Executive Directors with the strategy of the business and with shareholder value creation. Where non-financial objectives are set, these are chosen to support the delivery of the longer-term strategic milestones and which link to those KPIs of most relevance to each Director's individual responsibilities.

Details of the measures used for the annual bonus are given in this Remuneration Report.

Long-Term Incentive Plan

The aim of the Plan is to motivate Executive Directors and other senior executives to achieve performance superior to the Company's peers and to maintain and increase earnings levels whilst at the same time ensuring that it is not at the expense of longer-term shareholder returns. This is reflected in the Plan's performance conditions which are based on relative TSR and EPS growth.

The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant.

The TSR measure takes the total return received by the Company's shareholders in terms of share price growth and dividends over a three-year period and compares it with the total returns received by shareholders in companies within a predetermined and appropriate comparator group. The Remuneration Committee's intention is to reward only TSR performance which outperforms the comparator group.

The EPS measure is based on growth in adjusted earnings per share over the performance period. The target range is a sliding scale set at the time of award taking account of internal and external forecasts, to encourage continuous improvement and incentivise the delivery of stretch performance. The Committee will also assess the Group's ROCE performance when approving the vesting outcome under the EPS element of awards.

Flexibility, discretion and judgement

The Remuneration Committee operates the annual bonus and LTIP according to the rules of each respective plan which, consistent with market practice, include discretion in a number of respects in relation to the operation of each plan. Discretions include:

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments
- determining the extent of vesting
- treatment of awards and/or payments on a change of control or restructuring of the Group
- whether an Executive Director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s)
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends)
- what the weighting, measures and targets should be for the annual bonus plan and LTIP awards from year to year
- the Committee also retains the ability, within the policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan or a granted LTIP award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and LTIP awards with, in the case of LTIP awards held by Executive Directors, adjusted performance conditions being not materially less difficult to satisfy than the original conditions would have been but for the relevant event(s)
- the ability to override formulaic outcomes in line with policy

All assessments of performance are ultimately subject to the Committee's judgement and discretion is retained to adjust payments in appropriate circumstances as outlined in this Policy. Any discretion exercised (and the rationale) will be disclosed.

Remuneration Report continued

Legacy arrangements

For the avoidance of doubt, in approving this Remuneration Policy, authority was given to the Company to honour any previous commitments entered into with current or former Directors (such as the payment of a pension or the unwinding of legacy share schemes or historic share awards granted before the approval of this policy) that remain outstanding.

Approach to recruitment remuneration

New Executive Directors will be offered a basic salary in line with the Policy. This will take into consideration a number of factors including external market forces, the expertise, experience and calibre of the individual and current level of pay. Where the Committee has set the salary of a new appointment at a discount to the market level initially until proven, they may receive an uplift or a series of planned increases to bring the salary to the appropriate market position over time. For external and internal appointments, the Committee may agree that the Company will meet appropriate relocation and/or incidental expenses as appropriate.

Annual bonus awards, LTIP awards and pension contributions would not be in excess of the levels stated in the Policy.

Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for the first performance year of appointment. An LTIP award can be made shortly following an appointment (assuming the Company is not in a close period). 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, adjusted as relevant to take into account the appointment.

In addition, the Committee may offer additional cash and/or share-based buyout awards when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration given up at the individual's former employer. This includes the use of awards made under 9.4.2 of the Listing Rules. Such awards would be capped at a reasonable estimate of the value foregone and would reflect, as far as possible, the delivery mechanism, time horizons and whether performance requirements are attached to that remuneration. Shareholders will be informed of any such payments at the time of appointment and/or in the next published Annual Report.

For the appointment of a new Chair or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy.

Service contracts, letters of appointment and policy on payments for loss of office

Executive Directors

The Company's policy is that Executive Directors should normally be employed under a contract which may be terminated by either the Company or the Executive Director giving no more than 12 months' notice.

The Company may terminate the contract with immediate effect with or without cause by making a payment in lieu of notice by monthly instalments of salary and benefits, with reductions for any amounts received from providing services to others during this period. There are no obligations to make payments beyond those disclosed elsewhere in this report.

The Remuneration Committee strongly endorses the obligation on an Executive Director to mitigate any loss on early termination and will seek to reduce the amount payable on termination where it is appropriate to do so. The Committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded. The Executive Directors' contracts contain early termination provisions consistent with the Policy outlined above.

The Group may pay outplacement and professional legal fees incurred by Executives in finalising their termination arrangements, where considered appropriate, and may pay any statutory entitlements or settle compromise claims in connection with a termination of employment, where considered in the best interests of the Company. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans.

A pro-rated bonus may be paid subject to performance, for the period of active service only. Outstanding share awards may vest in accordance with the provisions of the various scheme rules. Under the Deferred Bonus Plan, the default treatment is that any outstanding awards will continue on the normal timetable, save for forfeiture for serious misconduct. Clawback and malus provisions will also apply. On a change of control, awards 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.

Under the LTIP, any outstanding awards will ordinarily lapse, however in 'good leaver' cases the default treatment is that awards will vest subject to the original performance condition and time proration and the holding period will normally continue to apply.

For added flexibility, the rules allow for the Committee to decide not to pro-rate (or pro-rate to a lesser extent) if it decides it is appropriate to do so, and to allow vesting to be triggered at the point of leaving by reference to performance to that date, rather than waiting until the end of the performance period. On a change of control, any vesting of awards will be subject to assessment of performance against the performance conditions and normally be pro-rated.

Where a buy-out award is made under the Listing Rules then the leaver provisions would be determined at the time of the award.

Chair and Non-Executive Directors

All Non-Executive Directors have letters of appointment rather than service contracts and are appointed on a rolling annual basis, which may be terminated on giving three months' notice at any time by either party.

Chair and Non-Executive Director appointments are subject to Board approval and election by shareholders at each Annual General Meeting.

All service contracts and letters of appointment are available for inspection at the Company's registered office.

External appointments

The Company recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies. Such Non-Executive duties can broaden a Director's experience and knowledge which can benefit Avon Protection. Subject to approval by the Board, Executive Directors are allowed to accept Non-Executive appointments, provided that these appointments are not likely to lead to conflicts of interest, and the Committee will consider its approach to the treatment of any fees received by Executive Directors in respect of Non-Executive roles as they arise.

Consideration of shareholder views

The Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on Directors' remuneration. The Committee seeks to engage directly with major shareholders and their representative bodies on changes to the Policy. The Committee also considers shareholder feedback received in relation to the remuneration-related resolutions each year following the AGM. This, plus any additional feedback received from time to time (including any updates to shareholders' remuneration guidelines), is then considered as part of the Committee's annual review of remuneration policy and its implementation.

In its review of current remuneration and the proposed Policy being put forward, the Committee conducted a comprehensive consultation exercise which elicited feedback from shareholders holding over 65% of shares in issue, as well as from the main shareholder representative bodies. The Committee was very grateful for the views received. The feedback, which was largely positive, was used constructively to shape our final proposals. Further details regarding the consultation exercise can be found in the Annual Statement on page 76.

Consideration of employment conditions elsewhere in the Group

The Committee closely monitors the pay and conditions of the wider workforce and the design of the Directors' Remuneration Policy is informed by the policy for employees across the Group.

While employees are not formally consulted on the design of the Directors' Remuneration Policy, the Board receives views through a Global Employee Advisory Forum comprising of representatives from our Culture Champion network. Another way in which the Board engages with employees across the Group on remuneration is through the Employee Opinion Survey, which includes a section dedicated to pay and benefits. The results of this are shared with the Board.

Differences in pay policy for Executive Directors compared to employees more generally

As for the Executive Directors, general practice across the Group is to recruit employees at competitive market levels of remuneration, incentives and benefits to attract and retain employees, accounting for national and regional talent pools. When considering salary increases for Directors, the Committee will take into account salary increases and pay and employment conditions across the wider workforce. The pension contribution for future Executive Director appointments will be consistent with that for the general workforce and under the Policy the contributions for the current CEO and CFO will transition to the workforce level by 1 October 2023. All employees are able to earn annual bonuses for delivering exceptional performance, with corporate performance measures aligned to those set for the Executive Directors. All employees, including the Executive Directors, have the opportunity to participate in the tax-approved share incentive plans.

There are some differences in the structure of the Remuneration Policy for the Executive Directors compared to that for other employees within the organisation, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. At senior levels, remuneration is increasingly long-term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration. This ensures the remuneration of the Executives is aligned with both the long-term performance of the Company and the interests of shareholders.

ANNUAL REPORT ON REMUNERATION

Role and composition of the Remuneration Committee

The Board is ultimately accountable for executive remuneration and delegates this responsibility to the Remuneration Committee. The Remuneration Committee is responsible for developing and implementing a remuneration policy that supports the Group's strategy and for determining the Executive Directors' individual packages and terms of service together with those of the other members of the Group Executive management team. When setting the remuneration terms for Executive Directors, the Committee reviews and has regard to workforce remuneration and related policies and takes close account of the U.K. Corporate Governance Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

The Remuneration Committee's terms of reference are available on the Company's website and include:

- Determining and agreeing with the Board the policy for the remuneration of the Company's Chief Executive Officer, Chief Financial Officer, Chair, the Company Secretary and such other members of the senior management team as it chooses to consider or is designated to consider (currently the Group Executive management team), having regard to remuneration trends across the Group
- Putting in place a remuneration structure that supports strategy and promotes long-term sustainable success – with executive remuneration aligned to Company purpose and values and clearly linked to the successful delivery of the Company's long-term strategy – and which attracts, retains and motivates executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders
- Reviewing the pay arrangements put in place for the broader workforce
- Within the terms of the agreed policy, determining the total individual remuneration package of each Executive Director including, where appropriate, bonuses, incentive payments, share options and pension arrangements
- Determining the targets for the performance-related bonus schemes for the Executive Directors and the Group Executive management team
- Reviewing the design of all share incentive plans for approval by the Board and shareholders
- For any such discretionary plans, determining each year whether awards will be made, the overall amount of such awards, the individual awards to Executive Directors and the Group Executive management team (and others) and the performance targets to be used
- Agreeing termination arrangements for senior Executives

The Committee currently comprises Chloe Ponsonby (Chair), Bruce Thompson, Bindi Foyle and Victor Chavez (who joined on 1 December 2020). Pim Vervaat and David Evans were members of the Committee during the year until they stepped down from the Board on 29 January 2021 and 2 December 2020 respectively. By invitation of the Committee, meetings are also attended by the CEO, CFO and the Company Secretary (who acts as secretary to the Committee), who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. Advice or information is also sought directly from other employees where the Committee feels that such additional contributions will assist the decision-making process.

The Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisers. During the year, the Committee was assisted in its work by FIT Remuneration Consultants LLP. FIT was appointed in December 2019 and has provided advice in relation to general remuneration matters and the review of the remuneration policy. Fees paid to FIT in relation to advice provided to the Committee during the year to 30 September 2021 were £67,032 (excluding VAT), charged on a time/cost basis. FIT also provided advice to the Company on technical share plan implementations matters but other than this did not provide any other services to the Company. FIT is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the U.K. The Committee is satisfied that the advice they received from FIT was objective and independent.

The Committee addressed the following main topics during the last year:

- Concluded the comprehensive review of Executive Directors' remuneration which culminated in the preparation of a revised remuneration policy that was approved by shareholders at the 2021 AGM
- Following the AGM, engaged with and sought the views of major shareholders to understand the reasons behind their AGM votes
- Reviewed guidance from investor bodies and institutional shareholders
- Reviewed and approved the remuneration packages for our current Executive Directors
- Approved the annual bonus outcomes to the Executive Directors in November 2020 and the annual bonus plan for the 2021 financial year
- Reviewed and confirmed the vesting of the LTIP awards granted in December 2017
- Reviewed and approved the terms of the 2021 LTIP awards and monitored the performance of the outstanding awards against their performance targets

Since the end of the 2021 financial year, the Committee has:

- Approved annual bonus outcomes to the Executive Directors and the Group Executive management team, following completion of the external audit in December 2021 and undertaken a final assessment of the TSR and EPS performance conditions attached to the March 2019 LTIP awards (based on performance to 30 September 2021)
- Made preparations for the vesting of the LTIP awards granted in March 2019
- Agreed the annual bonus structure for the year ending 30 September 2022

The information that follows has been audited (where indicated) by the Company's auditors KPMG LLP.

Single total figure of remuneration for Directors for the year ended 30 September 2021 (audited)

Directors' remuneration for the year ended 30 September 2021 was as follows:

	Year	Basic salary & fees £'000	Pension/other supplements[2] £'000	Other benefits[3] £'000	Fixed remuneration sub-total £'000	Annual bonus £'000	LTIP[1] £'000	Variable remuneration sub-total £'000	Total Remuneration £'000
Executive Directors									
Paul McDonald	2021	500	75	16	591	–	435	435	1,026
	2020	410	62	17	489	269	928	1,197	1,686
Nick Keveth	2021	350	51	16	417	–	301	301	718
	2020	285	43	16	344	187	712	899	1,243
Non-Executive Directors									
Bruce Thompson[4]	2021	154	–	–	154	–	–	–	154
	2020	24	–	–	24	–	–	–	24
Chloe Ponsonby	2021	67	–	–	67	–	–	–	67
	2020	56	–	–	56	–	–	–	56
Bindi Foyle[5]	2021	57	–	–	57	–	–	–	57
	2020	17	–	–	17	–	–	–	17
Victor Chavez[6]	2021	42	–	–	42	–	–	–	42
	2020	–	–	–	–	–	–	–	–
Pim Vervaat[7]	2021	23	–	–	23	–	–	–	23
	2020	56	–	–	56	–	–	–	56
David Evans[7]	2021	24	–	–	24	–	–	–	24
	2020	140	–	–	140	–	–	–	140

Note to total figure of remuneration table

1 The LTIP amount for 2021 relates to the long-term incentive award granted in March 2019 for which the outcome was based on performance over the three-year period to 30 September 2021. For the purposes of this table and in line with disclosure requirements, the 2021 LTIP values have been calculated using an average share price over the three-month period from 1 July 2021 to 30 September 2021 of £22.53. This is higher than the share price at the time these awards were made to participants and accordingly around 45% of the value shown is attributable to share price appreciation (£194k for Paul McDonald and £134k for Nick Keveth). The LTIP amounts for 2020 relate to the long-term incentive award which was granted in December 2017. These 2020 figures have been updated from the figures shown in last year's table to reflect the actual value of vested shares using the share price at the vesting date (£35.02) (rather than the estimated value provided last year). This is also in line with disclosure requirements.

2 Paul McDonald is a member of the Group's money purchase scheme and part of his pension contribution is paid into the pension scheme (2021: £6k) with the remainder paid as a salary supplement (2021: £69k). Paul's 2020 figure has been re-stated to include £10k contribution made to money purchase scheme. Nick Keveth's contribution is paid entirely as a salary supplement (2021: £51k).

3 Benefits for 2021 include a car allowance, the cost of private health insurance, critical illness cover and executive medical.

4 Bruce Thompson was appointed to the Board as Non-Executive Director on 1 March 2020 and appointed as Chair on 2 December 2020.

5 Bindi Foyle was appointed to the Board as Non-Executive Director with effect from 1 May 2020 and took over as Chair of the Audit Committee on 29 January 2021.

6 Victor Chavez was appointed to the Board as Non-Executive Director with effect from 1 December 2020.

7 Pim Vervaat and David Evans stepped off the Board on 29 January 2021 and 2 December 2020 respectively.

Remuneration Report continued

Annual bonus for the year ending 30 September 2021 (audited)

The annual bonus opportunity for Executive Directors for 2021 was 125% of salary and this was based on targets relating to Group revenue (20%), Group operating profit (40%) and Group cash conversion (20%) and the achievement of strategic objectives (20%).

The targets applying to each measure and performance against them is set out in the table below:

	Threshold (0% payable)	Stretch (100% payable)	Actual/ Reported	% achievement	Bonus payable (% of salary)
Revenue (20%)	$264.0m	$320.0m	$248.3m	0.0%	0.0%
Adjusted operating profit (40%)	$48.7m	$61.2m	$22.0m	0.0%	0.0%
Cash conversion (20%)	80.0%	100.0%	83.2%	16.0%	0.0%
Strategic objectives (20%)	Set out in more detail below			N/A	0.0%
				TOTAL	0.0%

However, while the threshold target under the cash conversion metric was exceeded and certain non-financial strategic objectives were achieved, the Executive Directors waived any bonus earned for the year reflecting the fact that the profit and revenue metrics were not met.

The strategic element of the bonus for 2021 were based on five broad categories with objectives assigned to each. The categories were:

- Develop communicate agreed ESG Policy, strategy and implementation plan
- Confirm longer term IT strategy and implement key FY2021 projects from three year delivery plan
- Develop HR strategic plan focusing on strengthening global HR resources, process and systems, talent management and diversity
- M&A implementation – complete transition plans for Ballistic Protection, Team Wendy and milkrite | InterPuls
- Product development – secure approvals necessary to deliver the projected Ballistic Protection revenues in the FY22 strategic plan

The objectives underpinned each category were likely to have been either met or partially achieved but the Executive Directors waived any bonus before a full assessment was undertaken.

Incentive awards vesting (audited)

Awards were granted on 20 March 2019 under the Performance Share Plan to the CEO and CFO and these are based on three-year performance targets. Half of the award is subject to a relative TSR condition (measuring performance against the constituents of the FTSE All-Share excluding investment trusts) and the other half subject to EPS growth targets.

The TSR measurement period ended on 30 September 2021. The Company's TSR over this period was confirmed as 67.7% which ranked the Company in the upper quartile of the peer group and therefore this part of the award will vest in full. The Company delivered an EPS of 60.6c, which was below the threshold growth target of 5%p.a. Therefore this element of the award will lapse. Overall, 50% of the award will vest being awards over 19,299 shares for Paul McDonald and 13,361 shares for Nick Keveth.

As these awards will vest after this report is signed off, the values of these awards as shown in the single figure table are based on an average share price over the last quarter of the financial year ending 30 September 2021.

While the Company's performance was below expectations in 2021, the Committee considered that the overall share price performance of the Company over the three year performance period justified this level of vesting. The Committee did not consider it necessary to apply any discretion to adjust the outcome for these awards based on performance to 30 September 2021.

LTIP awards granted in the 2020/21 year (audited)

The table below provides details of share awards made to Executive Directors on 2 February 2021:

	Type of Award	Basis of Award	Number of Shares under Award[1]	Face value of award (£'000)	% vesting at threshold	End of performance period
Paul McDonald	Nil cost option	175% of salary	28,153	£875	20%	30 September 2023
Nick Keveth	Nil cost option	175% of salary	19,707	£612	20%	30 September 2023

1 The number of awards was based on a share price of £31.08 which was the Company's five-day average share price over 26 January 2021 to 1 February 2021.

The performance conditions for this award will be measured over a three-year performance period and are as follows:

- The first performance condition for 50% of the award compares the Company's total shareholder return (TSR) performance over the performance period relative to a comparator group. The comparator group for the TSR element is the constituents of the FTSE 250 Index (excluding investment trusts) as at the start of the performance period. No portion of the TSR element may vest unless the Company's TSR performance over the performance period at least equals the median TSR performance within the comparator group, for which 20% of the TSR element may vest, rising on a straight-line basis to full vesting of the TSR element for upper quintile or better relative TSR performance.
- The second performance condition for the other 50% of the award measures the Company's compound annual growth rate (CAGR) in the Company's adjusted basic earnings per share (EPS) over the performance period. No portion of the EPS element may vest unless the CAGR in EPS over the performance period at least equals 5%p.a., for which 0% of the EPS element may vest, rising on a straight-line basis to full vesting of the EPS element for CAGR in EPS over the performance period of 14%p.a. or better. The base point for such CAGR calculation is the reported EPS for the 2020 financial year but with the full year 2020 earnings of the disposed milkrite | InterPuls business added back – the base year EPS was 134.3 cents.

The EPS element of the awards is subject to a return on capital employed underpin in respect of which the Remuneration Committee retains discretion to reduce the extent of vesting of the EPS element by regard to the Company's ROCE performance over the performance period.

The Remuneration Committee also retains a general discretion to reduce the extent of vesting of the awards generally if it considers that the underlying business performance of the Company does not justify vesting.

Directors' shareholdings and share interests and position under shareholding guidelines (audited)

Beneficial interests of Directors, their families and trusts in ordinary shares of the Company at 30 September 2021 were:

	No. of Shares owned outright (including connected persons)	Unvested shares subject to performance conditions[3]	Shareholding as a % of salary as 30 September 2021	Shareholding guidelines (200% of salary) met?
Paul McDonald	50,999[1]	98,486	198%	No
Nick Keveth	20,509[2]	68,488	114%	No
Bruce Thompson	11,000	–	N/A	N/A
Chloe Ponsonby	4,550	–	N/A	N/A
Bindi Foyle	500	–	N/A	N/A
Victor Chavez	1,015	–	N/A	N/A

1 This figures includes 2,283 deferred bonus shares.

2 This figure includes 1,583 deferred bonus shares and 462 SIP shares.

3 Unvested LTIP shares.

The only change in the interests set out above between 30 September 2021 and 14 December 2021 were the additional 30 shares purchased by Nick Keveth under the Share Incentive Plan, which increased his total shareholding to 20,539.

Remuneration Report continued

Outstanding LTIP awards (audited)

Outstanding awards are as follows:

	Award Date	Award held at 1 October 2020	Granted in the year	Vested in the year	Lapsed in the year	Outstanding awards at 30 September 2021
Paul McDonald	02.02.21	–	28,153	–	–	28,153
	17.03.20	31,734	–	–	–	31,734
	20.03.19	38,599	–	–	–	38,599
	06.12.17	26,511	–	26,511	–	–
	02.02.21	–	19,707	–	–	19,707
Nick Keveth	17.03.20	22,059	–	–	–	22,059
	20.03.19	26,722	–	–	–	26,722
	06.12.17	20,325	–	20,325	–	–

The outstanding awards are subject to two performance criteria. Half the awards are subject to a relative TSR measure and the other half are subject to an EPS growth condition.

Total Directors' remuneration for the year ended 30 September 2021 under Schedule 5 (audited)

	2021	2020
Aggregate remuneration	1,369	1,582
Aggregate gains on the exercise of share options[1]	1,640	273
Aggregate contribution to defined contribution pension scheme	6	10

1 The LTIP amounts shown at the actual value of vested shares using the share price at the vesting date in 2021 and 2020.

During the year pension contributions were paid to defined contribution schemes for one Director (2020: one).

Dilution

The Company reviews the awards of shares made under the all employee and executive share plans in terms of their effect on dilution limits in any rolling 10-year period. In respect of the 5% and 10% limits recommended by the Investment Association, the relevant percentages were 8.3% and 8.3% respectively based on the issued share capital at 30 September 2021.

It remains the Company's practice to use an Employee Share Ownership Trust (ESOT) in order to meet its liability for shares awarded under the LTIP. Two trusts have been established in connection with this. At 30 September 2021 there were 334,933 shares held in the ESOTs which will either be used to satisfy awards granted under the LTIP to date, or in connection with future awards. A hedging committee ensures that the ESOTs hold sufficient shares to satisfy existing and future awards made under the LTIP by buying shares in the market or causing the Company to issue new shares. Shares held in the ESOTs do not receive dividends.

As at 30 September 2021, the market price of Avon Protection plc shares was £19.42 (2020: £42.50). During the year the highest and lowest market prices were £46.25 and £17.63 respectively.

Share Incentive Plan

The Company currently operates the Avon Rubber p.l.c. Share Incentive Plan (the 'SIP'), approved by shareholders at the AGM in February 2012. All U.K. tax resident employees of the Company and its subsidiaries are entitled to participate. Under the SIP, participants purchase shares in the Company monthly using deductions from their pre-tax pay. Paul McDonald is not a member of the SIP. Nick Keveth is a member and as at 30 September 2021 had purchased 470 shares through this scheme. The maximum contribution each month under the SIP is currently £150, a sum which is set by the Government. Nick Keveth has participated in the SIP at the maximum level since July 2017.

Payments to past Directors and payments for loss of office (audited)

There were no payments for loss of office or to past Directors during the year. As mentioned in the Annual Statement, during the year we announced that Nick Keveth will retire by 31 March 2022. Nick will be treated as a good leaver for incentive scheme purposes.

Service contracts and letters of appointment

The table below summarises key details in respect of each Executive Director's contract.

	Contract date	Company notice period	Executive notice period
Paul McDonald	14 February 2017	12 months	12 months
Nick Keveth	9 May 2017	12 months	12 months

The date of each Non-Executive appointment is set out below, together with the date of their last re-election by shareholders.

	Date of initial appointment	Date of last re-election
Chloe Ponsonby	1 March 2016	29 January 2021
Bruce Thompson	1 March 2020	29 January 2021
Bindi Foyle	1 May 2020	29 January 2021
Victor Chavez CBE	1 December 2020	29 January 2021

All service contracts and letters of appointment are available for inspection at the Company's registered office.

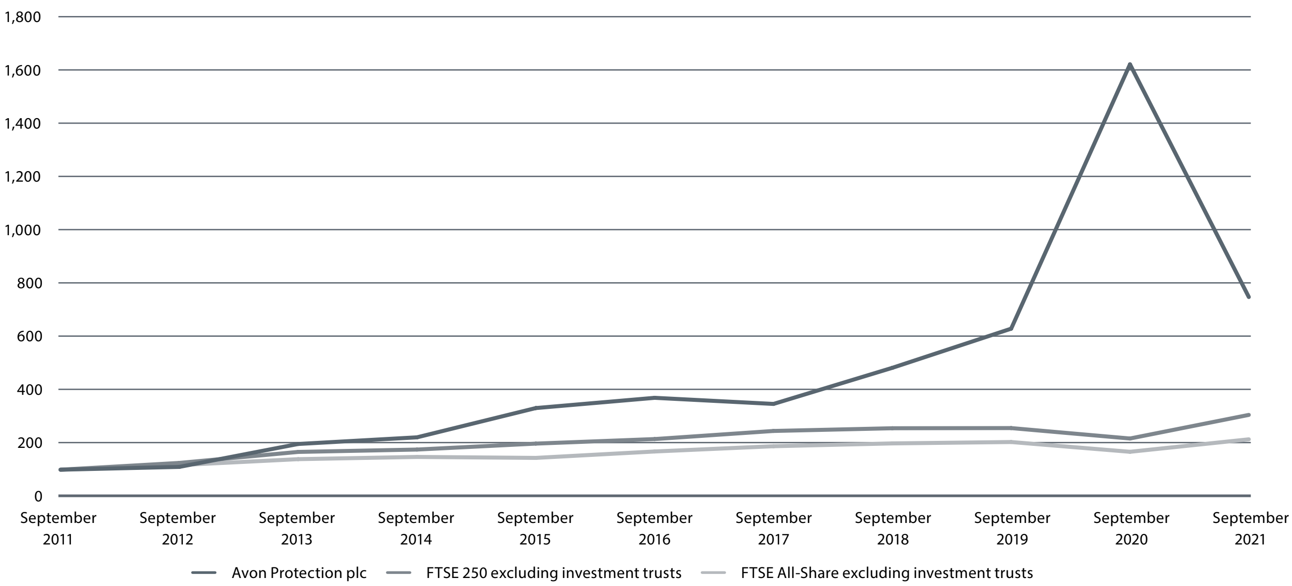
Other appointments

Neither Paul McDonald nor Nick Keveth are currently appointed as a Non-Executive Director of any company outside the Group.

Total shareholder return performance graph

The following graph illustrates the total return, in terms of share price growth and dividends on a notional investment of £100 in the Company over the last 10 years relative to the FTSE 250 Index (excluding investment trusts) and the FTSE All-Share Index (excluding investment trusts). These indices were chosen by the Remuneration Committee as a competitive indicator of general U.K. market performance for companies of a similar size.

Total shareholder return performance graph



Remuneration Report continued

Chief Executive Officer's remuneration

The total remuneration figures, including annual bonus and vested LTIP awards (shown as a percentage of the maximum that could have been achieved) for the Chief Executive Officer for each of the last 10 financial years are shown in the table below.

Peter Slabbert retired on 30 September 2015. Rob Rennie stood down from the Board and was replaced by Paul McDonald on 15 February 2017.

Year	CEO	CEO single figure of total remuneration £'000	Annual bonus pay out against maximum opportunity	Long-term incentive vesting rates
2021	Paul McDonald	1,026	0%	50%
2020	Paul McDonald	1,686	66%	100%
2019	Paul McDonald	928	55%	80%
2018	Paul McDonald	734	80%	84%
2017	Paul McDonald[1]	663	81%	99%
2017	Rob Rennie	213	57%	–
2016	Rob Rennie	484	52%	–
2015	Peter Slabbert	1,676	91%	100%
2014	Peter Slabbert	1,529	91%	96%
2013	Peter Slabbert	1,269	86%	100%
2012	Peter Slabbert	1,244	40%	100%

1 Includes remuneration received in the period prior to his appointment as Director during the year.

Percentage change in remuneration of Directors compared with other employees

The following table shows the percentage change in each Executive and Non-Executive Directors' remuneration compared with the average change for all employees of the Company for the year ended 30 September 2021. The prior year change is also shown and this will build up over time to cover a rolling five year period.

	Salary/Fee		Pension and other benefits		Annual Bonus	
	2021	2020	2021	2020	2021	2020
Paul McDonald	22.0%	5.1%	15.2%	54.9%	(100.0%)	25.7%
Nick Keveth	22.8%	5.6%	13.6%	37.2%	(100.0%)	26.4%
Bruce Thompson[1]	541.7%	N/A	N/A	N/A	N/A	N/A
Chloe Ponsonby[2]	19.6%	8.8%	N/A	N/A	N/A	N/A
Bindi Foyle[3]	235.3%	N/A	N/A	N/A	N/A	N/A
Victor Chavez[4]	N/A	N/A	N/A	N/A	N/A	N/A
Pim Vervaat	(58.9%)	0.0%	N/A	N/A	N/A	N/A
David Evans	(82.9%)	0.0%	N/A	(100.0%)	N/A	N/A
All employees[5]	4.7%	6.0%	6.8%	6.9%	(100.0%)	38.2%

1 Bruce Thompson was appointed to the Board as Non-Executive Director on 1 March 2020 and appointed as Chair on 2 December 2020.

2 The change in fee reflects Chloe Ponsonby's responsibility for workforce engagement. From 1 July 2021 the workforce engagement mechanism changed to an employee engagement forum and Chloe's additional fee for workforce engagement responsibilities ceased. Chloe Ponsonby was appointed Senior Independent Director with effect from 1 February 2021.

3 Bindi Foyle was appointed to the Board as Non-Executive Director with effect from 1 May 2020 and took over as Chair of the Audit Committee on 29 January 2021.

4 Victor Chavez was appointed to the Board with effect from 1 December 2020.

5 Paul McDonald and Nick Keveth are the only employees of the Parent Company, Avon Protection plc and therefore figures for all U.K. employees of the Group have instead been set out on a voluntary basis. To aid comparison, the group of employees selected are those full time U.K. employees who were employed over the complete two-year period.

CEO to employee pay ratio

The table below sets out the ratio between the total pay of the CEO and the total pay of the employees at the 25th, 50th (median) and 75th percentiles of the U.K. workforce.

Year	Method	25th percentile	Median	75th Percentile
2021	A	43:1	34:1	24:1
2020*	A	72:1	60:1	37:1

* The 2020 figure has been updated from the figure shown last year to reflect the actual value of vested shares, rather than the estimated value used to calculate the figures last year.

The 25th, 50th and 75th percentile ranked individuals have been identified using Option A in accordance with the reporting regulations, selected on the basis that this provides the most robust and statistically accurate means of identifying the relevant employees. The day by reference to which the 25th, 50th and 75th percentile employees were determined was 30 September 2021. The CEO pay figure is the total remuneration figure as set out in the single figure table and equivalent figures (on a full-time equivalent basis) have been calculated for the relevant 25th, 50th and 75th percentile employees. The lower rate in 2021 reflects the reduced incentive payments for the year ending 30 September 2025.

The total pay and benefits figures used to calculate the ratios for each of the 25th percentile, median and 75th percentile employees are set out below:

Year	25th percentile	Median	75th Percentile
2021	£23,987	£29,975	£43,262

The salary element for each of these figures is set out below:

Year	25th percentile	Median	75th Percentile
2021	£22,909	£28,500	£41,000

The Committee is satisfied that CEO remuneration is reasonable and consistent with Company's wider policies on employee pay, reward and progression, see page 85 for further details.

Relative importance of spend on pay

The following table shows the change in Group expenditure between the current and previous financial periods on remuneration and associated costs paid to all employees globally, set against distributions to shareholders and other uses of profit or cash flow being profits retained within the business, investments in research and development and other capital expenditure.

	2021 ($m)	2020 ($m)	% change
Overall expenditure on pay (note 6.1)	78.0	84.9	(8.1%)
Dividends	12.1	8.9	36.0%
(Loss)/profit retained	(37.7)	162.5	(123.2%)
R&D expenditure (including capitalised development costs)	19.1	11.8	61.9%
Other capital expenditure (excluding capitalised development costs)	16.6	13.1	26.7%

Implementation of policy for the year ending 30 September 2022

Basic salary

Paul McDonald's base salary will be £513,750 and Nick Keveth's shall be £359,625, with the increases in line with the average employee increase of 2.75%.

	2021	2022
Paul McDonald	£500,000	£513,750
Nick Keveth	£350,000	£359,625

Non-Executive Director fees

The supplementary Employee Engagement Director fee will no longer apply following a change to the workforce engagement mechanism as described earlier in this report. There are no other changes to Non-Executive Director fees.

	2021	2022
Chair	£175,000	£175,000
Non-Executive Director	£50,000	£50,000
Committee Chair	£10,000	£10,000
Senior Independent Director	£10,000*	£10,000*
Employee Engagement Director	£5,000	–

* There is a maximum additional fee of £15,000 if the SID also chairs a committee.

Benefits

Benefits remain unchanged and will include a car allowance, the cost of private health insurance, life insurance, critical illness insurance and executive medical.

Remuneration Report continued

Pension

The Executive Directors receive a contribution towards pension of 15% of basic salary, paid either as a non-pensionable salary supplement or delivered through the Group's money purchase scheme. Under the policy approved last year, the intention was for the current contribution rates for the incumbents to be reduced to the U.K. workforce rate of 7.5% of salary from 1 October 2023. Reflecting on feedback received from shareholders, Paul McDonald has voluntarily pledged to reduce his pension contribution rate from 15% to 7.5% from the time a new CFO is recruited, expected to be during FY22. The contribution rate for any new Executive Director appointment including a new CFO, will be limited to the workforce rate.

Annual bonus

For the year ending 30 September 2022, the maximum opportunity under the annual bonus plan will be 125% of base salary for both Executive Directors. 25% of the total bonus payment will be deferred into shares for two years.

Bonuses will be based on Group Revenue (20%), Group Operating Profit (40%), Cash Conversion (20%) and the achievement of strategic objectives (20%).

The Committee will set the bonus targets in the New Year following the strategic review of the armor business. Retrospective disclosure of the targets and performance against them will be made in next year's Annual Report on Remuneration to the extent the targets are not commercially sensitive at that time.

2022 LTIP awards

The Committee expects to make LTIP awards to senior executives in 2022. Due to the strategic review of the armor business announced on 12 November 2021, the exact terms of the award are yet to be determined. Full details of the award terms, including the performance criteria, will be set out in the stock exchange announcement at the time of grant.

Statement of shareholder voting on the remuneration report

The shareholder vote on the Remuneration Report for the year ended 30 September 2020 at the AGM which took place on 30 January 2021 was as follows:

Resolution	Votes for (including discretionary)	% for	Votes against (excluding withheld)	% against	Total (excluding withheld and third party discretionary	Withheld
Approval of the Directors' Remuneration Policy	20,985,904	87.69%	2,946,955	12.31%	23,932,859	2,684
Approval of the Directors' Remuneration Report	16,787,428	76.30%	5,215,543	23.70%	22,002,971	1,932,572

In advance of last year's AGM, we undertook a comprehensive review of our Policy which included a wide-reaching consultation exercise. While the Policy received 87.7% support, the Committee is aware that Resolution 2 to approve the Directors' Remuneration Report received votes against from 23.7% of the votes cast.

As a result, the Company sought to engage with all those major shareholders who voted against the resolution to better understand their reasons for doing so. Amongst the shareholders who engaged with us it appears there were two main reasons which explained their decision to vote against. The first was due to the size of the salary increases applied to the Executive Directors for FY2021 (including the fact that they were not phased over more than one year) and the second was in relation to the timing of the Executive Directors' pension reductions, where contribution rates are reducing to the workforce level from 1 October 2023 and not from 1 January 2023.

The Committee understands the general sentiment towards increases to senior executives' salaries but remains comfortable that the revised salaries were not excessive and that the previous salaries were very modest. However, the Committee will consider the feedback received when reviewing salaries over the life of the current policy.

In addition, the Committee is supportive generally of the drive to align Executive Directors' pension contributions with those of the workforce, as evidenced by the commitment to doing so within the new remuneration policy. The timescale within which the transition to the workforce level will take place was considered carefully in the round alongside the other various changes to the policy we were seeking approval for. While the Committee concluded that achieving alignment over the life of the policy was a fair approach, Paul McDonald has volunteered to reduce his pension to the workforce rate from the time a new CFO joins the Board.

The Remuneration Committee would like to thank the shareholders that took part in the engagement process and values the feedback and insights it has gained. It remains committed to engaging proactively with shareholders and advisory bodies on remuneration matters.

This Remuneration Report has been approved by the Board of Directors and signed on its behalf by:

Chloe Ponsonby
Chair of Remuneration Committee

14 December 2021

Directors' Report

The Directors submit the Annual Report and audited financial statements of Avon Protection plc ('the Company') and the Avon Protection group of companies, ('the Group') for the year ended 30 September 2021. The Company is a public limited company incorporated and domiciled in England and Wales with company registration number 32965. The Company's subsidiary undertakings, including those located outside the U.K., are listed in note 7.4 of the financial statements. The Company changed its name from Avon Rubber p.l.c. on 12 July 2021.

Strategic Report

The Strategic Report, which contains a review of the Group's business (including by reference to key performance indicators), a description of the principal risks and uncertainties facing the Group, and commentary on likely future developments is set out on pages 16 to 59 and is incorporated into this Directors' Report by reference.

Financial results and dividend

The Group statutory loss for the year after taxation amounts to $25.6 million (2020: restated profit $171.4 million). Full details are set out in the Consolidated Statement of Comprehensive Income on page 119.

An interim dividend of 14.3 U.S. cents per share (converted to 10.34p) was paid in respect of the year ended 30 September 2021 (2020: 9.02p).

The Directors recommend a final dividend of 30.6 U.S. cents per share, which will be converted into GBP prior to payment to shareholders (2020: 18.06p) resulting in a total dividend distribution per share for the year to 30 September 2021 of 44.9 U.S. cents per share (2020: 27.08p).

Share capital

The Company only has one class of share capital, which comprises ordinary shares of £1 each. As at 14 December 2021 the Company has 31,023,292 shares in issue and no shares were issued during the year. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share. Further details of the shares in issue during the financial year are set out in note 5.5 of the financial statements.

The full rights and obligations attaching to the Company's shares as well as the powers of Directors are set out in the Company's Articles of Association ('the Articles'), copies of which can be obtained from Companies House or by writing to the Company Secretary. Shareholders are entitled to receive the Company's reports and accounts, to attend and speak at general meetings, to exercise voting rights in person or by appointing a proxy and to receive a dividend where declared or paid out of profits available for that purpose. There are no restrictions on the transfer of issued shares or on the exercise of voting rights attached to them, except where the Company has suspended their voting rights or prohibited their transfer following a failure to respond to a notice to shareholders under section 793 of the Companies Act 2006, or where the holder is precluded from transferring or voting by the Financial Services Authority's Listing Rules or the City Code on Takeovers and Mergers.

The 334,933 shares held in the names of the two Employee Share Ownership Trusts are held as a hedge against awards previously made or to be made pursuant to the Long-Term Incentive Plan are held on terms which provide voting rights to the Trustee. During the year the trust acquired 95,855 shares at a cost of £3,099,869.

The Company is not aware of any agreements between its shareholders which may restrict the transfer of their shares or the exercise of their voting rights. The only exception to this being that the Trustees of the two Employee Share Ownership Trusts have waived their rights to dividends.

At the Company's last AGM held on 29 January 2021, shareholders authorised the Company to make market purchases of up to 3,102,329 of the Company's issued ordinary shares. No shares were purchased under this authority during the year. A resolution will be put to shareholders at the forthcoming AGM to renew this authority.

The Directors require authority to allot unissued share capital of the Company and to disapply shareholders' statutory pre-emption rights. Such authorities were granted at the 2020 AGM and resolutions to renew these authorities will be proposed at the 2021 AGM, see explanatory notes on pages 171 to 173. No shares were allotted under this authority during the year.

Substantial shareholdings

As at 30 September 2021 the following shareholders held 3% or more of the Company's issued share capital

Fidelity Management & Research Company (FMR)	8.24%
Capital Research and Management Company	6.69%
Franklin Templeton Fund Management Ltd	6.62%
Kempen Capital Management	5.88%
BlackRock Investment Management	4.82%
Vanguard Group Inc	3.45%
Schroder Investment Management	3.39%
Hargreaves Lansdown Stockbrokers	3.14%
Wasatch Advisors Inc	3.11%

Significant agreements – change of control

The only significant agreements to which the Company is a party which take effect, alter or terminate upon a change of control of the Company following a takeover bid are the Company's:

- revolving credit facility agreement
- Long-Term Incentive Plan ('the Plan')

The unsecured revolving credit facility of $200 million provided by Barclays Bank PLC, Comerica Bank Inc., Fifth Third Bank NA, National Westminster Bank plc, CIC and Bank of Ireland contains a provision which, in the event of a change of control of the Company, gives each lending bank the right to cancel its commitments to the Company and to declare all the outstanding amounts and accrued interest owed to such lending bank immediately due and payable. If a lending bank does not exercise this right within 15 business days of being notified of the change of control, it shall not be able to cancel its commitments or require repayment of its share of the amounts outstanding under the facility in respect of such change of control.

A change of control will be deemed to have occurred if any person or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) gains direct or indirect control of the Company.

Under the rules of the Plan, on a takeover a proportion of each outstanding grant will vest. The number of shares that vest is to be determined by the Remuneration Committee, including by reference to the extent to which the performance condition has been satisfied and the number of months that have passed since the award was made.

It is also possible that the trustee of the pension plan would seek to review the current funding arrangements and deficit recovery plan as part of or following a change of control, particularly if that resulted in a weakening of the employer covenant.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control, except in relation to the Long Term Incentive Plan as described above.

Directors

The current Directors as at 14 December 2021 and their biographies are shown on pages 62 and 63. David Evans and Pim Vervaat stepped down from the Board on 2 December 2020 and 29 January 2021 respectively. Victor Chavez CBE was appointed as an Independent Non-Executive Director and member of the Audit, Nomination and Remuneration Committees on 1 December 2020.

As announced on 25 May 2021, after what will be five years, Nick Keveth will retire from the Board on or before the end of March 2022.

According to the Articles of Association, all Directors are subject to election by shareholders at the first AGM following their appointment, and to re-election thereafter at intervals of no more than three years. In line with best practice reflected in the U.K. Corporate Governance Code, all current Directors will be standing for reappointment at the forthcoming AGM to be held on 28 January 2022.

The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 75 to 95.

The Company's rules about the appointment and replacement of Directors, together with the powers of Directors, are contained in the Articles. Changes to the Articles must be approved by special resolution of the shareholders.

Directors' and Officers' indemnity insurance

In accordance with the Company's Articles and subject to the provisions of the Companies Act 2006 ('the Act'), the Company maintains, at its expense, Director's and Officer's insurance to provide cover in respect of legal action against its Directors. This was in force throughout the financial year and remains in force as at the date of this report.

The Company's Articles allow the Company to provide the Directors with funds to cover the costs incurred in defending legal proceedings. The Company is therefore treated as providing an indemnity for its Directors and Company Secretary which is a qualifying third-party indemnity provision for the purposes of the Act.

Conflicts of interest

During the year no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

Research and development

The Group continues to utilise its technical and materials expertise to remain at the forefront of innovative technology and produce specialist products and services to maximise the performance and capabilities of its customers. The Group maintains its links to key universities in the U.S. and U.K. and continues to work with new and existing customers and suppliers to develop its knowledge and product range. Total Group expenditure on research and development in the year was $19.1 million (2020: $11.8 million), further details of which are contained in the Strategic Report on page 46.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 64 to 67. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Stakeholder engagement

The Board factors stakeholder opinions and feedback into their decisions to ensure the impact on key stakeholders' needs and concerns are considered. More information on how the Board engages with stakeholders can be found in the section 172 on pages 58 and 59.

Directors' Report continued

Employee share schemes and plans

The Group encourages its employees to share in the future success of the Group and operates three share based incentive plans. The Avon Rubber Share Incentive Plan (SIP) is open to all eligible U.K. employees. Under the SIP participants are able to purchase shares in the Company monthly using deductions from their pre-tax pay. The Avon Rubber Employee Stock Purchase Plan (ESPP) is open to all eligible U.S. employees. Under the ESPP, participants are able to purchase shares in the Company at a discounted rate from payroll deductions. The Avon Rubber Long Term Incentive Plan (LTIP) is designed to align Executive Directors' and senior employees' interests with those of shareholders and to incentivise the delivery of sustainable earnings growth and superior shareholder returns. Discretionary awards are granted under the LTIP over a fixed number of shares by reference to salary, with awards ordinarily vesting, subject to meeting performance criteria, on the third anniversary of the grant date.

Environmental and corporate social responsibility

Matters relating to Environmental and Corporate Social Responsibility including reference to our policy on diversity are set out in the new Sustainability Report on pages 30 to 37.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are included in the new Sustainability Report on page 31.

Political and charitable contributions

No political contributions were made during the year or the prior year. Contributions for charitable purposes amounted to $45,132 (2020: $46,965) consisting exclusively of numerous small donations to various community charities in Wiltshire, Maryland, Michigan, New Hampshire, California, Ohio and Kentucky.

Policy on employee disability

Avon Protection provides support, training and development opportunities to all our employees irrespective of any disabilities they may have. We give full and fair consideration to disabled applicants, and where an existing employee becomes disabled during their employment, we will make every effort to enable them to continue their employment with Avon Protection in their original or an alternative role.

Financial instruments

An explanation of the Group policies on the use of financial instruments and financial risk management objectives are contained in note 5.4 of the financial statements.

Independent auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has 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.

Auditor

KPMG LLP has expressed its willingness to continue in office as independent auditor and a resolution to re-appoint them and authorising the Board to agree their remuneration will be proposed at the AGM.

Annual General Meeting

The Company's AGM will be held at our Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB on 28 January 2022 at 10.30am. Registration will be from 10.00am. The Notice of the AGM and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting and can be found on pages 169 to 174.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Parent Company financial statements in accordance with U.K. accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition the Group financial statements are required under the U.K. Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRSs as adopted by the EU').

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRSs as adopted by the EU');
- for the Parent Company financial statements, state whether applicable U.K. accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed on pages 62 and 63, confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report/Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors' Report and responsibility statement was approved by the Board of Directors on 14 December 2021 and is signed on its behalf by:

Paul McDonald
Chief Executive Officer

14 December 2021