



2021 SUSTAINABILITY REPORT

A CENTENARY OF PARTNERING FOR SUCCESS

**SCOTT BADER EMPLOYEE, ENVIRONMENT,
SOCIAL AND GOVERNANCE (EESG) REPORT**



Since 1921, Scott Bader has manufactured materials that are behind many big, successful brands, creating products that people rely on, every day. Today we work with industries, businesses and consumers the world over, providing innovative composite, structural adhesive and functional polymer products. Scott Bader is an employee-owned £200 million global manufacturer employing 750 people across 7 manufacturing sites and 18 global offices.

Our business is based on the simple principle of maintaining a balance between our social purpose and business needs. In 1951 we became the first UK company to hold a Common Ownership Certificate when the Bader family handed over their shares to the Scott Bader Commonwealth Ltd – in simple terms, this means that Scott Bader colleagues own and are responsible for the success and overall wellbeing of the company.

INVESTORS IN PEOPLE™
We invest in people **Gold**



2036 VISION



We envision a world where humanity thrives, without compromising the natural systems it depends on. Scott Bader provides essential technologies that address the challenges of our changing society and in doing so is a renowned, trustworthy partner that is globally admired for harnessing the power of chemistry as a force for good.

OUR 7 STRATEGIC GOALS



1 STRIVING FOR EXCELLENCE

We are purpose-driven, fully meeting the expectations of our customers by continuously improving all our processes and products to deliver world-class business performance.



2 PIONEERING THE CIRCULAR ECONOMY

We are a recognised circular economy practitioner, collaborating with our partners to optimise our combined resources for a waste and harm-free, closed-loop value chain.



3 ACTING BEYOND COMPLIANCE

We are a trusted leader, proactively driving a safe, transparent and ethical chemical industry, promoting exemplary conduct to deliver products and processes that safeguard people and planet.



4 DELIVERING VALUE TO SOCIETY

We are advocating sustainability, sharing our know-how, profit and Commonwealth vision, and supplying products and services that provide real value to society.



5 UNLEASHING COLLEAGUES' POTENTIAL

We are driven by the diversity and creativity of our people who are empowered and motivated to make a difference through initiative and innovation at every level of the organisation.



6 PARTNERING FOR SUCCESS

We are at the heart of a global network of mutually-beneficial partnerships with suppliers, customers and world-leading allies who are engaged with our mission and share our vision.



7 PROTECTING OUR ENVIRONMENT

We are a strong ambassador for the transition to a sustainable planet through our responsible use of our natural resources, our stewardship of clean energy and fresh water, and our commitment to zero emissions.

OUR 2036 VISION WAS DEVELOPED WITH REFERENCE TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



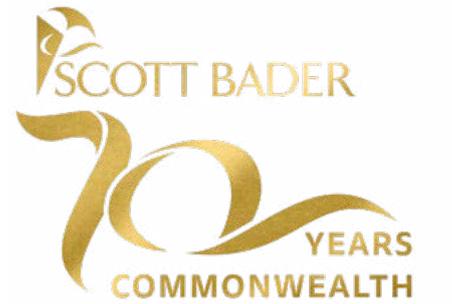
SUSTAINABLE DEVELOPMENT GOALS





HIGHLIGHTS

- Celebrated a century of partnering for success and 70 years of being Employee-Owned.
- Ran our first RISE, Diversity in Leadership programme, and third Women in Leadership programme.
- Entered the personal care market and launched Texique - a range of bio-based personal care additives.
- Continued to develop and supply an increasing number of products with a bio-based component as part of our commitment towards reducing our environmental footprint.
- Introduced Zero Harm, a Safety, Health and Environment (SHE) strategy where we strive to introduce zero harm to our colleagues, assets and the environment in which we operate in.
- Established the Operations sustainability committee to drive the achievement of Scott Bader's target of 60% reduction in Scope 1 and 2 emissions by 2025.
- Godric Bader, Chairman of Scott Bader and the son of our founder, Ernest Bader won the EO Champion for 2021 awarded by the UK Employee Ownership Association.
- France became our first manufacturing site to achieve the ISO 50001 certification, the International Standard for Energy Management Systems.
- A total of £332k in donations to charities across 26 countries.



INVESTORS IN PEOPLE™
We invest in people Gold



£332K
DONATED TO CHARITY



CONTENTS

HIGHLIGHTS	4	Adhesives	33
MESSAGE FROM CEO	6	Functional polymers	33
THE BUSINESS	8	Setting our R&D baseline	33
REVIEWING OUR IMPACT	9	Product stewardship and the circular economy	34
OUR PRODUCTS	10	Ethical & sustainable sourcing	35
Family of brands	11	SOCIAL	36
Key Markets	12	Supporting our communities	36
Composites	12	Charitable giving	37
Adhesives	12	Volunteering & matched funding	38
Functional polymers	13	Promoting industrial democracy	39
Customers	14	Member engagement	39
Suppliers	14	Local councils	39
CENTENARY YEAR	15	Community relations	40
EMPLOYEE	18	International impact	41
Colleagues as owners - be the best we can be	18	Commonwealth impact summary – 2021	42
Empowered, engaged, and informed colleagues	19	GOVERNANCE - THE SPIRIT OF SCOTT BADER	43
Colleagues sharing in the value created	21	The constitution and our governing bodies	43
Colleague development and opportunity	22	The Commonwealth Board (CWB)	44
Diversity and inclusion	23	The Members' Assembly (MA)	45
Gender pay gap	24	The Group Board (SBCL)	46
Keeping colleagues safe and well	25	Compliance	47
ZERO HARM	26	Risk management	48
ENVIRONMENT	29	Stakeholder engagement	49
Energy	29	National governments - Tax transparency	50
Emissions	30	Constitution review	51
Waste	30	Corporate governance	52
Water	31	I: GLOSSARY	53
Packaging, storage & transportation	31	Abbreviations and Acronyms	54
Biodiversity	31	Glossary of Terms	54
Research, development and innovation	32	II: ANALYSIS OF OUR CHARITABLE GIVING	55



MESSAGE FROM THE CEO DR KEVIN MATTHEWS



Kevin Matthews

“2021 was a pivotal year for Scott Bader as we celebrated the centenary of our formation, published our inaugural Employee, Environment, Social & Governance (EESG) Report about corporate responsibility and sustainability, and commenced a major review of the Commonwealth’s constitution. In addition, we set out clear targets towards meeting the Group’s 2036 vision including setting up a sustainability committee tasked with delivering a 60% reduction in scope 1 & 2 emissions by 2025 and a major investment in developing people to be “the best they can be”.

We are now on a clear path towards delivering on the ambitions of the 2036 vision: making a positive contribution to the environment and society.

The purpose of this report is to provide our colleagues, customers, suppliers and other stakeholders a clear and transparent report for them to assess for themselves the progress we are making, challenges we are facing and the actions we are taking to put our values into practice.

In 2021 we faced many challenges: COVID-19, global supply chain problems and warnings at COP26 of the peril the world faces from climate change. In 2022, I am saddened to write that the challenges we face have only deepened:

- As a result of the necessary focus of healthcare resources on COVID-19 the world is now facing a huge backlog of patients requiring medical care for more traditional illnesses.
- The invasion of Ukraine by Russia brings war back to Europe for the first time since the Balkan crisis of the 1990’s with a significant loss of innocent civilian life, furthermore geopolitical tensions are increasing around the world with growing levels of nationalism and intolerance.

- The Intergovernmental Panel on Climate Change (IPCC) has confirmed that some of the effects of climate change are likely to be irreversible, that the planet is on a trajectory that would surpass the 1.5°C targeted temperature increase and that biodiversity is being lost globally at unprecedented rates.

I hear people ask: What can we as individuals do against this backdrop? In reality, there is no single solution, change will only be achieved through the efforts of us all, applying our values consistently with the objective of building a sustainable future for everyone regardless of age, nationality, race, religion or sexuality.

The founding principles of Scott Bader embodies this thinking. Every colleague, from all over the globe, can participate equally in our industrial democracy, helping to define and agree priorities and the steps we need to take to deliver our strategy and achieve our vision. Many of the changes proposed for the constitution are designed to further support this engagement. The results of our work already contribute positively to society and the environment whether that is in the production of wind blades or charitable donations to support education in poor communities around the world and we all have the opportunity to ensure these contributions make an even bigger difference.



MESSAGE FROM THE CEO DR KEVIN MATTHEWS

We have a responsibility to live our values but also to shout about the things we do, to encourage others to take difficult decisions to do the right thing. Scott Bader isn't owned by shareholders, therefore what the business is and does is the responsibility of all colleagues, and that's where our personal values come in. The EESG report summarises how we have put our values into actions, these are not words written in a constitution, they are the feelings and emotions that each one of us bring to work and that guide our actions every day. Companies don't have values, people do. If you are excited by some of the activities reported here, they are due to your contributions. Could we do more? I am certain we could, and we are progressively trying to enable more colleagues make an impact and unleash their potential through development courses and initiatives such as the leadership competencies.

However, it is also beneficial to reflect that Scott Bader is part of an interconnected industrial and societal network, dependent on our customers, our suppliers and our communities.

As such we also need to ensure we are matching the expectations of these wider stakeholders. This report enables us to benchmark ourselves against industry and corporate best practice, not only as reference points but also to add some external pressure to drive necessary change within the organisation, to make sure we live up to the potential we have, to make a difference.

The report is focused on four core themes which we consider most relevant to our business, our colleagues and our external stakeholders. These themes, making up our 'EESG' report, are:

- **Employees**
Colleagues and the impact of employee ownership.
- **Environment**
Addressing ecology and climate change.
- **Social**
Our role within the communities in which we operate.
- **Governance**
Building on the past, preparing for the future.



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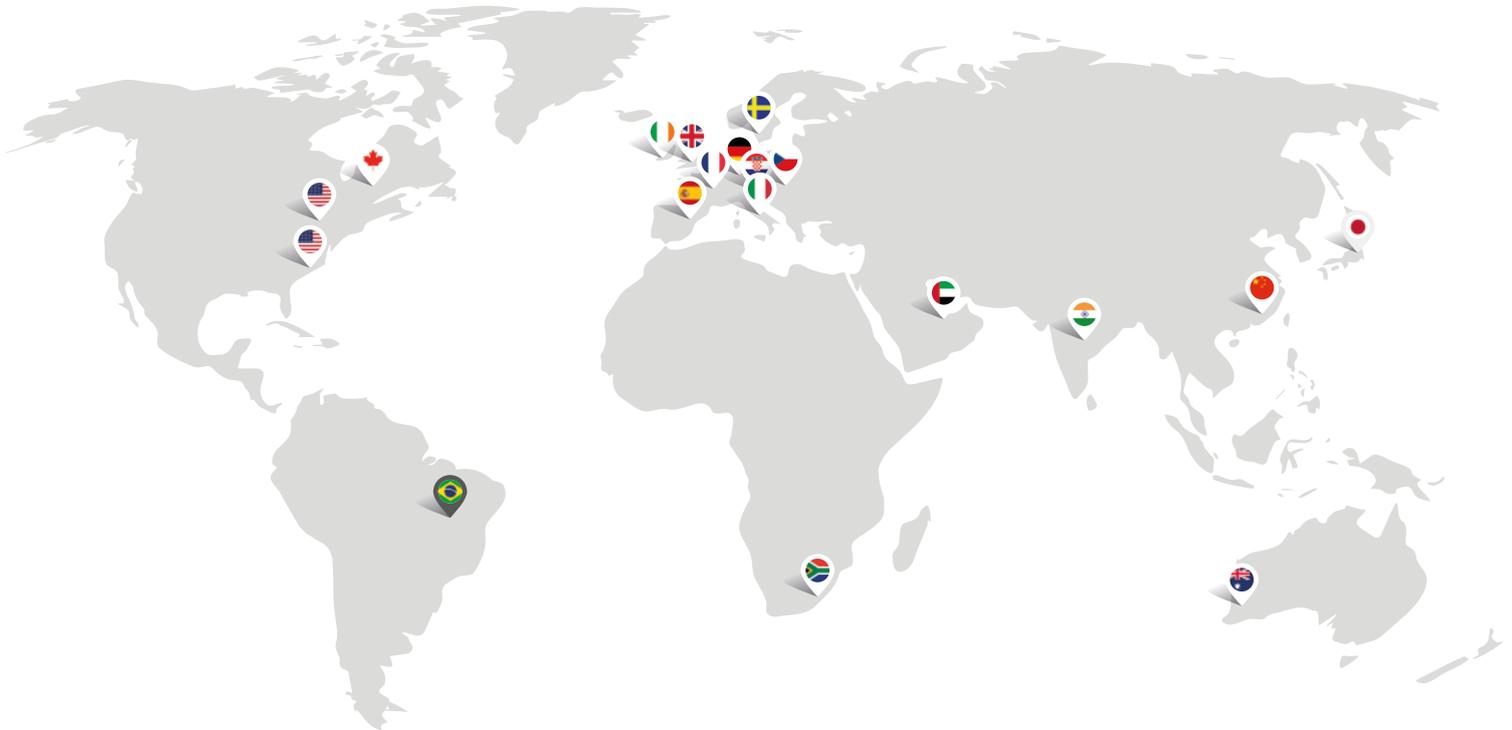
I hope that this report provides a useful insight into Scott Bader and how it is enacting its values. This second report continues our journey towards regular and meaningful measurement of Scott Bader's employee ownership status and our material environmental and social impacts. If you have ideas on how it can be improved or areas you feel need more focus then please let me know.

Dr Kevin Matthews
May 2022





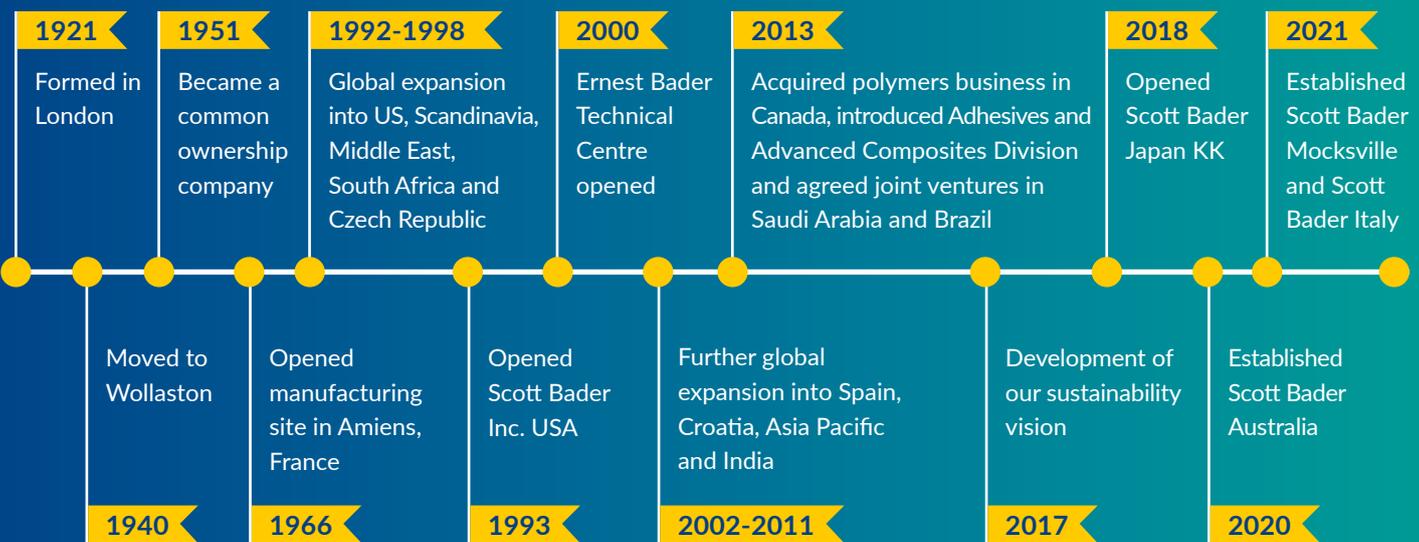
THE BUSINESS



Over the last century, Scott Bader continued to grow and expand its geographical footprint, creating value for its stakeholders. Tapping into the opportunities presented by new and fast-growing markets in North America and Asia, we have now established

a presence in North Carolina and expanded manufacturing capabilities in China as we strive to meet growing domestic and global demand for our market leading structural adhesives and gelcoats. In keeping with Scott Bader's 2036 vision to steer towards

sustainable growth, we now have 7 manufacturing sites, 20 offices, 2 joint ventures worldwide and an increasingly diverse pool of colleagues, with future expansion plans firmly focused on establishing our innovative composite and adhesive products.



As we embody Scott Bader's values and empower our colleagues to be the best they can be, we will continue to build upon our strategy towards making a

positive difference and harnessing the power of chemistry for good. Building lasting partnerships with our customers and suppliers, Scott Bader is positioned

for another century of economic and sustainable growth through a combination of organic growth, investments and acquisitions.



REVIEWING OUR IMPACT

OUR BUSINESS

£270M

REVENUE



OUR CUSTOMERS

2,624
ACTIVE
CUSTOMERS



OUR PEOPLE

725 COLLEAGUES
ACROSS **18**
COUNTRIES



OUR PRODUCTS

3,391
UNIQUE
PRODUCTS SOLD



OUR SUPPLIERS

1,926 IN **38**
COUNTRIES



OUR COMMUNITIES

406 VOLUNTEERING
HOURS



OUR PARTNERS

13 RESEARCH
PARTNERS



GOVERNMENT



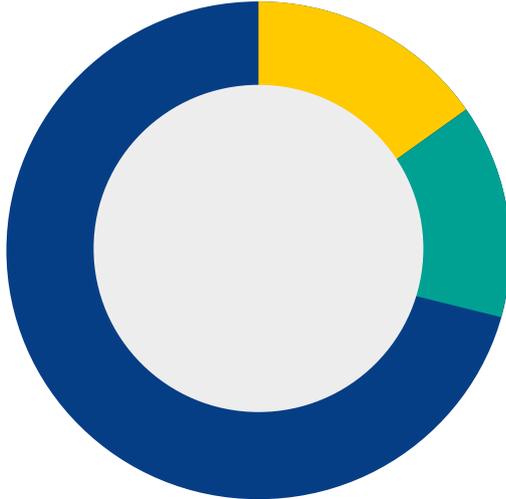
£2.9M
TAXES

OUR PRODUCTS

We are an employee-owned global manufacturer of adhesives, composites and functional polymers. Our portfolio is made up of 3 main product categories, with composites accounting for over 70% of our revenue.

● Composites

- Crestapol®
- Vinyl Esters
- UP Resins
- Gelcoats
- Glass
- Ancillaries

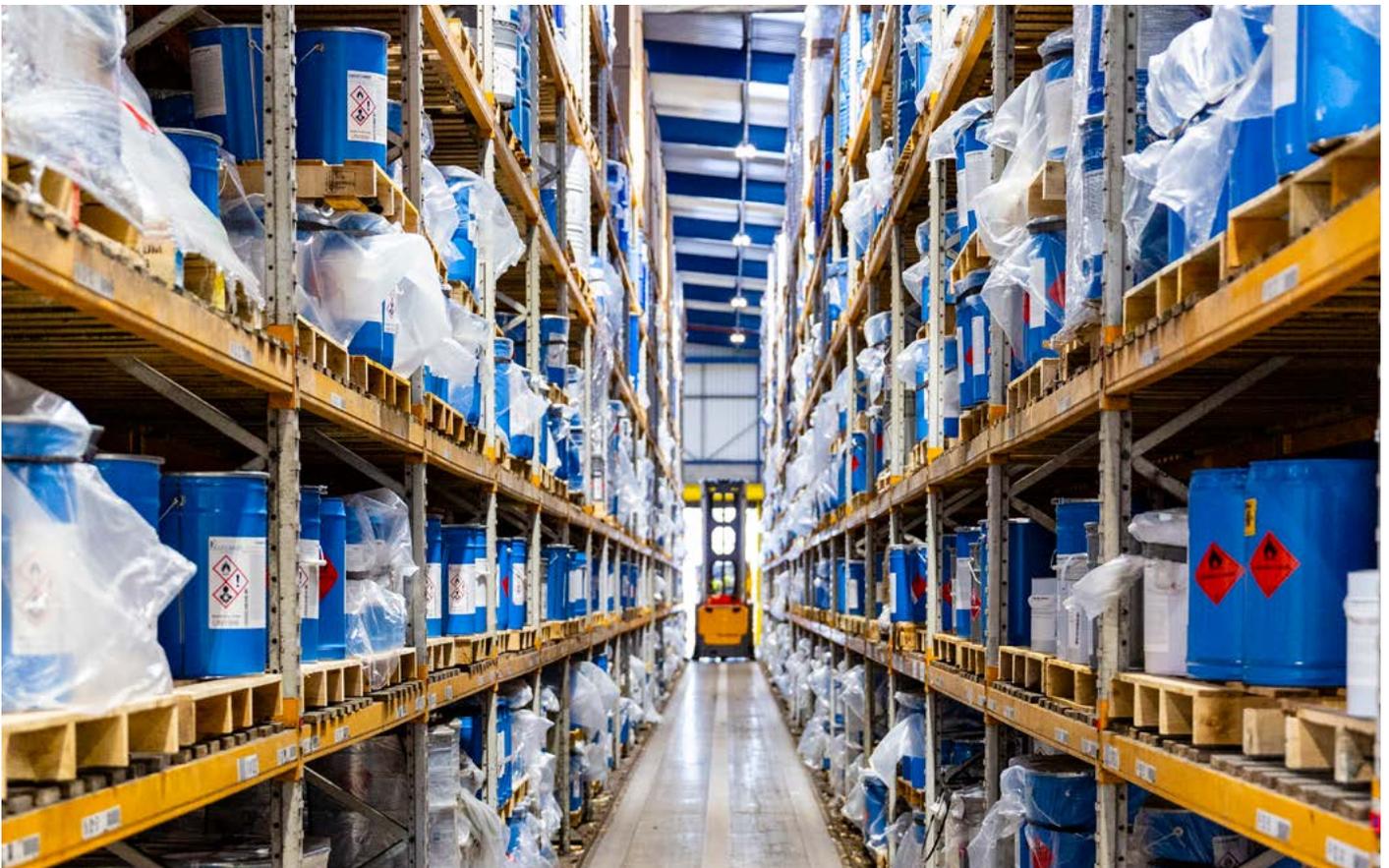


● Functional Polymers

- Emulsions
- Acrylics
- Alkyds

● Adhesives

- Crestabond®
- Crestomer®
- Crestafix® Bonding Pastes



OUR FAMILY OF BRANDS



CRESTABOND®
Primerless MMA Structural Adhesives

CRESTAFIX®
Polyester, Vinyl Ester and Hybrid Bonding Pastes

CRESTOMER®
Urethane Acrylate Structural Adhesives

CRYSTIC®

Crestapol®
Urethane Acrylate Technology

Crestafire®
FST Performance Products

Composites

GELCOATS

CRESTAMOULD®
Matched Tooling Systems

GELTINT
Rapid Colour

Crestaform®
High performance 3D printing resins

Functional Polymers

Texipol®
Rheology Modifiers

Texicryl®
Acrylic Dispersions

Texique®
Bio-based personal care additives

Crestacryl®
Solvent Acrylic Resins

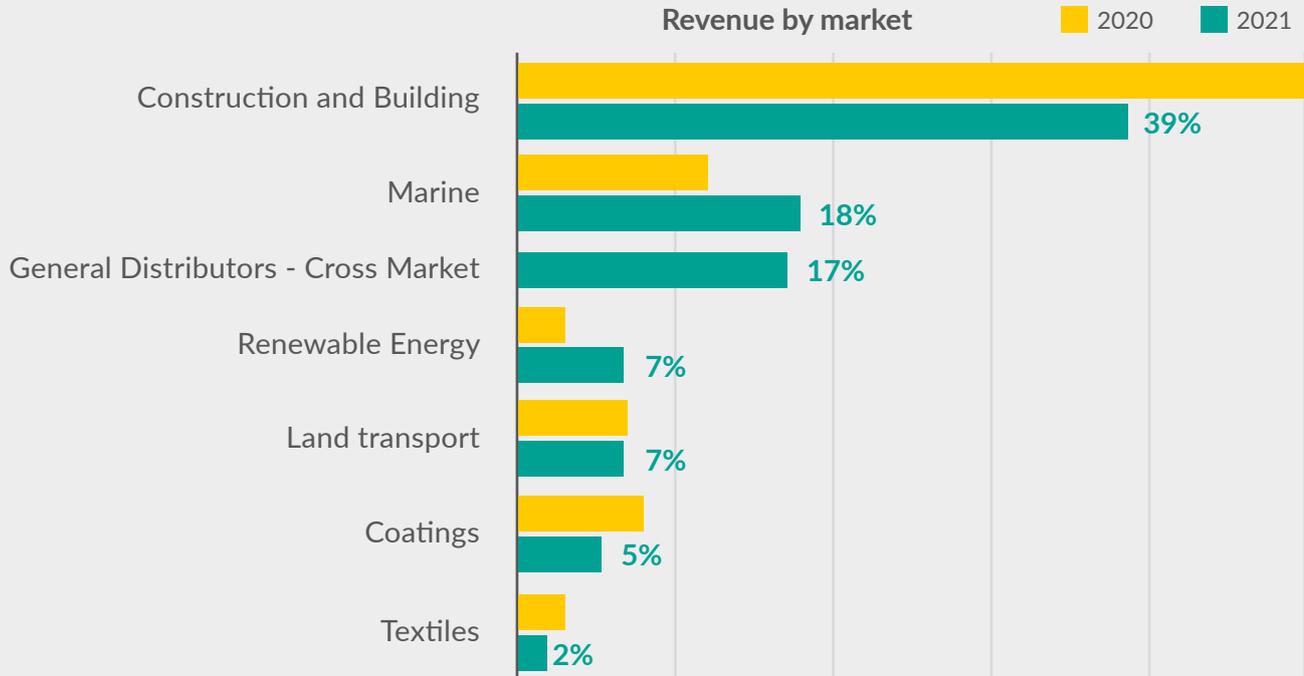
Crestakyd®
Alkyd Resins

CRYSTIC® ROOF



KEY MARKETS

Scott Bader caters to a diverse range of markets, including marine, land transport, building and construction, wind energy, among others. Our focus on the renewable energy market as one of our key markets has seen this market share in our portfolio doubling over the past year.



Composites

For over 70 years, Scott Bader’s composites business has manufactured and supplied a range of reliable resins, gelcoats and ancillary products

to customers in a number of industries.

Composites are key enablers for sustainable technology such as lightweighting, especially within the wind energy and land transportation markets to increase efficiency. Further market share gains were seen in the strategically

important wind energy sector with business gained in both the EMEA & Asia regions. The launch of our zero-styrene Crystic gelcoats and bio-based resins was part of our commitment towards reducing our environmental footprint.

ADHESIVES by SCOTT BADER

Scott Bader’s global adhesives and tooling business manufactures and supplies structural adhesives, bonding pastes and tooling products into a wide range of markets including marine, land transport and renewable energy sectors.

Through research and development, we are currently developing a Crestabond® structural adhesive specifically designed for battery cell bonding. We are also creating an innovative Crestomer® with at least 20% bio-based content, for structural bonding.

In 2021, we further established ourselves within the EV battery market through our newly developed structural adhesive. As requirements for energy storage systems increase, we anticipate significant sales into this market. 2022 will see collaboration with partners to introduce newly developed products with improved sustainability credentials.

To further bring adhesive production closer to our global customer base and reduce emissions associated with delivery, adhesive manufacture is now being developed at additional manufacturing sites.



Functional Polymers



The move to greener chemistries for the personal care market is just one of several projects for our wider green chemistry drive as we move towards our 2036 vision. Our personal care product portfolio is driven by our vision, the market and consumer demand for more environmentally friendly and sustainable products.

We entered the personal care market for the first time through the launch of our Texique® Brand. We have developed

and launched a number of rheology modifiers as well as a conditioning additive under the Texique brand that have a high natural index. These products use natural surfactants, based on coco-glucoside, and a bio-based sustainable oil produced from sugar cane. The products are multi-functional thereby reducing the number of ingredients that need to be used in cosmetic formulation and are energy efficient as they are cold processable, helping to reduce the carbon footprint of cosmetic formulators / manufacturers.

We continue to develop new products both internally and with our partners based on widely available and sustainable natural raw materials as building blocks for personal care polymers. These will have a variety of end application benefits including thickening, emollience and excellent sensory properties.



In 2021, we launched Texique; a new range of bio-based additives for personal care formulations. The new Texique products; HE10 and HE20 are innovative high-performing thickeners and emulsifiers for the personal care

market, manufactured from at least 60% naturally derived ingredients, none of which are animal-based.

With sustainability and the environment in mind, Texique products are also completely ethylene oxide free. This is in line with our 2036 vision of developing sustainable products.

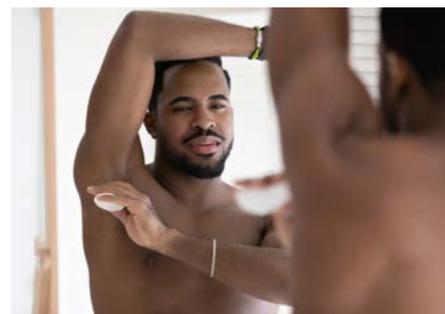
Research and development into bio-based ingredients continues, with the aim of further increasing the percentage of bio-based ingredients within Texique products.

LOOKING FORWARD

As we build on expanding our strategic markets, we are working on opportunities to use our products in lightweight hydrogen pressure vessels - a key requirement for future transport fuels.

We are also moving into more specialty, technically demanding markets, we have added focussed resource in personal care. With this renewed capability we have been working hard to drive new product development with the launch of the Texique range in 2021 and the development of channels to market, with changes in our direct sales representation and ongoing discussions for the appointment of distributors. It is clear however that product naturality and biodegradability are the focus of this market which aligns well with Scott Bader's 2036 vision.

Scott Bader continues to focus on sustainable innovations for their composite customers. Working closely with their talented R&D team, Scott Bader's composite team hope to further increase their range of bio-based products during 2022. Scott Bader also plans to add several innovative developments to their Crestabond®, Crestomer® and Crestafix® adhesives to reduce our environmental impact.



OUR PRODUCTS

CUSTOMERS

Our business and impact span the world servicing customers in over 90 countries. A key part of Scott Bader's strategy to achieve our 2036 vision is to partner with customers in manufacturing sustainable products for sustainable markets. Our relationships with our customers extend beyond short term commercial considerations as we support them on their journey. We are working with our customers to offer more sustainable product options and provide world class technical support as we learn how to best utilise these new materials in constructing high performance composite systems.



Together with our strategic partner Scott Bader, we succeeded in significantly reducing the CO² footprint of our liners with unsaturated polyester resins (UP). - Saertex®




Solar powered kiosks across Africa manufactured using Scott Bader Crystic® and Crestamould® products

Company - DB Max Manufacturing

Location - Cape Town, South Africa

DB Max are Africa's leading fibreglass kiosk manufacturer. They were established around 50 years ago from humble beginnings to a company that now operates out of a 4000 square metre factory, with manufacturing facilities in East London and Cape Town, South Africa.

www.scottbader.com | www.dbmax.co.za



Case study: DB-Max

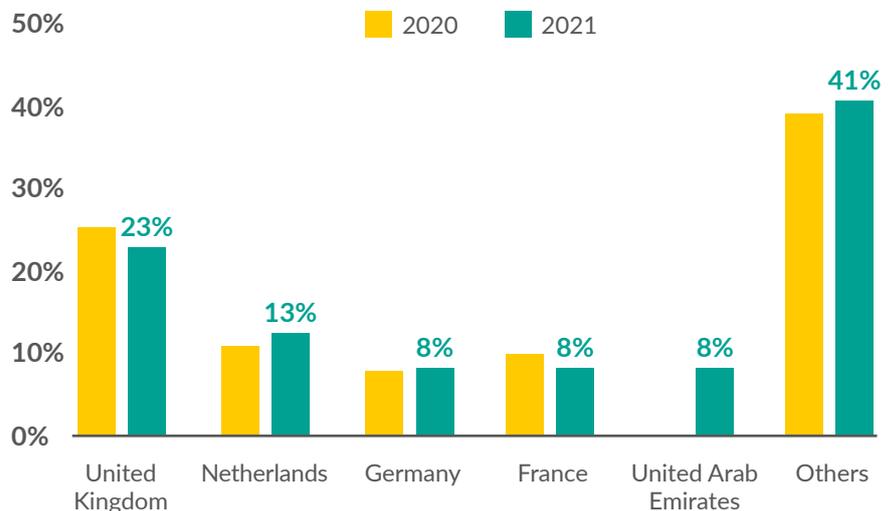
Solar powered kiosks manufactured from Scott Bader's Crystic® and Crestamould® products

Scott Bader and DB Max have worked in partnership to produce solar powered kiosks across Africa using Crystic® resins and Crestamould® matched tooling systems.

The purpose and vision for the kiosks is to make a difference and change the daily lives of people who can now start a sustainable business or get a job working in one of the micro kiosk businesses.

SUPPLIERS

We source a wide range of raw materials, intermediates, goods and services creating value through our supply chain as suppliers are key stakeholders who play a significant role in our business. In 2021, Scott Bader spent over £180 million on goods, services and raw materials to support our manufacturing process, with almost a quarter of that procured from within the UK. Generating long-term benefits for our suppliers and local communities, over 40% of our total raw material spend is within geographies where our manufacturing sites are located. We continue to work on maximizing our impact for the benefit of our suppliers and local communities. For more information on suppliers, please see page 35.



CENTENARY YEAR

On 28th April 2021 we were proud to celebrate a major milestone in our history; 100 years of Scott Bader and 70 years of the Scott Bader Commonwealth.



WHERE IT ALL STARTED

Celebrating our 100th year is the perfect opportunity to remember the man who started it all, Ernest Bader. It was 1921 in Finsbury Square, London when he became the sole agent for a Swiss manufacturer of Celluloid, marking the beginning of Scott Bader.

Having moved to five different locations in London between 1921 and 1940, the bombing that came with the Second World War prompted Ernest to consider a relocation out of London.

Wollaston was chosen and soon bought to be the new home of Scott Bader & Co Ltd, offering 44-acres of land giving plenty of room for factory buildings whilst retaining the lovely grounds and gardens.

Scott Bader has since grown into a global chemical manufacturer employing 725 people across 7 manufacturing sites and 20 offices worldwide.



HOW WE CELEBRATED

Across the Scott Bader Group, all colleagues received a Centenary gift bag, enjoyed Centenary cake, buried time capsules at our manufacturing sites and joined our virtual celebration webinar hosted by Chairman Paul Smith, CEO Kevin Matthews, Commonwealth Chairman Robert Gibson and Members Assembly Chair Samuel Boustred. The new Centenary book was warmly received, and it can now be found on the Scott Bader website as an e-book.



Our Centenary celebrations also included several environmental initiatives to protect and reduce our impact on the environment. These included donating to the World Land Trust's (WLT) Buy an Acre Programme for a conservation project in Argentina and committing to the WLT's Carbon Balanced Programme which places a pledge on the company to reduce its carbon emissions. In September 2021, we received our certificate from WLT confirming our Scope 1 and 2 emissions for 2020 had been offset. The intention is that these initiatives will continue long after 2021.

THE PRINCESS ROYAL VISITS SCOTT BADER

Her Royal Highness, The Princess Royal joined colleagues on Tuesday 27th April 2021 at Scott Bader's UK headquarters to commemorate our Centenary.

Small groups of Scott Bader colleagues from different business areas were delighted to meet The Princess Royal on her tour around our 44-acre headquarters. The Princess Royal was accompanied throughout her visit by Scott Bader's CEO Kevin Matthews who said:

The Princess Royal concluded her visit by unveiling a commemorative plaque to our Centenary and putting the first spade of earth on the Scott Bader Centenary time capsule to initiate its burial. The time capsule contains colleague aspirations for Scott Bader, and to align with our 2036 vision for a sustainable future, it will be reopened in 2036.



“ We are privileged and honoured to have welcomed Her Royal Highness to Scott Bader. My colleagues and I thoroughly enjoyed meeting her and discussing our roles in this unique organisation. As we continue our Centenary celebrations, we can all look back on today's visit with pride and gratitude. ”

CENTENARY SCULPTURE



To permanently commemorate 100 years of Scott Bader, award winning artist John Creed created a Centenary sculpture situated next to 'the Hall', a former manor house that today serves as our head office building.

We were delighted to welcome Godric Bader, his wife Anne and his daughter Hansi to unveil the sculpture to an excited audience of Scott Bader colleagues.

The design's concept and focus aim to embrace and reflect the ethos of the company. The shaping of individual

parts is integrated to be expressive of the past, present and future, using symbolism and metaphor to encapsulate the practical and ethical values of Scott Bader. The size and choice of materials are intended to give a feeling of an intimate and personally engaging object. The base represents the start of Scott Bader including the inscription which was cut by waterjet using digital technology.

While the direction of the company is represented by the column, the centre made of stainless steel is symbolic of the Scott Bader's global diversity.

The electropolished surface of the stainless steel creates a tenacious and lasting oxide-free surface, mirroring the world.

Scott Bader's famous colours are represented within the 'globe' using vitreous enamel. Above this the column soars into the sky and the future. The column is made of weathering steel (Corten). This is a special material in which the surface responds to the atmosphere to create its own protective oxide. It also consists of a series of strips which, when twisted, are transformed into a dynamic of line and surface.

THE TRUE SIGNIFICANCE OF THE SCOTT BADER COMMONWEALTH

Our founder, Ernest Bader was never comfortable with a capitalist governance structure. As Quakers, Ernest and his family believed that ethical and moral action to improve this world was vital. He wanted to find a way to distribute the capital of the company in a way where all employees could have a 'real' say in the company and be acknowledged as equals.

In 1951 a radical decision was made resulting in Scott Bader & Co Ltd being given as a 'free gift' to the newly created Scott Bader Commonwealth Ltd, a charitable trust wholly owned and controlled by the workforce. Founded on Quaker Principles, the Commonwealth sets out to achieve:

- The development of individuals to achieve their full potential.

- Equal opportunities and workplace benefit available to all.
- Involvement and participation giving everyone a voice.
- The chance to be involved in social and community activities.
- Responsibility for one's own actions.
- Leading by example and resolving conflicts non-violently through dialogue.

These principles changed the fundamental structure of the company and shared out the responsibility for its long-term future to its workforce. It is a prime example of how a business can be run differently – and very successfully.

Therefore, it was of special note when Godric Bader at 98 years of age was elected by the Employee Ownership

Association to be the 2021 Employee Ownership champion in recognition of the very significant influence Godric Bader has had on Employee Ownership as an alternate business model.

In 2021 we not only celebrated 100 years of Scott Bader but also an amazing 70 years of being a Commonwealth.

Thank you

To our colleagues past and present, the Bader family, our longstanding customers, partners and suppliers, we want to say thank you for helping Scott Bader reach this incredible milestone. Here's to another 100 years!



EMPLOYEE

COLLEAGUES AS OWNERS - BE THE BEST WE CAN BE

Scott Bader is a unique and thriving employee owned (EO) business. Reflecting everyone's status as co-owners and our commitment to democracy in the workplace, we refer to one another as colleagues (rather than staff or employees).

One of the largest and oldest EO firms in the UK, Scott Bader's 725 colleagues benefit from our highly distinctive business and governance model. In 2021, we were delighted when Scott Bader UK won Employer of the Year award for Northamptonshire.

The values of fairness and humanity are built into how we operate and all colleagues having an objective in their annual appraisal focused on our values and behaviours. In treating everyone as owners, we systematically share transparent information, meaningful influence, and fair reward with colleagues. Our Constitution commits us to supporting the economic, physical, and mental wellbeing of our colleagues' providing opportunities for their professional development and career advancement.

PILLARS: STRATEGIC GOALS:



UNSDGS:



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PEOPLE (1 Jan - 31 Dec)	2020	2021
WORKFORCE		
Permanent colleagues	676	698
Apprenticeships, placements and internships	11	27
Number of colleagues at year end: Group	687	725
UK and Eire	291	309
Continental Europe	198	215
Rest of the World	198	201
Full time	95%	96%
Part time	5%	4%



EMPOWERED, ENGAGED, AND INFORMED COLLEAGUES

Scott Bader provides exceptional opportunities for colleagues to make their voice heard and affect change through our unique democratic commonwealth structure. Every colleague is invited to become a Member of our Commonwealth after one year of service and currently 94% of eligible individuals are Members.

Members can be elected to one of 54 representative roles spread across our three global governance bodies and five local employee bodies. That is about 8% of our workforce at any one time, participating directly in company democracy over and above their day jobs on behalf of colleagues. We recognise the need for these colleagues to improve training in order to allow them to fulfil their elected roles to the best of their ability.

Through their elected representatives, all colleagues (Members or not) can engage and hold management to account, and influence votes on key issues, senior appointments, and approval of major decisions such as acquisitions or major investments. All Members are invited to participate in our Annual General Meeting (AGM) and vote on important issues such as approving how much profit is shared every year. Similar to previous year, in 2021, 69% of Members participated in our AGM.

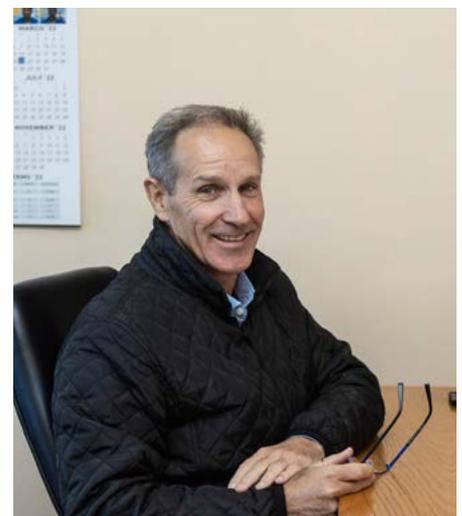
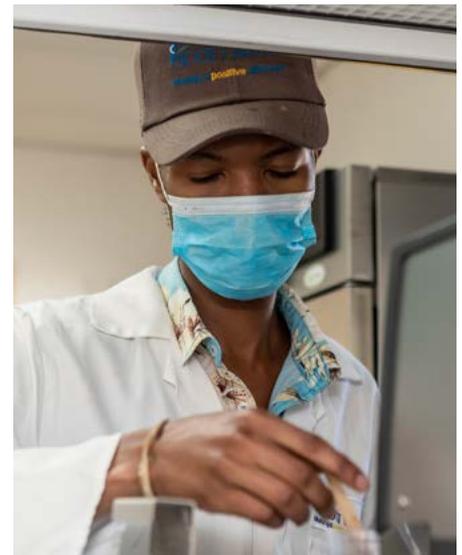
As an employee-owned business where the voice of colleagues as key stakeholders is important and in the spirit of transparency, we increased the visibility of colleagues' level of salary against benchmark data. This was based on a request from the Members Assembly, our democratic body and feedback from the Best Companies colleague survey. We have created five banding levels and colleagues will receive confirmation of which band level they are in following the 2022 salary review process.

In addition, Scott Bader has built strong employee voice into its regular practices. Last year, 100% of colleagues agreed objectives with managers through individual appraisals that take place at least twice a year.

Our Champions of the Quarter colleague recognition scheme continued throughout 2021 with 55 nominations throughout the year for colleagues from across the group deserving recognition. At the end of 2021 our quarterly Champions had opportunities for further recognition as Champions of the year. Our Champions of 2021 were voted for by the GLT, The Commonwealth Board and the Group Board.



A THIRD OF OUR GROUP BOARD DIRECTORS AT SCOTT BADER ARE EMPLOYEES!



2021 CHAMPIONS

- Our Business Champion for 2021 is a Maintenance Supervisor from Dubai who designed and made a 0.54-ton vessel for a Release Agent. This vessel has reduced manpower, increased production, reduced the cycle time and made it safer to use by avoiding the interference of a Forklift Truck (FLT). Furthermore, as there is no need to use a forklift truck, diesel consumption has reduced and as such the operation is more environmentally friendly.
- Our Ecology Champion for 2021 is a Logistics Team Leader from South Africa who noticed a spill in the pump bund section of a tank area, and immediately raised the issue to the Engineering department. Had the spill

not been found, it could have been a major environmental incident.

- Our first Humanity Champion for 2021 is an Operator from Croatia who has given blood over 120 times and actively promotes the benefits of blood donation. He has received a medal from the President of the Republic of Croatia for his contribution.
- Our second Humanity Champion for 2021 is a Shipping Officer from Dubai who helped an organization in UAE with repatriation work for people who due to the pandemic had lost their jobs and did not have enough money to return to their home countries. He gave his time to help with

paperwork and also made a financial contribution towards air tickets. His compassion and generosity paved way for the people to return to their homeland during a difficult time.

- Our Values Champion for 2021 is an HSEQ Manager from Dubai who reported a facilitation payment offered by a potential contractor to the Site Director. With immediate effect the contractor was blacklisted for any future business. The colleague's behaviour reflects his alignment to company values and that these are embedded in the way he conducts business supporting zero tolerance to behaviours not aligned to Scott Bader's values.

To ensure colleagues can act as effective and empowered owners, Scott Bader prioritises sharing regular and transparent business information through a number of communication channels such as monthly senior management cascade where key business information and key highlights are shared, quarterly Connect with GLT webinars available in English, French or Croatian as well as informal monthly Connect with Kevin sessions with the CEO. We are always looking for additional ways to improve information sharing, and support colleagues' ability to interrogate the information they receive.

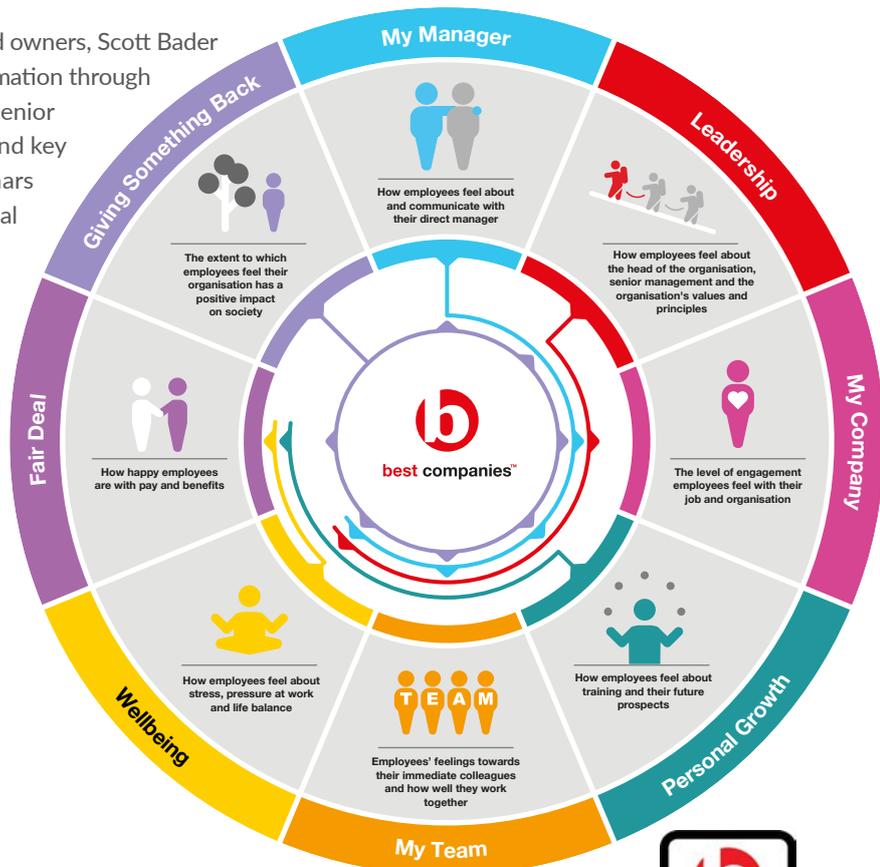
We conducted a colleague engagement survey in November 2021 using Best Companies and we are pleased to report that we achieved a One to Watch category in our first year. This category means that we have good levels of engagement. The Best Companies survey measures engagement over 8 factors and we have identified some improvement areas for 2022 in the following areas.

My Manager - focusing on the further roll out of the leadership competency framework which outlines the basics of people management.

Leadership - All colleagues to be measured against the core values.

Personal Growth - all colleagues to have a learning path and access to good quality training and development.

Wellbeing - creation and deployment of an Employee Value Proposition covering health and ensured benefits.



Fair Deal - increase the awareness and transparency of our pay principles and creating fair pay and reward.

Scott Bader continues to invest in fair pay through the salary review process addressing any priority areas as agreed with the Members Assembly.



COLLEAGUES SHARING IN THE VALUE CREATED

Scott Bader shares value with colleagues based on principles of fair reward. We regularly benchmark to ensure we provide a competitive market salary and benefits framework in each country, whilst recognising skills, knowledge, and experience.

Scott Bader respects the dignity of hard work and is proud to be an independently verified and accredited Living Wage Employer in the UK. To ensure that relative levels of pay remain fair within the business, all our key governance bodies (including elected colleagues) see the ratios of the highest three incomes to the lowest three in the countries where we have manufacturing sites. The median pay ratio against the CEO's pay is tracked annually and is 8.59 : 1.

With regard to variable pay, our Profit Performance Plan is strategically aligned by linking it to the annual target aligned with the 5-year strategic plan. We are pleased to report that all schemes for 2021 achieved the full bonus and all colleagues were paid 16% of their PPP Salary in April 2022.

Importantly as an employee-owned organisation, we also pay out a Group Staff Bonus (GSB, a dividend-equivalent) which is shared as an equal amount to every colleague factored for spending power. In 2021, our centenary year, on a one-off basis, the amount made available for the GSB increased from 5% to 7.5% of adjusted trading profit.



Scott Bader respects the dignity of hard work and is proud to be an independently verified and accredited Living Wage Employer in the UK.



COLLEAGUE DEVELOPMENT AND OPPORTUNITY

Unleashing our colleague's potential is a key aspect of the 2036 vision. In 2021, we spent almost £400k on colleague training and development. Developing a diverse leadership capability has been an area of focus in 2021. In addition to launching a new Leadership Competency framework with over 110 colleagues and carrying out talent reviews to identify high potential individuals. We ran our first RISE, Diversity in Leadership programme, and for the third time our Women in Leadership programme, attended by 30 colleagues in total.

Continuing to adopt a blended approach to how we unleash colleague potential we increased the number of colleagues able to access 1:1 executive coaching. 46 colleagues completed nearly 400 hours of coaching and rated the experience as amazing and life changing.

Scott Bader UK has held the coveted Investors in People Gold Award since 2017 and undertook a reassessment in 2021. We are pleased that we have kept our Gold Award and will have a further assessment in Q3 2022.



In 2021 the business was able to offer 27 work experience opportunities to students through apprenticeships, placement, bursaries and internships across our sites which aim to provide training and opportunities. This is more than double the work placement opportunities in the previous year.

LEARNING AND DEVELOPMENT	2020	2021
Average training and development hours received per employee	7	20
Average amount spent on training and development per employee (£)		£550
RECRUITMENT AND RETENTION		
Employee Engagement Index – Best Companies		627
Voluntary turnover	3.6%	10.3%
Promotions	10%	3.1%



Although we have seen an increase in our voluntary turnover in 2021 in comparison to 2020, this is largely down to the fact that during the COVID pandemic we saw the turnover reduce due to the uncertainty in the economy and the impact of furlough. Apart from the candidate market picking up during 2021, we also have an aging population with retiring colleagues representing 8.1% of all voluntary turnover.



DIVERSITY AND INCLUSION

Scott Bader is committed to creating an equitable, diverse, and inclusive workplace with equal opportunity for career progression.

We have made Diversity & Inclusion (D&I) a strategic priority and an action plan has been developed and is being implemented across the business to:

- Increase awareness amongst colleagues with e-learning on D&I and unconscious bias training.
- Capture relevant data (in a sensitive and legally appropriate manner) to help set targets and drive improvement.

- Ensure rigorous, non-biased, competency-based recruitment and progression.

- Achieve ISO 30415:2021 Diversity and Inclusion.

We have set up a cross functional D&I working group to develop the diversity and inclusion framework to achieve the ISO standard.

We have made excellent progress in advancing gender balance in leadership roles through face-to-face training, virtual support, and mentoring. Progress is summarised in the table below.



DIVERSITY & INCLUSION
AT SCOTT BADER



GENDER DIVERSITY	2020	2021
Gender balance (% female)	24%	26%
Total management	27%	32%
GLT	17%	17%
Group Board	33%	33%
Commonwealth Board	33%	25%
Members' Assembly	45%	33%

* Management is considered at grade B4 and above



In 2021, we introduced a new Talent Acquisition Business Partner and the local HR Teams have been focused on attracting a more diverse selection of candidates. Out of the 145 new colleagues joining the organisation in 2021, 41% were female. Similarly, our governance boards are striving to develop greater diversity as women now make up one third of our Group Board and Members Assembly.

As part of our 2021 colleague engagement survey, to provide us with a baseline, we included bespoke questions related to Diversity and Inclusion. In response to our results, we are developing Group, Site and Functional improvement plans and will evaluate our actions against these when we hold the survey again in Q4 2022.



GENDER PAY GAP

In the UK, Gender Pay reporting legislation requires private sector companies above a certain size to publish and report the difference in average earnings of men and women in an organisation.

For the UK, we have seen our mean gender pay gap reduce from 12.5% in 2020 to 9.9% at April 2021. Our median gender pay gap is at a similar level at 0.9% from 0.7% in 2020, significantly lower than the UK national average of 15.4% as estimated by the Office for National Statistics (ONS). This is also a considerable improvement from our 2017 gender pay gap of 6.4%.

MEAN PAY GAP

9.9%

12.5% (2020)

MEDIAN PAY GAP

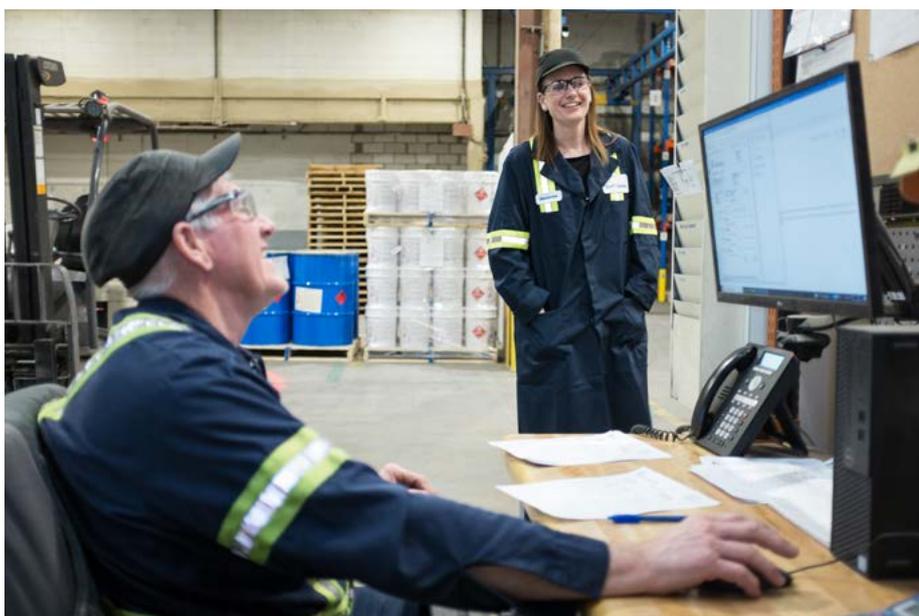
0.9%

0.7% (2020)

We are continuing to support colleagues with training and education which includes e-learning, our Women in Leadership programme, RISE programme focusing on developing diverse leaders of the future, leadership competency frameworks and the Training Assessment Scheme (TAS) at our manufacturing sites.

We have also been addressing fair pay & reward with the introduction of a pay and reward framework with focus on specific job families with a commitment to addressing any pay gaps. We have been using the salary review process in 2021 and 2022 to address priority areas and our investment into ensuring colleagues are fairly and consistently rewarded will continue.

To date, data collection has focused on gender. We continue to encourage colleagues to add their ethnicity to their personal data so we can track progress here too.



KEEPING COLLEAGUES SAFE AND WELL

The health, safety and well-being of all our colleagues, and those we interact with, is paramount in everything we do.

In 2021 we established a clear framework and roadmap for the achievement of ‘world-class’ Safety, Health and Environmental (SHE)

systems and performance recognising that this is a multi-year strategy, with the early years focussing on ensuring we ‘fix the basics’ and set the foundations for sustainable improvements. We have deployed the first elements of this new SHE strategy including:

- Developing a headline Group SHE Policy, endorsed by the Group Board, which has been built upon through supplementary policies covering Process Safety, Occupational Safety & Health and Environment.
- Establishing separate supporting Process Safety and Occupational Safety & Health frameworks. A formal framework to provide structure around our Environmental programmes will be deployed in 2022.
- Instigating the development of a Group SHE management system, aligned to the requirements of ISO 9001, ISO 14001, ISO 45001, ISO 50001 and the Energy Institute

Process Safety Management model; this will continue to be developed during 2022.

- Initiating projects to develop a group wide SHE IT platform and tools to aid delivery and ensure consistency of approach; development of these will continue in 2022.
- Deployment of clear, risk-based Safety, Health and Environment Improvement Plans (SHEIP) at each of our manufacturing sites which is aligned to both the Group SHE strategy and local risk profiles. These are refreshed each year and cover a two-year programme of activity.



We introduced a standard performance goal for all colleagues, as part of the annual performance review process, to encourage further engagement of all colleagues in delivering the zero-harm programme and a sustainable business.

We have introduced the concept of ‘zero harm’ as the guiding principle under which our SHE strategy and frameworks are deployed. We continue

to work closely with local regulatory enforcement bodies to ensure that our SHE systems and processes meet our own expectations, regulatory requirements and align with societal expectations for best practice risk management, thereby minimising potential adverse impacts on our colleagues, those who interact with our business, our neighbours and the environment.



ZERO HARM

Improving the Health & Safety of our colleagues remains a priority at Scott Bader. In 2021, as part of the new Group SHE policies and strategic roadmaps, we started to introduce the term 'zero harm' and how the concept supports our 2036 vision and the delivery of world-class SHE systems, processes and performance.

We strive for zero harm in respect of our colleagues, our assets and the environment in which we operate (including our neighbours). For us zero means we aim to have:



We recognise that we are not the level of 'zero harm' yet and that this is not easy to achieve or sustain. In 2021, we have laid the foundations. We have significantly increased the size and specialist skills in our safety team. We have also put in place a corporate health and safety improvement plan, with underlying plans in place at each of our sites. In 2022 we will build on this by:

- Monitoring progress against the goals we have set within the safety improvement plan.
- Establishing a group-wide environmental and sustainability roadmap.





In 2021, we moved from reporting on Lost Time Accident Frequency Rate (LTAFR) to a combined Lost Time Accident and Restricted Duty Case Frequency Rate (LTA/RDFR), thereby including all incidents that prevented

our colleagues from being able to do their full range of duties; recognising that such incidents can have a significant impact on the lives of our colleagues both inside and outside the work environment.

HEALTH AND SAFETY	2020	2021
Fatal Accidents (incl. contractors)	0	0
Lost Time Accident Rate (per 200,000 hours)	1.10	0.74
Lost Time Accident & Restricted Duty Rate (per 200,000 hours)	n/a	1.03
Process Safety Incident Rate (per 200,000 hours)	3.76	2.66

We have introduced a number of leading indicators of SHE engagement and performance linked to our SHE strategy; including introducing the concept of High Potential (Hi-Po) and Potential Serious Injury and Fatality (pSIF) incidents, to ensure that those incidents with the potential to become Process Safety Incidents or Lost-time / Restricted Duty Incidents are fully investigated, and the learnings shared, to reduce the likelihood of similar incidents with more serious consequences occurring in the future.

The key performance indicators we regularly monitor for 2022 have been modified to reflect the progression and maturity of our systems, programmes, performance and culture.

The control of the spread of COVID-19 continued to be a major focus during 2021. The ongoing adoption of home working and strict site protocols coupled with quick responses to potential clusters of cases has minimised the impact on the business and our colleagues.

LOOKING FORWARD

Going forward, in each quarter we will reinforce elements of the programme through focussed communications and the introduction of new systems and processes. We will further develop our awareness of risk, provide the tools and techniques to help keep us all safe.

As we seek innovative solutions to the environmental challenges we face, we will continue investing in our assets and operating them safely, understanding our behaviours and challenging behaviours of others that do not align to zero harm principles.

SUPPORTING COLLEAGUES THROUGH COVID-19

2021 was unprecedented. Within the business, we have gone to great lengths to support and protect each other through this global crisis:

Support to manage physical and mental health risks

- COVID-19 Site Management teams around the organisation have continued to support working from home, protect physically vulnerable or shielding colleagues, and ensure colleagues on site were able to work safely in line with Government guidelines.
- We have been introducing mental health first aiders in the UK and 15 colleagues were trained to support colleagues. In addition, our Members

Assembly have all made a commitment to undergo the training to further continue the support from a global perspective.

- We have continued to increase our level of communication to colleagues.
- We continue to actively promote wellbeing initiatives offered by the Company and are implementing a service to ensure all global colleagues have access to health and support to manage the economic impact.
- The Company adopted hybrid working where practical during the pandemic. The flexibility and productivity available from hybrid working can be attractive to both the Company and its Colleagues and consequently,

elements of this flexibility have been retained into 2022.

- Where colleagues were furloughed, the company continued to provide support at or above government support and continued to offer support through our local Welfare schemes.
- As the business was profitable through the pandemic, we were able to make bonus payments to all eligible colleagues.
- A decision was reached by the Board to pay back furlough scheme payments to the relevant Governments where possible. Where this was not possible, they were used for local charitable activities.

LOOKING FORWARD

As an employee-owned business, we continue to work to support our colleagues to enable them to be the best they can be. During 2022, we are planning to focus on the following:

- Leadership competency framework: the phased roll out will continue with Phase 2 in Q2 and Phase 3 in Q4 2022 / Q1 2023.
- Leadership Development: Roll out of our INSPIRED programme for senior leaders, our 2nd RISE programme and

a further WIL virtual programme. Via our new partnership with Skillsoft, we aim to create a learning path for our leaders and other specific knowledge training such as Six Sigma Green Belt.

- Diversity and Inclusion: Work towards achieving the ISO Diversity and Inclusion standard.
- Health and Safety: Focus on the roll out of the Health and Safety Improvement Plan including the

launch of our 'zero harm' initiative.

- Employee Feedback Action Plan: We have listened to our colleagues in our Best Companies survey in 2021 and will develop and implement action plans with the intention to improve survey scores in November 2022.
- Fair Pay and Reward: Fair pay and reward activities through the salary review process and specific aspects of pay and benefits benchmarking scheduled for 2022.



ENVIRONMENT

ENERGY

Energy efficiency and decarbonisation roadmaps are key aspects of delivering sustainable production. As well as establishing a baseline from which we can improve, we are actively exploring our options, including self-generation of electricity, to reduce our operational carbon footprint across all sites.



ISO 50001: AMIENS SITE

Our Amiens site leaders sought a practical way to improve energy use in the site. To manage and control their energy performance, our manufacturing site in France adopted behavioural practices such as insulating new buildings, turning off and switching to LED lights. Their brand-new office and lab buildings which are under construction will also be certified according to local energy guidelines, and ready to accept solar panels on the roof.



Leading the way across our 7 manufacturing sites within Scott Bader, Amiens site also adopted ISO 50001, an energy management system to further improve the way they manage energy. This has helped to establish a baseline, providing the tools to identify, map and control energy through continuous improvement.



ISO 50001
ENERGY MANAGEMENT

Outputs from this process are driving energy improvement projects for the site.

ENERGY	2020	2021	
Production volume (T)	124,010	132,674	
Total energy use (GJ)	198,235	204,422	
Renewable energy (GJ)	2,970	3,004	Location-based
Non-renewable energy (GJ)	195,265	201,419	
Renewable energy (GJ)	44,826	46,629	Market-based
Non-renewable energy (GJ)	153,409	157,793	
Energy efficiency (GJ/tonne of production)	1.6	1.5	

We have restated 2020 data due to some errors in the 2020 EESG report:

- Production volumes were understated due to one of our manufacturing sites in Europe not having been included, this materially affects the intensity figures in the 2020 report
- Energy: errors in the energy (kWh) and carbon (TeCO₂e) conversion factors were understated, predominantly in respect of one of our manufacturing sites in Europe where corrections for gas pressure were not considered and through application of the latest available carbon conversion factors for scope 2 emissions
- Scope 1 emissions: the 2020 figures now include emissions from vehicles where these are available

PILLARS:



STRATEGIC GOALS:



UNSDGS:



EMISSIONS

The operational sustainability committee which was formed in 2021 and is chaired by the Group Operations Director has a clear target to reduce our Scope 1 and 2 emissions by 60% by 2025.

Although our 2021 absolute emissions have increased compared to the previous year, this is primarily as a result of increased production volumes which is reflected in our lower emission intensity.

We are currently reviewing several areas of site operations with a view to improving the efficiency of how we process materials, as well as reduce our energy use through a number of current projects. Several areas have been identified as primary targets such as our heat generation and use, and the way we manage our volatiles onsite to achieve our emission-reduction targets.

In addition we are looking to move our electrical supplies globally to certified renewable sources in order to reduce our scope 2 emissions to zero so far as practicable.

To provide a true reflection of our impact we aim to report actual data (market-based) figures wherever possible and only utilise generic (location-based) figures where the true figures are not certifiable.



GREEN HOUSE GAS EMISSIONS	2020	2021
Total GHG emission (TeCO ₂ e)	9,924	10,452
Scope 1 GHG emissions (TeCO ₂ e)	7,927	8,204
Scope 2 GHG emissions (TeCO ₂ e)	1,997	2,249
GHG emission intensity (kgCO ₂ e/tonne of production)	80.0	78.8

2021 figures include data relating to manufacturing, warehouse facilities and vehicle emissions (warehouse facilities were not included in 2020)

WASTE

Waste reduction is another key focus area at Scott Bader - from waste energy to waste materials. In 2021, we successfully began to analyse our waste streams. This is to understand what could be of value to other internal processes or externally by repurposing or recycling our waste. From the data below, despite our production volumes increasing by 7% in 2021, our total waste as a Group decreased by almost 15%.

WASTE	2020	2021
Production volume (T)	124,010	132,674
Total waste (T)	10,536	9,027
Hazardous waste (T)	6,342	6,488
Non-hazardous waste (T)	4,193	2,538

The split between hazardous and non-hazardous waste for 2020 has been corrected

WATER

Across our manufacturing sites and corporate offices, we continue to use water conservation methods and reuse water where possible such as using distillate reflux on reactor columns to reduce cooling requirements at our Dubai site and harvesting rainwater from gutters for plant irrigation, sanitation and cooling towers in our South African site.

The data below shows a 5% improvement in our water efficiency in 2021 compared to the previous year. Going forward, we will continue to actively manage our water usage as a business.

WATER	2020	2021
Total water withdrawal (ML)	130.2	132.2
Surface water (ML)	54.3	63.5
Ground water (ML)	2.2	1.7
Municipal water (ML)	73.7	67.1
Water Intensity (ML/kTonne)	1.05	1.00

Our 2020 water consumption for Dubai was significantly overstated, this has been verified and corrected.

PACKAGING, STORAGE & TRANSPORTATION

As part of our wider commitment to protecting the Environment, we are continually exploring the ability to reduce how we pack, store and transport our products – from raw materials to intermediates and finished goods. One of the ways we did this in 2021 was through our adhesives team partnering with a world renown packaging expert to develop a collapsible Crestabond® cartridge. The collapsible cartridge will reduce plastic waste by up to 75% when compared to a traditional adhesive cartridge. The reduction in size will also significantly reduce weight and therefore emissions in transit.



BIODIVERSITY

It is now a well-established reality that we are in the midst of a biodiversity crisis, with regular news headlines declaring a 'biodiversity catastrophe'. Despite this, only a small proportion of businesses discuss biodiversity loss in their reporting, with just one-quarter of medium to high biodiversity impact companies disclosing risk of biodiversity loss (KMPG, Survey of Sustainability Reporting 2020). Scott Bader aims to be a leader in the Chemical sector within biodiversity reporting, utilising a holistic approach to measuring biodiversity impacts and setting SMART targets to ameliorate business biodiversity value. To this end, a biodiversity survey was carried out at the Scott Bader UK site, a 44-acre mixed use site in Wollaston, Northamptonshire, UK with sizeable pond, grassland and woodland habits. The survey was conducted with four key motives:

- Cataloguing site biodiversity as a benchmark for future conservation efforts.
- Identifying areas of the site for biodiversity improvement.
- Locating species or habitats of conservation concern for protection.
- Mapping the location and extent of invasive species spread.

Overall, there has been significant progress in developing the wildlife value of the site since the last Wildlife Trust Survey (2015) with the successful implementation of two previous priorities (pond restoration and wildflower meadow creation).

Going forwards, focus will now turn towards the restoration of the woodland area and the orchards, along with the establishment of a wildflower meadow at the orchard site for wildlife benefits.

RESEARCH, DEVELOPMENT AND INNOVATION

In 2021, we created our sustainable technology roadmap. The framework looks at 2 key attributes that we want to apply across all our business units. We also created a new sustainable technology team within Scott Bader. This team developed our sustainable technology development strategy which focused on our 3 key business areas and assessed them against two attributes.



1 THE REMOVAL OF TOXIC AND HAZARDOUS CHEMICALS FROM OUR SUPPLY CHAIN

2 EMBED CIRCULAR ECONOMY PRINCIPLES INTO ALL OUR PRODUCTS

COMPOSITE RESINS

Composites are advanced materials and enablers of a low carbon economy due to their durability, ease of manufacturing and light-weighting potential. This has seen fibre reinforced composites become the material of choice, and only material option, for large scale wind turbines which are essential for the decarbonising of the energy sector. However, we recognise that we are still heavily reliant on raw materials derived from virgin petrochemicals and are therefore looking for bioequivalent and bio alternative raw materials to lower the embodied carbon of our products and ultimately reduce our Scope 3 emissions.



Ethylene Glycol
from ethylene or glucose

Bioequivalents are drop-in options which can be used with little to no need to reformulate. These can be approved as "alternative" supplies of the same raw material and could easily lower the carbon footprint of our products.



1,3-Propane Diol
from glucose

Bioalternatives share features of the monomers and chemicals we are looking to substitute. They require more development work and will always need reformulation but could result in substantial reduction of our product carbon footprint.

We are aware that bio does not always mean better and we evaluate all new bio-based materials against strict LCA criteria, competition with food crops, quality and supply chain security.

Composite products are not currently well aligned to circularity with most composite materials sent to landfill or incinerated at their end of life.

Scott Bader is working with strategic partners to look at new polymer systems that enable easy repair and embed design for disassembly options in large composite structures to retain the part in use for as long as possible and allow for re-use in other composite structures at end of life.

ADHESIVES

Scott Bader's structural adhesives are used in many applications and are particularly good at bonding dissimilar substrates together for applications ranging from wind turbines to battery casing for EVs.

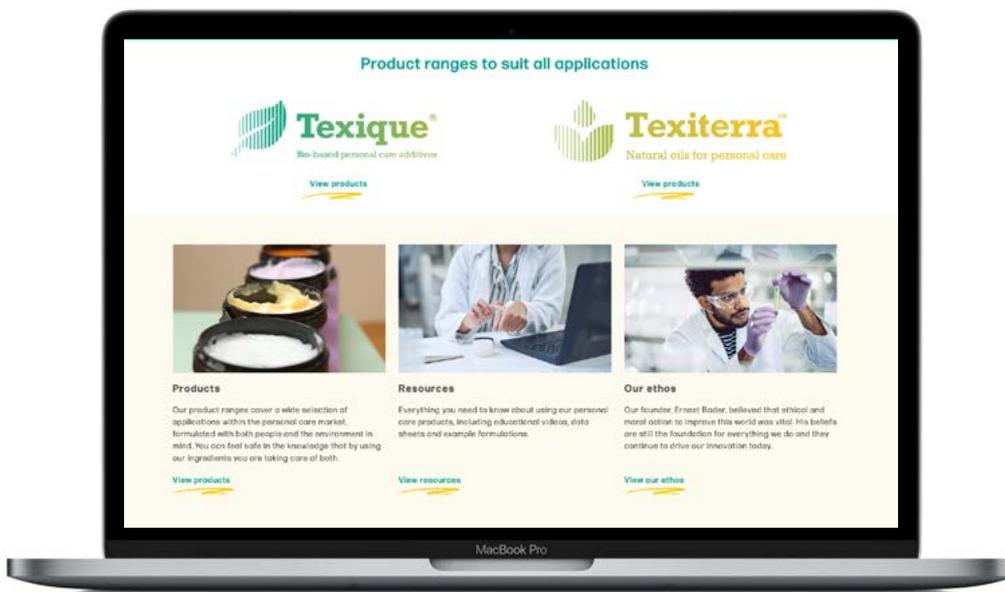
Scott Bader is pleased to be part of a large international consortium coordinated by the University of York and involving 13 diverse partners. The objective of the CHAMPION project is to demonstrate that bio-based polymers are suitable for high-performance applications. The new materials will perform as well as, or better than, existing polymers from non-renewable sources while being circular by design and incorporating full LCA and TEA into the research programme.



FUNCTIONAL POLYMERS

End of life recovery is not possible for many of our products such as our bespoke solutions for cosmetics and personal care, therefore our focus is on preparing bio-based and biodegradable options for our valued customers.

Throughout 2021 we have worked to develop a range of bio-based ingredients for a wide selection of applications within the personal care market, formulated with both people and the environment in mind. These have been launched under the Texique® and Texterra™ brand names.



SETTING OUR R&D BASELINE

To ensure we are focusing our effort on driving a clear sustainability focus through our R&D effort, Scott Bader has developed a tool to evaluate the sustainability index of all new development programmes. The sustainability scorecard evaluates all R&D projects against bio content of raw materials, raw material toxicity, energy consumption in manufacture, product yield and where the end application aligns with our UN SDG targets.

PRODUCT STEWARDSHIP AND THE CIRCULAR ECONOMY

Our commitment to making a positive difference means we must understand the impacts of our activities throughout our supply chain. Similarly, our principle of acting beyond compliance in chemical management means we must ensure that not only are our colleagues protected from the hazards of chemicals, but we also take an active part in selecting materials that continually improve the safety of our suppliers, customers, and the environment. We are also committed to continual improvement recognising that technologies of the past need to be phased out as better and safer technology become available.

In 2021, Scott Bader reviewed its raw materials to identify and begin to prepare for future changes in regulations globally, including the Chemicals Strategy for Sustainability and UK REACH. We have changed our strategy to take more ownership over the registration status of certain key raw materials, with REACH registration providing greater flexibility and resilience in the supply chain.

We continue to work with the wider industry through industry associations, joining the UK Chemical Industries Association and continuing to engage with CEFIC. Through the UP/VE group, we carried out an EU wide exposure monitoring survey to improve safe use of our products in our composites range.

We also continue to work toward pioneering a circular economy for our products. This includes seeking better end of life options. We are founding members of the Polymers in Liquid Formulations task force of the Royal Society of Chemistry through which we are working to find solutions in a particularly challenging area for our Functional Polymers portfolio.

In 2022, we will be implementing new systems to manage our regulatory data and hazard communication documents. We are building systems and processes to enable Life Cycle Assessments across the portfolio and to be able to challenge our thinking when it comes to business decisions to ensure they are ethical and sustainable in the long term.



ETHICAL & SUSTAINABLE SOURCING

Purchasing of raw materials, goods and general services is always carried out with our values in mind. We regularly review our supply base and always look to strengthen and improve our supplier partnerships. Although currently most of our raw materials are petroleum-based or mined, we are continually seeking to source from environmentally friendly and natural sources to increase our portfolio of bio-based products.

In 2021, our first Group Supplier Partnership Manual was created and launched to share our vision and ethics and to set out the ethical, quality, safety and environmental expectations of our supply chain. This will be issued to all suppliers and is also available on our website. For due diligence purposes we will be asking for positive agreement and sign offs from all new and existing suppliers.

Starting in the UK, a new enhanced risk-based supplier approval process has been created, that assesses information around Quality, HSE performance,

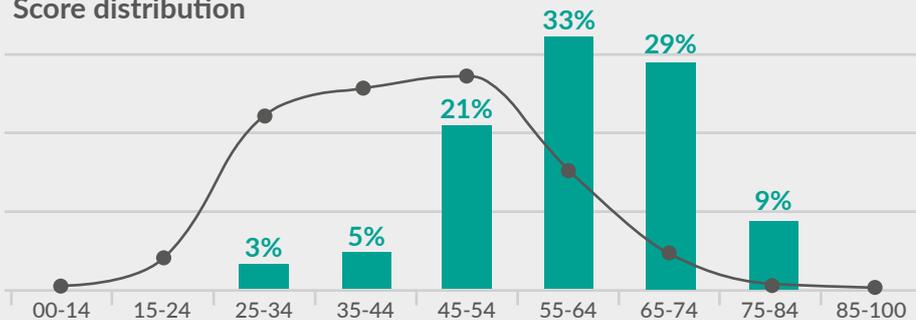
Regulatory information, Business Ethics and Labour practices (based on the ILO requirements). This process will allow the business to conduct due diligence to ensure compliance with our expectations and also to support an ongoing risk-based monitoring program. ESG & CSR will play a fundamental part in the selection and use of future and ongoing suppliers.

Scott Bader continues to be committed to working with suppliers whose values are aligned to ours and we continue to partner with EcoVadis, a world leading provider of business supplier sustainability ratings and improvement tools for global supply chains. We leverage this platform to reduce risk, encourage innovation and deliver on our commitment to put sustainability at the core of what we do. EcoVadis will support Scott Bader's mission to measure, monitor and improve supplier performance across key sustainability criteria and identify high-performing partners willing to collaborate with us.

We now have assessment scores for 123 of our key suppliers and service providers. 65% of our assessed partners have seen an increase in their overall score and the average score for our supply base has increased by 3.9 points over the last 12-month period. Our overall supply chain score is 59.7 vs the EcoVadis benchmark of 44.0.



Score distribution



Within our new Group Procurement structure, we plan to put in place dedicated resource, focused on supply chain compliance to drive improvements in this area.

LOOKING FORWARD

In 2022 we will set up a group biodiversity committee which will establish deliverables in line with the updated Aichi Biodiversity targets and move to integrate biodiversity targets into Scott Bader's overarching sustainability

strategy. We will also carry out an assessment of all manufacturing sites to establish baselines and routinely monitor the improvement of biodiversity in our sites.

We will also focus on incinerator, steam, on-site heating and residual gas usage as part of our carbon emission-reduction strategy across our manufacturing sites.

SUPPORTING OUR COMMUNITIES

A strong sense of Humanity, one of our core pillars at Scott Bader means the well-being of our colleagues and communities is at the heart of the Scott Bader Commonwealth ethos. We continue to make a positive social impact in the regions we operate in, through how we support our colleagues and local causes. Our charitable status also brings a responsibility to the wider community, to make a positive difference in everything we do. Annually, a proportion of our profits are donated by the company to the Commonwealth, a registered charity through which we fulfil our social obligations.

Apart from actively promoting a culture that encourages our colleagues to live by a set of values, the Commonwealth Board also ensures colleagues are engaged, that the operating company is governed effectively according to our Guiding Principles and that Scott Bader fulfils its charitable objectives.

The Charitable objectives of the Commonwealth include promotion of

- a) Ethical principles in industry with a view to ensuring the discharge by persons engaged in industry of their social obligations for the welfare of the communities within which they operate; and
- b) Sustainable development for the benefit of the public by the preservation, conservation and the protection of the environment, the prudent use of natural resources and the promotion of sustainable means of achieving economic growth and regeneration.

Our ongoing Constitutional review includes review of the Commonwealth's objectives. These require Scott Bader to manage its business in line with clear principles and also encourage others to do so, for the benefit of the people and the environment.

Scott Bader's strategic approach to social engagement and charitable activities is driven by the Commonwealth. In alignment with our strategic goals of **Delivering Value to Society** and **Unleashing Colleagues' Potential** through member engagement, we have adopted an approach that places an increasing focus of our giving to our local communities through:

EDUCATION AND LEGACY
Investing in the education, training and development of local people

SOCIAL AND ENVIRONMENTAL IMPACT
Responding to the most pressing social and environmental needs, especially to young people and those facing poverty, disability, and disadvantage

We recognise our local communities are key stakeholders. To ensure social impact stays at the forefront of every conversation and decision, in all Scott Bader sites around the world, colleagues are encouraged to engage with their local communities. Through colleagues volunteering for worthy causes, participating in local initiatives, fund raising and supporting charities, the Commonwealth is able to understand and meet local needs.

PILLARS: STRATEGIC GOALS:



UNSDGS:



SCOTT BADER, SOUTH AFRICA



During 2021, South Africa experienced civil unrest in the community in which we operate. As a result of this several colleagues in unaffected areas with financial help from the company, were able to support colleagues with food deliveries and essential packages. These were gratefully received by colleagues.

This a great example of Scott Bader's values in action!

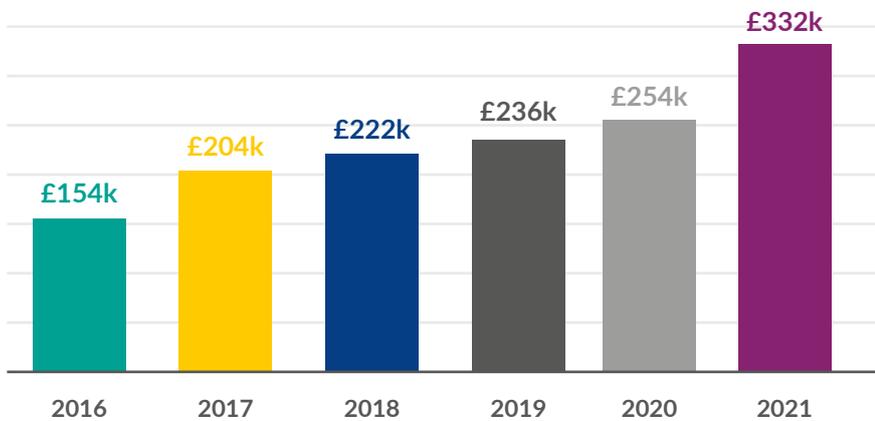


FOUNDATION AND INCUBATION
Leveraging our skills, resources, and networks to assist science and socially driven organisations

CHARITABLE GIVING

To enable us to address social, economic and environmental concerns and maximise impact in these areas, every year, a minimum of 5% of Scott Bader's operating profit is donated to the Commonwealth to support charitable activities and projects around the world. The sum of £340,000 was paid by the company out of 2020 profits to the Commonwealth, to be used for charitable and philanthropic activities in 2021. (Please refer to Appendix II for the allocation and distribution of this donation.) In 2021, this donation doubled to £795,000 equivalent to 7.5% of operating profit which will be used to create lasting social impact in 2022.

Our grant management system which was implemented in 2020 continues to provide an effective and efficient way of managing the grant application process. In 2021, we received almost 250 applications from various charities across the globe.



To support the CWB's strategy for greater local impact in each of the Scott Bader locations, allocations from 2021 are disbursed through two main funds: Global Strategy fund and Community Hardship funds. Other funds and schemes include the UK and USA nomination schemes and the Honorary Life President's fund. Our grants are targeted at several areas of intervention including, poverty, social & environmental, youth well-being, disability, education, disadvantage, health, and COVID-19. The breakdown of these areas is shown in Appendix I.

- **Global Strategy Fund** - Using a Think Globally, Act Locally approach, each Scott Bader site receives an allocation based on the number of colleagues to enable them to support local projects that address social and environmental issues.
- **Commonwealth Community Hardship Fund** - Applications for grants from £500-£10,000 were submitted where over 40% of our donations went to address the impact of COVID-19 in 2021.
- **Honorary Life President's Fund** - Charities also benefit from the Life President's Fund, which awards £7,500 to charities chosen by Godric Bader.

For more information on how to apply for funding, please visit <https://www.scottbader.com/humanity/scott-bader-commonwealth/how-to-access-funds/>

In 2021, we took part in the EOA stories competition which was a celebration of the exceptional stories of employee owned (EO) businesses where we nominated our Life President Godric Bader. Out of 35 inspiring stories, we were delighted when it was announced during the 2021 EOA conference that Godric had won the award and is the 2021 EO Champion.

VOLUNTEERING & MATCHED FUNDING

Another way we support our local communities globally is through encouraging colleagues to volunteer for a not-for-profit organisation. As 2021 was our centenary year, colleagues were given two days paid leave to take part in volunteering activities. We recognise that volunteering was still hugely impacted by COVID-19 during 2021, it was therefore decided to allow colleagues that did not have the opportunity to use two days in 2021 to carry their second day over into 2022.

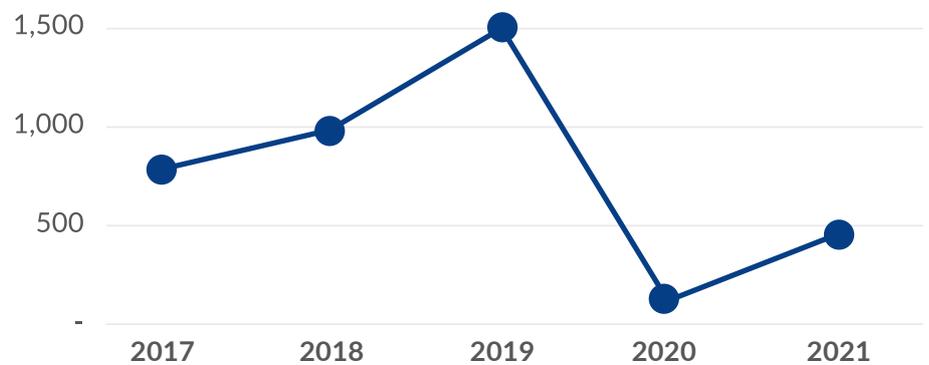
This gives colleagues the opportunity to contribute to and connect with the local community, building relationships and supporting our founder's principle of a wider social responsibility.

In addition, every summer we usually hold a Company Day, where teams of colleagues take on and tackle projects for several local charities. Sadly, we were not able to do this in 2021 due to COVID-19.

However, colleagues participated in several volunteering activities during 2021 including litter picking in local communities and supporting the creation of a sensory garden in Keep House in the UK with gardening and painting. Members of the governance groups also went to a local home for adults with learning disabilities to help paint garden furniture and tidy up the garden for the residents.

The centenary gift bags which colleagues were presented with each contained a chocolate bar. 10 of the chocolate bars sent across the group held a golden ticket, and colleagues who won golden tickets were able to donate £100 to a charity of their choice. 8 charities benefitted from this scheme.

VOLUNTEERING HOURS



MATCHED FUNDING

Scott Bader matches every £1 raised by colleagues in charitable fundraising activities up to a maximum of £1,000 per person per year, thus charities locally, nationally, and internationally receive double the amount from the efforts of colleagues. In 2021, 22 charities benefitted from the Matched Funding Scheme, with a range of activities being completed by colleagues, such as London Marathon, The Big Sleep Out, and Macmillan Coffee Morning.



MATCHED FUNDING

2016		£23K
2017		£23K
2018		£30K
2019		£32K
2020		£12K
2021		£16K

Although volunteering and matched funding activities have not gone back to pre- COVID levels, we are pleased that it is slowly picking up again as COVID-19 restrictions are being lifted around the globe.

PROMOTING INDUSTRIAL DEMOCRACY

Industrial democratic practice is a major part of colleague engagement, and all those who work within the Group are consulted on decisions that may affect their interests in accordance with Scott Bader's Constitution. At Scott Bader, colleague participation in decision making is implemented at all levels through colleague representation in the governing bodies.

Being a foundational member, the Commonwealth actively supports the Employee Ownership Association (EOA), hosting regional events and attending its annual conferences such as the Better Business series where Dr Kevin Matthews, our CEO was a keynote speaker.

In 2021, the Commonwealth also granted a donation of £5,000 which was match-funded by the company to £10,000 to Ownership at Work, the EOA's independent think tank, to fund a national study of the social impact of employee-owned businesses.

More active engagement in and support for the EOA (on whose board Scott Bader's Chief Financial Officer Matthew Collins sits) is part of a move to raise the profile of Scott Bader to meet our objectives to promote industrial democracy, corporate social responsibility, and sustainability.

MEMBER ENGAGEMENT

In 2021, one of the key objectives of the MA was to (re)define membership engagement. This refers to the extent to which Commonwealth members are:

<p>INFORMED Understand governance and the Guiding Principles</p>	<p>ACTIVE Participate in the democratic processes</p>	<p>VALUES-DRIVEN Work in line with the values</p>
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These components form the building blocks on which member engagement is defined. A set of KPIs have also been developed by the MA to measure and monitor member engagement at Scott Bader which will be reported at local and Group level.

LOCAL COUNCILS

Apart from the Members' Assembly, our Constitution specifies that a local council is established in every subsidiary with more than 50 colleagues. Councils represent the concerns and interests of colleagues in those member countries at a local level. Local Councils operate in our 5 largest sites and represent members in discussions of local issues.

The Councils of Scott Bader with over 40 elected members are known as:

- **UK** – Community Council
- **South Africa** – SIMUNYE Council
- **Dubai** – AMAL Council
- **Croatia** – Council
- **France** – Comité d'Entreprise (The equivalent of a local Council. It is a legal requirement in France to have such a 'body' in companies with more than 50 people)

As we look forward to the completion of the Constitution Review in 2022, we will ensure the voice of colleagues are being heard, that industrial democracy continues to thrive at Scott Bader and effectively hold the Group Board to account.

COMMUNITY RELATIONS

Scott Bader aims to capitalise on its exceptional historical legacy by deploying facilities and volunteers to support the local community.

In the UK, we sponsor and organise a range of local community events such as trips to the local funfair for young people with disabilities and an annual Christmas tea party for elderly residents. We also offer local people the use of a number of our facilities including our swimming pool for UK colleagues, children's swimming lessons and sessions for over 50s. There are several allotment plots and greenhouses for local residents, current and retired colleagues to use. We also have a community minibus which can be hired out by colleagues and social groups / charities.

The Commonwealth Centre, a conference facility with its own kitchen is available as a community asset and hosts many events including weddings. The Company also owns the adjacent pub, called The Hill, which is open to and used by colleagues and the general public. This is managed by a social committee made up of colleagues who work there and locals.

An asset of the Commonwealth is Keep House, a Grade II listed stone-built house situated on the Wollaston site and is currently occupied by three local Charities. In 2021, a museum within Keep House was opened and colleagues from across the Company were invited to attend an open day which showcased both the museum and sensory garden. Keep House also has a meeting room, that as COVID restrictions continue to lift, will be available for local organisations to hire for meetings.

The barns of Keep House will be refurbished over a period of time and will be rented out to the local community. Currently, income received from Keep House is reinvested into the building to allow these planned developments to happen.

The Scott Bader swimming pool operates 10-12 hours per day, with:

- 100 internal members (Scott Bader colleagues, families, and pensioners).
- 250 external members (from the local community).
- Approximately 175 children on a swimming lesson scheme.

The pool is used by three schools, preschools, Wellingborough Swimming Club, five autistic and special needs groups, and the Scott Bader Rookie Club. For over 20 years, the Rookie Club has been run by volunteers with weekly sessions for junior lifesavers promoting water safety, first aid, rescue techniques as well as social trips and fun open water venues. Many of the members have gone on to become fully qualified lifeguards employed at the pool.



COVID-19: COMPUTERS FOR LOCAL SCHOOLS TO HELP WITH HOME LEARNING

The Scott Bader Commonwealth and IT department, based at our head office in Wollaston, have helped local schools with home learning through a monetary donation and 21 laptops donated across two local schools: Irchester Primary School and Wollaston School.



When the lockdown moved all UK schools to home learning, access to a fully working laptop became essential for children to carry on their education.

Following the donation from the Scott Bader Commonwealth, a request was made to our IT department to donate spare laptops to a growing number of local children who didn't have access to one. In true Scott Bader community spirit, our IT department have worked tirelessly over the last week to build 21 laptops for local children after being informed of a shortage at the schools.

Alongside the laptops, Ben Leeson, our Group IT Technical Support Manager, also worked in his spare time to advise the schools on IT upgrades, setting up laptops and using video conferencing software to support online lessons.

INTERNATIONAL IMPACT

Across the globe, each of our major offices have a “Commonwealth Coordinator”, who hold quarterly group meetings and have monthly 1-1 meetings with the central Commonwealth Office. The Commonwealth Coordinators together with local councils are responsible for their locations charitable activities as they are best placed to identify the priority issues within their location. For our smaller sites, the site leads take this role.

SOCIAL METRICS

COMMUNITY INVESTMENT	2020	2021
Charitable donations (£k)	254	332
as a % of pre-tax profit	2.4%	3.8%
Matched funding (£k)	11	16
Volunteering (hours)	82.5	406

Over 50% of our donations went to COVID and health-related causes across the globe as we adapted the way we support our communities in response to COVID-19 and associated restrictions.

As can be seen above, not only have we increased our absolute contributions but also our charitable giving in 2021 equates to 3.8% of profit before tax. This remains significantly higher than 1.29% reported by Business for Societal Impact for companies using their framework to measure philanthropic activities.

SCOTT BADER AUSTRALIA



In 2021, Scott Bader Australia supported the Hands Off Foundation, a foundation that provides positive outcomes and futures for families and individuals who have been affected by Domestic, Family and Sexual Violence. We provided them and their families with care packs for children. Adults also have access to care packages containing journals, crystals, a pen, therapeutic colouring books, pencils and a throw rug with vouchers of their choice to assist in the healing process and compliment the counselling programs provided.



Hands Off Foundation is unique in that it is committed to providing what survivors feel would aid them the most in their recovery – not what has been selected for them. The vouchers provided are for all types of Western, Eastern modalities, family entertainment services, fuel and grocery vouchers (such as Store & Visa Vouchers) and variety packs.

We are proud to be able to aid the healing process for families and survivors of Sexual Assault and Family Violence through Hands Off!

SCOTT BADER, CROATIA MALI ZMAJ - EARTHQUAKE RELIEF PROJECT



Scott Bader is proud to support the Mali zmaj earthquake relief project. After the Sisak-Moslavina County was affected by two devastating earthquakes, Mali zmaj started with a project of arranging living space, for example children's rooms to provide better opportunities for children through better living conditions. Volunteers were engaged in the purchase, unloading, storage, packaging, distribution of packages in the field, and if necessary, installation. Families in need were also contacted in order to optimally meet their needs and children's wishes. Some families will become regular users of help and support system, which will arrive on monthly basis.

The project will have a positive impact on the emotional state of the youngest users, where equipped, healthy and comfortable space in which to stay is a prerequisite for quality leisure, development of their creativity, and productivity related to their student duties.



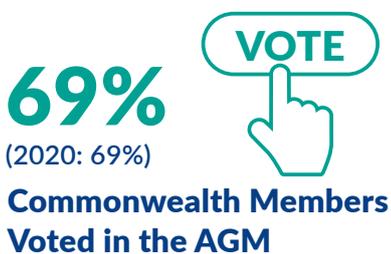
LOOKING FORWARD

The Constitutional review has brought into focus the crucially important principles and practice of how the Commonwealth Board works to discharge its responsibilities at the centre of Scott Bader. The exercise has enabled us to emerge stronger and with renewed confidence and vigour.

As a result of the constitutional review, the CWB trustees have concluded that systemic improvement is necessary in the way the board itself operates and intends to implement the following improvements over the next two years:

- **Charity** – we will bolster and reconfigure charitable activities in order to deliver our charitable aims and responsibilities. Funding ratios for charitable donations will remain as present and we wish to widen the meaning of charitable giving including encouraging and
- **Income** – we will agree a new way of securing a reliable income in order to fund the activities of the Commonwealth Office which supports a spectrum of charitable activities as well as the servicing of the democratic system.
- **Key Performance Indicators** – we will develop a set of measures to review how the company is performing. These will not solely be strategic and financial but cover other key components of excellent performance, including the discharge of Scott Bader Principles.
- **Engagement** – we will implement a refreshed way in which colleagues learn about the features and responsibilities of industrial democracy in Scott Bader. This will include both the induction, orientation, and ‘onboarding’ for new recruits along with the ongoing refreshment necessary to keep colleagues committed and engaged. We recognize that this will have resource implications, and a need for a cultural change both within the Commonwealth and the Company as a whole, as we rise to the challenge to maximize our impact whilst promoting good practice in others, in line with our public benefit statement.

COMMONWEALTH IMPACT SUMMARY – 2021



Causes supported





GOVERNANCE - THE SPIRIT OF SCOTT BADER

THE CONSTITUTION AND OUR GOVERNING BODIES

When Ernest Bader established the Commonwealth in 1951, he set out the fundamental values and principles which he believed should form the cornerstone for the way in which the Commonwealth and the Company operated. These are enshrined in the Scott Bader Constitution which was last updated in 2010. In 2021 the Constitution went through an extensive review taking into account changes in Company and Charity law, the feedback from members, the desire to make the document more accessible and finally to ensure that industrial democracy and governance are strengthened. It is expected that this updated Constitution will be put to members at the Annual General Meeting in May 2022.

One of the important changes that have been implemented is an updating of the values to include the safety and wellbeing of our colleagues and working to ensure a diverse and inclusive culture. These values have also been embedded at the core of the Constitution within the Objects and Powers of the Commonwealth.

The updated Constitution continues to compose of three Governing Bodies, on each of which colleagues are entitled to be elected. The Governing Bodies are:

- The Scott Bader Commonwealth Limited (SBCW) Board
- The Scott Bader Company Limited (SBCL) Board
- The Members' Assembly (as part of our constitution review, this name is being reviewed)

The interrelationship, purpose and roles of these bodies have now been more clearly defined and set out in the updated Constitution. In addition, the powers of the Commonwealth and Members Assembly to hold the SBCL Board to account have been strengthened. See more on the Constitution Review on Page 51.

PILLARS:



STRATEGIC GOALS:



UNSDGS:



THE COMMONWEALTH BOARD (CWB)

Scott Bader Commonwealth Limited is a registered charity with the main asset Scott Bader Company Limited being held in Trust. All Members of this board are Directors and Charity Trustees and as such have to ensure that the charity is run in accordance with Charity and Company laws.

The purpose of the Board has now been clearly defined as:

The SBCW Board's purpose is to promote the long-term sustainable success of the Scott Bader Group, generating value for all stakeholders and contributing to wider society.



The CWB does not get involved in the day to day running of the Scott Bader Company Limited business, but it does have the responsibility for ensuring that the assets of the Trust continue to be well managed, and the Company continues to adhere to the Guiding Principles. Previously the Board was consulted about such things as strategy, major acquisitions or disposals, and major investments. In the updated Constitution it is proposed that there is now the requirement for the SBCL Board to seek approval for actions that could impact the long-term viability of the trust. The Commonwealth also oversees the effective practise of industrial democracy within Scott Bader.

There are nine members of this Board:

- Five externally nominated Guardian Trustees (including one nominated by the Bader Family, and one former colleague and member of the Commonwealth)
- Three internally elected Directors
- A non-executive member who takes on the role of Chairing the SBCL Board

The Charity Trustees have a duty to ensure the Commonwealth's founding intention of being an example to the world of a different way of doing business is acted upon, evaluated, researched and promoted. The role of the Guardian Trustees, who in certain circumstances have special voting rights, is to safeguard the Constitution and ensure that the Commonwealth stays true to its founding purpose and Guiding Principles. They have the power to

- Veto changes to the Constitution.
- Veto any measures proposed by the Group Board or Members' Assembly that contravenes Commonwealth principles.
- Arbitrate in any disagreement between the Group Board and the Members' Assembly.

These are currently being revaluated as part of the Constitution review.

THE MEMBERS' ASSEMBLY (MA)

Scott Bader's Centenary provided the perfect backdrop to initiate a review of our Constitution. For the Members' Assembly (MA) which is the democratic forum for Scott Bader Group with elected members representing constituencies, this presented the opportunity to professionalise and strengthen its purpose and processes. It has three primary responsibilities.

- leading international and industrial democracy.
- delivering the voice of our members and
- holding the Group Board to account for the strategy and its execution.

The MA has 12 elected members with an internally elected Chair. The representatives are elected from constituencies that equally represent members from across the Scott Bader Group. The Chair of the MA has an open invitation to Group Board and Commonwealth Board meetings. The MA Chair also sits on the Group Board's Remuneration Committee and Investment Committee.

A name change to this body is proposed as part of the Constitutional review to the Global Members Board (GMB), the purpose of this body has also been updated to:

The purpose of the GMB is to lead the international and industrial democracy, give voice to the SBCW Membership and hold the Subsidiary Boards to account for the development and execution of their strategies according to the Guiding Principles. The GMB aims to be a diverse and inclusive body that fairly represents the interests of all SBCW Members.

The MA has also formed two sub-committees in 2021. First the Member Engagement Research Group (MERG) responsible for researching and recommending strategies to improve member engagement. Secondly, the Policy Group tasked with reviewing and making recommendations to group policy and therefore ensuring the voice of membership is expressed at the highest level.

The MA has also introduced monthly 1-1s for the reps, annual appraisal, 360 review of the Chair and Board evaluation. These have all been implemented to improve the effectiveness of the MA.

LOOKING FORWARD

The MA is looking forward to completion of the Constitution Review in 2022 and speaking to all colleagues about the great benefits that we will experience. As we grow in strength and maturity as a board, we are more equipped for the challenges that 2022 will bring and we are ready to represent the voice of our members.

GOVERNANCE - THE SPIRIT OF SCOTT BADER

THE GROUP BOARD (SBCL)

The Group Board is the Operating Company's Board of Directors. Although the Board is accountable to the MA and the CWB, management of Scott Bader Company Limited remains its responsibility. The Group Board also has the responsibility to help promote the Scott Bader Commonwealth vision, support its charitable objectives and operate in accordance with the Commonwealth's Guiding Principles. As part of the constitutional review its purpose has been updated to:

The SBCL Board's purpose is to ensure SBCL's prosperity by collectively directing its affairs in line with its values, using a clear strategy, strong stewardship and effective controls, to meet the expectations and interests of its shareholders and key stakeholders.



The Group Board operates a number of committees including audit committee, remuneration committee, investment committee and sustainability committee.

Our overseas affiliated subsidiary companies are individual trading entities with at least one member of the Group Leadership Team (GLT) sitting on each entity's board. They are managed through holding companies which report to Scott Bader Company Ltd, overseen by Scott Bader Commonwealth Ltd.

The Chair of the Group Board sits on the CWB and MA bodies and regularly meets with the MA and CWB Chairs and the CEO, to exchange information and ensure our policies and procedures reflect our values and business strategy. Governance standards are a high priority and in line with our commitment to good governance practices, the Group Board has adopted the Quoted Company Alliance (QCA) corporate governance code (page 52).

In addition, in 2021 we:

- Recruited a General Counsel and Company Secretary: This new role supports the Group Board in maintaining effective governance oversight and the smooth running of the Board.
- Undertook a review using an independent external body of governance and risk: 45 action items were identified, the majority of them due to be actioned and closed through 2022. Some of the actions were also linked with the update to the constitutional review.



At senior leadership level, we have implemented a Group Management System Framework. In addition to the above policies most of which were updated in 2021, our policies, Diversity and Inclusion and Modern Slavery statements are available on our website and can now easily be located on there.

COMPLIANCE

We continue to ensure our products and processes align with all local and global chemical regulations. We further strengthened our compliance around the management of colleagues' data through investment in technology systems.

We carried out data protection impact assessment regarding usage of the system, clarifying and limiting access to the relevant data, and adding approval flows for data changes. We also limited the flow of data through emails and spreadsheets, provided and updated various documentation related to Data Protection (including colleagues' privacy statements, relevant cookies policies for candidates and necessary consents for "nice to have" data provided us by colleagues).

We have improved internal control capability as we once again review our Whistleblowing policy. Two incidents were reported anonymously through Safecall (operated by the third-party provider) and two internally through the management. All reported issues were followed up through investigation and various performance and / or disciplinary actions. Our external hotline remains available both as website reporting and through the phone and colleagues are urged to report any incidents of unethical behaviour including bribery, fraud, corruption and non-compliance.

In 2021, 97% of colleagues completed compliance trainings. In addition, meta compliance videos were also delivered throughout the year in bite-size videos.

METRIC	2020	2021
Whistleblowing	0	4
Training (% of colleagues)	99%	97%
Violations	3	2
Fines (£)	419	2,863

As we continue to actively identify and follow up on legacy issues, the business also recorded two violations in the EMEA region relating to non-compliance and incorrect tax submissions.

Scott Bader remains committed to **Acting beyond Compliance**, proactively driving a safe, transparent and ethical chemical industry, promoting exemplary conduct to deliver products and processes that safeguard people and planet and ensuring our colleagues act in line with our values.

RISK MANAGEMENT

Risk is an accepted part of doing business. The real challenge for any business is to identify the principal risks and to develop and monitor appropriate controls. A successful risk management process balances risk and reward and relies on a sound judgement of their likelihood and consequence.

Scott Bader's Board and Management are responsible for developing and implementing a risk framework which supports the identification and mitigation of risks to Scott Bader's operations. Individual roles and responsibilities are set out below.

- **Board** – The Board is responsible for setting overall risk appetite, approving the risk management framework, and approving the main risks identified by the risk committee for inclusion in the annual report.
- **The Risk Committee** is established to oversee risk management and make recommendations to the Board on the risk management framework and risk appetite. The committee is also responsible for reviewing the principal risks facing Scott Bader and escalating risk matters to the Board.
- **Management** – Management is responsible for implementation of the risk management policy and framework within their respective areas of responsibility. Management is also responsible for setting 'tone at the top' in respect of risk management culture.

The Risk Committee is Chaired by the Chief Executive Officer acting in the capacity of Chief Risk Officer. The committee held three meetings in 2021. The committee's focus in the year included:

- developing a risk framework that clearly defines the risk management process, sets the risk appetite for the Group's key risks, and determines the maturity level of the risk management process at Scott Bader.

- reviewing principal risks and communicating these to the Board for inclusion in the Annual Report.
- update and review of risk specific scorecards at the site and function level to focus the mitigation activities at the operational level.
- support of an independent review of the Group's risk management including risk appetite conducted by external advisors, BDO.
- review of the BDO report and development of an action plan to address key findings, phase one of which was a series of workshops designed to broaden the understanding of risk and increase engagement in the risk management system. Phase two includes an update of the risk scorecards to support the risk statements in the annual report.

The principal risks were reviewed by the Board of Directors and the Audit Committee.

In 2021 the business continued to invest in strengthening risk management most noticeably in health and safety and tax compliance and planning. In addition, focus has been on managing significant external risks around the COVID-19 pandemic and the consequent disruption in global material flows with an unprecedented number of force majeure being called by suppliers. As a result of the 2021 material shortages, raw material prices continue to be above long-term market averages, resulting in inflationary pressures that have been further amplified by increased energy costs.

Despite the headwinds that the Group is experiencing, the business continues to perform well as we continue to implement COVID safe work practices, develop our supply chain capabilities and continue to manage costs. The cash position of the Group remains healthy despite the higher raw material prices driving up working capital. Despite these challenges, the Directors remain confident that the Group will

be sufficiently well capitalised for the foreseeable future as a consequence of current and projected business performance.

There remain significant risks across Scott Bader from a macroeconomic, regulatory, and legal compliance perspective, business continuity, data integrity, operational and process efficiency. We continue to monitor, manage, and mitigate these risks as a priority.

STAKEHOLDER ENGAGEMENT

Our stakeholders are a valuable part of our business. Scott Bader's Constitution requires us to take into account stakeholder interests, including but not limited to Commonwealth Members, colleagues, customers, and the community.

In 2021, we have been focused on how we engage better with our stakeholders and actively seek their inputs:

- Regarding Commonwealth members, we ran an employee survey to better understand what members wanted from the constitutional review.
- We also ran a benchmarked employee survey with Best Companies to begin to get better quality information regarding the priorities for colleagues and their concerns.
- In 2021, we started a project specifically designed to improve the customer voice, better understanding the service levels we need to provide. In 2022 we plan to carry out a more formal customer survey in addition to the many ad-hoc interactions we have.
- Also, in 2021 we have significantly increased our social media activity and in addition begun to attend trade shows as these reopen following COVID-19.
- Regarding supplier engagement, we are planning to build a supplier relationship management capability in 2022 to better capture key information about our supplier base.
- We have expanded our industry engagement in 2021, with the Group CEO being elected as a Trustee of the Society of the Chemical Industry (a charity focused on connecting innovation to industry), joined the UK Chemical Industry Association and are working with the Royal Society of Chemistry on both sustainable innovation and supporting an increase in Black scientists in Industry.



There is still more to do to develop the interactions with our local communities and we hope to make more progress in formalising this in 2022 in addition to developing a stakeholder management system to ascertain the optimum frequency and nature of consultation and dialogue.

NATIONAL GOVERNMENTS - TAX TRANSPARENCY

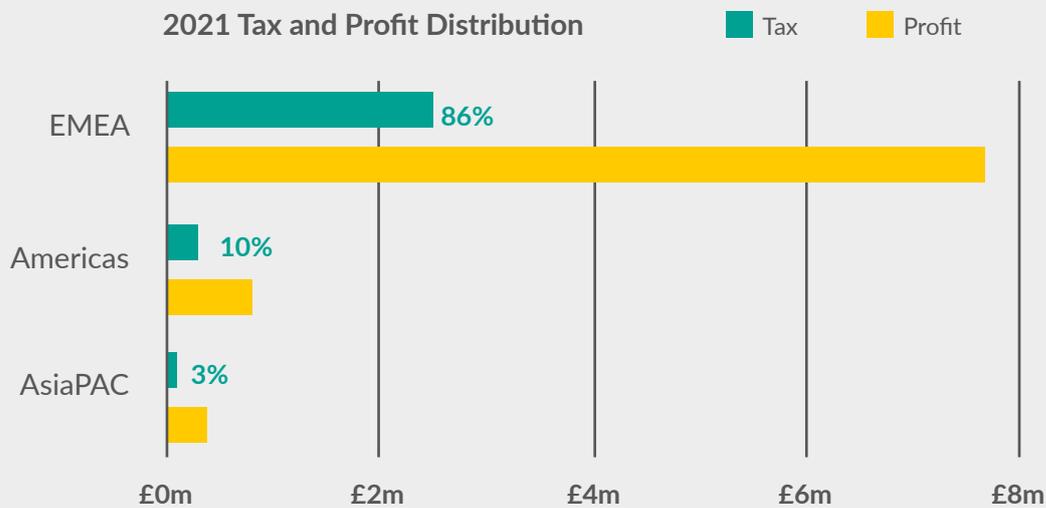
SCOTT BADER'S TAX CONTRIBUTION AND STRATEGY

In light of the geopolitical climate and the COVID-19 pandemic, Scott Bader recognises that taxes are an even more vital source of income for governments to fund essential services locally. The Scott Bader Group has a low-risk tax strategy seeking to pay the right taxes, in the right countries, at the right time

to contribute to local economies in a fair and transparent manner. The Group has undergone organisational change over the past 3 years to support the growth and maturity of the business moving to a functional rather than geographical governance and strategic structure. Specialists, including a Group Head of Tax, have been recruited into the organisation to support this change. In 2021, we implemented a revised

transfer pricing policy to ensure the profit attribution and resultant tax paid fairly reflects the value drivers and operations of the business. The Chief Executive, supported by the GLT, has overall responsibility for implementation of this transfer pricing policy, with internal controls also in place. This policy is formally supported by local subsidiary boards.

2021 Tax and Profit Distribution



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CONSTITUTION REVIEW

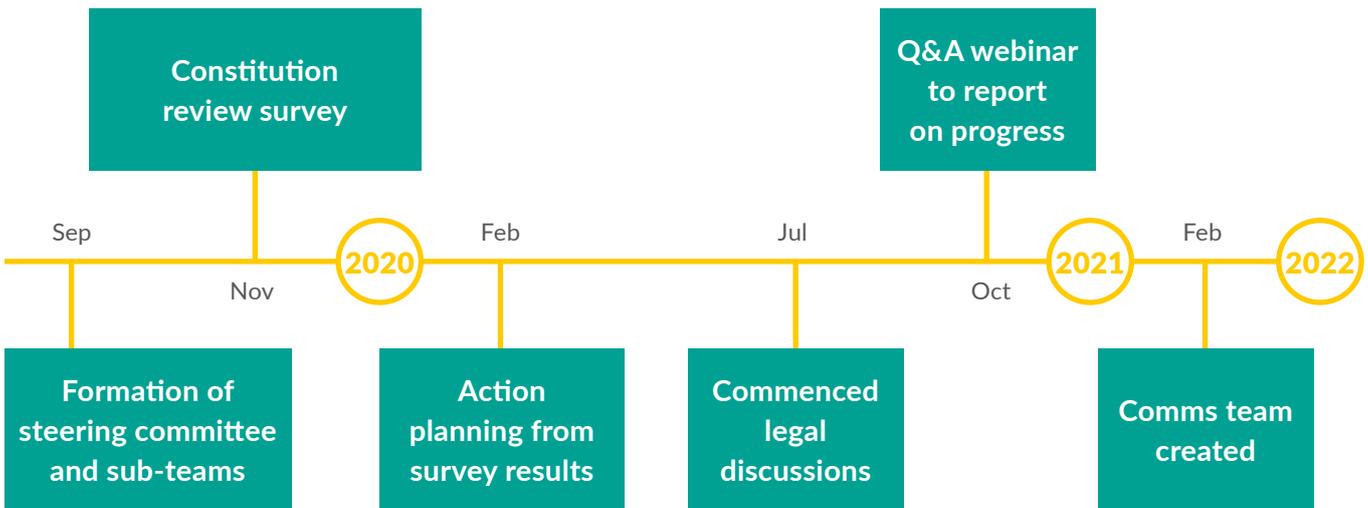
In 2021, the Commonwealth commenced a constitution review to restate our values and principles and strengthen their oversight, looking to update the Scott Bader Constitution in line with the development of good governance and the needs of a modern, international business. One of the key elements of this review is to revisit and refresh the values and principles set out in the Constitution and its Code of Practice to reflect our aspirations.



The key changes arising from the constitutional review were:

- Each Board having a clear purpose set out in the Constitution.
- Strengthened oversight of the operating company by the Commonwealth Board.
- Improved clarity on how the Members Assembly (renamed the Global Members Board) hold the operating Board to account, including a dispute resolution process and the Chair of the GMB having a seat on the Board of Scott Bader Company Limited.

As part of the Constitution review, we explored the inherent synergies - and at times tensions - between addressing the needs of our internal colleagues and those of external community stakeholders.



GOVERNANCE – THE SPIRIT OF SCOTT BADER

CORPORATE GOVERNANCE

QUOTED COMPANIES ALLIANCE (QCA)

The QCA Corporate Governance Code is an enabling, principles-based, corporate governance code. Although not bound by the QCA Code, the Group is committed to fully aligning to the recommended guidance to further enhance our global governance, risk and compliance framework.

We remain partially compliant as certain elements can only be addressed as part of the ongoing Constitutional Review. Steady progress has been made through the year with the Group embarking on several initiatives to bolster compliance with the principles of the QCA code including forming and executing a plan

to begin the review of the constitution to clarify the roles of the governing functions and identify the governing body responsible for assessing the GLT and Group Board against such criteria. The Group Board is also undertaking a skills assessment while additionally training is being rolled out to the Commonwealth Board.

Three key actions with amber status remain open which prevent the Scott Bader self-assessment from being fully compliant:

- ✓ completion of the constitutional review.
- ✓ clarity around stakeholder engagement and
- ✓ board evaluation across all bodies.

DELIVER GROWTH		STATUS
1	Establish a strategy and business model which promote long-term value for shareholders	●
2	Seek to understand and meet shareholder needs and expectations	●
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	●
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	●
MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK		
5	Maintain the board as a well-functioning, balanced team led by the chair	●
6	Ensure that between them the directors have the necessary up to date experience, skills and capabilities	●
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	●
8	Promote a corporate culture that is based on ethical values and behaviours	●
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	●
BUILD TRUST		
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	●

LOOKING FORWARD

2021 was a landmark year as we celebrated our centenary, commenced a significant review of the constitution, conducted an independent review of our governance processes and started to formalise the relationships we have with our stakeholders.

2022 will mainly focus on completing and consolidating the initiatives started in 2021, especially the Constitution review, and the various stakeholder surveys.

Looking forward, we will continue to embed robust governance and regulatory awareness into our global culture especially in new sites such as in Mocksville USA. We continue to remain focused on delivery of the 2036 Vision and giving reality to the strategic goals of Unleashing Colleagues Potential, Striving for Excellence, Acting Beyond Compliance, Protecting Our Environment and Pioneering the Circular Economy, Partnering for Success, all ultimately to ensure we Deliver Value to Society.

The MA is looking forward to completion of the Constitution Review in 2022 and speaking to all colleagues about the great benefits that we will experience. As we grow in strength and maturity as a board, we are more equipped for the challenges that 2022 will bring and we are ready to represent the voice of our members.

As we look forward, the Scott Bader Group objective is to build on the foundations of the tax function and seek further opportunities to increase transparency to share information to our stakeholders regarding the group's contribution to economic development and society achieved through its tax profile. Scott Bader remains fully committed to contribute in a fair and transparent manner.

There is still more to do to develop the interactions with our local communities and we hope to make more progress in formalising this area in 2022 in addition to developing a stakeholder management system to ascertain the optimum frequency and nature of consultation and dialogue.

An aerial photograph of an industrial facility, possibly a paper mill or manufacturing plant, with various buildings, pipes, and storage areas. The image is overlaid with a large, semi-transparent blue and green geometric shape that tapers from the top left towards the bottom right. A solid yellow triangle is positioned on the left side, partially overlapping the blue overlay.

APPENDICES

I. GLOSSARY

II. ANALYSIS OF OUR CHARITABLE GIVING



I. GLOSSARY

ABBREVIATIONS AND ACRONYMS

AGM	- Annual General Meeting
CO₂	- Carbon dioxide
CWB	- Commonwealth Board
D&I	- Diversity and Inclusion
EESG	- Employee, Environment, Social and Governance
EMEA	- Europe, Middle East, and Africa
EO	- Employee-owned
GHG	- Green House Gas
GLT	- Group Leadership Team
GRC	- Governance, Risk and Compliance
HSE	- Health, Safety and Environment
LCA	- Life Cycle Analysis
MA	- Members' Assembly
ML	- Megalitres
QCA	- Quoted Companies Alliance
R&D	- Research and Development
SBCL	- Scott Bader Company Limited
SBCW	- Scott Bader Commonwealth
SDG	- Sustainable Development Goal
TEA	- Techno Economic Analysis
TeCO₂e	- Tonnes Carbon Dioxide Equivalent
UN	- United Nations
UPR	- Unsaturated Polyester Resin

GLOSSARY OF TERMS

Carbon intensity

Ratio of carbon used to produce a unit of product, typically measured in kgs of CO₂ per tonne of product.

Carbon-neutral

Reducing emissions which includes carbon offsetting, resulting in no net release of carbon dioxide into the atmosphere.

Circular economy

A regenerative systemic approach aimed at the continuous use of finite resources and eliminating waste.

Dual reporting

Reporting emissions using both location-based and market-based methodologies allows companies to compare their individual purchasing decisions to the overall GHG-intensity of the electricity grids on which they operate.

Green energy

Non-fossil fuel-based sources of energy such as solar, wind, hydroelectric and thermal.

Location-based

Reflects the average emissions intensity of electricity grids on which energy consumption occurs.

Market-based

Reflects emissions from electricity that companies have purposefully chosen. It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation (i.e., renewable energy credits).

Net zero

Negating the amount of greenhouse gases produced by business activities.

Rheology modifiers

Materials which impact on the flow and behaviour of a material. This could be from improving how a product feels on the skin to how viscous it is for application and appearance.

Scope 1 GHG emissions

Emissions released to the atmosphere as a direct result of business activities. For example, emissions from Company owned or Company leased vehicles, onsite boilers / incinerators that use CO₂-emitting fuels.

Scope 2 GHG emissions

Indirect emissions that result from the generation of electricity, heat or steam purchased from a utility provider by the Company.



II. ANALYSIS OF OUR CHARITABLE GIVING

2021	DISABILITY	EDUCATION	DISADVANTAGE	POVERTY	SOCIAL AND ENVIRONMENT	YOUTH WELLBEING	COVID-19 & HEALTH	TOTAL
Angola		£865						£865
Australia			£2,500					£2,500
Bangladesh	£2,850							£2,850
Cameroon		£7,026						£7,026
Canada		£4,000		£1,000	£3,250		£250	£8,500
China	£4,250							£4,250
Croatia			£9,950		£5,300		£2,000	£17,250
Czech Republic	£3,750							£3,750
DRC							£2,400	£2,400
France				£744	£1,065	£6,000	£756	£8,565
Germany							£2,750	£2,750
Ghana							£4,000	£4,000
India		£6,125		£2,500			£9,405	£18,030
Ireland					£400	£3,536		£3,936
Kenya							£16,000	£16,000
Malawi							£1,750	£1,750
Pakistan		£8,550						£8,550
Philippines							£2,500	£2,500
Senegal		£6,191						£6,191
South Africa		£11,200		£2,000		£2,800	£13,125	£29,125
Spain			£3,000					£3,000
Sri Lanka		£2,850						£2,850
Sweden			£650				£3,100	£3,750
Tanzania							£897	£897
UK	£7,320	£8,951	£750	£4,900	£4,800	£18,936	£97,898	£143,555
USA			£2,165					£2,165
	£18,170	£55,758	£19,015	£11,144	£14,815	£31,272	£156,831	£307,005
OTHER FUNDS AND SCHEMES								
Life President's Fund								£7,500
UK Nomination Scheme								£13,500
USA Nomination Scheme								£3,835
Grand Total								£331,840

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**SCOTT BADER**
Making a **positive** difference

INVESTORS IN PEOPLE®
We invest in people Gold



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