Tyman plc
Annual Report and Accounts
for the year ended 31 December 2021

The expert touch that transforms

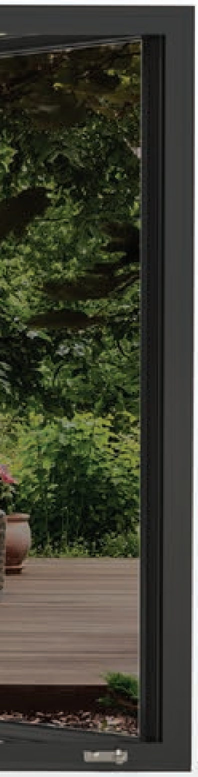
Tyman is a **leading international supplier** of engineered fenestration components and access solutions to the construction industry.

Summary Group Results

£635.7m **Revenue** 2020: £572.8m 2019: £613.7m	**0.9×** **Leverage*** 2020: 1.1× 2019: 1.7×	**12.9p** **Dividend per share*** 2020: 4.0p 2019: 3.9p
£90.0m **Adjusted operating profit*** 2020: £80.3m 2019: £85.4m	**32.1p** **Adjusted EPS*** 2020: 27.2p 2019: 27.5p	**£64.0m** **Profit before taxation** 2020: £47.6m 2019: £24.8m

Our new Obliq handle is stylish and sustainable, made with 94% recycled aluminium

See **case study** on page 7



Contents

Strategic report

Highlights	1
Investment case	2
Group at a glance	4
Our purpose and values	6
Our divisions	8
Our geographical reach	9
Our products	10
Our brands	12
Our business model	14
Our markets	16
Our Strategy	20
Our key performance indicators	26
Chair’s statement	30
Chief Executive’s Review	32
Operational review	34
Financial review	40
Sustainability review	46
Going concern and viability	78
Our Stakeholders	81
Principal risks and uncertainties	84

See more information on our corporate website: www.tymanplc.com

Governance and Directors’ report

Board of Directors	92
Statement of Governance	94
Nominations Committee report	102
Audit and Risk Committee report	104
Remuneration report	114
Other statutory information	138

Financial statements

Independent auditors’ report	140
Consolidated income statement	149
Consolidated statement of comprehensive income	150
Consolidated statement of changes in equity	151
Consolidated balance sheet	152
Consolidated cash flow statement	153
Notes to the financial statements	154
Company balance sheet	197
Company statement of changes in equity	198
Notes to the Company financial statements	199
Alternative Performance Measure reconciliations	203
GRI Standard Content Index	209
Definitions and glossary of terms	211
Roundings and exchange rates	213
Five-year summary	214

£91.7m
Adjusted net debt*
2020: £100.6m
2019: £164.5m

25.4p
Basic EPS
2020: 19.1p
2019: 9.1p

* Alternative Performance Measures provide additional information to shareholders on the underlying performance of the business. A detailed description of APMs, which have been consistently applied throughout the report, is included on pages 203 to 208.

Highlights

- Strong growth against both 2020 and 2019:
  - LFL revenue growth of 11% against 2019 driven by share gains, pricing and strong market demand
  - LFL adjusted operating profit up 11% against 2019 due to revenue growth, pricing benefits and self-help activities
  - Adjusted operating margin expanded to 14.2% despite dilutive effect of cost inflation
  - Adjusted EPS growth of 17% against 2019
  - ROCE improvement of 250bps against 2019 to 14.5%
- Performance achieved despite industry-wide supply chain challenges, labour constraints and input cost inflation
- Strategic initiatives yielding positive results, with good progress on sustainability roadmap
- Further reduction in leverage to 0.9x
- Progressive dividend policy reinstated; record total dividend of 12.9p per share

Why invest in Tyman?

Favourable megatrends, differentiated value-creation and high cash generation support long-term growth.

Favourable Megatrends

- Global population growth and demographic change drives construction and remodelling activity
- Climate change demands more energy efficient buildings
- Increasing consumer savvy and technology advances raise expectations for improved aesthetics and ease of use
- Post-pandemic changes to lifestyles and use of homes

Read more about **our marketplace** on pages 16 to 19.

Compelling customer value-creation

- Our highly-engineered products create strong value for customers and end-users relative to their cost
- Our market-leading brands, extensive portfolio of differentiated products, and innovation capabilities make us a strategic partner for our customers
- Our value-added services, including co-development, application engineering, integrated supply chain and accredited testing, underpin our long-term customer relationships and high levels of repeat business

Read more about **our products and brands** on pages 10 to 12.

Sustainable growth potential

- We have high barriers to entry as a result of our deep customer relationships, the heritage and reputation of our brands, our extensive product and application expertise and world-class facilities across our global footprint
- Our scale allows us to continually invest in our organic growth through innovation and operational excellence
- Our high levels of cash generation and strong balance sheet provide funding flexibility for future expansion, including further acquisitive growth with Tyman the natural consolidator in a fragmented industry
- Our diversification across geographies and commercial and residential markets provides resilience against major changes in the market environment

Read more about **our divisions and geographical reach** on pages 8 and 9.

A purpose-led business

The origins of Tyman's businesses date back to 1838. Over many years, employees have worked to build the platform that we have today of market-leading brands, differentiated products supported by value-added services, deep customer relationships, all underpinned by our domain expertise and global scale.

Our purpose, values and Code of Business Ethics are the building blocks of our culture, creating a shared sense of identity across our employees that is essential for our success. Our strategy is guided by our purpose and will deliver a set of outcomes aligned to our stakeholder interests, against which we measure success and link our performance with purpose. This will create long-term value for all our stakeholders.

1

Our purpose

Our purpose is at the core of everything we do, unifying us in a common cause and growth strategy. It inspires Tyman people to make a positive contribution every day.

Read about **our purpose** on page 6.

2

Our values

Our values guide our decisions and actions every day. They are the foundation of our success and essential to achieving our purpose.

Read about **our values** on page 6.

3

Our strategy

Our Focus, Define, Grow strategy is guided by our purpose and underpinned by our sustainability roadmap. It will deliver a set of strategic outcomes, creating long-term value for all our stakeholders.

Read about **our strategy** on pages 20 to 25.

4

Our stakeholders

Our stakeholders each play an important role in the delivery of our strategy. Actively engaging with our stakeholders is vital to the Group's success and the interests of all stakeholders are considered in key decisions.

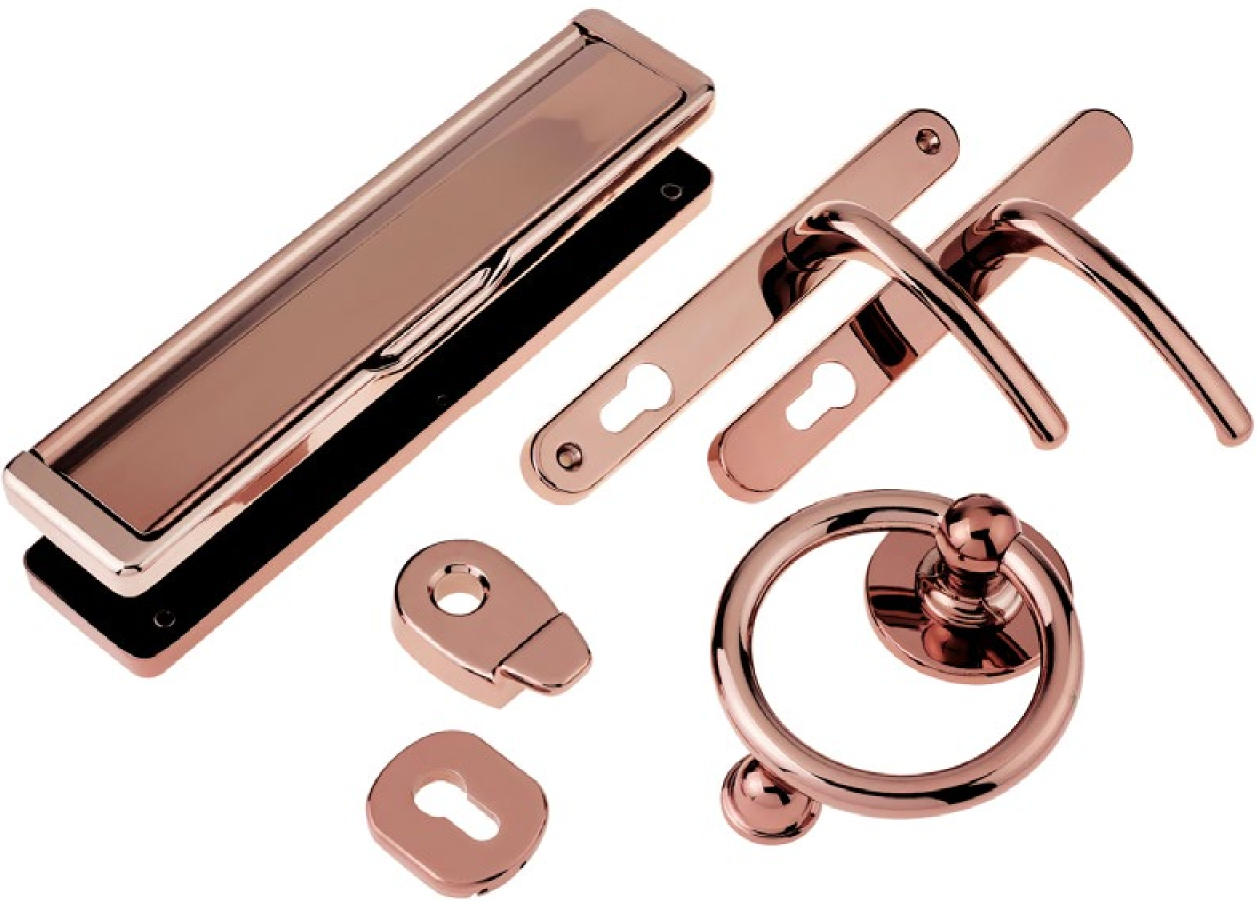
Read about **our stakeholders** on pages 81 to 83.

5

Our KPIs

The success of our strategy is measured through a set of financial and non-financial KPIs, linking our performance with purpose.

Read about our **KPIs** on pages 26 to 28.



Our purpose and values

Our purpose

Our purpose is at the core of everything we do, unifying us in a common cause and growth strategy. It is the essence of us at our best and inspires Tyman people to make a positive contribution every day.

Millions are kept safe and comfortable at home and at work around the world because of our expertise. We know that to be experts, we must have deep understanding of our customers and their needs, an uncompromising commitment to both safety and quality, and a restless ambition to innovate. We never forget that experts are people: growing and energising our talent is at the heart of what makes us different.

With our expertise, we have the power to transform what we touch. We commit to transform living and working spaces, to transform people and careers, to transform the value of our businesses, and to transform our impact on communities and society.

Our purpose is to transform the security, comfort and sustainability of living and working spaces through our expert touch.

Tyman. The expert touch that transforms.

Read more about **our products** on pages 10 and 11 and **our business model** on pages 14 and 15.

Our values

Our values frame how we work with each other and with our partners, and will shape the culture of Tyman. They are the foundation of our success and essential to achieving our purpose. Our Code of Business Ethics, 'Integrity in action' embodies these values, laying out the expected standards of behaviour that all our employees must adhere to.

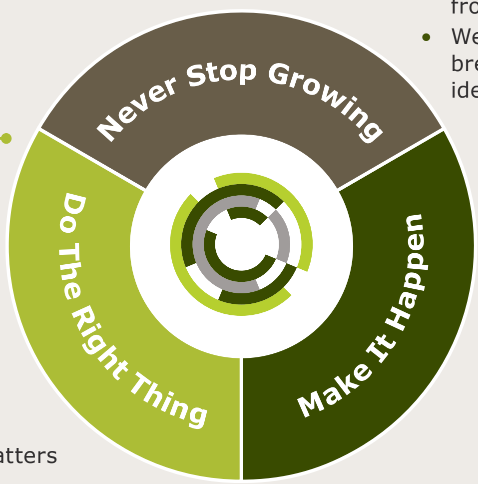
Read more about **our Code of Business Ethics** on page 59.

The Tyman Touch

Never stop growing

There is no limit to what we can achieve

- We take every opportunity to learn and develop, professionally and personally
- Every day we make the continuous improvements which people deserve from us
- We believe in the power of creativity to break through with new thinking, new ideas, new solutions



Do the right thing

Integrity is the cornerstone of our business

- We demand transparency, and we always do what it takes to build or repair trust
- We value, respect and look out for each other, and we are strongest when we are most diverse
- We speak up and take care to listen, because every voice matters

Make it happen

We are action people

- We behave like owners, always ready to hold ourselves and others to account
- Inclusive teamwork creates our best results
- We take pride in bringing positive energy to our work, and our performance is fed by our passion

Case Study

Obliq handle – stylish and sustainable

The challenge

Momentum behind the sustainability agenda continues to grow, with demand for products that are sustainable without compromising on function and aesthetics increasing. The market trend towards a minimalist aesthetic also continues to grow. The Reguitti product team therefore sought to create a range of minimalist handles with strong sustainability credentials to address these market trends and contribute to the Group's goal of reducing Scope 3 carbon emissions.

The solution

The Reguitti team explored a range of designs and materials and assessed the lifecycle carbon footprint of each design, resulting in the Obliq range of door handles. The Obliq handle is made with 94% recycled aluminium, a material which can be reused infinitely. The rosette is fully integrated within the handle, reducing components and material weight, while creating an elegant aesthetic in line with the minimalist hardware trend. The spring-load assembly system and finishes are tested and certified to high European standards of quality, including salt spray corrosion resistance.

Value created

The Obliq has a carbon footprint which is 63% lower than a standard zinc alloy door handle rosette design with c.20% recycled content and 55% less than an equivalent brass handle design. The product received a 'Special Mention for Sustainability' at the Archiproducts Design Awards 2021. The handle assists door manufacturers and consumers in meeting their sustainability goals, while maintaining high performance, aesthetics and ergonomics.

Scan the QR code to read more **Case studies** on our website.

Our divisions

Tyman is a leading international supplier of engineered fenestration components and access solutions to the construction industry.

The Group designs and manufactures products that enhance the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings. Tyman's portfolio of leading brands serves their markets through three regional divisions. Headquartered in London, the Group employs approximately 4,200 people, with facilities in 16 countries worldwide.

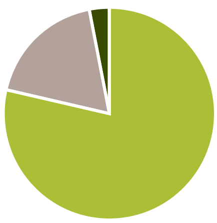
Our customer base ranges from large OEMs, where we are often integrated into their product design and development processes and supply chains, through to distributors/retailers, where our strong trade brands are of key importance given their reputation for quality and innovation with installers, architects and end consumers. Our access solutions portfolio also serves specifiers of construction projects and contractors.

Read more about **our brands** on page 12.

North America

AmesburyTruth is Tyman's division operating in North America

Routes to market



- Manufacturers of doors and windows 79%
- Distributors and wholesalers 18%
- Other 3%

Residential
87%

Commercial
13%

Manufacturing sites
10

Distribution sites
1

Brands

Bilco, Ashland Hardware Systems, Giesse, AmesburyTruth

Employees
2,900

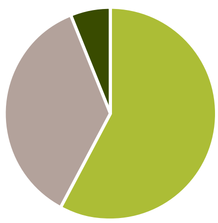
Revenue
£397.7m
(2020: £372.1m)

Adjusted operating profit
£65.1m
(2020: £64.5m)

UK & Ireland

ERA is Tyman's division operating in the UK and Ireland

Routes to market



- Manufacturers of doors and windows 58%
- Distributors and wholesalers 36%
- Other 6%

Residential
72%

Commercial
28%

Manufacturing sites
3

Distribution sites
1

Brands

Schlegel, ERA, Access 360, Fab&Fix, Giesse, Zoo Architectural Hardware

Employees
420

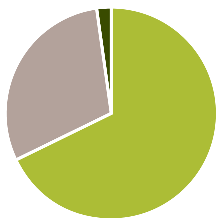
Revenue
£105.8m
(2020: £92.2m)

Adjusted operating profit
£14.8m
(2020: £8.8m)

International

SchlegelGiesse is Tyman's division operating in continental Europe and the rest of world

Routes to market



- Manufacturers of doors and windows 68%
- Distributors and wholesalers 30%
- Other 2%

Residential
77%

Commercial
23%

Manufacturing sites
6

Distribution sites
9

Brands

Schlegel, Bilco, Jatec, Reguitti, Giesse, AmesburyTruth, Zoo Architectural Hardware

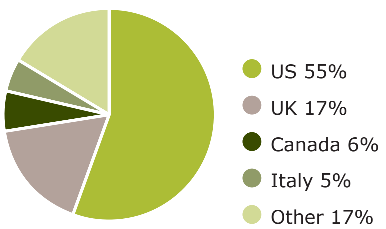
Employees
820

Revenue
£132.2m
(2020: £108.4m)

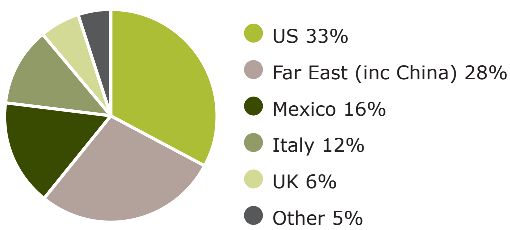
Adjusted operating profit
£19.5m
(2020: £12.3m)

Our geographical reach

Where our products are sold



Where our products are manufactured



Our products

The Group offers a broad range of differentiated, highly-engineered products supported by value-added services and holds over 555 active patents with a further 111 pending.

The portfolio covers all aspects of the hardware and sealing solutions required for doors and windows, and a full suite of solutions for roof, wall and floor access in residential and commercial buildings.

Comfort

- Ventilation
- Weather resistance
- Sound insulation
- Ease of use

Sustainability

- Energy efficiency of buildings
- Longevity of buildings

Security

- Locking/deterrent
- Monitoring
- Remote and timebound access

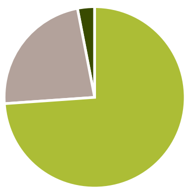
Safety

- Fall prevention
- Hurricane solutions
- Lockdown
- Safe access

Aesthetics

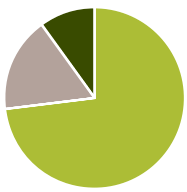
- Look
- Feel
- Suiting

Who we sell to



- Manufacturers of doors and windows 74%
- Distributors and wholesalers 23%
- Other 3%

What we sell



- Window and door hardware 74%
- Seals and extrusions 17%
- Commercial access solutions 10%

Read more about **our value creation** in the **business model** on pages 14 and 15

Window and door hardware

Products
Integrated opening, closing and locking systems for all types of window (casement and sliding/sash) and door (including patio and bi-fold). Associated decorative hardware and smart entry and monitoring solutions (electronic access products, sensors, alarms, indoor/outdoor cameras and associated services).

Value to the customer
Comfort through ventilation and ease of use; sustainability through energy efficiency and durable designs; security through various locking (including remote and timebound access), alarm and monitoring solutions, and safety hardware; aesthetics through look, feel and suiting of product ranges and in concealed hardware designs where appropriate.

Seals and extrusions

Products
Window and internal/external door seals and other extrusions.

Value to the customer
Comfort through weather resistance and sound insulation; sustainability through durability of materials; energy saving; aesthetics through concealed seal designs.

Access solutions

Products
Solutions for roof, floor/pavement, and wall access (riser doors), including associated safety products (e.g. ladders, railings) and emergency barricade solutions.

Value to the customer
Comfort through ventilation, weather resistance and sound insulation; safety and security through suite of lock and barrier products; sustainability through durability of product solutions.

Our brands

Our brands are all highly-regarded leaders in their respective market segments. Together they represent almost 1,000 years of innovation, quality and service for our customers.

ACCESS 360

Commercial access solutions for the roof, wall and floor. Access360 was formed in 2018 from the Howe Green, Profab and Bilco UK brands

Established

Bilco (1926)
Howe Green (1983)
Profab (2001)

UK I

AmesburyTruth

Window and door hardware and seals. The Amesbury and Truth brands were harmonised in 2014

Established

Truth (1914)
Amesbury (1978)

NA I

ASHLAND HARDWARE SYSTEMS

Window and door hardware

Established

1932

NA

Bilco

Smoke vents, roof access hatches and pavement doors

Established

1926

NA I

ERA

Security hardware including electronic security systems and services

Established

1838

UK

Fab&Fix

Decorative hardware

Established

1989

UK

GIESSE

Hardware for aluminium windows and doors

Established

1965

NA UK I

JATEC

Decorative door hardware

Established

1890 (Formerly JADO)

I

REGUITTI

Decorative door hardware

Established

1975

I

Schlegel

Window and door seals and extrusions

Established

1885

UK I

ZOO ARCHITECTURAL HARDWARE

Door hardware for architectural ironmongers

Established

2011

UK

Key user

Residential
Commercial

Division

NA North America
UK UK and Ireland
I International

Product category

Window and door hardware
Seals and extrusions
Commercial access solutions

Case Study

Collaborating to improve the customer experience

ERA manufactures hardware for sash windows from its Wolverhampton site in the UK. Our AmesburyTruth brand in the US is also a leader in balance design and manufacture, producing 70% of the Group's balances volume.

The challenge

Sash (or vertical sliding) windows have increased in popularity in the UK over the past few years due to their aesthetic appeal, particularly as consumers seek to preserve the traditional features of their properties. The key component to smooth operation of sash windows is the vertical sliding balance. Windows without high-performing balances can be sticky, noisy and feel heavy to open and close, which can be a particular challenge for older people.

The solution

The ERA product team drew on the expertise of the AmesburyTruth team to design a new vertical sliding window balance for the UK market. Working together, the team went back to basics with a new design approach, alternative balance materials and production methods to create a better quality and more reliable product that requires a lower operating force and ensures a quieter, smoother operation. To validate the improved performance, partner customers were involved in an extensive testing programme.

The new balance comes in a broad range of parameters to support a wide range of window dimensions. To aid selection of the most appropriate balance for a particular window, ERA created a software solution that determines the optimal operating forces for the window.

Value created

The TrueGlide™ balance provides window manufacturers with a higher quality and more reliable product, with the software enabling an accurate match to each window size and also improving the efficiency of the quoting and ordering process. For end-users, the new design makes the window easier and quieter to open and close, helping to support independent living.

Scan the QR code to read more **Case studies** on our website.

"The new TrueGlide balances have greatly improved the performance, quality and overall feel of our vertical sliding windows, making them smoother and quieter to operate for our customers."

Steve Cardwell
Production Manager,
Warwick Development Specialist Division

STRATEGIC REPORT

Our business model

We use our valuable resources to create long-term, sustainable value for all our stakeholders.

Key resources and relationships

Our resources are carefully selected and developed to create competitive advantage…

Deep customer relationships

We work with our customers to understand their unique requirements in terms of the offer they require and how they wish to be served, making us the partner of choice across many channels to market. These long-term relationships bring high levels of repeat business and a customer intimacy that allows us to continuously improve the value we bring.

Leading brands

Our portfolio of complementary brands have market-leading positions predicated on the innovation, quality and service they deliver for our customers, as evidenced through their long heritage. In some cases, the reputation of our brands is so strong with the end-users that the brand name has become synonymous with the category name.

Experienced and committed workforce

We have a highly-skilled, dedicated workforce of c.4,200 personnel around the world, together creating unparalleled knowledge of engineered fenestration components and access solutions technologies and applications. Our people are at the heart of our ability to deliver innovation, quality and service to our customers.

Strategic supplier partnerships

We carefully supplement our internal capabilities with select specialisms through external collaborations, allowing us to deliver the best in innovation, quality and service to our customers in the most efficient way.

Global footprint

Our global scale allows us to sustain and further develop a rich portfolio of products and technologies that support our customers' needs, while having the presence and agility to respond quickly to the specifics of local markets.

Strong balance sheet

Our portfolio attracts high margins due to its competitive advantages and a strong focus on margin expansion initiatives. Asset optimisation and disciplined management of capital investment drive significant cash generation. The resulting balance sheet strength and debt capacity creates a virtuous circle that will allow Tyman to make investments that drive further organic and acquisitive growth for years to come.

Key activities

… that allows us to undertake

Design

At the core of our capabilities is our ability to understand our customers' and end-users' needs and translate these into innovative solutions that add genuine and relevant value to living and working spaces. This innovation is reflected in our extensive portfolio of standard products addressing all aspects of engineered fenestration components and access solutions for the construction industry.

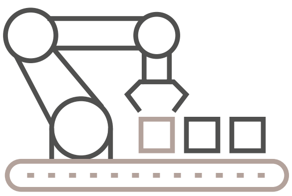
In addition, we collaborate with customers on the development of new window and door designs, leveraging our deep product and application expertise to create bespoke hardware and sealing solutions that create true value for end-users. For window and door system designers, we offer our hardware system design capabilities and deliver drawings and bills of materials for both their standard solutions and bespoke projects.

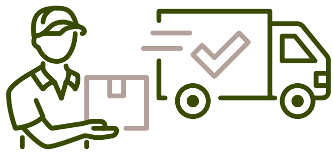
For commercial building and infrastructure projects, we work with architects and specifiers to help them select and design in the right access solutions, bringing custom sizing or other capabilities as required.

In all cases, our leading-edge testing facilities and accreditations are a key component of ensuring that our products deliver the quality and durability that our customers expect of them, allowing our customers to assure their users of the same for their installed windows, doors and access solutions.

Innovation

differentiated activities that address customer needs…





Make/source

Our goal is always to provide our customers with the right product, delivered at the right time, at the right price.

Our size affords us economies of scale in the procurement of base commodity materials such as stainless steel, zinc, aluminium, polypropylene and also outsourced manufactured components.

We manufacture in our world class facilities where this aligns with our core capabilities. Our global footprint and network of extensive supplier partnerships also allow us unparalleled flexibility to deliver locally when close-coupling with our customers' supply chains is required, or from a distance where more standardised production is possible and economics are more important.

Deliver

We are continually looking to develop and optimise our routes to market to effectively meet the evolving demands of our industry around the world.

For our direct relationships with large window and door manufacturers, we embed with their operations, supplying just-in-time, sequenced components to their production lines.

We also serve specialist distributors and merchants who supply smaller manufacturers, system design companies, architects and construction contractors. We excel at delivering to these customers on the short lead-times they routinely require. We also provide training and technical support to give them the product and application knowledge to best serve their customers.

For large commercial building and infrastructure projects, we ship direct to site and then support with on-site technical support as required.

Our growing smartware offer requires new routes to market and we have developed and trained a network of accredited installers to support homeowners with a leading-edge security proposition.

Quality

Service

Value created

… that together create value for our stakeholders.

Customers

We deliver highly-engineered components that allow window and door manufacturers to differentiate in their marketplace with value-enhanced windows, doors and other forms of access solution. In addition, Tyman delivers industry-leading services to these customers ranging from design support to integrated supply of components into window fabrication processes. Our products are also designed to ensure ease of installation for contractors, and our short lead times and technical support allow our distributors to serve their customers in the best way.

End-users

Relative to their cost point, our products and solutions have a disproportionate impact on the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings.

Read more about **our products** on pages 10 and 11.

Employees

Tyman invests in its people through employee training, career path development and continual improvement of working practices and conditions.

Partners

Our strategic suppliers benefit from long-term, fair partnerships with development of their business practices and capabilities.

Investors

We strive to continually deliver increased shareholder value through a mix of both capital appreciation and dividend distributions, made possible through our growth in earnings and financial strength as we deliver on our strategy.

Society

Our products support making buildings more sustainable by enabling weather-resistance, sound insulation, heat loss reduction and overall durability. Many products have a positive societal impact, through reducing community crime rates, enhancing safety and fire protection and meeting the needs of vulnerable groups. As a Group, we are also committed to minimising our impact on our environment through more deeply embedding sustainable practices in all our operations.

Read more about **sustainability** on pages 46 to 77.

Our markets

The Group continuously assesses changes to market drivers and responds through product innovation and evolution of the business model.

Long-term macroeconomic and megatrends continue to support our market drivers. There are a number of trends that have emerged or been accelerated as a result of the pandemic which present significant further opportunities for Tyman. The Group is well-positioned to capitalise on these and deliver further growth.

Megatrend	Market driver	Residential/ commercial
1 Urbanisation	Rapid urbanisation continues, creating larger megacities and swelling the size of mid-sized regional cities.	
	In contrast to rapid urbanisation, COVID-19 has resulted in more time being spent at home, with the home-working trend being amplified. This has led to people seeking more space and necessitating more flexible living spaces.	
2 Demographics and social change	Global population growth continues and there is insufficient affordable housing stock. This is particularly acute in the US, where residential housing starts remain significantly below previous cycle peaks and the long-run averages required to sustain the population.	
	Mature economies are typically experiencing demographic shifts to ageing populations in contrast to growing youth populations in emerging markets. Ageing populations are placing increased emphasis on the need for inclusive 'lifetime homes'.	
	Growing middle-class populations, supported by good employment levels, low mortgage interest rates, and wage increases.	
	Design trends and increased focus on wellbeing are driving desire for increased natural light.	
	Labour shortages across construction markets leading to increased construction wages. Rising material costs and supply chain disruptions in the wake of COVID-19 are also significantly increasing construction costs and putting pressure on lead times.	

Key

 Residential  Commercial

Impact	How we are responding	Value proposition
• Growth in the construction of multi-family homes and conversion of industrial spaces to residential near the centre of major cities.	• Increasing range of products with light-commercial application.	
• Growth in new build and repair and remodelling activity, particularly favouring single-family construction, to which the Group is most exposed.	• Capitalising on our strength in this market through continued development of differentiated products.	
• Creating demand for quality building products at lower prices.	• Development of differentiated, value-engineered products and removal of waste from supply chains, including focus on efficiency in fabrication and installation processes.	
• Increased demand for disability and connected care products and products that are easy to use.	• Emphasis on 'ease of use' in the development of products. • Expansion of range of automated and assisted opening products.	
• Promoting increased demand for more premium fenestration products.	• Customised hardware and sealing sets for premium fenestration types, prioritising high security and minimal design so as not to disrupt the overall aesthetic.	
• Trends are driving demand for larger expanses of glass and minimal frames, which require specialist seal and hardware products.	• Development of seals and hardware that support heavier and higher performing glass packages.	
• Rising costs are driving a need to find savings elsewhere within a project, increasing demand for quality products at lower prices and those that are efficient to install. • Supply chain disruptions are emphasising the need for flexible, robust supply solutions.	• Development of differentiated, value-engineered products and removal of waste from supply chains, including focus on efficiency in installation processes. • Enhancing manufacturing and sourcing redundancy and further developing flexible supply initiatives for customers.	

Key

Comfort Sustainability Aesthetics Security Safety

Our markets continued

Megatrend	Market driver	Residential/ commercial
3 **Regulation / certification**	Building codes and product certifications are getting stricter, including enhanced fire safety standards within building codes.	 
4 **Sustainability**	Increasing momentum behind the sustainability agenda driving focus on resource efficiency including the need for energy-efficient buildings and circular economy. This momentum is driven by increasing consumer awareness, increasing regulation, and certain government incentives.	 
	COVID-19 has increased awareness of surface hygiene.	
5 **Technology and digitalisation**	Technology is creating new ways of living and working; even traditional sectors are experiencing changes in customer expectations driven by the way consumers are accustomed to being serviced elsewhere. This is driving growth in smart buildings and connected homes.	 
	New technologies making refined industrial design a consumer expectation in many product categories.	
	The adoption of e-commerce and digitalisation has been accelerated due to the impact of COVID-19.	

Key

 Residential  Commercial

Impact	How we are responding	Value proposition
• Increased demand for products with certifications and accreditations, spanning windows, doors and access solutions. • Growing 'whole solution' certification increasing emphasis of OEM channel.	• Growing range of passive fire protection products across hardware and seals to support door manufacturers in fire regulation compliance. • Increased focus on system house partnerships and bespoke solutions. • Growing range of emergency smoke venting products for commercial use as well as a range of fire-certified products. • Further development of safety product range, including child locks, hurricane solutions, and barricades.	
• Growth in repair and remodelling activity to improve energy efficiency of homes. Increased demand for products that have a positive environmental and/or social impact, that are sustainably manufactured and packaged.	• Continuous focus on development of solutions that deliver positive environmental and/or social impact. • Promoting the enhanced energy efficiency attributes of products e.g. Tyman foam sealing range in contrast to lower-cost alternatives. • Enhancing sustainable manufacturing processes and sourcing. • Expanding range of products with sustainability certifications e.g. C2C and development of sustainable packaging. • Development of thermally-broken commercial access products.	
• Increased demand for products that improve surface hygiene.	• Development of products with anti-germ coatings and touch-free opening.	
• Increasing demand for smart home security and electro-mechanical fenestration products.	• Expansion of residential smart security range that meets the internationally recognised BSI Kitemark for IoT Devices. • Development of electro-mechanical products. • Enhancing range of actuated commercial access products.	
• Increased demand for products that are not only functional, but also enhance the aesthetics of living spaces.	• Enhanced industrial design and emphasis on creating matching 'suites' of products. • Further extensions to minimalist hardware ranges.	
• Increased demand for digitalisation throughout the supply chain and opportunity through emerging direct-to-consumer channel.	• Development of e-commerce capabilities, allowing direct-to-consumer sales where appropriate. • Enhancement of IT systems to improve digitalisation of the supply chain.	

Key

Comfort   Sustainability   Aesthetics   Security   Safety

Our strategy

Our strategy of Focus, Define, Grow is underpinned by our sustainability roadmap.

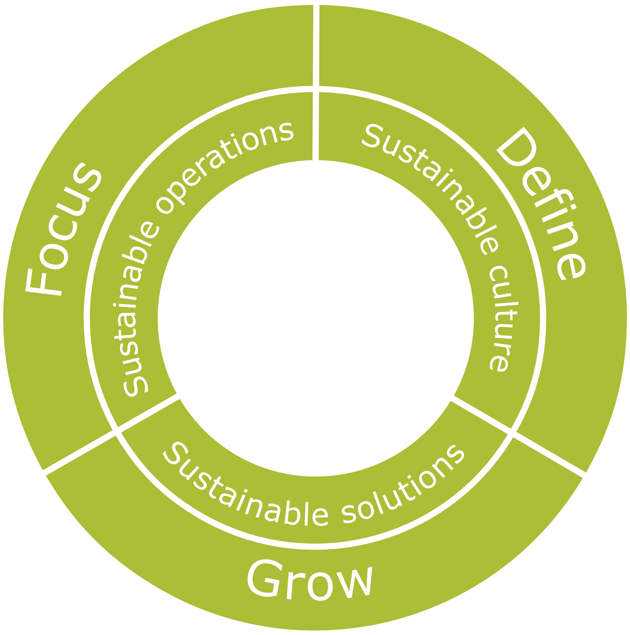
The Group's Focus, Define, Grow strategy was put in place in late 2019 following a period of heavy acquisition activity and a change in executive leadership.

The sustainability roadmap was established in 2020 and embedded at the core of the Group's strategy, with the three pillars of Sustainable Operations, Sustainable Culture and Sustainable Solutions aligned with and reinforcing the Focus, Define, Grow strategy. The strategy is guided by our purpose and reflects that there is still much value to be realised in the near-term from activities that will optimise our business, build a more cohesive culture, and create a stronger base. Combined with the growth initiatives that leverage the Group's inherent strengths, our strategy aims to deliver margin expansion and consistent profitable growth, establish a high-performance culture, and make a positive impact on the environment and in our communities. This will create meaningful long-term value for our stakeholders.

More detail on divisional strategic initiatives can be found in the operating reviews on pages 34 to 39 and in the sustainability review on pages 46 to 77.

Impact of COVID-19 on the strategy

The Group believes this strategy continues to be the right one in the context of COVID-19, although the global supply chain challenges and high levels of demand have driven a re-prioritisation of initiatives towards those that improve resilience and expand capacity in the short-term. In spite of the operational intensity, the Group has made good progress with initiatives and there are opportunities to accelerate aspects of the strategy as COVID-19 continues to abate.



Strategic outcomes

Margin expansion
Expand operating margin through driving efficiency in operations

Sustainable growth
Consistently deliver profitable revenue growth

Engaged people
Provide a safe working environment and develop engaged, high-performing teams

Positive impact
Protect the natural world and build more inclusive communities

Long-term value creation

Focus

The Focus strategic pillar reflects actions to streamline and strengthen what we have. The Group's M&A heritage means there is a continued need to integrate and harmonise the structures, products, processes and systems from prior acquisitions to create a strong platform for the future. This will drive margin expansion, enhance the sustainability of our operations, and lay the foundations for sustainable, profitable growth.

Rationalise

- *Streamline footprint*: Deliver maximum operational efficiency and economies of scale as well as having the right routes to market in each location to best serve the customer.
- *Harmonise product portfolio*: Reduce portfolio complexity and duplication while also improving range positioning to give a stronger product offer that is both more efficient to produce and better meets customers' needs.

Optimise

- *Tune systems and processes*: Efficiently support business operations management and enable high quality, agile decision support to capitalise on opportunities and better support customers.
- *Continuous Improvement (CI)*: Make CI a way of life, by embedding lean practices, six sigma process controls and value analysis / value engineering (VAVE) activities.

Sustainable operations

- *Safety*: Transform health and safety performance through 'safety is our first language' programme.
- *Environment*: Reduce environmental impact by decreasing energy and water usage and reducing waste to landfill.

Define

The Define strategic pillar centres on building cultural cohesion across the Group to facilitate ongoing synergy extraction, through establishing 'One Tyman', developing the 'Tyman Excellence System', and building a sustainable culture.

Establish 'One Tyman'

- Build a cohesive, high-performing culture through a common purpose, values and Code of Business Ethics to facilitate synergy extraction.

Develop the 'Tyman Excellence System'

- Establish a clearly-defined business system and enhance groupwide capabilities through a set of processes, playbooks and other toolkits for development and propagation of best practice.

Sustainable culture

- Ensure our culture enables our diverse talent to contribute to their best and our business to create long-term value for the business, local communities and wider society.

Grow

The Grow strategic pillar aims to deliver sustainable organic share gain, through executing well in serving our customers, developing and launching new products, expanding our existing channels to market, and developing sustainable solutions. We also seek to supplement our organic activities with M&A to further strengthen the portfolio.

Excellent customer service

- Deliver a superior customer experience, fostering long-term partnerships through excellent delivery performance, ease of doing business, technical support and other value-adding services such as co-development and accredited test services.

New product development

- Develop a culture and discipline of innovation that proactively addresses changing market dynamics, customer requirements, aesthetic trends, and latest technologies, to create true differentiated value.

Market expansion

- Deliver share gain through optimising routes to market, selling existing products through new channels, and expanding into adjacent markets.

Sustainable solutions

- Offer innovative products and services that promote circularity, help our customers reach net zero, and create safer, more inclusive communities.

Targeted M&A

- Tyman continues to be the natural consolidator in a fragmented market and seeks to supplement organic growth with targeted M&A to strengthen the portfolio.

We have made good progress in 2021 and have clear plans for 2022.

	Strategic outcomes	Sub-pillar	Progress in 2021	Priorities for 2022
Focus		**Rationalise**	• Further optimised North America footprint through inter-site line transfers • Commenced distribution footprint optimisation • Completed next phase of North America product portfolio harmonisation	• Complete North America footprint optimisation activities • Complete North America portfolio harmonisation
		Optimise	• Implemented automation in Budrio facility • Expanded seals capacity in the UK • Commenced Lean Excellence capability development • Commenced groupwide ERP upgrade	• Enhance supply chain and operational resilience through expanding alternative sourcing and increasing redundancy • Further increase seals capacity using latest technology in North America and the UK • Continue to extend automation to develop 'factory of the future' model • Complete first phase of ERP upgrade
		Sustainable operations	• Completed deployment of safety leadership programme • Deployed four new Group safety standards • Defined environmental targets • Commenced work on developing a Science Based Target • Enhanced TCFD disclosures • Installed water recirculation system at most water-intensive facility	• Implement safety improvement plans at four key plants • Continue roll-out of Group safety standards • Set Scope 3 SBT Science Based Target and validate with SBTi • Further develop TCFD disclosures including supply chain physical risk assessment and quantitative scenario analysis • Drive reductions in energy, water and waste • Commence deployment of solar energy technologies
Define		**Establish One Tyman**	• Deployed new purpose, values and Code of Business Ethics in most locations • Defined Group brand strategy	• Complete One Tyman deployment and continue to embed • Roll-out 'Leading with Integrity' workshop • Develop & deploy targeted ethics and compliance training
		Develop the 'Tyman Excellence System'	• Extended the Tyman Excellence System to Sustainability, Lean and IT • Prioritised initiatives to improve productivity and supply chain resilience • Developed best practice playbook to reduce energy, water and waste • Defined groupwide ERP strategy	• Complete development of safety standards • Deploy Lean Excellence Leadership programme • Complete Extremely Visual Factory system • Establish Kaizen best practice playbook and global calendar of Kaizen events • Expand Tyman Excellence System to talent • Develop Procurement Excellence roadmap

	Strategic outcomes	Sub-pillar	Progress in 2021	Priorities for 2022
Define		**Sustainable culture**	• Commenced work to develop metrics for employee engagement and retention • Launched global Employee Assistance Programme (EAP) • Became a UK Real Living Wage employer	• Undertake in-depth, all employee engagement survey • Develop diversity and inclusion programme including people metrics dashboard • Develop community investment and engagement plans
Grow		**Executing well in serving our customers**	• Gained market share in core International markets due to strength of service levels • Achieved further net business wins in North America through strength of value proposition • Strengthened sales capabilities in UK & Ireland	• Improve customer experience via digital tools, including ERP and website enhancements • Further strengthen sales capabilities and sales and operational planning processes
		Innovation for differentiated value	• Launched a number of new products, including the Pinnacle™ balance, further extensions to the CHIC minimalist hardware range, and the Precision adjustable riser door frame • Developed new products, including fire retardant and intumescent seals and entry-level patio door roller and handle set	• Launch pipeline of new products, including fire retardant and intumescent seals • Further market-driven NPD to create differentiated value • Continue co-development programmes with major customers
		Market expansion	• Secured partnerships with significant European and GCC system houses, through launch of Pull & Slide system • Commenced western US distribution footprint optimisation • Developed localised product solutions for fast-growing China market	• Further expand system house partnerships • Improve coverage in western US through new distribution point • Increase share in Canadian market and accelerate growth in China market with launch of localised product solutions and enhanced routes to market
		Sustainable solutions	• Achieved strong growth products that positively impact SDGs in-use (tilt-and-turn hardware, seals and high-security locks) • Introduced new materials and technology to reduce consumption of single-use plastic and packaging • Achieved Cradle-to-Cradle product certification for the Giesse aluminium hinges and Brio handle	• Establish a common 'design for sustainability' approach to integrate into new product development processes • Continue to develop solutions for sustainable packaging and removal of hazardous substances from products • Develop roadmap to achieve environmental product declarations in key markets
		Targeted M&A	• Established M&A focus areas, candidate characteristics and target funnels	• Continue to review opportunities and develop the pipeline

Key

Margin expansion   Sustainable growth   Engaged people   Positive impact


ERA
T-94

Case Study

Transforming Paddington Square

The cube is a 17-storey, multi-use, smart building in Paddington Square, London. Designed by Renzo Piano, it has the effect of a light, glass cube floating over the piazza.

The challenge

The ambitious "all-glass" façade needed to be achieved with minimal aluminium elements, a significant challenge when dealing with large expanses of glass. The glazed double skin surface features units that open for maintenance, requiring every component to be carefully engineered to fit the structure. Focchi SpA, the main contractor for the building's façade, was looking for a hardware manufacturer that could meet the demanding architectural specification.

The solution

Giesse used its expertise of designing, testing and manufacturing customised solutions to develop a high load-bearing side-hung opening window system that would accommodate the large expanses of glass while maintaining minimal profiles. Customised hardware was designed to fit the slim profiles, including miniaturised hinges, limitation arms to restrict opening for safety, and adjustable anti-burglar locking points for enhanced security.

Value created

Giesse was chosen for its high-quality product, bespoke design capability, testing services and after-sales support. The customised solution enabled the large double skin façade units to be opened for required maintenance without any compromise to appearance, performance or security. This enabled realisation of the architect's design vision and sustainability goals, creating an attractive, naturally-lit and energy-efficient office space.

Scan the QR code to read more **Case studies** on our website.

Our key performance indicators

The Group continually monitors progress in delivery of our strategic goals using five financial and two non-financial key performance indicators ('KPIs').

The KPIs prior to 2019 exclude the impact of IFRS 16 'leases' which was adopted in 2019.

Certain KPIs use Alternative Performance Measures (APMs). For **definitions and reconciliations**, see pages 203 to 208.

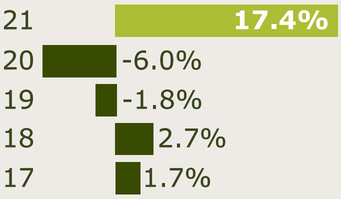
For further information, see the **Sustainability review** on pages 46 to 77 and **Financial review** on pages 40 to 45.

Link to strategy

- Margin expansion
- Sustainable growth
- Engaged people
- Positive impact

Like-for-like (LFL) revenue growth

17.4%



Strategic outcomes

Purpose

This KPI is used to evaluate the ability of the Group to grow its business organically and excludes the impact of currency translation and acquisitions and divestments.

Target

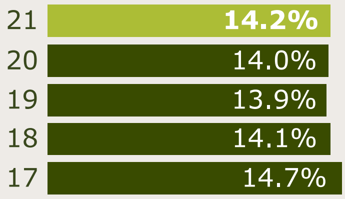
To grow revenue organically year on year.

2021 performance

LFL revenue increased by 17.4%, driven by strong underlying demand across our core markets, favourable structural trends post-COVID and the implementation of price increases and surcharges to recover input cost inflation. Revenue grew by 10.6% on a LFL basis versus 2019.

Adjusted operating margin expansion

14.2%



Strategic outcomes

Purpose

This KPI is used to evaluate the profitability and financial health of the Group.

Target

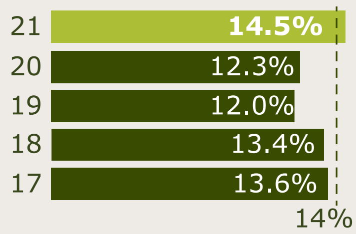
To maintain and improve operating margins through management of the Group's processes as well as overheads and administrative costs.

2021 performance

Adjusted operating margin increased by 20bps to 14.2%, driven by strong revenue growth, partially offset by input cost inflation and operational inefficiencies in North America due to labour and material shortages. Although pricing actions offset the majority of cost inflation, due to the significant and frequent increases coupled with some of the customer pricing mechanisms, there is an inevitable lag in recovery. Furthermore, the pass-through of inflation is dilutive to margins, given the increase in associated revenue.

Return on capital employed

14.5%



Strategic outcomes

Purpose

This KPI is used to evaluate how efficiently the Group's capital is being employed to improve profitability.

Target

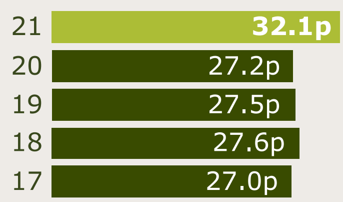
To maintain and steadily improve ROCE, with a medium-term target of 14.0%.

2021 performance

ROCE increased by 220bps to 14.5% (2020: 12.3%), exceeding the Group's medium-term target of 14.0%. This is due to the increase in the Group's adjusted operating profit, alongside a reduction in average property, plant and equipment due to timing of expenditure after deferral of projects in 2020, and a reduction in the carrying value of intangible assets through amortisation and foreign exchange movements.

Adjusted basic EPS

32.1p



Strategic outcomes

Purpose

This KPI is a key measure for our shareholders. It is used to assess the profitability of the business and the profit generated for equity holders.

Target

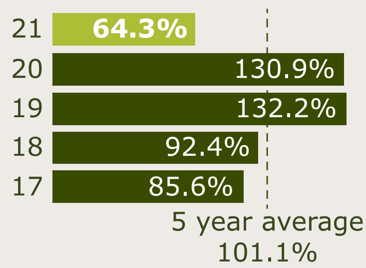
To improve adjusted EPS performance year on year.

2021 performance

Adjusted basic earnings per share increased by 17.9% to 32.1p as a result of the increase in adjusted operating profit, as well as a reduction in the Group's interest charge due to continued deleveraging and a reduction in weighted average interest rate.

Operating cash conversion

64.3%



Strategic outcomes

Purpose

This KPI is used to evaluate the cash flow generated by operations in order to pay down debt, return cash to shareholders and make further investment in the business.

Target

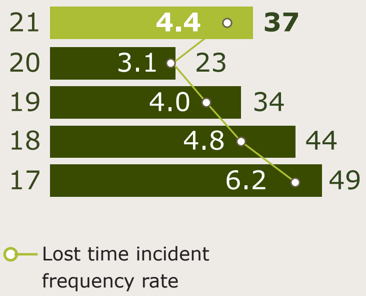
To maximise conversion of the Group's adjusted operating profit into cash over any twelve-month period while continuing to make the necessary capex and working capital investments to support the growth of the business.

2021 performance

Operating cash conversion reduced to 64.3%, principally due to a significant working capital outflow and increased capital expenditure. The working capital outflow was a result of the need to rebuild stock levels which were very low at the end of 2020 to meet higher demand levels and to de-risk the business from the global supply chain disruption and the extended New Year period in China. The inventory build has also been significantly inflated by the impact of material cost increases and debtors have been impacted by the increases in prices. Capital expenditure has increased in 2021 after two years of deferral of expenditure due to deleveraging and COVID-19.

Lost time incidents

4.4



Strategic outcomes

Purpose

The number of lost time incidents and the lost time incident frequency rate are used to evaluate progress of our safety excellence programme and progression toward our LTIFR targets.

Target

To reduce the LTIFR rate each year to <1.0 by 2022.

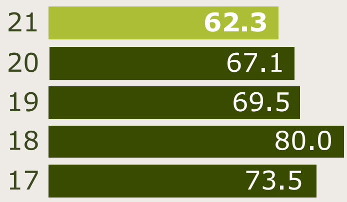
2021 performance

The Group is disappointed with the deterioration in its safety performance, which is a result of high levels of operational intensity and the ongoing challenges of the COVID-19 pandemic, with the lost time incident frequency rate increasing 42% to 4.4. This measure includes 21 (2020: 12) positive COVID-19 cases resulting from exposure at work. Excluding these COVID-19 cases, for a LFL comparison, the number of LTIs was 16 (2020:11) and the LTIFR was 1.9 (2020: 1.5).

Greenhouse gas emissions

62.3

TCO_2e per £m revenue



Strategic outcomes

Purpose

Greenhouse gas emissions is a key indicator of the progress made in minimising the impact of our operations on the environment in line with the sustainable operations pillar in our roadmap.

Target

To reduce our Scope 1 and 2 GHG emissions by improving our energy efficiency, with a 50% reduction in emissions per £m revenue by 2026, versus a 2019 baseline.

2021 performance

The Group's Scope 1 and 2 emissions in TCO_2e per £m revenue decreased by 7% in 2021 to 62.3 (2020: 67.1, restated) through a combination of improved operating efficiencies driven by revenue growth, a smaller footprint following the divestments/disposals announced in 2020, less business travel in company-owned vehicles, energy-saving initiatives and a greening of the electricity grid.

For further information, see the **Sustainability report** on pages 46 to 77.

Link to strategy

- Margin expansion
- Sustainable growth
- Engaged people
- Positive impact

Case Study

Delivering compliance and efficiency at One Nine Elms

The One Nine Elms development includes construction of two landmark towers in London. When complete, the 56-storey City Tower will be the tallest residential tower in Europe.

The challenge

Throughout commercial and residential construction, the installation of steel riser doors has typically required the use of frame packers and intumescent mastic, posing potential fire integrity risks to the final installation, as well as increasing installation time. Requirements for testing and certification of building products are becoming stricter, and contractors are under continued pressure to increase on-site efficiency, without compromising quality or performance.

The solution

Profab Access developed the patent-protected Precision Adjustable Frame to make the installation of steel riser doors safer, faster and simpler. It enables the installer to fully adjust the frame to meet the specific dimensions of each structural opening, eliminating the requirement for packers. It also features an integral intumescent strip that provides fire integrity between the wall and frame, removing the need for the installer to apply mastic bead. This has significantly reduced the installation time on site.

The frame has been independently bi-directionally tested and fire-certified at 120 minutes with the Profab Access Integra 4000 Series Riser Door.

Value created

Almost 300 Profab Access steel riser doors and accompanying Precision Adjustable Frames have been specified and supplied to specialist joinery contractors, Houston Cox, as part of the One Nine Elms project. The Profab Access doorset was selected for its high level of fire integrity and efficiency of installation, enabling the project's exacting specifications to be met in the most proficient manner while ensuring project timescales are also achieved.

Scan the QR code to read more **Case sudies** on our website.

Specifying a complete doorset that delivers 120-minute fire integrity performance, whilst also eliminating the requirement for packers and intumescent mastic, was the most viable and efficient approach for our contractors. The end result is an extremely robust and simple installation process that delivers the highest possible standards of compliance."

Nicholas Howland
Project Director for Houston Cox Central

Chair's statement

On behalf of the Board, I would like to extend my thanks to all our people for their continued effort and resilience in managing through what has been another challenging year."

Nicky Hartery
Non-executive Chair

Introduction

2021 has been another year of unprecedented turbulence. While COVID-19 has continued to abate, the ongoing effect of the pandemic, rebound in demand and well publicised supply chain disruption has created a new level of operational intensity to manage. On behalf of the Board, I would like to extend my thanks to all our people for their continued effort and resilience in managing through what has been another challenging year.

People and culture

The Board's first priority continues to be ensuring the health and safety of our employees, their families and our communities. The purpose, values and Code of Business Ethics, which are the building blocks of the Group's culture, were deployed across the organisation. The Employee Assistance Programme (EAP) was extended across the majority of the Group, ensuring our employees have access to a professional support package. The views of employees were sought and considered by the Board through site visits where movement restrictions allowed, and skip-level meetings held by the Workforce Engagement NED, Pamela Bingham.

Sustainability

The Group's commitment to making a contribution to a more sustainable world through its operations, culture, and solutions is a key area of focus for the Board. Strong progress was made in 2021, with work well underway to assess our climate change risks and opportunities as part of the TCFD work programme, and to define our science-based targets. Further details are set out on pages 54 to 57, and 68 to 77.

Strategy

The Board oversaw the annual update to our strategy, including consideration of the impact of COVID-19 and supply chain challenges on our near-term priorities. The Board continues to believe the strategy is the right one in the current environment and supports the re-focus of initiatives to enhance resilience and improve output. The Board was pleased with progress made with strategic initiatives in spite of the high level of operational intensity, with many of the foundational activities to strengthen the base successfully executed and the growth initiatives yielding positive results. The Group is now well positioned to resume M&A activity when the right opportunity presents. Further details of our strategy are set out on pages 20 to 25.

Performance overview

The Group's performance was robust, with strong market demand being somewhat constrained by supply chain challenges and US labour shortages, delivering LFL revenue 17% higher than 2020 and 11% higher than 2019. In spite of unprecedented cost inflation and operational challenges, LFL adjusted operating profit was 16% higher than 2020 and 11% higher than 2019. Due to the need to re-build working capital and resume deferred capital expenditure, cash conversion fell to 64% from an abnormally high 131% in 2020. Leverage reduced from 1.1x adjusted EBITDA to 0.9x, slightly below the target range.

Dividends

The Board was very pleased to be able to reinstate the progressive dividend policy during the year, reflecting the robust performance and confidence in the outlook. The total dividend proposed for the 2021 financial year is a record 12.9 pence per share. The dividend will be paid on 27 May 2022 to shareholders on the register at the close of business on 28 April 2022.

Board changes

David Randich joined the Board on 15 December 2021 as a Non-executive Director and member of the Audit & Risk, Remuneration and Nomination Committees. David brings extensive experience of the North American building products market to the Board. On behalf of the Board, I would like to welcome David to the Group. Further details concerning the work of the Nominations Committee during the year are set out on pages 102 and 103.

Governance

The Board is committed to good corporate governance and recognises the important role it plays in supporting our long-term success and sustainability. The Group's Governance report can be found on pages 94 to 101 and provides an overview of Tyman's governance framework, as well as the work of the Board and its Committees.

During the year, the Board spent time supporting management with the ongoing supply challenges, embedding the purpose and values, enhancing the risk management and control frameworks, and monitoring the business ethics and compliance programme. An externally facilitated Board evaluation was conducted during the year, which provided valuable feedback on areas to further enhance the effectiveness of the Board which will be implemented in 2022.

Summary

The way the Group has continued to navigate through the exceptionally dynamic environment demonstrates the resilience of its business model and its people. The strong underlying growth drivers and strategic initiatives support significant value-creation potential through further organic share gain as the current challenges recede, and a return to M&A activity when the right opportunity presents.

Nicky Hartery
Non-executive Chair

3 March 2022

Chief Executive's Review

I am very proud of our people as they have continued to navigate tirelessly through an unparalleled period of operational intensity."

Jo Hallas
Chief Executive Officer

Performance in 2021

The positive market momentum continued through 2021, with favourable structural trends driving strong demand, although growth was constrained through the second half by the industry-wide global supply chain and US labour challenges. Despite this, the Group delivered market share gains through executing well with customers, driving momentum with new products, and continuing expansion of channels to market. Revenue for the year was £635.7 million (2020: £572.8 million), an increase on a LFL basis of 17% compared to 2020 and 11% compared to 2019. Reported revenue increased 11% compared to 2020, being impacted by the strengthening of sterling and the divestment of the Ventrolla business in November 2020.

The trends arising from COVID-19 have continued across most territories, with consumers having spent more time at home and therefore seeking more space or adapting existing space for flexible use. Household savings have increased, and consumers have prioritised expenditure on the home over leisure activities. Increased mortgage lending and low interest rates have also supported housing market activity, particularly in the US and UK, as has fiscal stimulus, such as the stamp duty holiday in the UK and the 'super bonus' incentive for home improvements in Italy. In the US, the lack of inventory for both new and existing homes, affordability, and the increasing rate of millennial household formation have also continued to contribute to strong growth in both single-family starts and RMI activity.

The high levels of demand have continued to put pressure on service levels industry-wide in most of the Group's territories, exacerbated by raw material availability issues and global logistics disruption. The US has also suffered from a very tight labour market, resulting in operational challenges which have impacted production and shipping levels. Steps have been taken to increase capacity and throughput, including expanding operating hours, increasing wage rates and other incentives, and implementing various productivity improvement initiatives. This also includes a number of capital investment projects to structurally expand capacity and improve throughput. The business is working closely with customers to manage demand and with suppliers to secure inventory.

The spike in demand for goods globally has also driven significant increases in commodity costs and freight costs, with the US also seeing significant labour cost inflation. The Group has implemented price increases and temporary surcharges to recover cost inflation, although due to the size and frequency of these increases as well as some customer pricing mechanisms, there is an inevitable lag in recovery. The pass-through of this inflation also has a dilutive effect on operating margins due to the higher revenue base.

Despite the operational challenges and cost inflation, the strong revenue growth and impact of pricing combined with the benefit of self-help initiatives, resulted in LFL adjusted operating profit growth of 16% compared to 2020 and 11% compared to 2019. Reported adjusted operating profit increased 12% compared to 2020, with the unfavourable impact of exchange rates offset by a benefit from the disposal of the loss-making Ventrolla business. Adjusted operating margin expanded from 14.0% to 14.2% despite the dilutive effect of pass-through pricing to recover inflation.

Health and safety

The health and safety of our people is the Group's top priority, with this culture being embedded through the 'safety is our first language' engagement programme. The Group's safety performance deteriorated in 2021 as a result of the high levels of operational intensity and the ongoing challenges of COVID-19. The lost time incident frequency rate including COVID-19 cases resulting from workplace transmission increased to 4.4 incidents per million hours worked (2020: 3.1). Excluding these COVID-19 cases, the lost time incident frequency rate was 1.9 (2020: 1.5). Safety improvement plans have been implemented at the plants with the highest incident rates. It is notable that half of the incidents in 2021 were with personnel with less than one year of service, reflective of the high levels of workforce turnover, especially in the US, and the high proportion of temporary staff in our facilities in 2021. While the 2021 result is disappointing, excluding COVID cases, it still represents strong progress from the 2019 baseline of 4.0 incidents per million hours worked, and the Group remains committed to its target of achieving an LTIFR rate of less than 1.0 in 2022.

Strategic progress

The Group has continued to progress its Focus, Define, Grow strategy, which is underpinned by the three sustainability pillars of Sustainable Operations, Sustainable Culture, and Sustainable Solutions. The global supply chain challenges and high levels of demand have driven some re-prioritisation of initiatives towards those that improve resilience and expand capacity in the short-term, but momentum has also continued with driving our mid-term strategic initiatives.

The *Focus* activities have continued to progress and the benefits from the various initiatives to streamline operations completed in 2020 are being realised. Further inter-site line transfers in North America were completed and work commenced with optimising the distribution footprint in the western US. Continuous improvement activities were directed towards increasing capacity and throughput, and a multi-year upgrade of IT systems to enhance the customer service experience, generate further synergies and improve decision-making has commenced. Progress has also been made with the *Sustainable Operations* activities. A new water recirculation system at the most water intensive plant was commissioned leading to a 45% reduction in the Group's water consumption, and initiatives to re-process scrap were successfully implemented. Tyman's two-year programme to define science-based targets is well underway, with a detailed analysis of carbon footprint across the value chain undertaken. As part of the TCFD compliance journey, an in-depth review of the risks and opportunities of climate change on the Group's operations and supply chain has also progressed well during the year.

The *Define* strategic pillar, which centres on building cultural cohesion across the Group has continued to gain momentum, with deployment of the Group's purpose, values, and Code of Business Ethics now substantially complete. Furthermore, collaboration between the divisions continues to gain traction with more frequent and substantive touchpoints and a series of cross-divisional initiatives undertaken. This 'One Tyman' culture provides the basis for the Group's *Sustainable Culture* initiatives. Development of the 'Tyman Excellence System' has also continued, with a focus on Lean Excellence and prioritisation of activities to enhance supply chain and manufacturing resilience. Under IT Excellence, a groupwide ERP landscape and vendor strategy was defined.

The activities to *Grow* market share have yielded positive results, with service levels relative to competitors delivering strong market share gains in core international markets and further net customer wins in North America. Channel expansion activities also continued to progress, with increased systems house partnership activity. A series of new products were successfully launched in the period, and a strong pipeline of launches is scheduled for 2022. New product development activities also included developing *Sustainable Solutions* to grow the proportion of revenues from positive impact products. Various initiatives are also underway across the Group to improve the sustainability of packaging and reduce the use of hazardous substances in production. The Group has begun to sow the seeds for a disciplined return to M&A by defining areas of focus for acquisitions, candidate characteristics, and developing the pipeline of potential opportunities that meet our commercial and strategic objectives. The strengthened platform and Tyman Excellence System should facilitate greater synergy extraction from acquired businesses in the future.

Outlook

We expect underlying demand in 2022 to remain strong, benefitting from favourable housing market fundamentals, albeit set against rising macroeconomic and geopolitical pressures, supply chain and labour constraints, and continued COVID-19 disruption. High input costs are expected to persist for most of the year and further pricing actions will be implemented where necessary to recover cost inflation.

Consequently, the Group expects top-line growth to be driven by the mix of underlying strength in demand and pricing to recover inflation. This revenue growth, combined with benefits from execution of strategic initiatives, is anticipated to benefit profitability for the full year. Operating margins will be broadly flat due to the dilutive effect of passing through cost inflation.

Activities to enhance supply chain and manufacturing resilience, improve productivity and increase capacity to meet both current and expected longer-term demand will continue. The Group will also focus on driving organic share gain through its strategic initiatives of executing well in serving our customers, innovation for differentiated value and channel expansion. In addition, the medium-term intention is to resume M&A activity when the right opportunity presents.

The Group is well positioned for growth in 2022 and beyond, benefitting from long-term structural industry growth drivers, our strategic initiatives and building on our portfolio of differentiated products, market-leading brands and deep customer relationships.

Jo Hallas
Chief Executive Officer

Tyman North America

£m except where stated	2021	2020	2019	LFL vs 2020	LFL vs 2019
Revenue	**397.7**	372.1	386.0	+14%	+11%
Adjusted operating profit	**65.1**	64.5	64.5	+8%	+9%
Adjusted operating profit margin	***16.4%***	*17.3%*	*16.7%*	*-100bps*	*-30bps*

Markets

The US residential market remained at post-recession record levels during the year, driven by the limited supply of homes, demographic shifts and a continuation of pandemic-driven trends of nesting and urban flight. US housing starts were up 16% compared to 2020 (+24% vs 2019), with single family starts, to which the division has proportionally higher exposure, increasing 13% (+26% vs 2019). The industry-wide labour and supply chain challenges, however, have constrained activity, with completions only up 4% versus 2020, significantly lagging starts.

The repair and remodelling markets continued to experience strong growth due to the strength of the housing market, credit availability and people spending more time at home. According to LIRA (Leading Indicator of Replacement Activity), remodelling activity was up 9% in 2021.

The commercial markets are showing tentative signs of recovery, again constrained by supply chain challenges and input cost inflation. Non-residential building starts rose 12% and environmental public works, to which the commercial access business is particularly exposed, were up 21%.

The Canadian market had a robust start to the year but weakened through the second half. Housing starts were up 25% compared to 2020, with single family starts increasing 38%. Completions lagged starts, with only 12% growth.

Business performance and developments

The positive momentum in the US and Canadian markets, along with net business wins and significant pricing actions to offset cost inflation, resulted in LFL revenue growth of 14% compared to 2020 and 11% compared to 2019. This was in spite of industry-wide raw material, logistics and labour availability issues, which significantly impacted production and shipping rates in the second half of the year.

Workforce availability continued to be challenging throughout the US manufacturing sector as demand rose sharply. The division implemented a series of actions to alleviate the situation, including wage increases, recruitment programmes, retention and hiring incentive schemes, and trialling flexible working practices. These measures have delivered gradual improvement; however, the inevitable time for training new employees along with elevated absenteeism rates due to COVID-related factors have impacted productivity.

To mitigate the significant input cost inflation, the division implemented a series of price increases and surcharges. However, due to the speed of cost increases and the nature of some customer pricing mechanisms being based on retrospective material cost indexes, there is a lag in recovery. In addition, the pass-through of cost inflation has had a dilutive effect on operating profit margins, given the higher revenue base. The combined impact of this cost inflation, as well as inefficiencies arising from labour and component shortages, partially offset the strong revenue growth and benefits from continuous improvement activities, resulted in LFL adjusted operating profit growth of 8% compared to 2020 and 9% compared to 2019. LFL adjusted operating margin deteriorated 100bps to 16.4% compared to 2020 and by 30bps compared to 2019.

The division has worked closely with customers and suppliers to manage demand levels and has been successful in winning new business through the strength of its value proposition. The portfolio harmonisation activities are progressing to plan, with sliding patio door rationalisation now complete and work underway on the hinged patio door and casement product groups.

The division continued to drive operational improvements, with focus shifting near-term to increasing capacity and throughput to meet heightened demand. This included further inter-site line transfers, temporary outsourcing of processes to increase capacity, and capital investment directed towards addressing bottlenecks. Activities to optimise the distribution footprint in the western US commenced, with consolidation of two warehousing sites completed and conversion of space in the Sioux Falls facility to distribution in progress. Work is well underway on implementing a new integrated ERP platform which will enable a more streamlined ordering process for customers, enable efficiency gains in shared services and improve our decision support capabilities.

New product development

New product development continues to be a key enabler of growth for the division. Products launched in 2021 include a number of customer specific solutions and the division's new Pinnacle™ balance. After initial launch with a development partner, the Pinnacle™ is gaining traction with other customers due to the innovative design allowing customers to use one balance configuration across multiple window lines, enabling a significant reduction in the number of SKUs and a reduction in window frame material content. There is a growing pipeline of products due for launch in 2022, including the entry price point sliding patio door roller and handle solution, redesigned to compete more effectively in the price sensitive sector of the growing vinyl market.

Outlook

High levels of demand are expected to be sustained, although supply chain constraints, labour availability, cost inflation and interest rate increases may constrain market activity. Cost inflation is expected to remain high through 2022, although realisation of the benefits of price increases implemented in 2021 is expected to benefit profitability. The division will continue to monitor inflation and adjust pricing mechanisms accordingly.

In 2022, the division will continue to focus on increasing capacity to meet heightened demand and improving operational efficiency. There are a number of activities underway to enhance supply chain resilience for the division and its customers, including increasing both supply and manufacturing redundancy. Work will also continue with the ERP implementation, optimising the distribution footprint and completing the product portfolio harmonisation initiative.

Case Study

Sustainable solutions in action

Tyman North America produced enough weatherstripping to circle the globe over eight times in 2021, with most of this being packaged in corrugated cardboard. To support its sustainability ambitions and those of its customers, the business sought to reduce waste in the supply chain through strategic customer development partnerships.

Projects with strategic customers were commenced, to eliminate the need for corrugated packaging by leveraging returnable solutions and re-useable crates. The division partnered with a large customer to move away from individual reels and is in the process of investing in returnable reels for implementation in 2022. Initial efforts have saved over 22,000 cardboard boxes and 1,200 timber pallets in 2021. Tyman partnered with Endura Products to change packing methods on corrugated containers of urethane door seal products, reducing the packaging needed by 50%.

In addition, the desire to contain material costs, support circularity, and address scarcity of supply, led the business to refine manufacturing and tooling processes to allow for the use of scrap in lieu of virgin polypropylene. 10% of the kerf material used in door seals was converted from re-processed polypropylene, saving $120,000 and 24 tonnes of material for the business annually. The target percent for non-virgin materials will increase beyond the current level as the business continues to refine processes through 2022.

Additional initiatives planned for 2022 include investing in equipment to support a new circular packaging programme with one of our strategic partners. The multi-year programme will support new business, using 100% reusable reels and packaging on over six million metres of product. This programme is projected to save over 5,250 reels, 2,600 boxes and 600 timber pallets.

“In 2021, we partnered with AmesburyTruth to reduce packaging waste. We identified that moving to standard packaging for our door seal product, would reduce the number of boxes and pallets needed, free up valuable real estate within our warehouse, and reduce the number of trucks required to transfer inventory. At Endura, we are proud to be partnered with AmesburyTruth and appreciate their willingness to engage with us to make a positive impact on the environment.”

Kevin MacDonald
Vice President of Operations at Endura Products

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Tyman UK & Ireland

£m except where stated	2021	2020	2019	LFL vs 2020	LFL vs 2019
Revenue	**105.8**	92.2	107.2	+18%	+5%
Adjusted operating profit	**14.8**	8.8	13.8	+35%	+1%
Adjusted operating profit margin	***14.0%***	*9.6%*	*12.9%*	*+170bps*	*-50bps*

Markets

The strong momentum in the UK residential RMI market has continued throughout 2021, driven by the stamp duty holiday, higher consumer savings levels, and home working resulting in people seeking more space and increasing spending on home improvement activity. The rate of growth began to moderate in the second half of the year due to the end of the stamp duty holiday, supply constraints and cost inflation. The IHS Markit / CIPS UK Construction PMI was at 54.3 in December 2021 (December 2019: 44), signalling a strong rate of construction output growth. The number of housing transactions was 41% higher than in 2020 (+26% vs 2019), and the CPA estimates that private housing RMI was 17% higher than in 2020 (+2% vs 2019).

The commercial market has recovered at a slower rate than the residential market, with project delays due to the impact of social distancing measures on construction sites and the availability of labour and materials.

Business performance and developments

The UK & Ireland division achieved LFL revenue growth of 18% compared to 2020, and 5% compared to 2019. This reflects the buoyant residential RMI market and the effect of pricing actions, weighed down by the impact of the weaker performance of the commercial access business. On a reported basis, revenue was 15% ahead of 2020 and 1% lower than 2019, reflecting the disposal of Ventrolla in November 2020.

This performance was achieved despite constraints arising from industry-wide supply chain pressures driven by material shortages and global shipping disruption, which significantly impacted service levels earlier in the year. Actions were taken to resolve stock shortages, including the use of expedited and alternative freight services, as well as increasing order levels to provide additional cover, which improved service levels in the second half.

Material and transport cost inflation was mitigated through price increases and the favourable impact of foreign exchange on material purchases, with LFL adjusted operating profit 35% higher than 2020, and 1% above 2019. LFL adjusted operating margin expanded by 170bps against 2020 and declined by 50bps against 2019, impacted by the effect of cost inflation, as well as weaker sales and margins in the commercial access business. On a reported basis, adjusted operating profit was 68% higher than 2020 and 7% higher than 2019, reflecting the disposal of Ventrolla, which was loss-making.

Hardware sales continued to be robust, driven by the buoyant housing market and the benefit of price increases, although were constrained by stock availability, resulting in reported revenue 22% ahead of 2020 and 8% ahead of 2019. Sales of the ERA Protect™ smartware range remained below planned levels, as the home security market was subdued by consumers spending more time at home. The ERA Protect™ Core Kit received a Which? Best Buy endorsement, and a new consumer-focused microsite was launched to drive direct-to-consumer sales.

The business has also continued to progress development of sustainable packaging solutions and elimination of chromium 6 from products.

Access 360, the division's commercial access portfolio, had a challenging year. The business is largely project-based and suffered from a dearth of larger infrastructure projects in the year, resulting in sales 5% below 2020 and 15% below 2019. Sales were also affected by the business's decision to temporarily suspend sales of two core product lines due to delays in obtaining re-certification, which led to these being substituted with higher-cost products, further impacting profitability. Sales improved towards the end of the year with the sustained focus on online training further improving engagement with architects and specifiers. Work continues to optimise the business, with activity to harmonise systems across the three heritage Access 360 businesses now well progressed.

New product development

Several new products were launched in the period, in line with the strategy to extend ranges and broaden the certified products portfolio. This included ERA's first range of internal door handles, with concealed fixings and a clean aesthetic that can be coordinated throughout the property. The handles include secure bolt-through fixings to eliminate the requirement for cutting to simplify the fitting process, and the design and spring mechanism provide enhanced ergonomics and durability.

Also launched during the year was the Access 360 adjustable riser door frame product, which addresses an industry-wide challenge with installing riser doors. The product removes the need for installers to use separate packers which can impact fire integrity, and also integrates an intumescent strip to avoid the need to apply intumescent mastic. This solution reduces door installation time by up to 50%, delivering significant savings to customers.

Outlook

The RMI market is expected to be broadly flat in 2022, with strong activity in the first half of the year, set against a weaker second half as the impact of increases in the cost of living affect consumer confidence and spending, particularly in light of continued construction cost inflation. The commercial market is expected to continue to recover slowly, with CPA forecasts now indicating output will not return to 2019 levels until beyond 2023. The infrastructure sector is expected to benefit from some significant government investment projects, which could benefit the commercial access business.

High levels of cost inflation, ongoing logistics disruption, as well as the impact of further possible lockdowns in China will continue to create headwinds in 2022. Further pricing actions will be taken as required to manage cost inflation.

The division's focus in 2022 will be on enhancing supply chain resilience, continued new product development, including expansion of the certified solutions and cylinder ranges, and further optimisation of the Access 360 business.

Case Study

Traditional aesthetics with modern performance

Homeowners are increasingly conscious of design trends, which has made achieving a stylish look and feel more important than ever.

The challenge

Demand has emerged for a traditional-looking entrance door that is compatible with period properties, but also gives the highest modern standards of performance and durability. Manufacturing methods for this style of hardware are traditionally very manual and do not provide the same level of safety and efficiency as modern processes.

The solution

Working closely with one of the UK's largest composite door manufacturers, a new range of period-inspired door hardware was designed under the Fab&Fix brand.

Three traditionally-styled door handles and knockers were designed and two additional finishes added to the range, pewter and forged black. Using the latest manufacturing methods, the look and feel of iron-forged hardware could be created in a safe and efficient way, while ensuring a modern and durable low maintenance finish. Pewter and forged black are offered across 48 different products (including handles, letterplates, door knobs, escutcheons, vertical window hardware), enabling door manufacturers to offer customers the widest choice of suited hardware for their traditional door ranges.

The hardware is finished with Fab&Fix's proprietary plating technology, Hardex. The Hardex range undergoes a form of accelerated corrosion testing which goes beyond the relevant industry standards for weather resistance and longevity, to produce a higher performance specification than competing brands.

Value created

The range has been taken up by many customers, including Endurance Doors. The Fab&Fix pewter range perfectly complements their Country door range, providing their customers with a complete suite of durable period style door furniture.

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Traditional hardware is seeing a real resurgence throughout the industry, as our customers look to replicate the aesthetic of period style properties. The Fab&Fix pewter range perfectly aligns with this growing trend, providing our customers with a complete suite of authentic door furniture for our Country doors. The hardware has been expertly designed to deliver visual appeal and is durable enough to withstand today's modern environment."

Stephen Nadin
Managing Director, Endurance Doors

Tyman International

£m except where stated	2021	2020	2019	LFL vs 2020	LFL vs 2019
Revenue	**132.2**	108.4	120.5	+27%	+15%
Adjusted operating profit	**19.5**	12.3	14.8	+66%	+37%
Adjusted operating profit margin	***14.7%***	*11.3%*	*12.3%*	*+350bps*	*+237bps*

Markets

Market demand was strong throughout the year in all of the division's key markets, despite the continuation of COVID-19 restrictions. The IHS Markit Eurozone Construction PMI rose to 52.9 in December, indicating robust expansion of construction activity. The PMI for Italy, the division's largest market was 64.4 in December 2021, after reaching an all-time high of 65.5 in November 2021.

Momentum in Continental Europe has continued to build through the year across both the residential and commercial sectors. This has been driven by resumption of projects on hold due to COVID-19 and consumers continuing to invest in their homes, boosted by government stimulus measures, such as the Italian super-bonus and eco-bonus schemes. Similar buoyancy has been seen in other regions, notably Australia and LATAM. The GCC cluster has also seen continued growth, largely coming from project activity in the commercial sector.

We are mindful of the evolving crisis in Ukraine; we have no local operations or colleagues based there or in Russia, and all our revenues are derived via local distribution partners (totalling c.1% of Group revenues in 2021). We are monitoring developments and will adapt as appropriate; our thoughts are with all those impacted.

Business performance and developments

The division had a very strong year, with LFL revenue growth of 27% against 2020 and 15% against 2019, due to buoyant market conditions, share growth in all key markets and pricing to compensate for cost inflation.
The share growth was achieved through momentum with channel partnerships and the new product development pipeline coming to fruition, aided by robust supply chain and capacity management. Revenue in all top twelve markets, representing c. 80% of the business, grew compared to 2019; notably Italy grew 18%, reflecting both strong underlying market growth, some impact from customer re-stocking, as well as share gain.

Strong headwinds created by Brexit, haulier shortages, materials scarcity, and significant commodity and freight cost inflation have been effectively managed during the year through robust supply chain management and agile pricing to protect margins. Combined with the strong revenue growth and beneficial effect on fixed cost absorption, this resulted in LFL adjusted operating profit growth of 66% compared to 2020 and 37% compared to 2019. LFL aAdjusted operating margin expanded 350bps to 14.7% (+237bps vs 2019).

The business managed the high activity levels and global supply chain disruption effectively, demonstrating the resilience of its supply chain. Production levels were successfully increased through use of additional shifts and temporary labour, without loss of efficiency. Orderbook and lead times remain high in the seals business and work continues to expand capacity systemically, with new Q-Lon urethane lines being installed and commissioned in the UK in late 2021 to come up to full capacity in early 2022.

The division has continued to progress its strategic initiatives throughout the year. Partnership activity with system houses has continued to expand through the development of customised solutions to create long-term opportunities, with revenue from this channel up 19% vs 2019. Increased penetration has been driven by the innovative Giesse Pull & Slide system, with several agreements in place for future collaboration.

The programme to drive greater levels of automation in the Budrio hardware manufacturing facility has progressed well, leading to improvements in safety, efficiency and throughput. Work has also continued on sustainability activities, with C2C Silver accreditations achieved for flash hinges and Brio Evo handles during the year, and a number of other projects underway to improve the sustainability of manufacturing operations, packaging and other components.

New product development

The business has continued to focus its new product development efforts on the trends of aesthetics, safety and sustainability. The minimalist design concept was extended to interior doors with the Reguitti Obliq launch. The Obliq delivers elegant rosette-free aesthetics, highly functional ergonomics, easy installation and has been recognised for its sustainability credentials due to the use of recycled aluminium and reduced material content. There was also a further line extension of the successful CHIC concealed hinge range for door applications, which addresses the minimalist hardware trend, as well as several customised solutions launched in partnership with system houses.

Due to customers' high activity levels, the fire-retardant and intumescent urethane seals, which are certified to European standards for use in fire door applications, will now launch in H1 2022 when customers are more ready to receive new products.

Outlook

Forward momentum is expected to continue into 2022, albeit at a slower rate than the strong growth seen in 2021. The European construction sector is expected to grow at 3% across both the commercial and residential sectors. The future impact of COVID-19 remains uncertain, as well as the implications it will have on consumer spending choices. The business is well prepared to manage input cost inflation with further price increases to be implemented in Q1 2022 on hardware products and the continued application of surcharges for the seals range.

The priorities for 2022 are to retain the 2021 share gains, exploit further growth opportunities through new product launches and channel expansion activities, and maintain margins. In addition, work will continue to increase capacity through ramping up production on the new urethane seal lines and enhancing productivity through automation and lean excellence initiatives.

Case Study

A high-performance solution for uninterrupted views

Located in the sought-after waterfront district of Dubai, Hartland Waves is a modern, luxury 35-storey development with uninterrupted 360-degree views from every apartment.

The challenge

Dubai's weather conditions can bring high winds and sandstorms, which creates challenges for window performance, especially in high-rise buildings. This project therefore required a high performing window system that is airtight and strong enough to withstand high winds, while maintaining minimal profiles to preserve views. Thus, Sobha, one of the largest real estate companies in the world, approached Giesse for its expertise in designing bespoke solutions.

The solution

Giesse worked side-by-side with Sobha to develop a Lift & Slide balcony door solution that was customised for Sobha's frame profiles. This enabled Sobha to provide a minimal frame profile to provide uninterrupted views, while also achieving a high level of water-tightness and air-resistance that meets the strictest European standards.

Value created

Giesse's efficient, modular technology helped Sobha streamline the fabrication process for their sliding windows, greatly improving the window fabrication costs and speed. The resulting windows system provides uninterrupted views while achieving high levels of air, water, and wind resistance; low thermal transmission to effectively maintain internal temperature; and high acoustic insulation to minimise noise. The solution is sustainable while enhancing comfort for residents.

Giesse has been working with us for the past three years and it did a fantastic job in creating a cost-effective and high-performance system for the Sobha Waves project. It is a pleasure working with the Giesse team and we look forward to working with them again on our future projects."

Mr. Rajaikepin Rajamoni
Business Head, Sobha Facades

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Financial review

“

Strong LFL adjusted operating profit growth of 11% against 2019, despite unprecedented input cost inflation.”

Jason Ashton
Chief Financial Officer

Income statement

Revenue and profit

Reported revenue for the year increased by 11.0% to £635.7 million (2020: £572.8 million), reflecting a significant increase in volume of £68.8 million driven by strong underlying demand and favourable structural trends post-COVID-19, as well as price increases of £11.9 million and tariffs and surcharges of £13.5 million to recover input cost inflation. This was offset by adverse foreign exchange movements of £28.5 million and the disposal of the Ventrolla business in November 2020 of £2.8 million. On a LFL basis, revenue increased 17.4% compared to 2020. Compared to 2019, which provides a more normalised comparator, LFL revenue increased 10.6%, reflecting the favourable market conditions and pricing actions.

Adjusted selling, general and administrative expenses increased to £121.7 million (2020: £111.8 million), as a result of the reversal of temporary cost-management actions taken in 2020 to mitigate the impact of COVID-19, including the curtailment of discretionary expenditure and cancellation of the senior management bonus scheme, as well as the receipt of £1.7 million from government job retention schemes outside of the UK. There was also a favourable impact of foreign exchange of £4.5 million.

Against 2019, adjusted administrative expenses were flat (2019: £120.2 million).

Adjusted operating profit increased by 12.1% to £90.0 million (2020: £80.3 million). This was positively impacted by the revenue growth, productivity gains from continuous improvement initiatives of c. £4.9 million, and the disposal of the loss-making Ventrolla business of £2.2 million. These benefits were partially offset by the impact of raw material and freight inflation over and above pricing actions, labour rate increases, the reversal of the temporary COVID-related cost-savings, and £4.6 million of adverse foreign exchange movements. On a LFL basis, adjusted operating profit increased 15.6%. The Group’s adjusted operating profit margin increased 20bps to 14.2% (2020: 14.0%). Compared to 2019, LFL adjusted operating profit increased by 11.1%, reflecting the strong revenue growth and benefits from self-help initiatives.

Adjusted profit before taxation increased by 19.2% to £81.5 million (2020: £68.4 million) and on a LFL basis increased 21.9%, benefitting from lower finance costs due to the reduction in net debt. Reported profit before taxation increased by 34.5% to £64.0 million (2020: £47.6 million), reflecting an exceptional credit of £0.6 million as opposed to a cost of £1.8 million in the prior year, as well as a reduction in the amortisation charge on acquired intangible assets.

Materials and input costs

£m except where stated	FY 2021 Materials[(1)]	Average[(2)]	Spot[(3)]
Aluminium (Euro)	**17.0**	+43%	+74%
Polypropylene (Euro)	**37.8**	+86%	+113%
Stainless steel (US)	**76.5**	+16%	+46%
Zinc (US)	**31.4**	+21%	+25%
Far East components (UK)[4]	**44.6**	+7%	+6%

1 FY 2021 materials cost of sales for raw materials, components and hardware for overall category
2 Average 2021 tracker price compared with average 2020 tracker price
3 Spot tracker price as at 31 December 2021 compared with spot tracker price at 31 December 2020
4 Pricing on a representative basket of components sourced from the Far East by Tyman UK & Ireland

Both spot and average prices across all categories rose significantly in 2021. Price increases and surcharges have been implemented to recover cost increases, albeit due to the magnitude and frequency of these increase as well as customer pricing mechanisms, there is an inevitable timing lag in recovery.

Exceptional items

Certain items that are material and non-trading in nature have been drawn out as exceptional such that the effect of these items on the Group's results can be better understood and to enable a clearer analysis of trends in the Group's underlying performance.

£m	2021	2020
Footprint restructuring – credits	**0.3**	0.2
M&A and integration - costs	**–**	(0.8)
M&A and integration - credits	**0.6**	0.6
M&A and integration - net	**0.6**	(0.2)
Loss on disposal of business	**–**	(1.8)
Impairment charges	**(1.9)**	–
Impairment credits	**1.6**	–
Impairment - net	**(0.3)**	–
	0.6	(1.8)

Footprint restructuring

The footprint restructuring credit in the current and prior year corresponds to the release of excess provisions made relating to the streamlining of the International footprint. The classification as exceptional is consistent with the original charge.

M&A and integration

The M&A credit of £0.6 million in the current year relates to the release of provisions made as part of the business combination accounting for previous acquisitions, which are no longer required. M&A and integration costs in the previous year relate to costs associated with the integration of businesses acquired in 2018, predominantly Ashland.

Loss on disposal of business

The £1.8 million charge in the prior year relates to a loss on the disposal of the Ventrolla business, which was divested on 5 November 2020 for nominal consideration.

Impairment

The impairment charge of £1.9 million in the current year relates to impairment of certain of the Group's intangible assets following the decision to commence a multi-year ERP upgrade. The impairment credit of £1.6 million relates to the release of a portion of provisions made in 2019 against inventory and other assets associated with the new door seals product in North America which is no longer required. The classification as exceptional is consistent with the original charge.

Finance costs

Net finance costs decreased to £9.1 million (2020: £12.1 million).

Interest payable on bank loans, private placement notes and overdrafts decreased to £5.9 million (2020: £8.9 million), predominantly reflecting the reduction in net debt and a reduction in the average interest rate. Interest on lease liabilities of £2.5 million reduced slightly (2020: £2.8 million), reflecting the lower average lease liability balance and lower interest rates.

The Group's average cost of funds and margin payable decreased by 30bps to 3.1% (2020: 3.4%) reflecting lower base interest rates and a lower applicable margin due to the reduction in leverage.

At 31 December 2021, 22.2% (2020: 43.0%) of the Group's adjusted debt excluding lease liabilities is held at fixed rates of interest. This reflects the US$45 million of outstanding debt under the US private placement programme. The reduction from 2020 reflects the repayment of the first tranche of this debt of US$55 million in November 2021.

Non-cash movements charged to net finance costs in the period include amortisation of capitalised borrowing costs of £0.5 million (2020: £0.5 million), pension interest cost of £0.1 million (2020: £0.2 million) and a loss on revaluation of fair value hedge of £0.1 million (2020: £Nil).

Forward exchange contracts

At 31 December 2021, the Group's portfolio of forward exchange contracts at fair value amounted to a net liability of £0.3 million (2020: net liability of £0.2 million). The notional value of the portfolio was £24.3 million (2020: £23.7 million), comprising US dollar and Chinese renminbi forward exchange contracts with notional values of US$28 million and RMB30 million respectively (2020: US$23 million and RMB60 million). These contracts have a range of maturities up to 17 June 2022. During the year, a fair value loss of £0.1 million (2020: fair value gain of £0.3 million) was recognised directly in the income statement.

Taxation

The Group reported an income tax charge of £14.4 million (2020: £10.4 million), comprising a current tax charge of £17.3 million (2020: £14.1 million) and a deferred tax credit of £2.9 million (2020: credit of £3.7 million), reflecting an effective tax rate of 22.5% (2020: 21.8%). The increase in the income tax charge reflects the increase in profit before tax as well as the one-off release of an excess provision in 2020.

The adjusted tax charge was £18.8 million (2020: £15.3 million) representing an adjusted effective tax rate of 23.1% (2020: 22.4%).

During the period, the Group paid corporation tax of £17.7 million (2020: £13.8 million). This reflects a cash tax rate on adjusted profit before tax of 21.7% (2020: 20.2%). The increase reflects the higher charge and timing of payments on account.

Earnings per share

Basic earnings per share increased by 33.1% to 25.4 pence (2020: 19.1 pence). Adjusted earnings per share increased to 32.1 pence (2020: 27.2 pence), reflecting the increase in profit after tax. There is no material difference between these calculations and the fully diluted earnings per share calculations.

Cash generation, funding and liquidity

Cash and cash conversion

£m	2021	2020
Net cash generated from operations	**57.0**	95.9
Add: Pension contributions	**2.8**	1.7
Add: Income tax paid	**17.7**	13.8
Less: Purchases of property, plant and equipment	**(16.1)**	(9.9)
Less: Purchases of intangible assets	**(4.5)**	(0.6)
Add: Proceeds on disposal of PPE	**0.8**	–
Operational cash flow after exceptional cash costs	**57.7**	100.9
Exceptional cash costs	**0.2**	4.2
Operational cash flow	**57.9**	105.1
Less: Pension contributions	**(2.8)**	(1.7)
Less: Income tax paid	**(17.7)**	(13.8)
Less: Net interest paid	**(8.8)**	(12.5)
Less: Exceptional cash costs	**(0.2)**	(4.2)
Free cash flow	**28.4**	72.9

Operational cash flow in the year decreased by 44.9% to £57.9 million (2020: £105.1 million), predominantly due to a significant working capital outflow of £33.9 million compared to an inflow of £8.3 million in 2020. Capital expenditure also increased to £20.6 million (2020: £10.5 million) after deferral of expenditure in 2020 due to COVID-19. Operating cash conversion in 2021 declined to 64.3% (2020: 130.9%).

Free cash flow in the period was significantly lower than 2020 at £28.4 million (2020: £72.9 million), as a result of the lower operational cash flow and higher income tax payments on account, offset by lower interest payments and lower exceptional cash costs.

Debt facilities

Bank and US private placement facilities available to the Group, as at 31 December 2021, were as follows:

Facility	Maturity	Currency	Committed	Uncommitted
2018 Facility	Feb 2024	Multi-currency	£240.0m	£70.0m
5.37 % USPP	Nov 2024	US$	US$45.0m	–
Other facilities	Various	€	€0.1m	–

The first tranche of the USPP facility of US$55 million was repaid in November 2021.

Liquidity

At 31 December 2021 the Group had gross outstanding borrowings of £204.6 million (2020: £224.1 million), cash balances of £58.1 million (2020: £69.7 million), committed but undrawn facilities of £123.6 million (2020: £143.1 million), as well as potential access to the uncommitted £70.0 million accordion facility. This provides immediately available liquidity of £180.8 million (2020: £210.4 million).

Net debt at 31 December 2021 was £145.8 million (2020: £153.2 million). Adjusted net debt, which excludes lease liabilities and unamortised finance arrangement fees was £91.7 million (2020: £100.6 million), with the reduction reflecting operational cash generation and movements in foreign exchange.

Covenant performance

At 31 December 2021	Test	Performance(1)	Headroom(2)	Headroom(2)
Leverage	< 3.0×	0.9x	£79.8m	77.8%
Interest cover	> 4.0×	17.6x	£79.2m	77.2%

1 Calculated covenant performance consistent with the Group's banking covenant test (banking covenants set on a frozen GAAP basis and not impacted by IFRS 16).
2 The approximate amount by which adjusted EBITDA would need to decline before the relevant covenant is breached.

At 31 December 2021, the Group retained significant headroom on its banking covenants. Leverage at the year end was 0.9x (2020: 1.1x), reflecting the higher adjusted EBITDA and lower level of net debt. Interest cover at 31 December 2021 was 17.6x (2020: 10.5x), largely reflecting the lower interest expense and an increase in EBITDA.

Balance sheet – assets and liabilities

Working capital

£m	FY 2020	Mvt	FX	2021
Inventories	84.0	53.9	(0.1)	**137.8**
Trade receivables	63.1	7.6	(0.8)	**69.9**
Trade payables	(55.1)	(23.8)	0.5	**(78.4)**
Trade working capital	92.0	37.7	(0.4)	**129.3**

Trade working capital at the year end, net of provisions, was £129.3 million (2020: £92.0 million).

Inventories increased by £53.8 million to £137.8 million (2020: £84.0 million), in order to meet higher levels of demand, as well as to provide a buffer in light of the extended Chinese New Year period, energy restrictions in China, ongoing global freight disruption and the need to de-risk key material availability. The inventory build was also magnified by the impact of material cost inflation. The provision for slow moving and obsolete inventory is slightly higher at £19.5 million (2020: £18.9 million).

Trade receivables increased by £6.8 million to £69.9 million (2020: £63.1 million) and trade payables increased by £23.3 million to £78.4 million (2020: £55.1 million), each as a result of the increased trading activity in the current year and impact of price increases, with trade payables also reflecting the increase in inventory.

The increase in trade working capital was reduced slightly by £0.4 million relating to foreign exchange.

Capital expenditure

Gross capital expenditure increased to £20.6 million (2020: £10.5 million) or 1.61x depreciation (excluding RoU asset depreciation) (2020: 0.74x), as the Group resumed investment following the deferral of most non-essential expenditure in 2020 in light of COVID-19. Capital expenditure relating to intangible assets has increased significantly to £4.5 million (2020: £0.6 million) due to the commencement of a multi-year ERP upgrade. Net capital expenditure was £19.8 million (2020: £10.5 million), which included £0.8 million of proceeds from disposals.

Goodwill and intangible assets

At 31 December 2021, the carrying value of goodwill and intangible assets was £430.1 million (2020: £446.0 million). The reduction in goodwill and intangible assets mainly reflects amortisation of intangible assets through the income statement of £18.8 million (2020: £20.3 million).

Provisions

Provisions at 31 December 2021 reduced to £6.2 million (2020: £8.9 million), primarily reflecting the release of provisions made on acquisitions that are no longer necessary given the passage of time.

Balance sheet – equity

Shares in issue

At 31 December 2021, the total number of shares in issue was 196.8 million (2020: 196.8 million) of which 0.5 million shares were held in treasury (2020: 0.5 million).

Employee Benefit Trust purchases

At 31 December 2021, the EBT held 0.8 million shares (2020: 1.1 million). During the period, the EBT purchased 0.1 million shares in Tyman plc at a total cost of £0.3 million.

Dividends

A final dividend of 8.9 pence per share (2020: 4.0 pence), equivalent to £17.4 million based on the shares in issue as at 31 December 2021, will be proposed at the Annual General Meeting (2020: £7.8 million). The total dividend declared for the 2021 financial year is therefore 12.9 pence per share (2020: 4.0 pence), reflecting a return to the Group's progressive dividend policy after a pause in 2020 due to COVID-19 uncertainty. This equates to a Dividend Cover of 2.50x, in line with the Group's target range of 2.00x to 2.50x adjusted EPS.

The ex-dividend date will be 28 April 2022 and the final dividend will be paid on 27 May 2022 to shareholders on the register at 29 April 2022.

Only dividends paid in the year have been charged against equity in the 2021 financial statements. Dividend payments of £15.6 million were paid to shareholders during 2021 (2020: £Nil).

Other financial matters

Return on capital employed

ROCE increased by 220bps to 14.5% (2020: 12.3%) as a result of the strong adjusted operating profit, a reduction in the average carrying value of intangible assets through amortisation and the impact of foreign exchange movements on capital employed, partially offset by higher average working capital.

Currency

Currency in the consolidated income statement

The principal foreign currencies that impact the Group's results are the US dollar and the euro. In 2021, sterling was stronger against both the US dollar and Euro when compared with the average exchange rates in 2020.

Translational exposure

Currency	US$	Euro	Other	Total
% mvt in average rate	7.2%	3.4%		
£m Revenue impact	(27.9)	(2.9)	(3.1)	**(33.9)**
£m Profit impact [(1)]	(4.4)	(0.4)	(0.6)	**(5.4)**
1c decrease impact [(2)]	447k	101k		

1 Adjusted operating profit impact.

2 Defined as the approximate favourable translation impact of a 1c decrease in the sterling exchange rate of the respective currency on the Group's adjusted operating profit.

The net effect of currency translation caused revenue and adjusted operating profit from ongoing operations to decrease by £33.9 million and £5.4 million respectively compared with 2020.

Transactional exposure

Divisions that purchase or sell products in currencies other than their functional currency will potentially incur transactional exposures. For purchases by the UK and Ireland division from the Far East, these exposures are principally sterling/US dollar or Chinese renminbi. For purchases by the International division's Australian business from the US and the Far East, these exposures are principally Australian dollar/US dollar or Chinese renminbi.

The Group's policy is to recover adverse transactional currency movements through price increases or surcharges. Divisions typically buy currency forward to cover expected future purchases for up to six months. The objective is to achieve an element of certainty in the cost of landed goods and to allow sufficient time for any necessary price changes to be implemented.

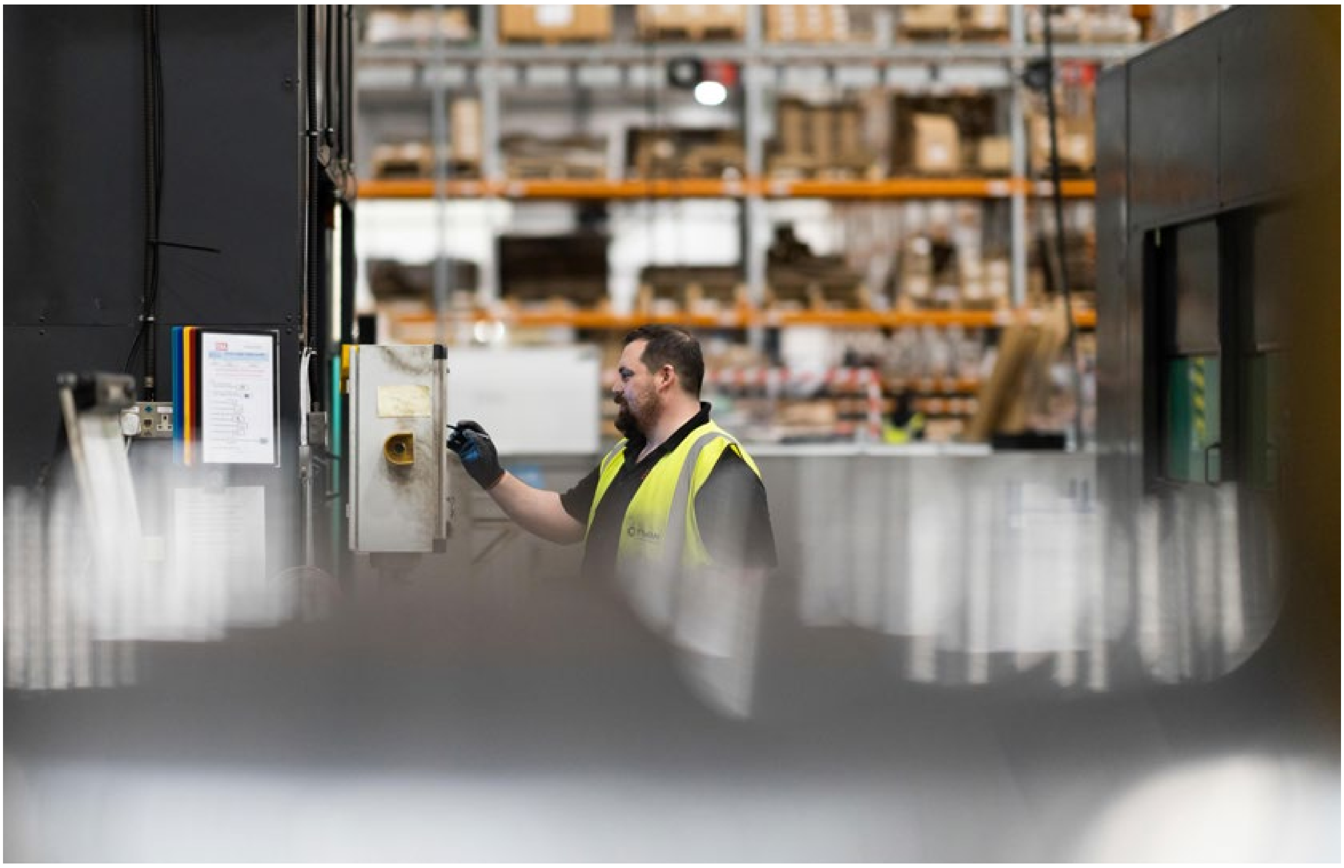
Foreign exchange hedges of sterling against the US dollar and renminbi resulted in a loss of £0.1 million in 2021 compared to a gain of £0.3 million in 2020. The Group's other transactional exposures generally benefit from the existence of natural hedges and are immaterial.

Currency in the consolidated balance sheet

The Group aims to mitigate the translational impact of exchange rate movements by denominating a proportion of total borrowings in those currencies where there is a material contribution to Adjusted Operating Profit. Tyman's banking facility allows for funds to be drawn in those currencies.

The Group's gross borrowings (excluding leases) are denominated in the following currencies:

	2021		2020	
£m	**Gross**	**%**	**Gross**	**%**
US dollars	**(105.2)**	70.2	(108.2)	63.5
Euros	**(44.6)**	29.8	(62.1)	36.5
Gross borrowings	**(149.8)**		(170.3)	



2022 technical guidance

Working capital will remain high due to the impact of inflation and to support supply chain resilience, with a minimal net cash flow impact year on year.

Capital expenditure in the 2022 financial year is expected to be £25–£30 million, reflecting remaining catch up of expenditure deferred from 2020 and investment in new product development, operational excellence, and systems upgrades.

Operating cash conversion is expected to increase to between 80%–90%, reflecting the elevated levels of working capital and the increased capital expenditure. The Group's long-term target remains at 90% per annum.

Leverage is expected to remain below the target range of 1.0× to 1.5× adjusted EBITDA absent any M&A activity.

Interest charge is expected to be £7–£8 million, reflecting lower debt levels and a lower average interest rate.

The adjusted effective tax rate is expected to be c. 23.0%–25.0%.

Jason Ashton
Chief Financial Officer

Sustainability review

Sustainability excellence is embedded in our 'Focus, Define, Grow' business strategy. For Tyman, this means addressing our own operational climate impacts as well as designing products that promote climate resilience through energy efficiency, hazard protection and product decarbonisation. TCFD provides us with a framework to systematically assess climate impacts so we can build business resilience and ultimately drive positive environmental and societal impact through more sustainable solutions. We are pleased to be an official TCFD supporter in October 2021."

Jo Hallas
Chief Executive Officer

Our 2030 sustainability roadmap

Roadmap pillar	Ambition	Plans	Targets
	Transform our health, safety and environmental performance	• Safety is our first language • Reduce our carbon footprint • Water stewardship • Waste management	• LTIFR < 1.0 by 2022 • TRIR < 3.0 by 2026 • Carbon neutral operations by 2030 (Scope 1 and 2 emissions) • 40% water reduction /£m revenue by 2022 • Zero waste to landfill by 2026
	Be recognised as an employer that people want to work for	• Employee engagement • Diversity, equity & inclusion • Growing our talent • Community partnerships	• Gender diversity >30% at all levels
	Help our customers protect the planet and create safer, more inclusive communities	• Positive-impact solutions • Circular economy • Sustainable materials • Responsible sourcing	• YoY increase in % revenue from positive impact solutions • 100% sustainable packaging by 2026

During 2021, the Group began work to embed the Tyman sustainability roadmap into its strategy and positively impact the UN SDGs through sustainable operations, sustainable culture and sustainable solutions. Sustainability resources were strengthened at divisional level with the appointment of two new sustainability managers to help drive the deployment of divisional sustainability plans.

Early priorities have included completing the roll-out of the Group safety leadership programme, establishing global safety standards to address areas of highest risk, eliminating single-use plastic packaging, reducing water, waste and operational carbon emissions and developing more sustainable products.

External advisers were appointed to support the delivery of two new climate related workstreams to strengthen the long-term resilience of the Group. The first, on setting a Science Based Target (SBT) has quantified the Group's value chain carbon footprint and the second, deepened the Group's understanding and disclosures of climate related risks and opportunities in response to the TCFD framework.

Read more about the **TCFD framework** on pages 68 to 77.

Sustainable operations

The sustainable operations strategy pillar aims to transform our health, safety and environmental performance through operational excellence.

Goal	SDG Target	Our planned contribution	Find out more
8 DECENT WORK AND ECONOMIC GROWTH	**Target 8.8** Promote safe and secure working environments for all workers.	Achieving world-class levels of safety performance and wellbeing programmes across the Group's global operations.	Safety excellence (page 48)
6 CLEAN WATER AND SANITATION	**Target 6.4** By 2030, substantially increase water-use efficiency and address water scarcity.	Achieving water efficiency targets and undertaking water stress mapping to identify priority areas for improvement in our operations.	Water stewardship (page 58)
7 AFFORDABLE AND CLEAN ENERGY	**Target 7.2** By 2030, increase substantially the share of renewable energy in the global energy mix.	Energy efficient operations, use of renewable electricity supplies and on-site renewables to reduce our emissions of greenhouse gases.	Energy and GHG emissions (page 54)
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Target 12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Waste minimisation and zero waste to landfill in our operations.	Waste management (page 58)

Safety excellence

Safety is our first language. It is a focus at every level of the Group from the Board and ExCo to divisional leadership teams, site management and functional teams. Local management is responsible for health and safety performance with oversight provided by dedicated Health, Safety and Sustainability (HSS) leads in place in each division.

All our businesses have health and safety management systems in place to identify, control and take action on risks in the workplace, alongside training, audits and local management reviews. Where considered appropriate for their particular markets, our businesses also seek external certification to international health and safety standards. Following the divestment of Ventrolla, two UK plants (Henlow and Newton Aycliffe) are certified to ISO 45001.

Safety leadership training, together with the deployment and audit of Group safety standards formed the safety excellence priorities for 2021. Since its launch in early 2020, nearly 500 people managers have successfully completed the Group's flagship two day safety leadership programme, equipping them with the skills to engage and coach their teams on safety. Now that the initial phase of deployment is complete, it has been extended to new hires.

Four Group safety standards were deployed during the year covering key areas of risk for machinery safety, working at height, manual handling and forklift truck operations. This brings the total implemented to date to six, with Lock Out Tag Out (LOTO) and electrical safety deployed in the previous year. Two new standards on confined space entry and contractor management are planned for 2022.

For all standards, each Tyman facility completes a gap analysis against the requirements and develops a corrective action plan to address areas for improvement. These plans and compliance with the requirements of the standard are then checked with divisional audits. Over 1,100 corrective actions were closed out in 2021 and more than 30 audits completed using internal or external resources. A ban on using hands-free mobile phones while driving on company business has also been introduced following a review of the compelling research on this topic.

Tyman health and safety management system

Board of Directors

Chief Executive Officer

Overall accountability for health and safety performance across the Group

Executive Committee

- CEO accountability discharged to local management through the Executive Committee
- Divisional presidents regularly review performance and effectiveness of arrangements

Local Management

- Responsible for health and safety performance
- Adherence to Group and divisional health and safety policies, standards, reporting requirements
- Compliance with health and safety regulations

Health and Safety Management Systems

- Health and safety committees
- Identify, assess and take action to control risks, including safe working practices
- Employee training & engagement
- Audit and management review

Divisional presidents report performance monthly to Tyman CEO at BPR meetings

Local management report on health and safety performance at least weekly to divisional presidents

Health and safety management systems provide feedback to local management on effectiveness of health and safety arrangements

Group HSS Director

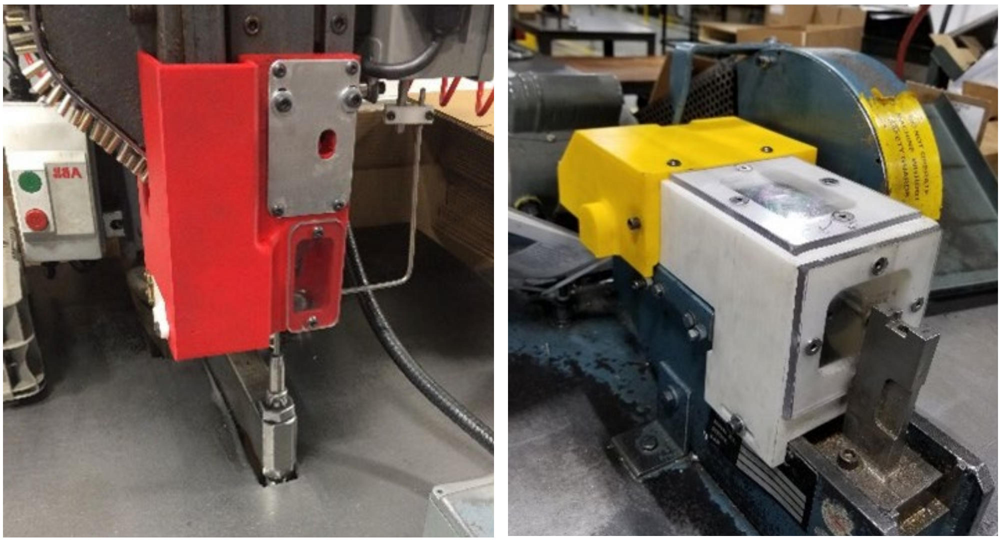
- Reports to the CEO
- Works with the ExCo, senior leaders and divisional HSS managers to drive health and safety performance
- Develop group wide programmes and strategies

Group HSS Forum

- Monthly review chaired by Group HSS Director with divisional HSS leads
- Health and safety performance
- Share incident learnings and track corrective actions
- Develop and deploy best practice

Machinery safety

The deployment of Group safety standards goes beyond local regulatory requirements by introducing globally applicable best practice safety measures and encourages innovative approaches to reduce risk. Following the introduction of the machinery safety standard, our plant in Brampton, Canada used 3-D printing to make new bespoke guards for stacker machines (left) and riveter machines (right). £390k was invested in new and replacement guards across the plant.



3-D printed machinery guarding, Brampton, Canada

Safety performance – all employees (permanent and temporary)[1]

The Group continues to report on a comprehensive suite of leading and lagging KPIs detailed below.

	Targets	2021	2020	2019	2018	2017
Lost Time Incident Frequency Rate (LTIFR)[2]	<1.0 by 2022	**4.4**	3.1	4.0	4.8	6.2
Total Recordable Incident Rate (TRIR)[3]	<3.0 by 2026	**9.9**	7.5	7.6	n/a	n/a
Number of fatalities		**0**	0	0	0	0
Number of serious incidents[4]	zero	**0**	1	4	n/a	n/a
Number of lost time incidents		**37**	23	34	44	49
Number of Hi-Potential Near Miss Incidents[5]		**18**	24	21	n/a	n/a
Number of safety improvement opportunities (unsafe act/condition)		**7,439**	7,348	10,065	9,756	7,994
Number of safety leadership tours		**2,603**	1,635	1,363	n/a	n/a
Hours worked		**8,371,887**	7,377,696[6]	8,598,679	9,141,132	7,962,376

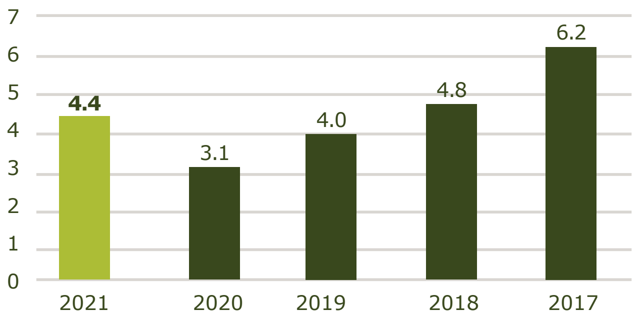
1 Covers all permanent and agency staff working under the Group's direct supervision worldwide. Injuries to visitors or contractors reported separately.
2 Lost Time Incident Frequency Rate per 1 million hours worked (incidents resulting in one or more days away from work, excluding the day of the incident) including 21 COVID-19 cases resulting from workplace transmission at two locations in North America and two in the UK in 2021 (2020: 12 cases). All affected employees testing positive for COVID-19 following workplace transmission have returned to work following completion of self-isolation. The LTIFR excluding COVID-19 cases for a like-for-like comparison to previous years is 1.9 for 2021 (2020: 1.5).
3 Total Recordable Incident Rate for all work-related injuries or illnesses to employees/agency staff that causes fatality, unconsciousness, lost workdays, restricted work activity, job transfer or medical care beyond first aid, per 1 million hours worked. Includes 21 x COVID-19 workplace transmission cases in 2021 (2020: 12). The TRIR excluding COVID-19 cases for a like-for-like comparison to 2019 is 7.4 in 2021 (2020: 5.8).
4 Serious incidents are those deemed life threatening or life changing due to their severity.
5 HiPo incidents did not cause serious injury but could have done under different circumstances.
6 Revised definition introduced from 2020 excluding all types of absence such as holiday, furlough and other non-working time.

Scan this QR code to access the Tyman **sustainability data table** with all the Group's safety metrics recorded.

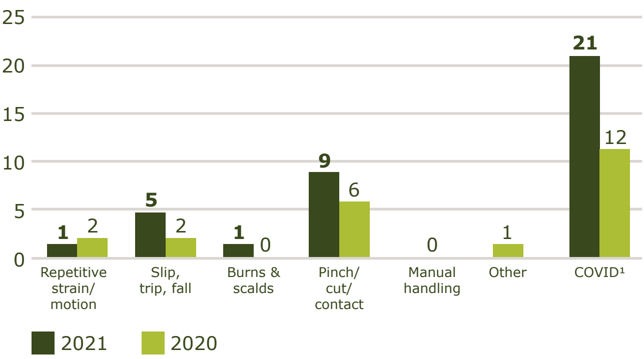
High levels of operational intensity and the COVID pandemic negatively impacted the Group's core safety metrics covering the LTIFR and TRIR during the year. The LTIFR, including COVID workplace transmission cases, increased by 42% to 4.4 (2020: 3.1) and the TRIR by 33% to 9.9 (2020: 7.5). For the first time in three years, no serious life-changing injuries were sustained.

A detailed analysis of the physical, non-COVID related, lost time and other recordable injuries was undertaken during the year and nearly half (48%) were sustained by employees with less than a year's service. Furthermore, the plants in Atherstone, Budrio, Owatonna and Statesville accounted for over two-thirds (69%) of all injuries. Safety improvement plans have been deployed for these plants including improved new hire training, supervisor leadership development and coaching, reinvigorated safety leadership tours and employee engagement measures, together with the targeted application of structured problem solving techniques through safety kaizen events. Progress against these plans will be tracked going forward.

Lost Time Frequency Rate (LTIFR) per 1 million hours worked



Lost Time Incidents by Cause (2021 vs 2020)



[1] Workplace transmission cases due to likely exposure to COVID-19 following 'close contact' identified in the work environment (<2m for 15 minutes or more).

One lost time injury was reported during the year involving a contractor operating a forklift truck in our Budrio warehouse, where he bruised his back. Forklift truck operations are outsourced at this facility, using their own vehicles and this incident was subject to an investigation by the local authority. This is a rare event for the Group and the first one recorded in the three years that this metric has been in place.

Despite the disappointing number of injuries this year, many of the Group's plants continue to achieve safety excellence. 13 of our 19 manufacturing plants recorded zero lost time incidents in 2021, 10 have achieved two years since an LTI and both the Brampton and Zanesville plants have gone more than five years since an LTI. The Group's performance remains well below comparable industry benchmarks that give an LTIFR between 5.5 – 8 and a TRIR of 17.5 - 26[1].

The Group is committed to building a culture of safety excellence for the long-term and uses a number of leading indicators to track progress towards this goal. The number of safety leadership tours and safety improvement opportunities are both trending upwards versus the prior year. Lessons learned from Hi-Potential near miss and other incidents are shared across the Group and where appropriate Group safety alerts are issued and corrective actions tracked to closure.

Health surveillance programmes are also in place across the Group for routine exposures such as noise and airborne dust/fume from painting and welding. No occupational health exposures resulted in lost time during the year (2020: zero).

[1] Source: US Bureau of Labor Statistics 2020 for other plastics manufacturing (NAICS 32619), window and door manufacturing (332321), hardware manufacturing (3325) and turned product and screw, nut and bolt manufacturing (33272) https://www.bls.gov/web/osh/summ1_00.htm

COVID-19 precautions

During the year the pandemic remained an ongoing operational challenge, with exposure outside of the workplace driving cases internally. Where positive cases are identified, contact tracing is undertaken to determine the likely source and whether there is a reasonable likelihood of workplace transmission of the virus. Where such transmission is identified, investigations are carried out to determine lessons learned and share best practices across the Group during weekly coronavirus crisis calls. No workplace exposure cases have resulted in hospitalisation, with employees affected returning to work after self-isolation.

The Group continues to apply a range of COVID-19 protocols across its operations to mitigate the ongoing risks of exposure to the virus. In addition to the precautions outlined in last year's report, the Group has upgraded its specification for face coverings (minimum surgical masks and up to FFP2 standard), modified the operation of ventilation systems to increase fresh air circulation, introduced employee rapid flow testing where kits are readily available and introduced CO_2 monitors to measure changes to indoor air quality. Communication campaigns continue to encourage the right COVID behaviours outside of work as well as inside and promote vaccination uptake among our employees.

Safety in numbers: 2021 leading indicators

42,278
hours of training (2020: 23,656)

7,439
safety improvement opportunities identified by employees (2020: 7,348)

6
global standards deployed since 2020

18
Hi-potential near miss incidents investigated and learnings shared (2020: 24)

2,603
safety leadership tours conducted by managers and supervisors (2020: 1,635)

Wellbeing

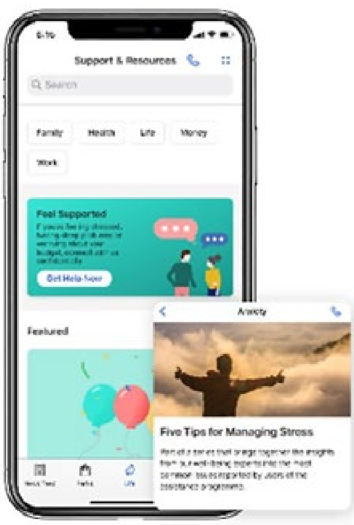
The COVID-19 pandemic has heightened societal awareness of mental health and wellbeing. High levels of product demand during the year placed additional pressures on the Group's employees worldwide, including those in customer facing and procurement roles. A number of interactive and highly impactful personal resilience and conflict resolution courses were run across the Group to help employees find the right coping strategies that worked for them. Trained Mental Health First Aiders are in place in the UK. An Employee Assistance Programme has been deployed across the Group and practical research continues on wellbeing initiatives.

Ongoing collaboration with the University of Padua

Following a research project initiated in 2020 with the University of Padua, 40 managers at our two Italian plants completed three days of wellbeing training in 2021 covering health leadership, positive management, team working and conflict resolution. A ½ day wellbeing awareness course will be rolled out to all employees in Italy through a train-the-trainer approach in collaboration with the university.

Supporting employee wellbeing

Employee Assistance Programme (EAP) services available to employees in the US and the UK, have now been extended to all employees globally. A range of free to use, confidential services for emotional support and counselling are now available 24/7 covering work-life issues such as relationship management, coping with grief or stress, alcohol or drug misuse and finding solutions to work-related issues or conflict. Employees can access the service via an App, website, telephone or through to face-to-face support. During 2022, four facilities will be collaborating with the University of Padua and King's College London through two research projects to understand how best to leverage these EAP services to improve employee wellbeing.




SAFETY BOARD
Health and Safety
Number of days working without Lost Time Injury:
635
Year to date
Fatality
Serious injury
Lost time injury
Recordable injury
First Aid only injury
Hi-potential near miss
Safety improvement opportunity
FIRE

Environment

Environmental management systems

Our businesses maintain policies and programmes for managing the environment, including compliance with local regulations. These policies and management systems cover areas such as the use of materials, are aligned to the principles of reduce, re-use and recycle and ongoing energy and water efficiency programmes. These measures help improve production efficiencies, deliver compliance with legal obligations, reduce costs and minimise the Group's environmental impacts.

Where considered appropriate for their particular markets, our businesses also seek external certification to international environmental standards. Eight locations in the UK and Italy have environmental management systems in place that are externally certified to the ISO 14001 international standard, representing 28% of the Group's revenue (2020 22%). We believe our approach to a more sustainable future is best served through the targets and ambitions set out in our sustainability roadmap (see page 46) rather than extending the procedural elements of ISO 14001 to other locations.

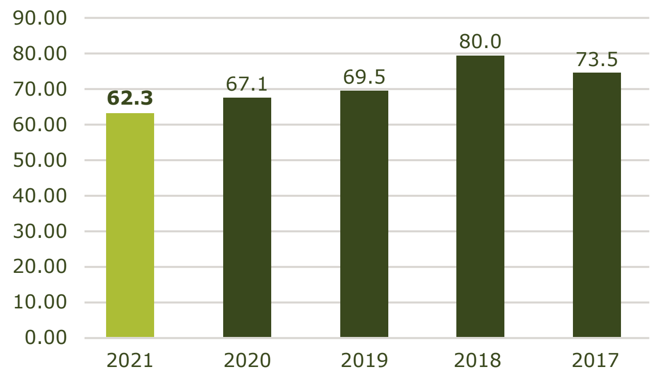
Energy and greenhouse gas emissions

The Group measures and reports its global Greenhouse Gas ("GHG") emissions according to the UK Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. Scope 1 and 2 emissions are reported and in line with best practice under the Science Based Target initiative (SBTi) including relevant categories of Scope 3 emissions. The Group applies the GHG Protocol as the basis for reporting GHG emissions from its manufacturing, warehousing and office facilities over which it has operational control.

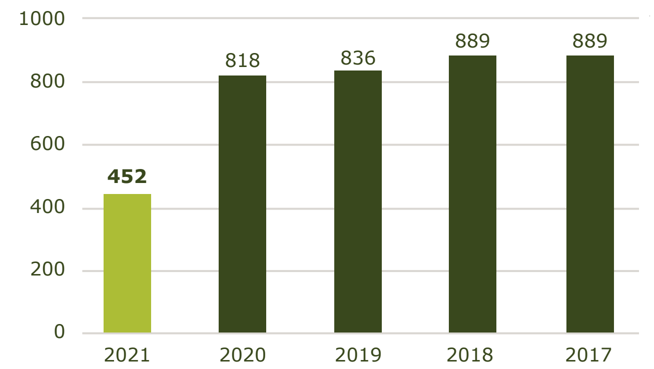
The Group's Scope 1 and 2 emissions in TCO_2e per £m revenue decreased by 7% in 2021 to 62.3 (2020: 67.1, restated). This reduction is a combination of improved operating efficiencies driven by revenue growth, a smaller footprint following the divestments/disposals announced in 2020, greening of the electricity grid and energy saving initiatives. These initiatives include switching from propane gas powered to electrically charged forklift trucks in Cannon Falls and Sydney, installing a new compressed air system for the Budrio paint plant and LED lighting upgrades at the Monterrey, Valinhos and Trumann manufacturing plants, and the Zoo warehouse in Carlisle.

The installation of a new 1.2MW roof-top solar array and electric vehicle charging points at our Wolverhampton, UK facility has also commenced and will be complete in early 2022. This is expected to generate up to 50% of the site's electrical power needs. Identifying and implementing more energy efficiency projects will be a major focus in 2022, supported by the deployment of a sustainable operations playbook to share best practice measures to save energy, water and waste.

Scope 1 and 2 emissions TCO_2e / £m revenue



Water consumption m³/£m revenue



Energy and GHG emissions	2026 Target	2021	2020	2019 (baseline)	2018	2017
UK Scope 1 emissions (TCO_2e)		**549**	711			
Offshore (outside UK) Scope 1 emissions (TCO_2e)		**12,010**	10,959			
Total global Scope 1[1] direct emissions TCO_2e		**12,559**	11,670	12,627	13,988	12,046
UK Scope 2 emissions (TCO_2e)		**1,077**	1,057			
Offshore (outside UK) Scope 2 emissions (TCO_2e)		**25,962**	25,681			
Total global Scope 2[2] indirect emissions TCO_2e – location based		**27,039**	26,738	30,002	33,327	26,376
Total global Scope 2[3] indirect emissions TCO_2e – market based		**27,039**	26,738	30,002	33,327	26,376
Total direct and indirect emissions (Scope 1 & 2) TCO_2e		**39,598**	38,408	42,629	47,315	38,423
Intensity ratio (Scope 1 & 2) TCO_2e per £m revenue	34.7	**62.3**	67.1	69.5	80.0	73.5
Global energy consumption used to calculate above emissions kWh[4]		**136,235,840**	127,049,716			
Scope 3[5] indirect emissions						
Purchased goods and services (metals & polymers)[6] – category 1a		**–**	274,508	337,543		
Upstream transportation & distribution (category 4)		**–**	12,441	19,521		
Use of sold products (category 11)		**–**	39,821	28,715		
Total Scope 3[5] other indirect emissions TCO_2e (category 1a, 4, 11)		**–**	326,771	385,780		

1 Direct emissions through combustion of fuels and process emissions using DEFRA GHG and IEA conversion factors. Refrigerant emissions, e.g. from process and building cooling systems were collected for the first time in 2021 – accounting for 125 TCO2e. Restated emissions in 2020 and 2019 following updated natural gas consumption data. Broken down by UK and offshore emissions required by SECR (see below).

2 Indirect emissions through consumption of electricity (location-based method) using the latest DEFRA GHG and IEA conversion factors. 2020 emissions restated to reflect latest IEA data. Broken down by UK and offshore emissions required by SECR (see below).

3 Indirect emissions through consumption of electricity (market based method).

4 Required by the UK Government's Streamlined Energy and Carbon Reporting (SECR) using DEFRA conversion factors for natural gas and combustion of fuels for heating and process use, electricity consumption and transport fuel (from quantities consumed) across the Group's global operations.

5 Updated emissions inventory following full value chain mapping exercise conducted as part of the Science Based Target setting exercise to establish the Group's baseline, replacing earlier estimates for 2019-2020. Selected emissions sources only, full reporting of 10 applicable Scope 3 emissions categories is available online in the Tyman sustainability data table.

6 Calculated in 2021 using US EPA's EEIO supply chain emissions factors based on a mix of material weight and spend data as part the Group's SBT work.

Value Chain Carbon Footprint (2019)

73.2% — **Raw materials**

- **Purchased goods & services (direct) 72.2%**
  - Aluminium 29.2%
  - Steel 8%
  - Zinc 8.7%
  - Plastics / polymers 17.2%
  - Packaging 1.3%
  - Brass / other metals 1.2%
  - Specialised components / motors / batteries 6.5%
- **Purchased goods & services** (indirect) **1.0%**

4.2% — **Upstream logistics**

- **Upstream transportation & distribution 4.2%**

13.9% — **Tyman operations**

- **Natural gas & vehicle fuel 2.7%**
- **Electricity 6.4%**
- **Fuel & energy related activities 1.5%**
- **Business travel 0.4%**
- **Capital goods 1.0%**
- **Waste generated in operations 0.3%**
- **Employee commuting 1.7%**

SBT and value chain emissions

The Group formally committed to setting a Science Based Target (SBT) in February 2021 and completed the first step in developing this target by quantifying its Scope 3 footprint, building on its existing measurement of Scope 1 and 2 emissions. In its baseline year of 2019, 91% of the Group's total carbon footprint of 467,598 tonnes, was attributable to Scope 3 emissions. Raw materials are the biggest contributor, at 72% of the total, driven by the Group's purchasing of aluminium, steel, zinc and polymers.

A further 4% of the footprint is covered by upstream logistics and 6% is estimated to come from products in use over their design lifetime, driven by the Group's smartware home security products and electro-mechanical components for windows and roof-hatches. The Group examined both its 2019 and 2020 footprint and elected for the former in determining is baseline, to remove the impact of COVID lockdowns the following year. Scope 3 emissions in 2020 declined in all categories reflecting reduced product sales, with the exception of product in-use emissions which recorded a rise following the launch of the new ERA home protect and security floodlight range of products.

Now that the Group has established its 2019 Scope 3 emissions baseline, work will continue in 2022 to develop the target to reduce these emissions in line with the climate science before submitting it to the SBTi for validation, and develop the measurement systems to track progress against the most important categories such as materials.

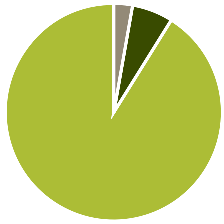
Mitigating emissions

With raw materials dominating the footprint, the Group identified three opportunities to decarbonise its products. These include selecting lower carbon materials where possible (steel has a lower embodied footprint than aluminium for example), optimising product designs to minimise the amount of material used in the product (dematerialisation or lightweighting) and specifying increased levels of recycled content as part of a circular economy approach (see page 66).

Addressing the Group's Scope 1 and 2 footprint (principally natural gas and electricity use) will involve a phased approach comprising the wider adoption of best practice energy efficiency measures, procuring 100% renewable electricity where available, deploying renewable energy technologies such as solar, switching to hybrid and battery electric company vehicles and as a last resort, using carbon removal technologies such as nature-based carbon offsets to tackle the remaining hard-to-reduce emissions.

1.3%	6.1%	1.4%
Downstream logistics	**Products in use**	**Products end-of-life treatment**
Downstream transportation & distribution 1.3%	Products in use (electro-mechanical & smartware) 6.1%	End-of-life disposal/ treatment of sold products 1.4%

Tyman's Value Chain Carbon Emissions (TCO_2e) 2019 baseline



- Scope 1: 12,627 3%
- Scope 2: 30,002 6%
- Scope 3: 424,969 91%

Key
- Scope 1 emissions
- Scope 2 emissions
- Scope 3 emissions

Mitigating Scope 1 and 2 emissions

→ 2030

- **Energy efficiency** (no/low cost and capital expenditure projects)
- **Procuring 100% renewable electricity and green gas**
- **On-site/off-site renewables** (solar panels and power purchase agreements)
- **Hybrid/electric vehicles**
- **Greenhouse gas removals for hard-to-reduce emissions** (including nature-based solutions)

Mitigating Scope 3 emissions (materials)

- **Material selection**
- **Weight optimisation** (KG)
- **Recycled content**

Water stewardship

The Group has achieved its 2022 water efficiency target a year early, decreasing its use by 45% in 2021 to 452 m³ per £m revenue (2020: 818 m³/£m). This was driven by the successful commissioning of a new closed-loop water recovery system for cooling die-cast zinc components and the elimination of a process wash stage for the treatment of stainless steel components in Owatonna. These actions saved 189,000m³ of water versus the prior year, the equivalent of 75 Olympic sized swimming pools.

Water sources	2022 Target	2021	2020	2019	2018	2017
Municipal authorities (m³)		**263,683**	450,956	493,369	510,973	464,570
Ground water (m³)[1]		**23,904**	17,426	19,965	14,985	0
Total Water usage (m³)		**287,587**	468,382	513,334	525,958	464,570
Water use m³ per £m revenue	502 Achieved	**452**	818	836	889	889

1 Two plants (Mexico and Brazil)

On completion of the water stress mapping exercise being undertaken as part of TCFD response (page 68), plans for updated site-specific targets in known areas of high water stress will be developed in 2022.

Waste management

The Group generated 7,410 tonnes of waste in 2021, of which 34% was sent to landfill (2020: 35%) and 66% was recycled/recovered (2020: 65%). Effort was focused on improving both the quality of the Group's data and implementing opportunities to move towards our zero waste to landfill target for both hazardous and non-hazardous wastes. 45 tonnes of process plastic scrap was diverted from landfill in Juarez and Statesville through re-grinding and re-using to make new product. Hazardous waste represents a relatively small proportion of the total (8%) comprising materials such as oil contaminated rags, cutting fluids, chemicals and fluorescent light tubes.

Waste arisings	2022 Target	2021	2020[1]	2019
Tonnes non-hazardous waste to landfill		**2,118**	2,083	2,301
Tonnes hazardous waste to landfill		**367**	418	432
Tonnes non-hazardous diverted from landfill (recycling, incineration, composting etc.)		**4,677**	4,363	4,744
Tonnes hazardous diverted from landfill (recycling, incineration)		**248**	155	148
Tonnes total waste arising		**7,410**	7019	7,625
% total waste to landfill	Zero	**34**	35	36
Intensity ratio: total waste (non-hazardous & hazardous) Tonne per £m revenue		**11.7**	12.3	12.4

1 Restated to reflect correct classification.

Biodiversity

Biodiversity is on the Group's radar. By executing its strategy to decarbonise its value chain emissions by conserving resources through a circular economy approach, switching to more renewable forms of energy and using nature-based carbon removals for hard-to-reduce emissions, the Group will reduce adverse impacts on biodiversity too. Ongoing projects to eliminate the use of single-use plastics and switching to more responsibly sourced packaging will also minimise plastic pollution and help conserve natural habitats. The Group will continue to track developments and best practices in this area.

Sustainable culture

The sustainable culture pillars aims to build an ethically-led business which is recognised as employer that people want to work for.

Goal	SDG target	Our planned contribution	Find out more
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Target 16.5** Substantially reduce corruption and bribery in all its forms.	Building a culture of strong ethical practices at all levels in the Group.	Ethics and compliance (page 59)
4 QUALITY EDUCATION	**Target 4.7** By 2030, ensure all learners acquire the knowledge and skills needed to promote sustainable development.	Growing our talent through life-long learning; harnessing the creativity of our people in delivering more sustainable outcomes.	Training and development (page 61)
10 REDUCED INEQUALITIES	**Target 10.2** By 2030, empower and promote the social, economic and political inclusion of all.	Engaging all our people, promoting diversity and developing partnerships and plans to help address social inequalities in our local communities.	Diversity, equity and inclusion (page 62) Our communities (page 63)

Ethics and compliance

The Group believes that high standards of business ethics are integral to the development of its culture and future growth. Therefore, as enshrined in the Group's "Code of Business Ethics: "Integrity in Action", which was published in early 2021, we seek to maintain a reputation for integrity in all our business dealings, and our relationships with authorities, regulators and our workforce.

In 2021, as part of the "One Tyman" implementation, the Group took steps to further strengthen its cultural cohesion by implementing a comprehensive and robust business ethics and compliance programme that also aligned with the Group's purpose and values. This programme covers activities that will educate, empower, examine and enforce ethical behaviours throughout the Group. Its design and implementation was overseen by the Group's Ethics Steering Committee – a geographically and culturally diverse cross-functional team drawn from across the divisions.

At the heart of the business ethics and compliance programme is the Group's Code of Business Ethics. To ensure that the new Code builds on the existing cultural strengths of the divisions, it was drafted with the support of the Ethics Steering Committee and was shaped by input from groupwide employee focus groups. The Code was deployed to all employees through workshops across all but two sites of the Group in 2021; the last two sites will conduct these workshops in Q1, 2022.

A standardised approach to the conduct of each workshop was developed to ensure that the Code's material and messages would be consistently communicated to all employees. At each such workshop, with the support of a video message from the Group's Executive Committee, the participants discussed the Group's purpose and values before discussing how the Code would help the Group and each of its individual stakeholders achieve their ethics goals. The workshop facilitator then demonstrated how each participant could use the Code's "Integrity Check Tool" (see Figure 1) to help them consider and deal with ethical dilemmas before the participants were given opportunities to work through scenarios that they might encounter in their roles.

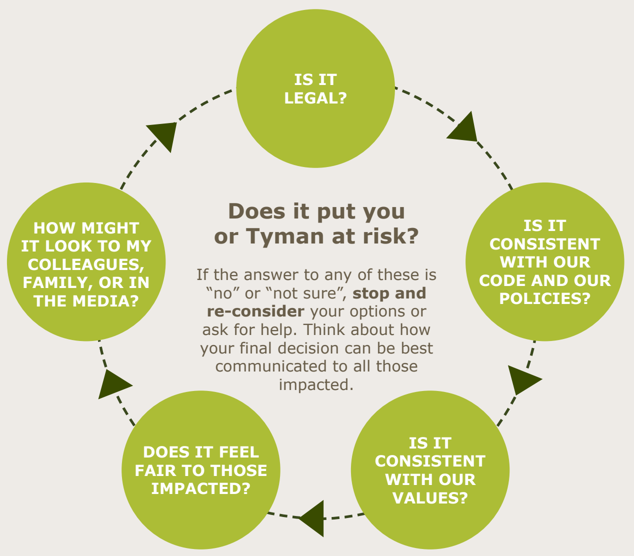


Figure 1: The Integrity Check tool

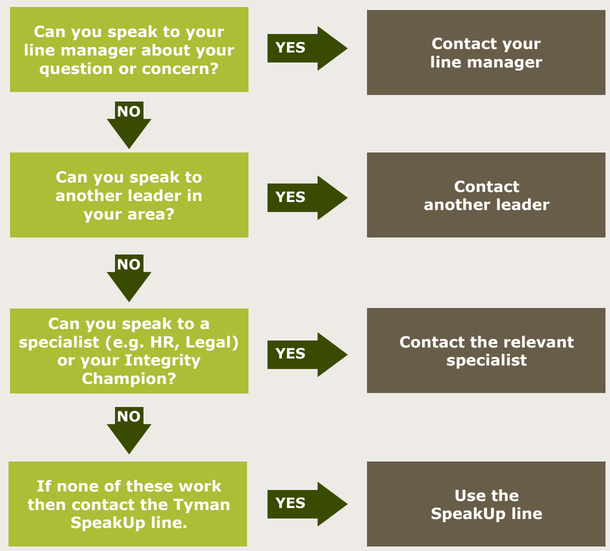


Figure 2: Raising a concern

The workshop participants then walked through the process for escalating their concerns (see Figure 2) and were introduced to the Tyman SpeakUp line. The facilitators highlighted that the Group does not tolerate any form of retaliation for genuine concerns and the fact that the Group respects the anonymity of reporters in accordance with local law.

In addition to the deployment of the new Code, a risk-based approach was taken when training the different sites on various business ethics and compliance topics.

The Group's General Counsel & Company Secretary worked closely with each of the divisions to identify areas of such risk before engaging appropriate external facilitators to run workshops that resulted in recommendations for documentary and local policy or procedure amendments.

In 2022, a network of "Integrity Champions", who are drawn from each site, will help to embed ethical decision making and knowledge of business ethics and compliance topics deep in the Group.

What the Integrity Champions will do

Localise BE&C Programme materials and initiatives
Review and adapt (if necessary) the business ethics and compliance programme material to help with local understanding and adoption and to meet the needs of the local operating environment.

Point of contact
Act as a point of contact and source of advice for employees when they have a question about the Code, concerns about conduct or face an ethical dilemma.

Champion
Generate a meaningful awareness of the importance of ethics and the Group's values among their colleagues and expand the ethics vocabulary and imagination of their colleagues.

Deliver training
Arrange, deliver or support the design of training and campaigns about ethics, values or compliance standards. They will include with the development of relevant case studies and other training materials based on their experience and knowledge of local issues and conditions.

Record and report
Help track the implementation of the business ethics and compliance programme, and identify relevant issues and areas of risk.

Speak Up

The General Counsel & Company Secretary advises the Board when exercising its oversight over the development, implementation and effectiveness of the Code.

The Group appreciates that the freedom to raise concerns is a core component of a high-performing, sustainable and ethical business culture where employees are confident that they will be supported to 'do the right thing'. In June 2021, the Group consolidated its two external whistleblowing platforms onto a single one run by NAVEX Global and relaunched this "speak up" facility to promote the focus on the "employee voice" and to signal the conscious cultivation of an open culture.

Ten 'Speak up' reports were received in 2021 (2020: 13). Each allegation was investigated under the oversight of the General Counsel & Company Secretary, and the findings of each investigation and any corrective action taken were reported to the Board. In 2021, two reports were determined to be warranted breaches of our Code on Working Together: one resulted in the reallocation of duties and the other resulted in the dismissal of an employee.

The Group does not know of it being subject to any regulatory investigation during 2021 and confirms that it did not have to pay any fines for material regulatory breaches in this period.

In 2022, the Group aims to further promote general awareness of and confidence in the Group's Speak Up Programme by working with the Ethics Steering Committee and Integrity Champions network.

People

Training and development

Training and development programmes across the Group during the year, prioritised the deployment of the Group's purpose, values and Code, together with safety leadership and lean excellence as well as ongoing technical/functional/development training. Total training hours during 2021 increased to 89,376 of which 42,278 were safety related (2020: 47,625 of which 23,656 hours were safety-related). Participants in the purpose, values and code of ethics training were equipped with the skills to enhance their personal impact to help facilitate local discussions on how best to convert the content in meaningful action and positive behaviour change.

Following on from the successful deployment of the safety leadership course (page 48), the Group launched its "Lean Excellence" training programme under the auspices of the Shingo Institute. Thirty-three executive-level and practitioner level leaders attended three virtual workshops and 14 course modules respectively. This programme aims to build long-term continuous improvement capabilities and culture across the organisation to deliver sustained results. It is already delivering benefits in other areas of the Tyman Excellence System such as safety and process scrap reduction.

The Group employs 46 apprentices in Brazil, Canada, Germany, Italy, the UK and US covering specialist toolroom trades and die making, production, maintenance, sales, warehousing, IT and purchasing roles. In partnership with Sheridan collage, the Group's Brampton facility is hiring the next generation of skilled screw machine operators, with six recruited in the past year.

Remuneration

When adjusting the LTIP and STIP pay structure, webinars were organised with HR leadership and scheme participants to discuss the operation of these schemes, including the behaviours that they aim to encourage. The Board Director with responsibility for workforce engagement also provided a good conduit for direct engagement with the workforce about a range of issues including remuneration.

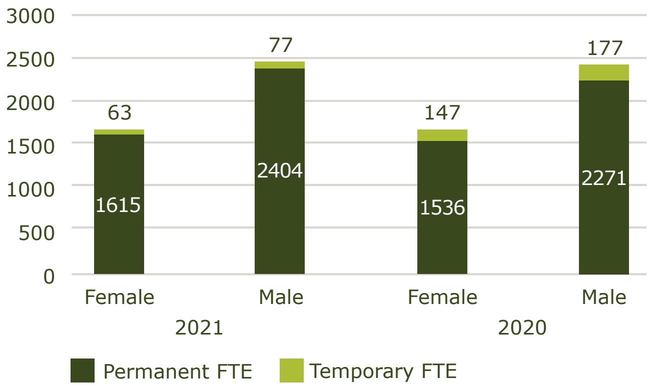
The Group strongly believes in fairly rewarding its employees. In the UK, the Group has committed to ensuring that all its employees are paid the Real Living Wage as from 1 January 2022.

Diversity, equity and inclusion

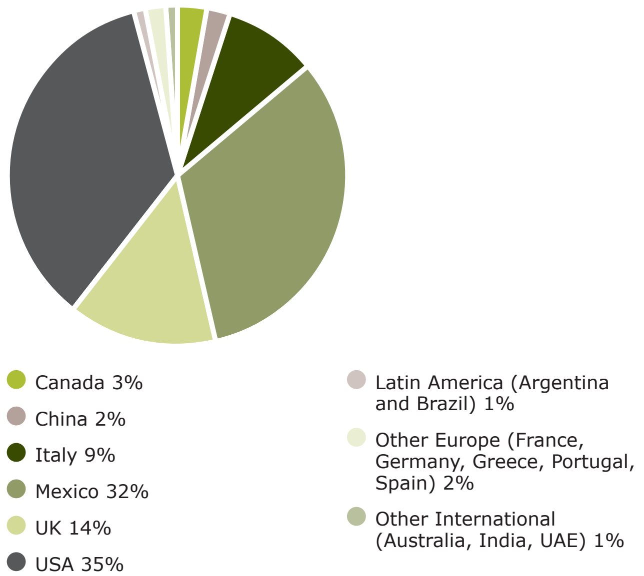
To support its growth, the Group draws on the skills, experiences and insights of a diverse workforce. Tyman's employment policies and practices require that an individual's skills, experience and talent are the sole determinants in recruitment and career development rather than age, beliefs, disability, ethnic origin, gender, marital status, religion and sexual orientation. The Group is committed to supporting employment opportunities and non-discrimination, and that comply with relevant local legislation and accepted employment practices.

As of 31 December 2021, the Group employed 4,159 people (2020: 4,131), of which 1,678 workers were female representing 40% of the total headcount (2020: 41%). 35% of the Group's head count is based in the US, with a third in Mexico, a further 14% in UK and 9% in Italy. The Board had female representation of 43% (2020: 50%) and at senior management level this was 28% with 47 managers (2020: 30%). Temporary personnel accounted for 3.4% of the Group's total employees in 2021 (140), of which 97% are based in Canada, Germany, Italy, the UK and US.

Permanent and Temporary Headcount FTE by Gender (2021-2020)



2021: 4,159 FTE Headcount



Employee engagement

The Group kicked off 2021 with two "mini virtual conference" sessions for over 100 of its leadership population to update them on Tyman's strategic initiatives and to deploy the Group's purpose, values and Code of Business Ethics.

All locations carry out communications programmes to engage their employees around important topics including expected behaviours and business updates. Communication methods include town hall meetings, team briefings, noticeboards (including TV boards), training sessions, newsletters, Works Council meetings, employee engagement focus groups, leadership tours/Gemba walks, skip-level meetings, supervisor networks and employee recognition events, together with an increasing emphasis on video conferencing, webinars and video messages.

Pamela Bingham, in her role as Non-executive Director and Board member responsible for employee engagement, continued meeting employees at all levels in the business to understand local challenges, identify best practices and promote a direct link to the Board. Eight virtual and in-person meetings were held during the year with cross functional representatives from sites in Italy, the UK and the US (2020: nine).

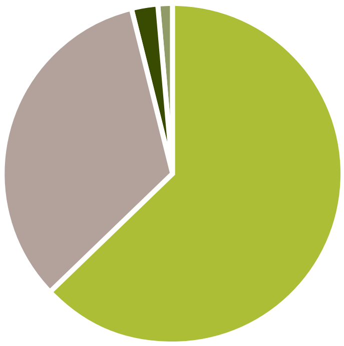
30% of our employees belong to a recognised trade union (2020: 28%). In addition to trade union representation, a number of Works Councils exist, where required by legislation, together with other employee consultation groups including safety committees. The Group continues to have positive and constructive relationships with our trade unions that collectively represent its employees.

Our communities

The management of community programmes has traditionally been undertaken locally, with each business focusing on those causes and relationships important to them. During 2021 these included donations to food banks and educational supplies to schools, fundraising for emergency relief/re-building programmes, medical research, pandemic safety equipment, tree planting, scholarships and contributions to other charitable organisations. The Group's total community investment in 2021 increased to £80,641 (2020: £68,384) with 60 fund-raising activities benefitting children, the elderly, homeless and other disadvantaged groups.

During 2021, three core themes were identified for a more co-ordinated approach across the Group. These are housing projects for disadvantaged people, STEM education programmes and environmental protection/restoration initiatives. In the coming year, each division will further develop their plans and build partnerships where appropriate with non-profit organisations and customers under these themes to leverage a collective contribution to minimising equalities in our society. These engagements will provide an opportunity for the Group's employees to bring its purpose and values to life, benefitting both the business (through retention, attraction and development) and the communities in which we are part.

Community investment 2021: £80,641



- Company cash donation to charity £50,822
- Employee cash donation to charity £26,760
- Value of staff time volunteered in company hours £2,066
- In-kind contributions to local communities £993

Reguitti supports reforestation in the Fiemme Valley in the Dolomites

Sustainable solutions

The sustainable solutions pillar aims to help our customers protect the planet and create safer, more inclusive communities.

According to the UK Committee on Climate Change, decarbonising and adapting the UK's housing stock of 29 million homes is critical to meeting the country's net zero ambitions by 2050. New and replacement windows and doors are part of the solution to decarbonising the world's housing stock and the Group is well placed to benefit from this transition through its current and future product offer. Developing new products that deliver positive environmental or social outcomes in use and in how they are formulated will contribute to both the UN SDGs and to business growth.

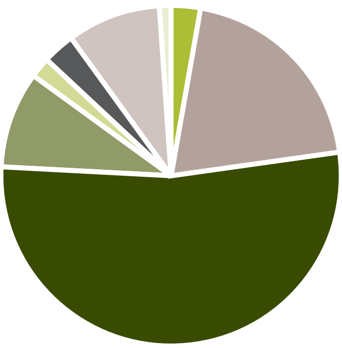
SDG	Target	Our planned contribution	Find out more
7 AFFORDABLE AND CLEAN ENERGY	**Target 7.3** By 2030, double the global rate of improvement in energy efficiency.	Products that save energy by reducing thermal losses in buildings such as Q-Lon window seals and thermally insulated roof hatches (climate change mitigation).	Sustainable products (page 65)
13 CLIMATE ACTION	**Target 13.1** Strengthen resilience to adaptive capacity to climate-related natural disasters.	Severe weather protection solutions such as high strength multi-point hinged patio door locks and roof hatches for hurricane vulnerable zones (climate change adaptation).	Sustainable products (page 65)
11 SUSTAINABLE CITIES AND COMMUNITIES 3 GOOD HEALTH AND WELL-BEING	**Target 11.1** By 2030, ensure access for all to adequate, safe and affordable housing.	Products that reduce community crime rates (alarms and high-security certified locks or proven in crime reduction studies), prevent injury and/or ill-health (fire protection products and fall prevention e.g. Pegasus and SafeGard™ child safety devices for windows, safety handrail systems for roof hatches, lockdown security products and anti-bacterial coatings for door handles), or promote inclusive living for disadvantaged / vulnerable groups such as extended lever hardware and hybrid balances used in nursing homes allowing easy opening by elderly or disabled users.	Sustainable products (page 65)
8 DECENT WORK AND ECONOMIC GROWTH	**Target 8.4** Improve global resource efficiency in consumption and production to decouple economic growth from environmental degradation.	Incorporating recycled content and responsibly sourced materials in our products throughout our supply chain and new product development processes. Driven by growth in sustainable building certification such as BREEAM, LEED and net zero strategies.	Sustainable products (page 65) Value chain carbon footprint (page 56)
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Target 12.2** By 2030, achieve the sustainable management and efficient use of natural resources. **Target 12.4** Achieve the sound management of chemicals and all wastes throughout their lifecycle.	Meeting customer requirements for sustainable packaging and eliminating hazardous chemicals / substances in our supply chains and addressing the lifecycle environmental impacts of our products, through for example, Environmental Product Declarations (EPDs) and C2C product certifications.	Packaging (page 66) Conflict minerals and hazardous materials (page 67) Sustainable products (page 65)

Sustainable products in use

During 2021, improvements were made to the measurement of product revenues that positively contribute to the UN SDGs in use, and new sustainable products from the Group's product pipeline were added to these revenues. Sustainable product revenues increased to 21% of total revenues driven by increased sales of seals, high security locks and tilt and turn micro-ventilation products (2020: 19% restated to correct for additional tilt and turn micro-ventilation components). Going forward, the Group has set itself the ambition of increasing year-on-year revenues from products that have demonstrable sustainability benefits vs one or more of the UN SDGs. This target contributes to the Group's LTIP (pages 129 and 135). £36.5 million of the Group's 2021 revenues including ERA multi-point locks, Giesse hardware, Q-Lon and brush pile seals were covered by Environmental Product Declarations (EPDs) or Cradle to Cradle (C2C) certification.

The work on SBT this year (page 56) has confirmed how important purchased raw materials are in the Group's value chain footprint. Eco-design principles when applied early in the product development process can reduce these impacts by selecting lower carbon materials, using less material and incorporating higher levels of recycled content (circular economy thinking). In 2022, the Group will develop a common eco-design tool and supporting guidance to help our product development teams consider sustainability impacts in their decision making. This will build on early experience gained using the SolidWorks eco-design module, linked to our CAD software.

2021 Sustainable Product Revenues (£138m)



- Circular economy 3%
- Crime reduction 20%
- Energy saving 53%
- Fire protection 9%
- Severe weather protection 2%
- Inclusive living 3%
- Safety & health protection 9%
- Sustainable materials 1%

Here are some further examples of how the Group's products positively impact the SDGs in use, either reducing environmental impacts or by providing socially beneficial outcomes.

Smartware alarms protect vulnerable communities and reduce crime rates

The Group has installed 10,000 ERA Protect™ integrated smart alarm systems for vulnerable elderly residents aged 65 and over in the London Borough of Hillingdon. Alarm technology such as this has been proven to reduce neighbourhood crime rates, transform lives and build safer communities.

Our alarms installed in over 5,000 properties in five of the most deprived neighbourhoods in Mansfield in the UK, reduced domestic burglary rates by 40-80% (source: Safe and Secure Homes independent report, 2004).

The impact of feeling safe can be profound, as one elderly resident in Mansfield described the impact of the project:

"I've been burgled three times in recent years. I have felt like a prisoner in my own home. Having my home made safe and secure has given me my life back."

'Thermally broken' roof hatches reduce heat losses from buildings

Standard roof hatches typically have 2.5 cm thick layer of fibreglass insulation, with a U-value of 0.31. The U value (Wm²/K) is a number that illustrates the rate at which heat is transferred through a structure, with the lower the U value meaning lower heat loss and better energy efficiency. Independent tests show that our thermally broken roof hatches featuring a 7.5 cm thick layer of R-20+insulation and a frame and cover design that minimises heat transfer between interior and metal surfaces, achieve a U-value of 0.278. This product also meets LEED standards for recycled content and has a high solar reflectance index (SRI), to reduce cooling needs in summer months.

Easy opening windows for inclusive living

The Group's hybrid balances provided to the US market are American Association of Medical Assistants (AAMA) Class 5 rated, meaning they are easier to open, with less operating force compared to other products available. These balances are often specified in nursing homes or other commercial applications where elderly or disabled consumers are prevalent.

Circular economy

With 72% of the Group's value chain carbon footprint attributable to raw materials purchasing, with aluminium accounting for 29% and polymers 17%, work continues to address these impacts. Reusing post-consumer waste and specifying high levels of recycled content offer good opportunities to reduce these impacts. For example, our Cannon Falls extrusion facility uses over 900 tonnes of post-consumer recycled PVC in its products and our hardware business in Italy will be trialling the use of extruded aluminium with up to 70-80% recycled content vs the current 23%. Recycled aluminium has the benefit of using 95% less energy than virgin aluminium. Work will continue to explore other circular economy opportunities as the Group develops its SBT plans (page 56).

Packaging

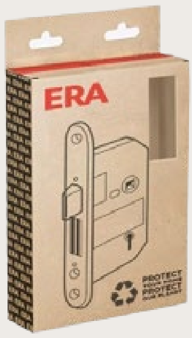
The Group has commenced work to develop more sustainable packaging solutions by optimising the amount of packaging used, moving to more sustainable/renewable/fully recyclable materials and avoiding single-use plastic packaging where possible. Where single-use plastic is unavoidable the Group will look to source plastics with the highest levels of recycled content and which can be recycled or composted via arrangements that are widely available.

The Group prioritised the elimination of single-use plastics in 2021. For example, foam layer pads in packaging for Bilco roof hatch safety railing products have been replaced with a new cardboard packaging design, and a returnable plastic reel programme for window seals was established in collaboration with a major US customer (see page 35). Switching to a new thinner grade of shrink wrap and new dispenser technology in warehousing operations in the UK and Italy has reduced plastic consumption by an estimated six tonnes per annum, the equivalent of 700,000 plastic bottles. Automatic packaging machines for hardware components in our Budrio plant now use bioplastic (made from sugar cane) as the first step in moving away from virgin fossil fuel derived plastics. Instruction manuals for Giesse hardware have now been replaced with a QR code, saving money as well as 1.5 million sheets of paper per annum. Trials are now underway to replace plastic with paper alternatives on a range of products.

Case Study

Plastic clam shell boxes

Going into 2022, the Group will continue to work with its customers to find more sustainable alternatives to current packaging options. This will include eliminating the use of plastic clam shell boxes from our UK retail packaging, switching to cardboard cartons instead. A prototype is shown below. Changes like this are part of the Group's strategy to transition to 100% sustainable packaging by 2026.



Conflict minerals and hazardous materials

As Tyman is not a US-listed company, §1502 of the US Dodd Frank Act on conflict minerals does not apply to it directly. However, the Group abhors the human rights abuses that are enabled by the sale of raw materials from dubious sources and has taken steps to help it generate the information that its customers need to disclose under §1502 of the US Dodd Frank Act.

During 2021, a review was completed to assess opportunities to eliminate hazardous substances found in the Group's products or manufacturing processes in its supply chains. The Group is now working with trade associations such as the UK's Surface Engineering Association (SEA) and the European Federation of Associations of Locks & Builders Hardware Manufacturers (ARGE) to find alternatives to Chromium VI in electroplated products sourced from Asia and lead used in brass alloys for locks and other hardware components.

Product integrity

Each division is responsible for conducting appropriate due diligence into and negotiating the terms and conditions of trade with its suppliers. We require all our suppliers to adhere to our Code of Business Ethics or a comparable set of principles of business conduct, including in respect of their regard for human rights and working conditions, and we reserve the right to terminate a business relationship and take appropriate action against any supplier that breaches any part of our Code. For more information, please refer to our Modern Slavery Statement, which is available on our website.

The Group values its relationships with its customers and suppliers and seeks honesty and fairness in all its dealings with them. The Group aims to supply and procure goods and services efficiently, in accordance with specifications and compliance with applicable regulations, without compromising quality and performance. To achieve such aims, the Group welcomes transparent dialogue with its customers and suppliers in respect of any quality or performance issues.

The Group's businesses are encouraged to gain and maintain certification to specific standards required by the markets they serve including quality, weather resistance, security and fire protection. 41% of the Group's revenues are derived from facilities with ISO 9000 certification for quality (2020: 94%). During 2021, the decision was taken not to renew ISO 9000 certification at four major US plants and reinvest internal resources for peer-to-peer reviews between sites to share best practices and build our internal audit capability. The Group believes this will drive cross pollination of ideas and higher levels of quality, than with external auditors, while still maintaining the structure of disciplines of a quality management systems approach.

Extensive product safety testing is undertaken by the Group's in-house test facilities in the UK, US, Italy and Australia, and externally through accredited partners. Tyman UK and Ireland for example, has its own UKAS accredited test facility in Wolverhampton to put its products and complete window/door installations through a variety of tests including product strength, weather tightness and other performance characteristics for both the Group's products and those of its customers. Many of the Group's products have been tested to other relevant BS/EN standards in fire protection and acoustics and also meet UL fire standards in the relevant markets. Steel riser doors manufactured under the Access 360 brand, are independently CERTIFIRE rated, making it the only access panel manufacturer in the UK to offer independent bi-directional fire testing accreditation from Warrington Fire.

TCFD Statement of Compliance

In accordance with the FCA Policy Statement 20/17 and listing rule LR 9.8.6R(8), Tyman has made disclosures consistent with the 11 TCFD recommendations on pages 69 to 77. The table below shows where core disclosures can be found within the report for each recommendation, and where additional detail is reported. The core disclosure describes activity to date and identifies where additional detail can be found. It also includes next steps for recommendations where the Group partially complies, or where opportunities to strengthen its response have been identified. The areas that are not disclosed in this report are detailed below, together with plans to improve reporting going forward.

	Recommended disclosure	Status	Reference
Governance	**a) Board oversight**	Disclosed	Core disclosure: Page 69
Governance	**b) Management's role**	Disclosed	Core disclosure: Page 69
Strategy	**a) Climate-related risks and opportunities**	Disclosed	Core disclosure: Page 70 Additional information: Pages 71 to 74
Strategy	**b) The impact of climate-related risks and opportunities**	Partially disclosed	Core disclosure: Page 70 Additional information: Page 74 **Transition plan:** The Group reports progress against targets in the sustainability roadmap annually, alongside measures implemented to decarbonise its operations and increase sustainable product innovation. Following the assessment of all Scope 3 categories, the Group will submit a science-based target in 2022 and work towards a robust action plan to transition its operations.
Strategy	**c) The resilience of the organisation's strategy**	Partially disclosed	Core disclosure: Page 70 Additional information: Page 74 **Financial planning:** The Group's focus has been on identifying and assessing climate-related risks and opportunities over geographies, scenarios and time horizons. In 2022, the potential financial impact for the most material risks and opportunities will be quantified. In 2023, climate financial modelling will be integrated into Tyman's existing systems and processes. **Strategy resilience:** Climate Scenario Analysis is underway for different potential futures including a below 2°C scenario. During the next stage of this analysis, the Group will assess how its strategy is affected under these scenarios to determine business resilience and develop appropriate response options.
Risk Management	**a) Identifying and assessing climate-related risks**	Disclosed	Core disclosure: Page 75 Additional information: Pages 72 to 74
Risk Management	**b) Managing climate-related risks**	Disclosed	Core disclosure: Page 75 Additional information: Page 91
Risk Management	**c) Integration into overall risk management**	Disclosed	Core disclosure: Page 75 Additional information: Page 91
Metrics & Targets	**a) Climate metrics**	Partially disclosed	Core disclosure: Page 76 Additional information: Pages 54 to 57, and 64 to 65 **TCFD climate metrics & targets:** The Group reports metrics and targets that align with several of the newly launched TCFD 'cross-industry, climate-related metric categories'. As its knowledge of climate risks and opportunities improves in 2022, the Group expects to be in a better position to consider additional metrics and targets such as risk exposure and capital deployment.
Metrics & Targets	**b) GHG emissions**	Disclosed	Core disclosure: Page 76 Additional information: Pages 54 to 57
Metrics & Targets	**c) Climate targets**	Disclosed	Core disclosure: Page 76 Additional information: Pages 46, 55 to 56 and 65

1. Governance

Summary of disclosure

a. Board oversight

- The Chief Executive Officer has overall accountability for the management of climate-related risks and opportunities.
- The Board is supported by the Audit and Risk Committee for the oversight of climate change risk management and implementation of climate-related financial disclosures.

b. Management's role

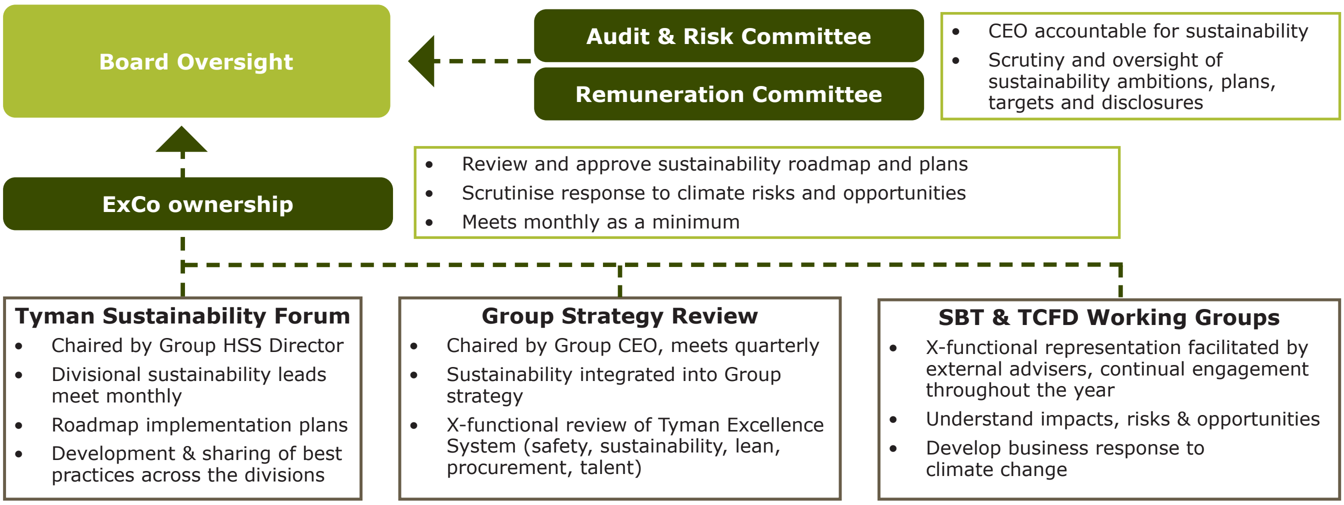
- The Executive Committee is accountable for the daily management of climate change, guided by the Group Health, Safety and Sustainability Director.

Next steps

- Introduce climate indicators into capital expenditure and projects approval processes.
- Deepen the integration of climate change into existing governance structures and committee terms of reference to specifically include climate change responsibility.
- Continue the engagement of the Board on a range of sustainability topics in 2022 to further develop their climate-related expertise.

For more information see **Sustainability roadmap** on page 46.

Governance of climate change and sustainability topics



The Chief Executive Officer has ultimate accountability for climate change and sustainability topics, with oversight provided by the Board. The Executive Committee is responsible for the executing of the Group's sustainability roadmap, including tracking progress towards its climate-related targets. The Board and Executive Committee are briefed on climate-related risks and opportunities through regular education sessions, SBT and TCFD project reviews and other updates on progress against the Group's sustainability roadmap.

The Board is supported by the Audit and Risk Committee for the assessment and management of emerging and principal risks. This includes climate- related risks and opportunities which are reviewed as part of the Group's overall risk management process as well as through climate-specific risk assessments undertaken by the TCFD Working Group.

The Remuneration Committee also assists the Board to align the remuneration policy with the Group's strategy. Since 2021, the Tyman Long-Term Incentive Plan has given a 15% weighting to four sustainability topics, one of which relates to reducing Scope 1 and 2 emissions (see pages 129 and 135).

Daily operational control of climate-related risk is delegated to the Executive Committee with guidance provided by the Group Health, Safety and Sustainability Director, who reports to the Chief Executive Officer directly.

The divisional presidents, supported by the divisional sustainability leads, are responsible for developing, monitoring and implementing action plans linked to the roadmap. This year, the Tyman Sustainability Forum was established to share knowledge and develop common solutions for climate related mitigations and other sustainability topics.

2. Strategy

Summary of disclosure

a. Risks and opportunities identified

- The Group assessed the materiality and prioritised climate-related risks and opportunities in terms of the potential level of financial impact. The scoring framework used considered time horizons, geography, and forward-looking climate scenarios.

b. Impact to business

- Climate scenarios developed by the Network for Greening the Financial System (NGFS) have been selected to assess the potential future impact of transition for both climate risks and climate-related opportunities.

c. Resilience

- To assess physical climate risks, the Group uses climate projections from RCP8.5 (a high warming scenario) from the Intergovernmental Panel on Climate Change (IPCC). Moody's 427 physical climate risk assessment tool was used to screen physical risks for critical parts of our value chain including manufacturing operations and important supply chain locations.

Next steps

- Quantify financial impact: for the most material climate risks and opportunities, calculate the potential impact to cashflow over different forward-looking scenarios and integrate the results into Tyman's financial planning process.
- Transition plan: by quantifying the financial impact, the Group will strengthen the business case for investment in resilience measures.
- Build resilience: continue development of eco-design tools to reduce the environmental impact of materials used in the Group's products (see page 65) and continued alignment with the market transition to a net zero economy.

For more information see **Climate related risk and opportunities** on page 72 and **Sustainable solutions** on page 64.

Climate scenario analysis

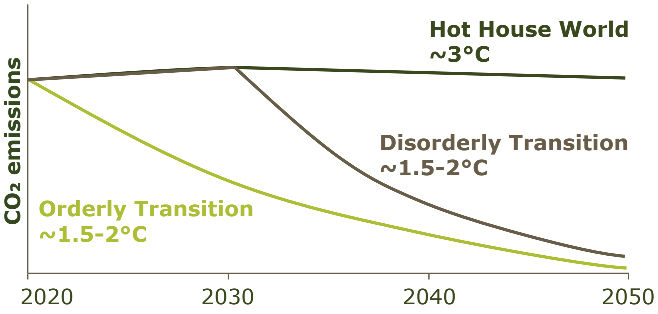
Tyman first responded to the TCFD recommendations in 2020 by undertaking a Group level assessment of climate-related risks and opportunities. In 2021, the Group built on this assessment by undertaking a climate scenario analysis across its value chain, considering different forward-looking climate scenarios, time horizons, asset locations and supply chain characteristics. Tyman is undertaking the climate scenario analysis in two phases:

1. A scoring of climate risks and opportunities to prioritise those that represent the most material potential financial impact. This qualitative assessment was completed in 2021.
2. The quantification of financial impacts from a selection of material risks and opportunities which will be undertaken in 2022. The outputs will be incorporated into Tyman's financial planning to help inform business strategy.

The Group's priority risks (both transition and physical) and opportunities were identified over the short, medium and long term, distilled from a long-list of over 100 topics and assessed against a set of hypothetical scenarios developed by the Network for Greening the Financial System (NGFS). These include three categories within which there are six possible temperature scenarios.

	Climate scenarios		
NGFS Category	**Orderly transition**	**Disorderly transition**	**Hot House World**
Approximate temperature increase	This includes a Net Zero 2050 scenario and a Below 2°C scenario, reflecting a policy ambition to limit temperature increase to between 1.5°C and 1.7°C respectively.	This includes a Divergent Net Zero 2050 scenario and a Delayed Transition scenario, reflecting a policy ambition to limit temperature increase to between 1.5°C and 1.8°C respectively.	This includes a Nationally Determined Contributions scenario and Current Policies scenario, reflecting a policy ambition to limit temperature increase to between ~2.5°C and 3°C+ respectively.
Summary	Decisive global policy action is taken to limit global warming from early 2020s.	Policy measures are delayed until late 2020s/early 2030s meaning increased costs, e.g. higher carbon prices.	No new policies are introduced leading to increasing physical impacts.

CO_2 emission pathways for selected scenarios



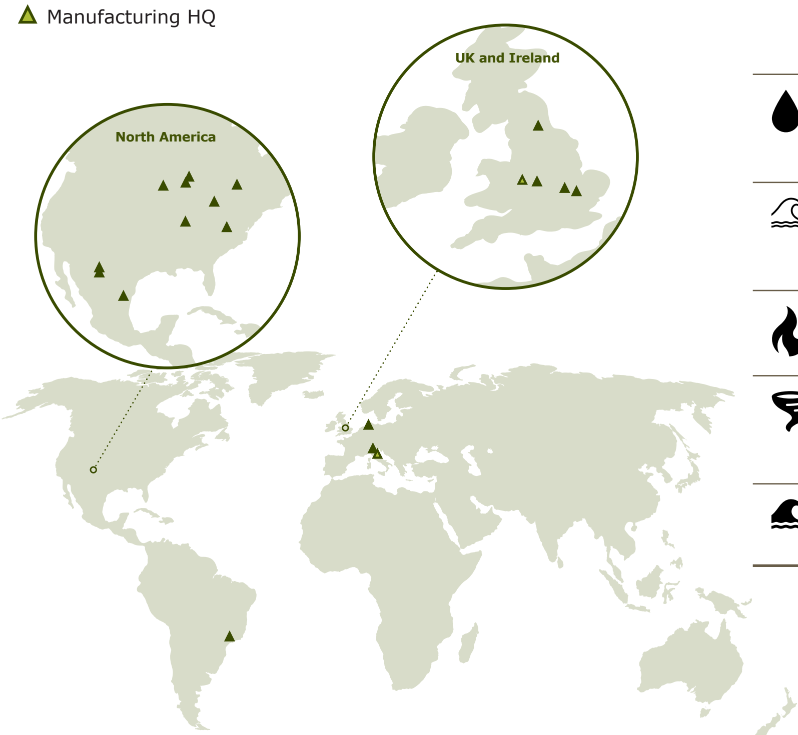
*indicative, not to scale

These climate scenarios were incorporated into a ranking of climate risks and opportunities, to help identify priorities. Each risk and opportunity was assessed against criteria including vulnerability, likelihood, and magnitude (see page 75 for methodology). The results reported on pages 72 to 74 include the priority risks/opportunities identified across timeframes, as well as further detail on drivers and business consequences. The Group defines short-term as 0-3 years to align with financial planning cycles, medium-term as 4-9 years to align with its sustainability roadmap ambitions to 2030, and long-term as 10+ years out to 2050 to account for the longer-term nature of climate risks.

Physical risks have been assessed using climate projections from SSP5-8.5 developed by the IPCC. This is a high warming scenario where weather changes are unpredictable, and the frequency and severity of extreme weather events increases. Moody's 427 physical climate risk assessment tool was used to assess future physical risk exposure for six different climate hazards for locations across the global value chain, including all the Group's manufacturing plants and over 70 supplier locations worldwide. In 2022, the Group will review, and sense check the results, accounting for adaptation and mitigation measures that have already been implemented. Priority risks will be assessed further to quantify the potential financial impact.

Assessing our manufacturing plants for physical risk

Key
- ▲ Manufacturing site
- △ Manufacturing HQ



Selected Tyman Assets Coverage	
% total revenue	89%
% total employment	91%

Physical climate changes assessed at each site

Heat stress	• Temperatures increase • Periods of prolonged extreme heat • Climate control not in place
Water stress	• Water demand increases whilst supply decreases • Increase interannual variability
Flood	• Increased frequency of intense rainfall events • Infrastructure not in place to manage
Wildfire	• Higher temperatures • Drier conditions
Hurricanes & typhoons	• Increased frequency of severe storm events • Infrastructure not in place to manage
Sea level rise	• Increased frequency of swells and extreme waves

Climate-related risk

The priority risks and opportunities identified are summarised in the following tables.

	Orderly Transition	Disorderly Transition	Hot House World
Market	0-3 yrs · 4-9 yrs · 10+ yrs	0-3 yrs · 4-9 yrs · 10+ yrs	0-3 yrs · 4-9 yrs · 10+ yrs
	Risk • Availability of feedstock • Manufacturing costs • Supply chain disruption	**Risk Drivers** • Scarcity of by/co-products from petrochemicals • Increased cost of manufacturing process • Raw material price increases • Energy regulation leading to higher energy costs	**Consequence** • Delayed production • Reduced revenue as operating costs increase that cannot be passed on to customers
Technology	0-3 yrs · 4-9 yrs · 10+ yrs	0-3 yrs · 4-9 yrs · 10+ yrs	0-3 yrs · 4-9 yrs · 10+ yrs
	Risk • Technology and equipment	**Risk Drivers** • Obsolescence or impairment of equipment due to the introduction of new climate change orientated technologies • High cost of transition to lower emissions technology	**Consequence** • Increased pressure to invest in new technologies requires large amount of capital
Policy & legal	0-3 yrs · 4-9 yrs · 10+ yrs	0-3 yrs · 4-9 yrs · 10+ yrs	0-3 yrs · 4-9 yrs · 10+ yrs
	Risk • Increasing regulation on operations, suppliers and products	**Risk Drivers** • Carbon regulation (e.g. carbon pricing mechanisms) • Energy regulation leading to higher costs and / or disruption to energy availability • Introduction of energy efficiency standards and use of recycled materials made mandatory	**Consequence** • Higher operating costs associated with the higher cost of carbon through pour operations and value chain • Fines for not complying with regulations • Increased costs to monitor and respond to regulations
Reputation	0-3 yrs · 4-9 yrs · 10+ yrs	0-3 yrs · 4-9 yrs · 10+ yrs	0-3 yrs · 4-9 yrs · 10+ yrs
	Risk • Investor expectations • Changing customer behaviour	**Risk Drivers** • Investor concern over climate credentials • Customers seeking lower carbon, more sustainable products	**Consequence** • Investors switch to better climate performing stocks • Customers opt for other suppliers with greater climate ambition

Key

- Low risk
- Medium risk
- High risk
- Low-Medium risk
- Medium-High risk

Physical risk

Risk	Risk drivers	Consequence	10+ years
Heat stress	• Temperatures increase • Periods of prolonged extreme heat • Climate control not in place	• Temporary shutdowns • Decreased productivity • Employee health and safety concerns • Power outages • Increased costs for climate control	
Water stress	• Water demand increases whilst supply decreases • Increased interannual variability	• Drought, limiting electricity due to hydro reliance • Chronic water shortages	
Flood	• Increased frequency of intense rainfall events • Infrastructure not in place to manage	• Damage to assets • Damage to local infrastructure causing disruption to transport network • Insurance premiums increase	
Wildfire	• Higher temperatures • Drier conditions	• Damage to assets • Temporary shutdowns • Employee safety concerns	
Hurricanes and typhoons	• Increased frequency of severe storm events • Infrastructure not in place to manage	• Shipping delays as containers diverted • Damage to assets • Insurance premiums increase	
Sea level rise	• Increased frequency of swells and extreme waves	• Disruptions at ports • Increased costs to manage supply	

Climate-related opportunities

	Opportunity drivers	Consequence	Opportunity rating
Resource efficiency	• Use of recycling • Use of more efficient production and distribution processes • Increased water efficiency • Participation in renewable energy programmes and adoption of energy-efficiency measures • Use of new lower carbon technologies, switch from natural gas to electric process heating • Shift towards low emissions sources and/or decentralised on-site energy generation	• Increased sales as customers value environmentally friendly process • Reduced costs from resource saving projects	
Products and market	• Develop smart windows for indoor climate control, ventilation, security and energy saving • Develop products to meet higher pressure ratings requirements on windows and doors to account for hurricanes • Developments in global markets promoting energy efficiency (e.g. UK Government's Future Homes Standard) • Regulation on energy performance and thermal efficiency • Develop flood defence products for windows and doors	• Increased sales as customers opt for lower carbon and more sustainable products • Increased sales in expanding customers as the need for climate defence infrastructure increases	
Resilience	• Account for value, emissions and spec trade-offs to deliver sustainable operations and solutions • Assessing product lifecycle to reuse waste	• Better management of climate-related risks, leads to increase in capital available to invest in climate and sustainability ambitions and implement robust adaption and mitigation plans	

Key

- Low Opportunity
- Medium Opportunity
- High Opportunity
- Low-Medium Opportunity
- Medium-High Opportunity

Over the next year, the Group will quantify the potential financial impact from key material risks and opportunities. Climate scenarios will be used to describe ranges of transition and physical-related impacts over time. The financial impact assessment will produce climate-adjusted cashflows that can be incorporated into Tyman's financial planning and business strategy.

In 2022, the Group will also explore market demand for the growing range of climate resilient products across different forward-looking climate scenarios and timeframes. There is a clear role for Tyman to support its customers to reduce their environmental impacts through energy saving products, provide adaptation solutions to climate hazards, and also to decarbonise the Group's own Scope 3 product impacts through design changes and material selection. Tyman's Sustainability Roadmap (page 46) is the basis of our ambition to transition our operations and enhance our climate resilience over the next decade.

3. Risk management

Summary of disclosure

a. Identifying and assessing risks and opportunities

- Climate change risk is assessed as part of the Group's risk management process and this year, climate change along with the broader sustainability agenda, was raised as a Principal Risk.
- Risks and opportunities are identified through internal engagement, thorough research and analysis of transition and physical changes in various forward-looking climate scenarios. Each division maintains risk registers which include climate change issues such as mitigation around business and supply chain disruption.

b. Managing risks and opportunities

- Appropriate control measures are identified and selected based on the perceived materiality of climate risk and the Group's ability to influence. Some of these measures are outlined in Tyman's sustainability roadmap, including to decarbonise operations and grow sustainable solutions. As we continue to understand the potential impacts of climate issues, we will seek to implement appropriate control measures.

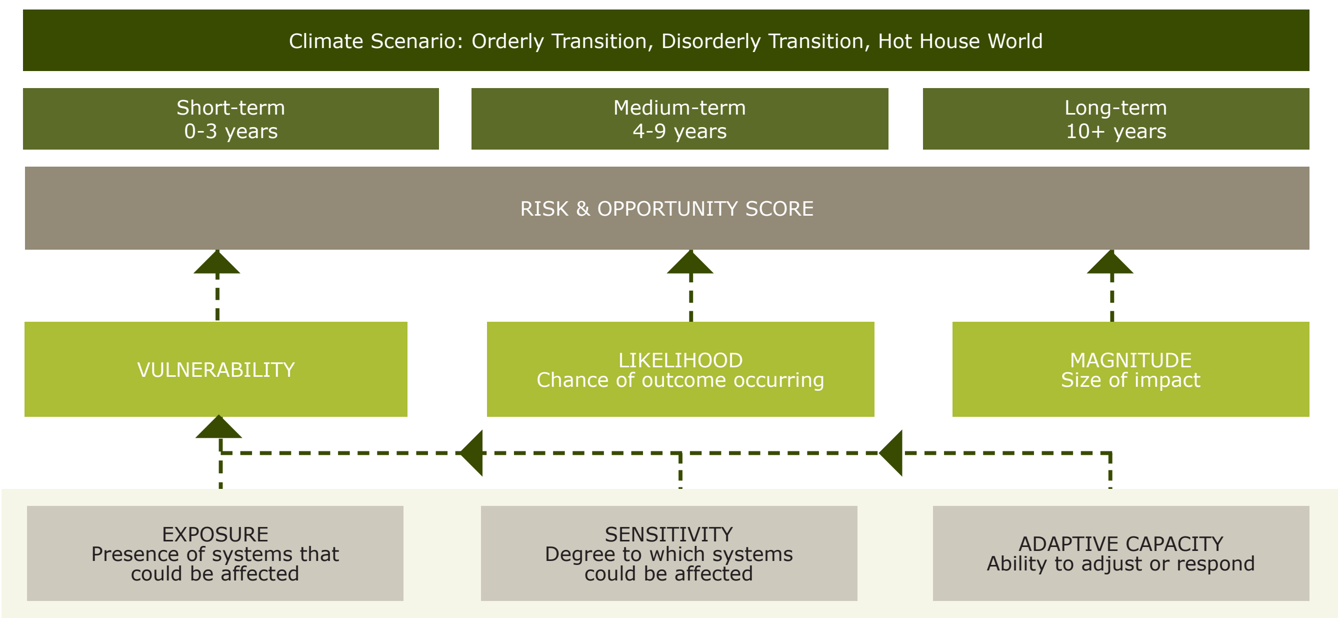
Next steps

- Risk process: further develop the Group's approach to climate change risk management building on the Group's growing understanding of materiality, time horizons, and Tyman's risk appetite.
- Risk controls: mitigation plans to be developed in late 2022 for the most material risks, including those related to physical risks impacting the Group's own operations and in its supply chains.

For more information see **Managing risk** on pages 84 to 91.

During 2021, the potential impact of climate change and the growing importance of the broader sustainability agenda was raised to a Principal Risk (page 91). As such, climate-related issues are assessed alongside Tyman's 10 other Principal Risks, including business interruption and market conditions. This ensures appropriate management controls are in place and allows the Group to consider the significance of climate change and sustainability against other business risks. An in-depth climate risk and opportunity assessment was undertaken to account for the unique characteristics of climate-related risks and opportunities such as the uncertainty and unpredictability of climate changes and global responses. The risks and opportunities identified built on last year's assessment and leveraged insights from internal engagement as well as findings from desk-based research on climate projections, emerging and existing climate policy, sectoral developments and a peer review. A cross-functional workshop was held with participants from each division and group, covering finance, sustainability, risk, legal, procurement and product development to validate the analysis to date including risk and opportunity identification and the scoring assessment.

To assess the potential impact to its business and cashflows, the Group ranked identified climate-related risks and opportunities against likelihood, magnitude, exposure, sensitivity, and adaptive capacity using a 1-5 scale (see below). Scoring thresholds were defined for each indicator to ensure a consistent and comparable approach was applied across all risks, climate scenarios and time horizons.



4. Metrics and targets

Summary of disclosure

a. Climate metrics

- The Group reports its progress against targets for carbon emissions, water and waste.

b. GHG emissions

- Scope 1 and 2 emissions have been reported for a number of years and have been extended to cover Scope 3 emissions in this year's reporting.

c. Targets

- In place to reduce Scope 1 and 2 emissions intensity per £ revenue by 50% by 2026 and achieve carbon neutrality by 2030.
- The Group seeks to grow its revenues from climate-related product solutions through energy efficiency, hazard protection and product decarbonisation.

Next steps

- SBT: develop reduction targets in line with the SBTi to include Scope 3 emissions
- Climate-related metrics: review and develop new measures and goals aligned to the TCFD's guidance on categories for cross-industry climate-related metrics and targets.

For more information: **Energy and GHG emissions** page 54, **SBT and value chain emissions** pages 56 to 57, **sustainable solutions** page 64 and **revenues impacting the UN SDGs** page 65.

Absolute and intensity metrics and targets across a range of environmental performance indicators keeps the Group accountable to the ambitions and plans laid out in Tyman's sustainability roadmap (page 46). This year, for the first time, the Group has reported its full Scope 3 emissions inventory, which highlighted the significance of raw materials purchases in its value chain footprint (see table below for risks associated to our emissions profile). This insight has supported the business case to invest further effort in research and development to reduce material-related emissions as well as applying sustainability thinking to day-to-day design processes.

Emissions	Associated Risks
Scope 1 emissions	• Increase costs related to fossil fuel
Scope 2 emissions	• Fluctuation in electricity price due to the energy mix transition to net zero
Scope 3 emissions	• Difficulty to reduce emissions intensity of our products • Insufficient action from suppliers to decarbonise • Complexity in collecting primary data to evidence emissions reductions from initiatives that are implemented
Total emissions	• Increase in cost of carbon, due to future potential taxes on our own emissions and pass-through from suppliers • Customers opt for competitors with lower emissions intensity

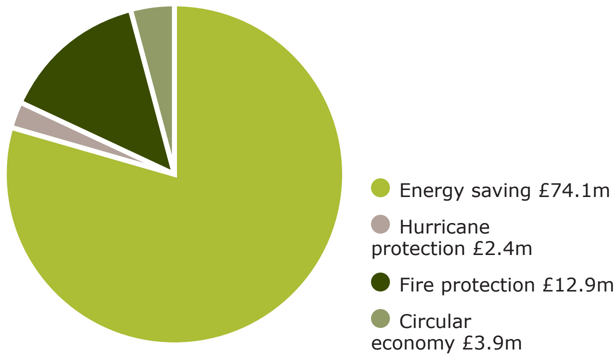
New guidance from TCFD encourages organisations to report against the six 'cross-industry, climate-related metric' categories. We are already reporting against several categories and plan to develop new measures with associated targets as our understanding of climate-related matters evolves.

Category	Alignment
GHG emissions	**Reported:** The Group reports Scope 1,2 and 3 emissions as well as its emissions intensity per £m revenue (page 55).
Transition risks	**In development:** The Group is undertaking a comprehensive Climate Scenario Analysis to quantify the potential financial impact from transition and physical risks.
Physical risks	
Climate-related opportunities	**Reported:** The Group reports the revenue of climate resilient products (see page 77). Tyman intends to explore additional measures to ensure we are best placed to seize opportunities.
Capital deployment	**Under consideration:** In 2022 the Group will explore investment in mitigation measures to reduce its climate impact and to transition its operations, including investments in adaptation responses as appropriate for physical risks.
Internal carbon prices	**Under consideration:** The Group is building its understanding of climate-related risks and opportunities and will explore the opportunity to develop an internal carbon price.
Remuneration	**Reported:** The Tyman Long-Term Incentive Plan gives 15% weighting for four sustainability topics including growing sustainable product revenues, and reducing Scope 1 and 2 emissions (page 129 and 135).

Growing the Group's range of climate resilient products

The Group aims to grow its range of climate resilient products directly in the way they are used and also in how they are formulated through more sustainable content. In 2021, 15% of the Group's total revenues help promote climate resilience through improved energy efficiency, reduced materials impacts and protection against physical climate hazards such as hurricane and fire.

2021 Climate Resilient Product Revenues £93 million



Solar panel installation underway at the i54 facility in Wolverhampton UK, see page 54

Viability Statement

Assessment of prospects

In assessing the long-term prospects of the Group, the Board considers the Group's current position, including the following factors:

- The Group's performance in 2021 was strong, supported by favourable market trends and market share gains, despite being constrained by supply chain challenges.
- The strength of recovery through the second half of 2020 following COVID-19 demonstrates the resilience of the Group's core markets.
- The Group has significant headroom in borrowing facilities and debt covenants at 31 December 2021, with liquidity headroom of £180.8 million and leverage of 0.9x compared to a covenant of 3.0x adjusted EBITDA. A significant deleveraging has been achieved over the last three years.
- The Revolving Credit Facility of £240 million expires in February 2024 and the US Private Placement debt of $45 million is due for repayment in November 2024, which falls within the final year of the viability assessment period.
- The temporary relaxation of covenants granted during 2020 indicates the support of the Group's lenders. In addition, the Group has an investment grade rating through DBRS Morningstar, indicating strong creditworthiness. The Board therefore has a strong expectation that debt facilities will be successfully refinanced.
- Operations are highly cash generative and drive a high operating cash conversion ratio. Cash conversion over the longer term is c.90%, although in 2021 it is lower at 64% due to the need to build working capital in the current trading environment and to reinstate capital expenditure which had been deferred in 2020.
- The performance through the COVID-19 pandemic demonstrated the ability of the Group to reduce costs and preserve cash when necessary.

In addition, the Board considers the Group's strategy and business model, including the following factors:

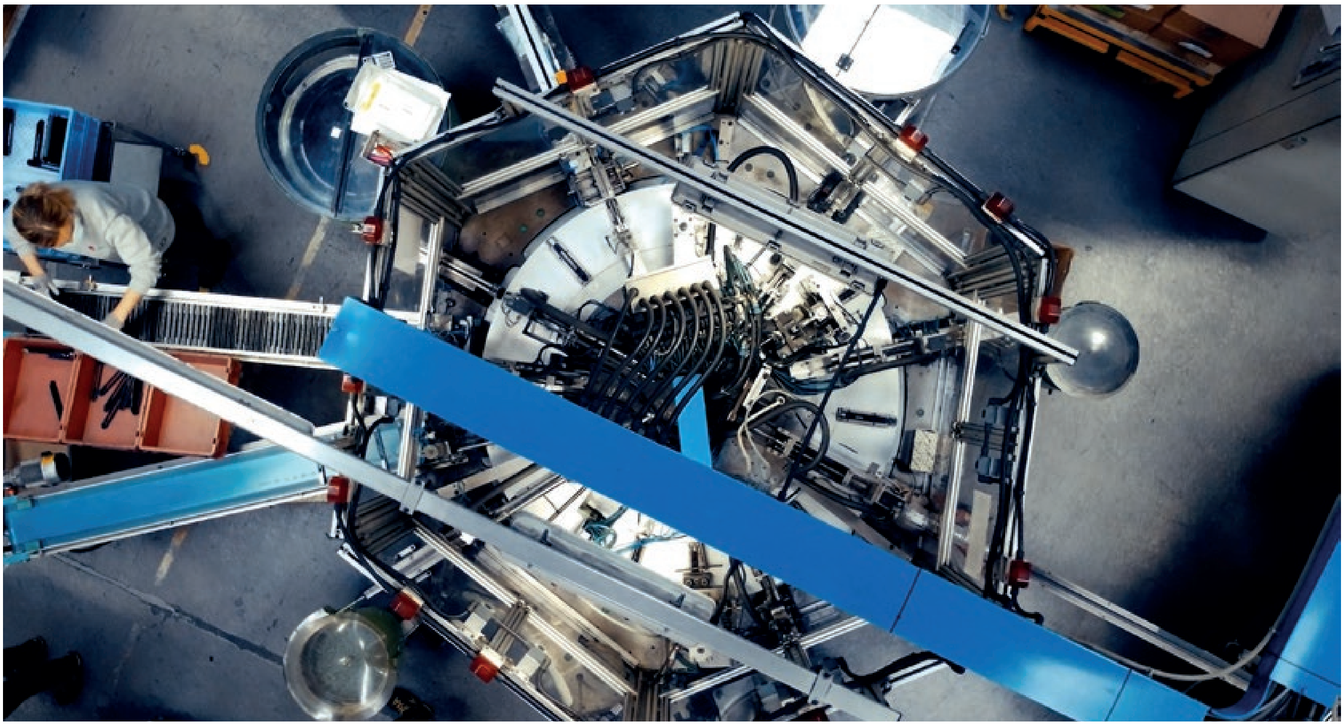
- Favourable long-term macroeconomics and megatrends are expected to drive further growth (see our markets section on pages 16 to 19 for further details).
- Diversification across geographies and markets provides resilience.
- Innovation capabilities quickly allow the Group to adapt to changing trends, such as smartware and automation, sustainability, fire integrity, and anti-germ.
- Our sustainability roadmap positions the Group well to derive benefits from the transition to a low carbon economy.
- There are high barriers to entry through our deep customer relationships, market-leading brands, and domain expertise.
- The extensive portfolio of highly-engineered, differentiated products across hardware, smartware and seals and extrusions, combined with value-added support services.
- Co-development and customisation services create long-term partnerships.
- Rationalisation of footprint and other self-help activities are driving margin expansion.
- The growth strategy is focused on gaining market share through new product introductions and channel expansion initiatives.
- Maintaining focus on pricing discipline to protect margins from the effects of adverse exchange rate movements, increasing tariffs and material input price inflation.

The Group's strategy and business model are central to understanding the future prospects and viability of Tyman. Both are well established and subject to regular monitoring and development by the Board. See further details of the Group's strategy on pages 20 to 25 and of the Group's business model on pages 14 and 15.

The principal risks related to the business are also taken into account by the Board when assessing the long-term prospects of the Group, particularly business interruption, market conditions, loss of competitive advantage, and raw material costs and supply chain disruption. See further details of the Group's principal risks on pages 84 to 91.

Structured budgeting and strategic planning process

Tyman's longer-term prospects are assessed primarily through the Group's budgeting and strategic planning process. The annual Group budget is compiled in the autumn of each year and generates a detailed forecast for the year ahead. This is reviewed and approved by the Board. A strategic planning process is also conducted, covering the next three years on a rolling basis. This process includes a review of divisional strategic plans by the Tyman Executive Committee as well as cross-divisional initiatives. The Board participates in the process through attendance at a strategy day, at which Group and divisional management present strategic plans. The Board also receives monthly strategy updates from the Chief Executive Officer.



The output of the strategic plan includes a consolidated set of financial projections for the Group covering a period of the next three years, including a review of forecast debt covenant compliance and debt headroom. The strategic plan reviewed as part of the assessment of prospects in this report therefore covers the three-year period ending 31 December 2024.

Key assumptions

The key assumptions underpinning the 2022 to 2024 strategic plan include:

- average market growth forecasts in line with local consensus;
- no future loss of significant customers;
- conservative forecasts of market share growth, selling price increases and the impact of new product development;
- conservative forecasts of the benefits from self-help and continuous improvement activities;
- the RCF which is due for repayment in 2024 is successfully refinanced at the existing facility limit of £240 million; and
- no future acquisitions or disposals.

Assessment of viability

In accordance with provision 31 of the Code, the Directors have assessed the future viability of the Group. This assessment takes account of the Group’s current trading position and the potential impact of the principal risks and the mitigating actions documented on pages 84 to 91 of the Annual Report. Consistent with previous years, the Directors have determined that three years is an appropriate timeframe over which to provide a viability statement, as this is the timeframe currently adopted by the Board as its strategic planning period.

A three-year period aligns with the Group’s typical investment time horizon. In addition, the Directors consider that demand in the Group’s business is ultimately driven by consumer confidence and discretionary spending patterns which are difficult to project accurately beyond a three-year time horizon.

The strategic plan therefore reflects the Directors’ best estimate of the future prospects of the business over the three-year period.

In order to assess the Group's viability over this period, the strategic plan has been flexed by overlaying the cumulative financial impact of a number of downside scenarios to represent 'severe but plausible' circumstances that the Group might experience. These scenarios are based on the potential financial outcomes of certain of the Group's principal risks crystallising such as business interruption through supply chain disruption and loss of productivity due to significant absenteeism due to COVID-19, a deterioration in market conditions and loss of business to competitors.

The downside scenarios applied to the strategic plan are summarised below.

Severe but plausible downside scenario

The 'severe but plausible' scenario models the impact of a significant short-term contraction in revenue on the Group. The severe but plausible scenario modelled in the current year is less severe than what was modelled in 2020, as the impact of COVID-19 is more certain, and the Group's performance and trading environment are much more robust than at the end of 2020. The scenario modelled in 2020 is therefore no longer considered plausible.

Strategic plan flexed for combinations of the following scenarios	Link to principal risks and uncertainties	Level of severity tested	Conclusion
Supply chain disruption and loss of productivity due to absenteeism as a result of ongoing effect of COVID-19 Severe downturn in market conditions Aggressive competitor actions resulting in a loss of market share	Business interruption Market conditions Loss of competitive advantage Raw material costs and supply chain failures	10% fall in revenue in year one against the base case, followed by only inflationary growth in the following two years.	Tyman, after undertaking reasonable mitigating actions, should be able comfortably to withstand the impact of this severe but plausible scenario.

Reverse stress test scenario

The 'reverse stress test' scenario models the impact of a larger short-term contraction in revenue which is sustained for a period of time.

Strategic plan flexed for combinations of the following scenarios	Link to principal risks and uncertainties	Level of severity tested	Conclusion
Significant supply chain disruption and loss of productivity due to absenteeism as a result of ongoing effect of COVID-19 Extreme downturn in market conditions Aggressive competitor actions resulting in a significant loss of market share	Business interruption Market conditions Loss of competitive advantage Raw material costs and supply chain failures	42% fall in revenue in year one against the base case, followed by no year on year growth in the following two years.	This sustained level of performance deterioration is considered highly implausible and would make the future viability of the Group less certain.

The flexed models take account of the natural reduction in variable costs and availability and likely effectiveness of mitigating actions available to the Group, including the flexing of working capital, capital expenditure and discretionary spend. The models do not include significant structural actions, such as closing or mothballing facilities or divesting assets. The models also do not consider changes to the Group's capital structure that it may be able to make through refinancing existing debt facilities and/or raising equity finance.

Viability statement

Based on their assessment of the prospects for the Group and principal risks and the viability assessment above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2024.

Going concern

As a consequence of the work undertaken to support the viability statement above, the Directors have continued to adopt the going concern basis in preparing the financial statements (see note 2.2 Going concern in the notes to the financial statements).

Our Stakeholders

In accordance with the duties of Directors under section 172 of the Companies Act 2006, the Board considers a number of factors in its decision-making, including:

- the likely consequences of any decision in the long-term;
- the risks to the Group and its stakeholders;
- the interests and wellbeing of our people;
- the Group's relationships with its customers and suppliers;
- the importance of our reputation for high standards of business conduct; and
- the impact of our businesses on the environment and the communities where we are present.

Tyman engages extensively with its stakeholders at all levels of our business because we believe that the understanding of such stakeholders through engagement is vital to building a sustainable and successful business.

Some examples of direct engagement by the Board include the Workforce Engagement NED's skip-level meetings with employees and their representatives; and meetings or calls with customers, suppliers or shareholders.

Engagement may also be indirect, such as through Board reports, employee surveys and feedback from investors through analysts.

All such engagement has provided invaluable input to the Board's discussions leading to decision making.

In 2021, the Board carefully considered the continuing impact of the COVID-19 pandemic on the health and safety of our employees, their families and our communities. It also considered the impact of disruptions in our supply chain on our customers.

This statement should be read in conjunction with: the Chair's statement on pages 30 and 31; the CEO review on pages 32 and 33; the Financial review on pages 40 to 45; the sustainability section on pages 46 to 77; the risk section on pages 84 to 91; and the Governance and Directors' reports on pages 94 to 101.

Employees

Why it is important to engage with this stakeholder group

We recognise that an engaged workforce is also a productive one and better able to attract and retain the best talent. We are proud of our workforce and aim to give them reasons to be proud of their employer. For these reasons, the Board is committed to understanding the various culture, issues and challenges facing the Group's workforce across its global network.

By fully appreciating the broad spectrum of the talents, ambitions, needs and concerns of our workforce, we aim to foster diverse and inclusive workplaces in which every employee can bring their genuine selves to work, attain their full potential and achieve job satisfaction.

How did Tyman engage in 2021?

- Training and development (e.g. Safety Leadership Programme, One Tyman Deployment, including Code of Business Ethics, see pages 59 to 61)
- Virtual conferences with the Group's leaders (see page 62)
- Skip-level meetings with the designated Workforce Engagement Non-executive Director, Pamela Bingham (see page 62)
- Skip-level meetings with the Group Chief Executive and divisional senior management
- Site visits by members of the Board (conducted physically and online)
- Communications to encourage all employees to get vaccinated and to continue precautions at work and outside of work (see page 51)
- All-employee communications from the Group Chief Executive
- SpeakUp hotlines (see pages 60 and 61)
- Webinars with HR leadership and participants of the LTIP and STIP schemes to discuss their operation, including the behaviours that they aim to encourage (see page 126)

Customers and End-users

Why it is important to engage with this stakeholder group

We want to continually deliver the best relevant products to our customers on time every time. Engaging with our customers enables us to better evaluate our past performances and to understand their current and future needs. Engagement also highlights opportunities for innovation and improvement to our products and processes.

By doing so, we aim to build enduring relationships with our customers and continually attract new ones.

How did Tyman engage in 2021?

- Ongoing management of customer relationships (see our business model on pages 14 and 15)
- Participation in industry forums and events
- Meetings to discuss sustainability objectives (see pages 66 and 67, and case study on page 35)
- Insight into the Group's customer and end-user base through regular Board updates, including the Group Strategy Day

Partners

Why it is important to engage with this stakeholder group

We engage with our suppliers to ensure that we continually exercise our values and also to safeguard the security of supply, value for money and speed to market that are important to many of our other stakeholders. For these reasons, we seek to establish long-term relationships with carefully selected high-quality suppliers who can ensure that our businesses continue to deliver sustainable market-leading products that meet or exceed our customers' expectations and requirements and are delivered on time in full every time.

How did Tyman engage in 2021?

- Code of Business Ethics (see page 59)
- Ongoing management of supplier relationships (see our business model on pages 14 and 15)
- Insight into the Group's supplier base through regular Board updates, including the Group Strategy Day

Investors

Why it is important to engage with this stakeholder group

As a constituent of the FTSE 250, an issuer of private debt placement notes in the USA and a borrower of bank debt, we aim to help our shareholders and lenders develop a strong understanding of how the Group's businesses generate sustainable returns and long-term success.

The support of our investors, and our ability to attract new ones, enables us to finance our growth activities and build a stronger Group.

How did Tyman engage in 2021?

- Meetings and other communications with current and potential shareholders (see page 99)
- Meetings and other communications with current and potential lenders (see page 99)
- Meetings with analysts and brokers' sales teams (see page 99)
- Addressing enquiries from institutional and retail investors
- The 2021 AGM and 2020 Annual report and Accounts
- Regulatory announcements (see page 99)
- Corporate website

Society

Why it is important to engage with this stakeholder group

We want to be a good employer and responsible neighbour in the communities in which we operate. We aim to continually create positive outcomes in the societies that we touch and to position our businesses to deliver long-term success.

Moreover, we aim to be a responsible corporate citizen in each country that we operate by seeking its success.

We constructively engage with industry bodies to share our expertise and help shape new regulations and standards in security and insulation.

How did Tyman engage in 2021?

- Membership of trade associations and industry bodies

Managing Risk

Effective risk management is integral to how we manage the Group.

Risk management process

The Board is committed to protecting and enhancing the Group's reputation and the interests of shareholders and our wider group of stakeholders. In doing so, the Board promotes a strong ethical, risk aware culture within the business which emphasises the importance of effective risk management and risk reporting throughout the year and forms a key element of our internal governance and performance review processes.

Our risk management process, based on the Four Lines of Defence model, provides clarity on roles and responsibilities for managing risk.

The Board has ultimate responsibility for the Group's system of risk management and internal control with responsibility for oversight delegated to the Audit and Risk Committee which is responsible for maintaining and reviewing the effectiveness of our risk management and internal controls processes including strategic, financial, operational and regulatory/compliance matters. The Board has reviewed the systems of Internal and Risk Management within the year up to the date of approval of the Annual report and Accounts.

Group risk appetite

The Board also ensures that the Group's risk exposure remains appropriate and links directly to the effective delivery of our strategic objectives. During the year we have reviewed and updated a number of key aspects of our risk management framework including enhancing our Group risk appetite and our risk management processes with further developments planned in 2022 both at divisional and Group levels to enhance skills and capabilities on risk management.

As an international Group, the business faces a range of risks and uncertainties where internal and external factors influence the Group's risk response to managing these risks.

The Group's key principal risks are those risks that are considered material and could have a significant impact on the Group's business activities and operations. The Group considers emerging risks regularly throughout the year, both through the risk management process and in ongoing and established meetings embedded in our performance management system. We consider emerging risks as those that may materialise or have an impact on a longer timeframe of three years or more. Areas of emerging risk where the value of or nature of these risks are not fully known are considered as a part of the risk management process and other existing management processes in place. As we evolve our risk management process in 2022, we will continue to enhance our approach to emerging risks.

The Group's risks and uncertainties have been considered in the context of the broader geo-political and economic environment, including the impact of the ongoing COVID-19 pandemic, the dynamic nature of the changing trading relationships between the US and China and the impact of Brexit that took effect from 1st January 2021. In addition, we have closely monitored and responded to industry-wide inflationary pressures and supply chain challenges including the availability of raw materials and labour.

These have all remained prominent themes of risk throughout the year and we have focused on ensuring the Group is mitigating these risks to the extent possible.

The Directors confirm they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The table on pages 87 to 91 sets out the principal risks and uncertainties facing the Group at the date of this report and how they are being managed or mitigated.

In accordance with the provisions of the Code, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the viability statement. The going concern and viability statement can be found on pages 78 to 80.

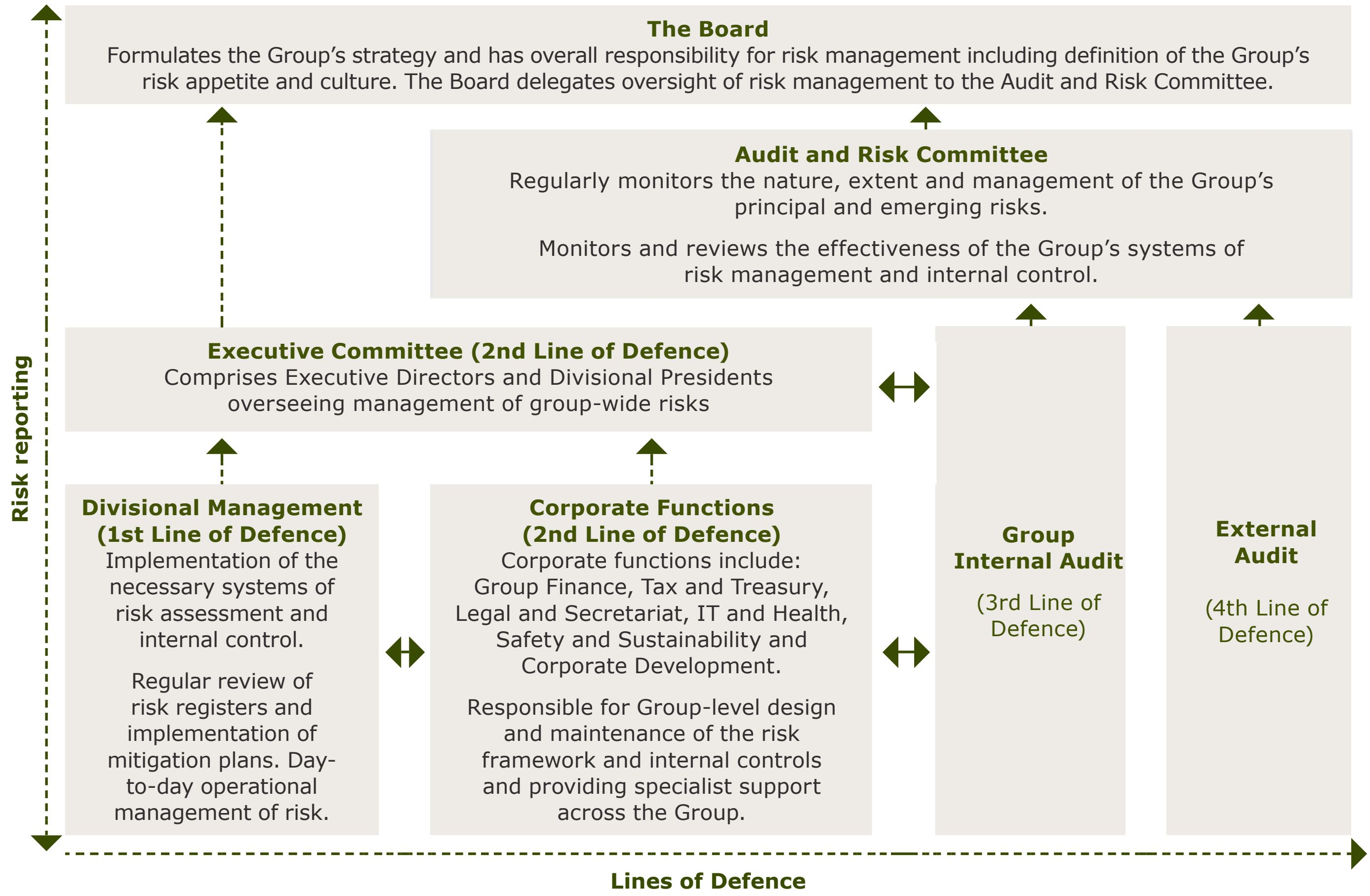
Responsibilities for and structure of risk management

The Group's risk framework defines clear roles, responsibilities and accountabilities for risk management across the Group and continues to develop in line with our strategy. Building on the progress since 2019 in safety excellence with the appointment of the Director of Health, Safety and Sustainability, and in 2020 the Group added specialist resources into the Group that strengthen our risk and assurance capabilities. These included a Group Head of IT, a Group Head of Internal Audit and Risk Management and a General Counsel. Good progress continues to be made in these areas and allows the Group to continue the evolution of our approach to managing cyber and information security risks, evolving our risk management and assurance processes, and strengthening our business ethics and compliance culture. In 2021, the Group has also appointed a Group Head of Tax and Treasury and Group Head of Corporate Development to further strengthen our Group level capabilities and specialisms in these two important areas.

The Group manages risk by operating the Four Lines of Defence model.

The first line of defence consists of operational management implementing and maintaining effective risk identification, risk mitigation, reporting and the development and maintenance of internal control systems. This ensures that risk management and internal control remain an integral part of day-to-day operations yet facilitates the escalation of significant risks as and when they should arise. Each division has an established organisational structure, senior management team and policies and procedures at a divisional and location level, including those risks relating to compliance with laws and regulations in the geographies in which they operate.

The second line of defence consists of the corporate functions who support operational management and who are responsible for establishing Group level policies and procedures including the Delegation of Authority, Code of Business Ethics and Accounting Policies. Corporate functions include Group Finance, Tax and Treasury, IT, Legal and Secretariat, Health, Safety and Sustainability, Risk Management and Corporate Development.



Risk management is embedded in many aspects of the Group's leadership and performance model where key areas of risk are inherently considered. Key governance mechanisms for the management of risk include the Executive Committee, the Finance Leadership Team, the strategic planning process, budgeting and forecasting and the Business Performance Review (BPR) process undertaken every month for each division.

The BPR process covers key aspects of our strategic, financial, operational and compliance risks including proactive monitoring of key actions from month to month, safety performance, business ethics, legal matters, financial performance (including budget and forecasts), progress on strategic priorities, organisational developments and risk watchlist items. In addition, the BPR meeting process is supplemented by deep dive reviews from time to time throughout the year including divisional risk management reviews.

In addition, this line of assurance also covers the operation of the Group's ethics 'SpeakUp' reporting system which enables employees to raise concerns confidentially over ethics and compliance matters. All 'SpeakUp' reports are investigated by the General Counsel & Company Secretary, or his nominated investigator, who tracks the actions and reports their outcome to the Board at every Board meeting. The Group's 'SpeakUp' process has been reviewed by the Board this year.

The third line of defence is Group Internal Audit providing independent and objective assurance.

In 2020, the Board made the decision to appoint a Group Head of Internal Audit and Risk Management to further evolve the Internal Audit function bringing leadership of this important function 'in-house' whilst utilising resources from a professional services firm to support the Internal Audit process. This continues to allow the Group to facilitate the ongoing development of the Group's risk management processes. The Group Head of Internal Audit reports directly to the Chair of the Audit and Risk Committee, reinforcing the importance of this function maintaining its independence and objectivity.

The fourth line of defence is the Group's external auditor, PwC.

Through the work of the Group Internal Audit function and external auditors, the Audit and Risk Committee is satisfied that any audit issues raised by either of the auditors are managed and resolved effectively by management.

We will continue to evolve and develop our Risk Framework as appropriate throughout 2022 recognising the dynamic nature of risk management.

Our risk management process

The Group has policies and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business. The identification of risks and opportunities, the development of action plans to manage the risks and maximise the opportunities, and the continual monitoring of progress against agreed plans are integral parts of the core activities and performance review processes throughout the Group.

The Tyman Risk Management Process

1. **Risk identification** – Top down and bottom up identification of the Group's risks ensuring emerging and arising risks are assessed
2. **Evaluate inherent risks** – Considers the gross level of risk to the Group in impact and likelihood terms
3. **Review existing controls** – Identification and assessment of existing controls to manage the risk
4. **Risk response** – Further mitigation is considered in line with the Group's risk appetite
5. **Monitor and review actions** – Regular review and monitoring of risks at a Group and divisional level
6. **Risk reporting and oversight** – Regular reporting of risk-related matters in core governance and performance processes and reporting to the Audit and Risk Committee

Each division maintains a comprehensive risk register which assesses all pertinent risks relevant to that division, including strategic, financial, operational, and compliance risks. The risk assessment process is dynamic and includes emerging and retiring risks as each division's risk landscape shifts.

These risk registers are reviewed on a regular basis by the senior leadership team of each division. Each risk is monitored in line with the process above to assess the likelihood and impact of the relevant risks crystallising. Against this an assessment is made of existing controls that are in place to mitigate the relevant risk and identify further actions to further manage each risk to an acceptable level. Each division's risk register is formally reviewed four times a year within the division, the conclusions of which are discussed at the Executive Committee and submitted to the Audit and Risk Committee at least twice per year.

A shorter register of Group principal risks is specifically reserved for review by the Audit and Risk Committee. This is mainly, but not exclusively, comprised of risks above a certain threshold after mitigation. These principal risks and uncertainties are reported in the Annual Report.

Main developments in risk

As a result of this process, several changes have been made to the Group's principal risks during the year including:

- Climate change and sustainability – Whilst previously considered an area of emerging risk and opportunity, given the importance of climate change and transitioning to a net-zero economy, the Group has enhanced its understanding of its impacts, risks and opportunities in this area and now considers this to be a principal risk. (Please see our Sustainability review on pages 46 to 77.)
- We will continue to proactively monitor and respond to industry-wide inflationary pressures and supply chain challenges including the availability of raw materials and labour through our existing performance / management processes.

Risk priorities in 2022

The risk priorities for the year ahead are as follows:

- Continued focus on proactively managing the ongoing impacts of the COVID-19 pandemic to ensure the safety and wellbeing of our employees, continuity of our operations and operational resilience to enable us to meet our customer needs.
- Continued assessment and intensification of mitigation plans relating to IT cyber security risks.
- Continued strengthening of business continuity plans and other key areas of operational resilience given the need for adaptability of the Group's supply chains, particularly in the context of COVID-19, climate change and changing geopolitical circumstances.
- Maintaining pricing discipline to mitigate the risk of raw material and other cost inflation.
- Project management rigour as integration, rationalisation and new product launch activities support the Group's organic growth strategy.
- Continued review and response to developments in corporate governance including climate change (SBT and TCFD), broader ESG risks and proposed BEIS corporate reforms.

Risk	Risk description	Mitigation	Changes since last Annual Report
1 **Business interruption (including pandemic)** Trend after mitigation Same Link to strategy Margin expansion, Sustainable growth, Engaged people, Positive impact	The occurrence of an event that may lead to a significant business, supply chain or market interruption. This includes events such as natural disasters, pandemics (including COVID-19), significant IT interruption, the loss of an operating location or geo-political events including significant changes in trading relationships such as US/China trade developments. This results in an inability to operate or meet customer demand, a reduction in market demand or poses a health risk to employees.	The Group has proactively managed its response to the COVID-19 pandemic throughout the year including extensive health measures at operations; temporary cost control measures; ongoing review of demand and production levels, regular review of supply chain ability to supply; reviewing stock levels and responding; increased contact with remote working team members and weekly COVID-19 case reviews. More broadly the Group reviews business continuity management, IT disaster recovery and IT security as appropriate throughout the year. The Group also ensures appropriate insurance cover is maintained.	The global impact of the COVID-19 pandemic has continued. Given the duration, uncertainty and widespread impact of COVID-19, this risk has been updated to a broader business interruption risk. **Risk assessment** High
2 **Market conditions** Trend after mitigation Same Link to strategy Sustainable growth	Demand in the building products sector is dependent on levels of activity in new construction and RMI markets. This demand is cyclical and can be unpredictable and the Group has low visibility of future orders from its customers.	Whilst there is a high degree of economic uncertainty, in previous cyclical downturns Tyman has proved effective in responding to events through: • monitoring of market conditions and macroeconomic trends through both annual strategic planning processes and regular performance / forecasting reviews; • maintaining appropriate headroom and tenor in the Group's available borrowing facilities; • its geographic spread providing a degree of market diversification; • the ability to flex the Group's cost base in line with demand. As part of its process for assessing the ongoing viability of the Group, the Board regularly stress tests Tyman's financial and cash flow forecasts over both a short- and medium-term horizon.	Markets have continued to be disrupted throughout the year, predominantly due to COVID-19. The majority of the Group's core markets have rebounded strongly throughout the year with leading indicators remaining positive. There remains uncertainty over medium to long-term market conditions due to wider macroeconomic conditions. **Risk assessment** Medium

Strategy Key

- Margin expansion
- Sustainable growth
- Engaged people
- Positive impact

Trend after mitigation

Up · Same · Down · **NEW** New risk

Risk	Risk description	Mitigation	Changes since last Annual Report
3 **Loss of competitive advantage** Trend after mitigation Same Link to strategy Margin expansion, Sustainable growth	Loss of competitive advantage may adversely affect the Group financial performance or reputation in the short to medium term. The Group's ability to maintain its competitive advantage is based on a wide range of factors including the strength of the Group's brands, the breadth and depth of our portfolio, the level of quality and innovation reflected in our products, our supply chain flexibility, excellent customer service and technical support, and the depth of customer relationships we nurture, all supported by fair and competitive pricing. Failure to perform on any one of these aspects may lead to erosion of competitive advantage over time, and in turn to loss of customers to competition.	Some of the Group's markets are relatively concentrated with two or three key players, while others are highly fragmented and offer significant opportunities for consolidation and penetration. Tyman continues to differentiate itself through its wide range of products, its focus on customer service including technical support, its geographical coverage, innovation capabilities and the reputation of its brands. The Group monitors the status of our competitive advantage through feedback from customers and close review of the market positioning of our products. The Group aims to minimise the impact of competitve pricing pressures by competitors through margin expansion activities including continual sourcing review, innovation and value engineering, as well as building long-term relationships with its customers based on value creation, quality, service and technical support.	The overall risk from loss of competitive advantage across Tyman's global portfolio remains stable. The disruption caused by COVID-19 has continued to put pressure on service levels across the industry. The flexibility of the Group's manufacturing footprint allows it to respond quickly to closure of certain facilities, delivering better service levels than some competitors and enabling the Group to take market share. **Risk assessment** Medium
4 **Foreign exchange risk** Trend after mitigation Same Link to strategy Margin expansion	The Group operates internationally and is therefore exposed to transactional and translational foreign exchange movements in currencies other than sterling. In particular the Group's translated adjusted operating profit is impacted by the sterling exchange rate of the US dollar and the euro.	The Group denominates a proportion of its debt in foreign currency to align its exposure to the translational balance sheet risks associated with overseas subsidiaries. Ancillary bank facilities are utilised to manage the foreign exchange transactional risks and interest rate exposure through the use of derivative financial instruments. Where possible the Group will recover the impact of adverse exchange movements on the cost of imported products and materials from customers.	Sterling exchange rates remain volatile and the Group continues to use hedging to mitigate some of this risk. This risk is regarded as stable. **Risk assessment** Medium

Strategy Key

- Margin expansion
- Sustainable growth
- Engaged people
- Positive impact

Trend after mitigation

Up | Same | Down | **NEW** New risk

Risk	Risk description	Mitigation	Changes since last Annual Report
5 **Liquidity and credit risks** Trend after mitigation Link to strategy	The Group must maintain sufficient capital and financial resources to finance its current financial obligations and fund the future needs of its growth strategy.	The Group maintains adequate cash balances and credit facilities with sufficient headroom and tenor to mitigate credit availability risk. The Group monitors forecast and actual cash flows to match the maturity profiles of financial assets and liabilities. In the medium term the Group aims to operate within its target leverage range of 1.0x to 1.5x adjusted EBITDA.	During the year, the Group achieved further de-leveraging to 0.9x adjusted EBITDA, just below the target range of 1.0–1.5x adjusted EBITDA. **Risk assessment** Low
6 **Information security** Trend after mitigation Link to strategy	Information and data systems are fundamental to the successful operation of Tyman's businesses. The Group's digital assets are under increasing risk from hacking, viruses and 'phishing' threats. Sensitive employee, customer, banking and other data may be stolen and distributed or used illegally. GDPR increases the cost of any failure to protect the Group's digital assets.	The Group continues to develop and test disaster recovery plans for all sites. The Group undertakes regular penetration testing of data systems and maintains up-to-date versions of software and firewalls. The Group periodically reviews and improves IT system controls.	In August 2020, a Group Head of IT was appointed with responsibility for the Group's information security policies and controls. Training and IT controls improvements have continued to be implemented during the year as a key element of our IT Strategy. **Risk assessment** High
7 **Raw material costs and supply chain failures** Trend after mitigation Link to strategy	Raw materials used in the Group's businesses include commodities that experience price volatility (such as oil derivatives, steel, aluminium and zinc). The Group's ability to meet customer demands depends on obtaining timely supplies of high quality components and raw materials on competitive terms. Products or raw materials may become unavailable from a supplier due to events beyond the Group's control.	The Group continues to invest in and improve its sourcing and procurement capability with dedicated supply chain resources. The Group manages supply chain risk through developing strong long-term relationships with its key suppliers, regular risk assessment and audit of suppliers including logistics providers, review of make or buy strategies, dual-sourcing where appropriate and maintaining adequate safety stocks throughout the supply chain. Where commodity and other material cost increases materialise, the Group seeks to recover the incremental cost through active price management.	The Group has recovered the majority of input cost inflation in the year however there remains an element of lag due to timing of implementing price increases and pricing mechanisms with some of our larger customers. The Group continues to proactively manage supply chain risks, with current focus in particular on global shipping bottlenecks and UK/EU supply chain disruption. **Risk assessment** Medium

Risk	Risk description	Mitigation	Changes since last Annual Report
8 **Key executives and personnel** Trend after mitigation Link to strategy	The Group's future success is substantially dependent on the continued services and performance of its senior management and its ability to continue to attract and retain highly skilled and qualified personnel at Group, divisional and site level.	The Group mitigates the risk of losing key personnel through robust succession planning, strong recruitment processes, employee engagement and retention initiatives, and long-term management incentives.	Significant attention continues to be paid to employee wellbeing and engagement as pandemic-related disruption continues, recognising the additional strains this has put on our workforce and in particular on management teams in meeting the needs of our customers. **Risk assessment** Low
9 **Compliance with laws and regulations** Trend after mitigation Link to strategy	A lack of understanding or non-compliance with laws and regulations in any jurisdiction in which the Group operates could lead to significant financial penalty and/or severe damage to the Group's reputation. Legal and regulatory requirements can be complex and are constantly evolving, requiring ongoing monitoring and training.	Mitigations include: • A comprehensive and engaging Code of Business Ethics and associated training • Supporting policies and standards that set out the compliance requirements in detail • A group-wide 'SpeakUp' whistleblowing mechanism • Risk framework to identify, assess and monitor business and compliance risks • Specific legal and compliance matters reviewed by the Group General Counsel as required	Whilst added as a Group principal risk, there is no year-on-year change in the level of unmitigated risk. A Group General Counsel was appointed for the first time in 2020. The General Counsel led a process to deploy the Group's new Code of Business Ethics which has been deployed throughout 2021 / Q1 2022. **Risk assessment** Low
10 **Execution of major programmes** Trend after mitigation Link to strategy	The Group has a range of change management programmes and strategic initiatives underway to support our 'Focus, Define, Grow' Strategy. Failure to effectively execute these programmes could adversely affect the Group's ability to deliver on key elements of our strategy.	Oversight mechanisms to track the progress of all strategic programmes take place on a monthly basis at Group and divisional levels. In addition, each programme has established project governance disciplines in place including project managers for each programme.	Whilst added as a Group principal risk there remains no year-on-year change in the level of unmitigated risk with the development and execution of key programmes progressing well. **Risk assessment** Medium

Strategy Key

Margin expansion

Sustainable growth

Engaged people

Positive impact

Trend after mitigation

Up Same Down **NEW** New risk

Risk	Risk description	Mitigation	Changes since last Annual Report
11 **Climate change and sustainability** Trend after mitigation **NEW** Link to strategy	Adverse impacts of climate change may, over time, affect the operations of the Group, its supply chains and the markets in which it operates. This could include physical (weather related) risks, as well as failing to adapt to legal, technological and market demands for more sustainable operations and product solutions. More broadly, customer, investor and societal expectations have never been higher for companies to respond with action on ESG topics. Should the Group not reduce its GHG emissions and deliver its other sustainability commitments in line with Tyman's targets and ambition, it may be subject to increased costs, adverse financial impacts, reputational damage and failure to attract/retain future talent.	• The Group maintains a 2030 sustainability roadmap, setting out Tyman's ESG ambitions and targets, which include reducing GHG emissions and growing revenues from more sustainable solutions. • Dedicated sustainability leader is in place in each division to drive the execution of the roadmap. • Regular reviews are held both at a divisional level and groupwide via a sustainability forum. Twice yearly deep-dives are held with the ExCo to facilitate the sharing of cross-team learnings and identify opportunities to synergise and/or accelerate. Disclosures will also be enhanced against the recommendations in the TCFD framework, including risk mitigation and completing a quantitative scenario analysis.	This is a new risk in 2021. **Risk assessment** Medium

The Strategic Report has been approved by the Board and signed on its behalf by

Peter Ho
General Counsel & Company Secretary

3 March 2022

Board of Directors

Nicky Hartery
Non-executive Chair

N R

Appointment to the Board
Nicky Hartery was appointed to the Board as a Non-executive Director on 1 October 2020 and as Chair of the Board and Chair of the Nominations Committee on 1 December 2020.

Skills and qualifications
Nicky is a Chartered Engineer with an electrical engineering degree from University College Cork and an MBA from University of Galway. He has extensive operational and general management experience gained in international manufacturing companies, which he later leveraged to set up a Lean Six Sigma business transformation consultancy, Prodigium. He has strong experience of North American markets, both as an Executive and Non-executive director.

Relevant past experience
From 2012 to 2019, Nicky was the Chair of CRH plc, the global building materials FTSE 100 company, and has also been a Non-executive director of Eircom Ltd. Nicky spent his executive career at General Electric, Verbatim / Eastman Kodak and Dell Inc, including being based in the US for ten years.

External appointments
Nicky is currently Chair of the Musgrave Group, a Non-executive director of Finning International Inc and Chair of Horse Racing Ireland.

Jo Hallas
Chief Executive Officer

Appointment to the Board
Jo joined Tyman on 1 March 2019 and was appointed Chief Executive Officer with effect from 1 April 2019.

Skills and qualifications
Jo is a Chartered Engineer with an engineering degree from the University of Cambridge and an MBA from INSEAD. She has extensive international management experience focused on business transformation through organic and acquisitive growth in the global industrial and consumer sectors, achieved through establishing and leading strategic clarity and execution.

Relevant past experience
Jo was previously Business Group Director for Spectris plc, where she had responsibility for a portfolio of global industrial technology businesses. Prior to this, Jo led the Invensys heating controls business. Jo has also held senior commercial roles with the Bosch Group in the UK and Germany, and ten years with Procter and Gamble in Germany, the USA and Asia.

Jo is a former Non-executive Director of Norcros plc.

External appointments
Jo is a Non-executive Director of Smith & Nephew plc.

Jason Ashton
Chief Financial Officer

Appointment to the Board
Jason joined Tyman on 29 April 2019 and was appointed Chief Financial Officer on 9 May 2019.

Skills and qualifications
Jason is a Chartered Accountant and has a degree in Economics from the University of Manchester. His career in international manufacturing-based businesses includes significant experience of commercial finance, M&A, investor relations and tax and treasury functions.

Relevant past experience
Jason was formerly Interim Group Chief Financial Officer of Nomad Foods Limited, the UK-headquartered, NYSE-listed frozen foods group. Prior to this, he was Group Finance Director for the Iglo Group, leading the business through its €2.6 billion acquisition by Nomad Foods and subsequent €0.7 billion acquisition of the Findus Group. Jason has also held senior finance and commercial positions with Mondalez (Kraft), Plum Baby and Cadbury plc, based variously in the UK, Belgium, Poland, Russia and Turkey. His early career included roles with Diageo plc, Tetley Group and KPMG.

External appointments
None.

Pamela Bingham
Non-executive Director

A N R

Appointment to the Board
Pamela Bingham was appointed to the Board in January 2018 as a Non-executive Director. She is the Non-executive Director responsible for employee engagement across the Group.

Skills and qualifications
Pamela has a law degree from the University of Edinburgh and holds an MBA from Warwick Business School. She practised as a solicitor before moving into general management. Pamela has a proven track record as a commercial leader, focusing on strategic direction and leading cross-cultural teams to deliver growth and business expansion. She has worked in the building products, engineering, mining, renewable energy and oil and gas sectors.

Relevant past experience
Pamela was most recently Managing Director, Infrastructure Products Group, Europe & Australia, at CRH and before this she was Managing Director of Weir Minerals Europe. She previously held senior management roles with Rotork plc, David Brown Group Ltd and CSE-Servelec Ltd. Her early career was spent as an in-house counsel for English Welsh and Scottish Railway Ltd and for the Yorkshire Building Society.

External appointments
Pamela is currently Chief Executive of Glen Dimplex's Heating and Ventilation Division.

Helen Clatworthy
Non-executive Director

A N R

Appointment to the Board
Helen Clatworthy was appointed to the Board in January 2017 as a Non-executive Director. She was appointed Chair of the Audit and Risk Committee in May 2017.

Skills and qualifications
Helen is a Fellow of the Chartered Institute of Management Accountants and has significant operational and corporate experience particularly in cost management, acquisition integration, information technology and change management.

Relevant past experience
Helen is a former member of the executive committee of Imperial Brands plc, where, as Business Transformation Director, she led integration activities for Imperial's enlarged US business and a group-wide strategic cost optimisation programme. Helen held a number of other senior roles at Imperial including Finance Director for Western Europe and Group Supply Chain Director.

External appointments
Helen is Chair of the Imperial Tobacco Pension Fund.

David Randich
Non-executive Director

A N R

Appointment to the Board
David Randich was appointed to the Board as a Non-executive Director on 15 December 2021 and is a member of the Nominations, Audit and Risk and the Remuneration Committees.

Skills and qualifications
Dave brings extensive experience of the North American building products market to the Tyman Board.

He holds a BS in Industrial Management from Purdue University and an MBA from Mercer University.

Relevant past experience
At Fortune Brands, Dave was President of the Masterbrand Cabinets business for seven years and President of the Therma-Tru Doors business for five years. Prior to Fortune Brands, Dave held an international career with Armstrong World Industries, with roles in China, the UK, Germany and the US. Dave has also been a Non-executive Director of Springs Window Fashions.

External appointments
Dave lectures at Purdue University's Krannert School of Management.

Paul Withers
Non-executive Director

A N R

Appointment to the Board
Paul Withers was appointed to the Board as a Non-executive Director in February 2020 and as Chair of the Remuneration Committee and Senior Independent Director from April 2020.

Skills and qualifications
Paul qualified as a Mechanical Engineer, is a Sloan Fellow of the London Business School and holds an MA in Mathematics from Cambridge University and a DPhil in Mathematics from Oxford University. He has extensive experience in international manufacturing businesses and, in particular, strong knowledge of US markets, both as an Executive and Non-executive Director.

Relevant past experience
Paul's executive career was spent at BPB plc, the international building materials business, where he was Group Managing Director.

Paul is a former Non-executive Director of Premier Farnell plc, Hyder Consulting plc, Devro plc and Keller Group plc. He held the roles of Senior Independent Director and Chair of the Remuneration Committee in each of these.

External appointments
None.

Committee membership key

- A Audit and Risk Committee
- N Nominations Committee
- R Remuneration Committee
- Committee chair

GOVERNANCE

Statement of Governance

The Board maintained its focus on safeguarding our colleagues and communities whilst also servicing our customers."

Nicky Hartery
Non-executive Chair

Dear Shareholder

On behalf of the Board, I am pleased to present the Group's Corporate governance report for the financial year ended 31 December 2021.

The aim of this report is to explain Tyman's governance framework and how this is aligned with the 2018 UK Corporate Governance Code (the "Code"). to support our long-term sustainable success.

More details on the membership of the Board's Committees and the work they carried out during the year may be found in the Audit and Risk Committee report, Nominations Committee report and Remuneration Committee report.

Areas of focus for the Board

In 2021, we experienced strong demand for our products while having to manage industry-wide supply chain disruption and US labour challenges, which contributed to high levels of fatigue amongst our colleagues. The Board maintained its focus on safeguarding our colleagues and communities whilst also servicing our customers. In addition to encouraging the take-up of vaccinations and safe practices, the Group has extended an Employee Assistance Programme ("EAP") to all its employees globally to promote mental wellbeing. We were also pleased to complete the deployment of the Group's flagship Safety Leadership Programme, with all line managers in the Group attending workshops in either in-person or virtual formats.

The Board has also overseen the continued strengthening of the Group and the progression of its strategic growth initiatives including sustainability roadmap. During the period, this was primarily focused on fostering a cohesive 'One Tyman' culture underpinned by the formalisation of the Tyman Excellence System and the deployment of the Group's purpose, values and Code of Business Ethics ("CoBE"). Our sustainability roadmap has been another area of key focus for the Board, with both education and review deep-dives to ensure appropriate oversight of our work in developing our Science Based Targets and expanding our TCFD reporting. We take very seriously our role in ensuring clear and appropriate disclosure of our progress against our sustainability priorities and accordingly were delighted to have been runner-up in the industrials category of ESG Investing's "Best Sustainability Reporting Awards".

Engagement with stakeholders

The Group's strong corporate culture enabled senior management to navigate the many twists and turns of doing business in 2021. The Board was kept abreast of developments through regular reports by the CEO as well as through discussions with other members of the Executive Committee and their reports.

Despite the challenges of continued travel restrictions in 2021, I am pleased that the Board were able to visit our Aycliffe site together, meet in person with our leadership teams for both the UK & Ireland and International divisions, and meet the Executive team for a strategy day. Our Workforce Engagement Non-executive Director was also able to hold both in-person and virtual skip level meetings during the year.

In 2021, we organised a 'hybrid' AGM under our new articles of association to enable us to better engage with our shareholders. Under this format, all shareholders were able to vote and submit questions electronically in advance and join the AGM online via an audio webcast to hear from the directors, ask questions of the Board and vote on our resolutions; we intend to do the same this year. Information on how to participate digitally, both in advance and on the day, can be found in the Notice of the Company's AGM. We look forward to your participation at the AGM.

Thank you for your support.

Nicky Hartery
Non-executive Chair

3 March 2022

Board

The Board's role is to promote the Group's long-term sustainable success for the benefit of all the Company's stakeholders, generating value for the Company's shareholders and contributing to wider society. The Board sets the Group's long-term business strategy and establishes its purpose and values, which underpin its culture.

Audit and Risk Committee

Monitors the integrity of the Group's external reporting and provides oversight and governance of its internal controls, risk management and relationships with the external auditors and co-sourced internal auditors.

Remuneration Committee

Responsible for setting the remuneration policy and individual compensation for the Board Chair, Executive Directors and senior management to ensure that the Group's long-term interests are achieved.

Nominations Committee

Responsible for appointments to the Board, succession planning and also the review of the Board's structure, size and composition to ensure that it has a balance of skills, knowledge, experience and diversity.

UK Corporate Governance Code

As a company that is premium-listed on the London Stock Exchange, Tyman is required to explain how it has applied the main principles of the Code, which is available at www.frc.org.uk, and the Code's provisions throughout the financial year.

The Strategic report and this Governance report, including the Directors' Remuneration report, describe how the Company has applied the principles contained in the Code, and the statements required by sections 7.1 and 7.2 of the Disclosure Guidance and Transparency Rules. For the year ended 31 December 2021, and up to the date of this report, the Board is pleased to report that the Company has complied with all aspects of the Code throughout the period under review, except in respect of the misalignment of the Chief Executive's pension payments with the wider workforce. This was addressed in 2021 and the CEO's pension payment was aligned with the wider workforce's from 1 January 2022.

Role of the Board

The Board is responsible for the overall leadership, strategy, culture, development and control of the Group in order to achieve its strategic objectives. The Board also ensures that there is an effective system of controls to safeguard the Group's assets and to enable risks to be properly assessed and managed.

The Board is the body responsible for making decisions on all significant matters, as detailed in the schedule of matters reserved for the Board, and is accountable to shareholders for creating the sustainable long-term success of the business.

The areas specifically considered by the Board include: assessing and monitoring the Group's culture; approval of the Group's strategic plan; ensuring maintenance of a sound system of internal control and risk management, including approval of the Group's risk appetite statements; responsibility for the review of the Group's corporate governance arrangements; and ensuring the Group has the necessary financial and human resources, processes and controls to deliver the long-term strategy of the Group.

Matters not specifically reserved for the Board, including the day-to-day management of the Group, are delegated to the Executive Directors.

Stakeholder engagement

The Board is responsible for engaging with and understanding the views of the Group's key stakeholders. This includes the need to foster the Group's business relationships with its employees, customers, investors and communities in the countries that the Group operates. The Board keeps engagement mechanisms under review so that they remain effective.

The Directors take their duties under section 172 of the Companies Act 2006 very seriously and consider that they have acted in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172 (1) (a-f) in the decisions taken during the year ended 31 December 2021. The full statement, together with how Tyman engages with key stakeholders can be found on pages 81 to 83.

Governance framework

A schedule of Board meeting dates is set a year in advance, to ensure the Board meets at regular intervals throughout the year, at times that align with the operations of the different business divisions and the financial and reporting requirements of the Group as a whole.

To ensure relevant topics are given appropriate consideration, the Board has delegated certain roles to three principal Committees: Audit and Risk, Remuneration and Nominations. Membership of these Committees is made up of the Non-executive Directors. The Board Chair is also a member of the Nominations and Remuneration Committees.

The work of these Committees in 2021 is explained in more detail on pages 102 to 115, and page 126. Each of the Committees' terms of reference may be found on the Group's website.

All Directors have access to the services of the General Counsel & Company Secretary who is responsible for ensuring the Group's governance framework is observed and the Board and Committees receive the necessary support in fulfilling their responsibilities.

If thought appropriate, Directors may obtain independent professional advice in respect of their responsibilities, at the Company's expense. No such advice was sought in the year.

Board composition

The names and biographical details of all the current Directors, as at the date of this report, are set out on pages 80 to 81 and at the Group's website.

The following Directors served during the year ended 31 December 2021:

Board member	Appointed to the Board
Nicky Hartery	October 2020
Jo Hallas	April 2019
Jason Ashton	May 2019
Paul Withers	February 2020
Pamela Bingham	January 2018
Helen Clatworthy	January 2017
Dave Randich	December 2021

Independence of Non-executive Directors

Through the work of the Nominations Committee, the Board ensures that its members have an appropriate mix of skills, diversity of backgrounds, and relevant industry experiences such that they can challenge and support the work of the Executive Directors. Each Non-executive Director has sufficient knowledge of the Company, which has enabled them to discharge their duties and responsibilities during the year.

As part of the externally facilitated Board and committees' effectiveness evaluation in 2021, the Board reviewed the independence of the Directors. Having reviewed the other positions held by the Non-executive Directors and the possibility of any potential conflicts of interest, the Board continues to consider that each of the Non-executive Directors is independent, as defined against the independence criteria as set out in the Code, believing each to be independent of character and judgement.

Director induction

Upon appointment, all new Directors receive a comprehensive and tailored induction programme, providing them with the opportunity to learn about the operations, making specific site visits and meeting divisional and local management. Recent Director inductions were successfully facilitated under pandemic-related movement restrictions using a combination of in-person and remote meetings, briefing notes and both in-person as well as video tours of facilities.

Key responsibilities

Chair	Responsible for the leadership and effective running of the Board and its decision-making processes. Sponsors and promotes the highest standards of corporate governance. Sets the Board agenda in consultation with the Chief Executive Officer and the General Counsel and Company Secretary, ensuring that they are aligned to the Group's strategic objectives. Sets the style and tone of Board discussions, facilitating contribution from all Directors. Leads the Board in determining the strategy and the overall objectives of the Group, including its approach to environmental, social and governance matters, while ensuring that the Board determines the nature and extent of the principal risks associated with implementing its strategy. Leads the effectiveness evaluation of the Board and ensures its effectiveness in all aspects of its role. Ensures effective communication with the Company's shareholders and other stakeholders.
Chief Executive Officer	Responsible for the day-to-day management of the Group. Promotes the Group's culture and values. Leads the Executive team and develops and implements the Group's strategic objectives, with assistance from the Executive Committee. Responsible for sustainability. Brings matters of particular significance or risk to the Chair for discussion and consideration by the Board where appropriate.
Chief Financial Officer	Responsible for the financial reporting and management of the Group, in addition to the finance, audit, tax and treasury functions. Responsible for the day-to-day management of all investor relations matters and for contact with shareholders, as well as with financial analysts. Responsible for providing the Board with details of feedback received from institutional shareholders and any key issues raised.
Senior Independent Director	Is available for shareholders to voice any concerns which may not be appropriate for discussion through the normal channels of Chair, CEO or CFO. Provides a sounding board for the Chair and supports him in his leadership of the Board. Leads the Chair's performance appraisal by the other Non-executive Directors and serves as an intermediary for the other Directors with the Chair as necessary.
Non-executive Directors	Bring complementary skills and experience to the Board. Constructively challenge the Executive Directors on matters affecting the Group.

Board and Committee attendance

The following table shows the attendance record of the Directors at the scheduled Board and relevant Committee meetings held during the year.

Board member	Board	Audit	Remuneration	Nominations	AGM
Nicky Hartery	8/8	n/a	4/4	3/3	1/1
Jo Hallas	8/8	n/a	n/a	n/a	1/1
Jason Ashton	8/8	n/a	n/a	n/a	1/1
Paul Withers	8/8	4/4	4/4	3/3	1/1
Pamela Bingham	7/8	4/4	3/4	2/3	1/1
Helen Clatworthy	8/8	4/4	4/4	3/3	1/1
Dave Randich[1]	1/1	n/a	1/1	1/1	n/a

[1] Dave Randich was appointed as a Non-executive Director of the Board and a member of the Audit and Risk, Remuneration and Nominations Committees on 15 December 2021.

Attendance at Board meetings

Eight scheduled Board meetings were held during the year. The Board also met on an ad hoc basis on two further occasions to consider the Group's responses to certain corporate matters. Where expedient, the Board also delegated a number of administrative and completion matters to a duly-appointed sub-committee of the Board.

Work of the Board during 2021

The Board's principal matters during 2021 are summarised below:

Principal matter	
Health and safety	• Reviewed and debated the ongoing health and safety impact of COVID-19 on business operations, and the measures necessary to manage and mitigate the impact on employees, their families and communities (see pages 51 and 52) • Received details of every health and safety lost time incident, including remedial actions taken, lessons learned and future preventative measures (see pages 50 and 51) • Oversaw the deployment of the Group's Safety Leadership Programme (see page 48) • Oversaw the implementation of the Employee Assistance Programme in Mexico, Canada and the International Division (see page 52)
Strategy and sustainability	• Reviewed and approved the updated Group strategy (see pages 20 to 25) • Received progress reports on the implementation of the Group's 'Sustainability Roadmap' (see page 46) • Reviewed and discussed updates on trading performance, markets and strategic initiatives, including presentations from the Group's senior management • Received reports on new product development and launches
Governance	• Recruited and initiated the induction of a new Non-executive Director (see page 31 and 96) • Participated in an externally-facilitated Board evaluation (see pages 98 to 99) • Received reports from the Chairs of the Nominations, Audit and Remuneration Committees
Purpose, values and Group culture	• Received reports from the General Counsel & Company Secretary on general governance updates, material legal matters and speak up reports (see page 61) • Received progress reports from the General Counsel & Company Secretary on the Group's Business Ethics and Compliance Programme • Reviewed and approved the Group's Modern Slavery Act statement • Oversaw the plans to pay all UK employees the Real Living Wage rate
Financial	• Actively monitored trading performance conditions, ongoing scenario modelling, monthly CFO reports and supported management's actions in responding to ongoing challenges • Considered and approved plans to repay the USPP notes • Approved the budget for 2022 and set KPIs (see pages 26 to 28) • Reviewed and approved the half-year 2021 and full-year 2020 annual results, viability and going concern statements and the 2021 AGM notice • Reviewed the Group's risk register, risk appetite statement and the effectiveness of the systems of internal control and risk management (see pages 84 to 91)

Principal matter	
Investor relations and communications	• Received presentations from the Company's brokers and financial advisers on the Company's shareholder profile and market perception • Received feedback from proxy advisers in respect of the 2021 AGM resolutions • Received reports and feedback from analysts and shareholders following meetings with them (see page 99)
Employee engagement	• Visits to sites and discussions with management, conducted in person or remotely (see page 98) • Received and discussed reports from the Workforce Engagement NED, Pamela Bingham, following her skip-level meetings with employees across the divisions (see page 62)

Board visits to the operations

As part of the Board's work, the Directors visit operating units each year to meet with divisional management and to see these businesses first-hand. In 2021, the Board was able to visit the Newton Aycliffe site in person but subsequent movement restrictions prevented travel to other sites. The Group adapted by providing virtual tours of the i54 site for the new Non-executive Director's induction.

Both the Chief Executive and the Workforce Engagement NED held skip-level employee meetings in 2021. The Chief Executive met with over 50 managers and supervisors from North America sites where they expressed their passion for the business, their appreciation for the intense focus on safety and their desire to strengthen company culture, including greater collaboration across sites.

The Workforce Engagement NED had separate in-person and online meetings with diverse employees and employee representatives across the Group's UK, Italy and US businesses. The meetings provided her with opportunities to better understand local challenges and practices, opportunities for improvement and to promote a direct link into the Board.

Board performance evaluation

The Board undertakes a formal evaluation of its performance, and that of each Director, on an annual basis. Such evaluations are conducted in accordance with the principles set out in the Code and include consideration of the skills, composition and performance of the Board, its Committees and individual Directors.

The following sets out the progress on key recommendations concluded in the 2020 Board evaluation, which was conducted internally:

Recommendation	Actions planned in 2021	Progress made
Strengthen engagement with stakeholders	• Meet with local management at site visits • Meet with other stakeholders	• The Board was able to meet with local managers and employees at visits to Newton Aycliffe and Wolverhampton, and the Executive Directors were also able to visit sites in the USA and Italy • The Workforce Engagement NED met with employees at skip-level engagement meetings
Strengthening of the Group's risk framework	• Deployment of the Code of Business Ethics • Deployment of Group Minimum Standards of Financial Control framework • Implementation of a programme of risk management activities	• Deployment of the Code of Business Ethics • Deployment of Group Minimum Standards of Financial Control framework • Implementation of a programme of risk management activities
Develop deeper insights into key subjects	• Organise deep dives into subjects such as sustainability, cybersecurity and e-commerce	• The Board has had deep-dive sessions with the Group Head of Health, Safety and Sustainability as well as the Group Head of IT

This year, the Board participated in an externally facilitated review. Dr Tracy Long of Boardroom Review, who has no connection to Tyman or its individual Directors, led our external evaluation. Please refer to page 103 for further details of Dr Long's appointment. Following briefings by the Board Chair, the Chief Executive and the General Counsel & Company Secretary, the evaluation consisted of a review of the Board and committee packs, presentations and her observations of a virtual site tour, management presentations, Board, Nominations and Remuneration Committee meetings, as well as individual interviews with Directors and key stakeholders of the Board and its committees. The Board subsequently considered a discussion document that analysed the Board's strengths against specific recommendations designed to support the Board in preparing for the Group's future challenges. Findings in respect of individual performance were discussed with the Board Chair and individual Directors. Subsequently, the Board Chair led the Board discussion on the findings and, following a constructive debate, the Board agreed the priorities and actions to be implemented.

The evaluation concluded that the Board has many strengths, which include:

- a strong collegiate style and team spirit, which was evident in the good open dialogue at the meetings of the Board and its committees, and a strengthened and complementary blend of different voices and contributions that have been refreshed over the last three years;
- the leadership of the Chair and the CEO and the good use of time, including an adept adaptation to the recent necessity of virtual working; and
- the Board's significant attention to risk and control, including safety, ethics and customer service.

Additionally, the evaluation also made the following principal recommendations:

Recommendation	
Recommendation 1	The Board should continually monitor Board composition and succession planning alongside the development of its skills matrix and a formal appraisal process.
Recommendation 2	The Board should develop a forward agenda that combines both formal and informal time, including increased use of private meetings between the CEO and the Non-executive Directors during the year.
Recommendation 3	The Board ought to continually review and ensure alignment of its appetite for risk against the changing business landscape and its strategic imperatives as the Group evolves.

Thus, the Board will continue to review its procedures, effectiveness and development and composition during 2022. The Board Chair will use the Board evaluation's output and the performance reviews of individual Directors to further develop the Board's performance in the year ahead.

The Board review also concluded that the Non-executive Directors have sufficient time to meet their Board responsibilities. Separately, the Senior Independent Director led the Non-executive Directors to carry out a review of the Chair's performance. It was found that the Chair continues to effectively discharge his duties and demonstrates full commitment to the role as evidenced by the progress made in all areas of the Board's work.

The reviews in 2022 and 2023 will be facilitated internally and led by the Board Chair and the General Counsel & Company Secretary. The 2024 review will be facilitated externally.

Investor relations programme

The Board is fully committed to maintaining good communications with the Company's shareholders through its investor relations programme.

Tyman operates a planned schedule of communications and investor relations activities throughout the year. The CEO and CFO have day-to-day responsibility for all investor relations matters and for contact with shareholders, as well as with financial analysts.

The Group CEO provides the Board with details of feedback received from institutional shareholders and any key issues raised. Regular dialogue with institutional shareholders and financial analysts is principally maintained through:

- meetings and calls involving the Chief Executive Officer and the Chief Financial Officer;
- four scheduled releases to the market of updates on the financial performance of the Group;
- the Chair regularly engaging with larger institutional shareholders to discuss matters including the Board, strategy, corporate governance and succession planning; and
- a total of 109 separate meetings were held by members of the Board in 2021 with shareholders and prospective shareholders, analysts and equity salesforces.

In addition, the Company actively engages with individual shareholders who periodically contact the Company.

Copies of all announcements and presentations made at investor events are published on the Group's website in order to ensure that all shareholders, whether private or institutional, have equal access to information.

It is currently envisaged that a similar shareholder engagement programme will be run during the 2022 financial year.

A table setting out the Company's major shareholders can be found on page 139.

2021 AGM

The Company's AGM is a key date for the Board, as it provides the Directors with the opportunity to meet with shareholders and both private and institutional investors.

In 2021, in line with the Financial Reporting Council's guidance, which was published in "Corporate Governance AGMs: An Opportunity for Change", the Company organised a hybrid AGM that allowed for shareholders to attend in person or electronically via a live audio webcast. This AGM format allowed for shareholders to be counted in the quorum, ask questions of the Directors and cast live votes via the Lumi platform whilst complying with the UK Government's measures to restrict travel and public gatherings that were then in force and also safeguard the health and safety of our shareholders, colleagues and communities.

Access to the Chair and Non-executive Directors

The Chair and Non-executive Directors make themselves available to attend meetings with major shareholders at their request. The Chair attended a number of such meetings during the year to cover areas such as the Board, strategy, corporate governance and succession planning. As face-to-face meetings were neither practical nor possible at various parts of the year, most of the meetings were conducted online or over telephone calls.

Internal control and risk management

The Directors acknowledge that they are responsible for the Group's internal control and risk management systems and for reviewing their effectiveness. Details of this review process are set out in the Audit and Risk Committee report on pages 104 to 113.

Directors' insurance cover

The Company maintains, at its expense, a Directors' and Officers' liability insurance policy to afford an indemnity in certain circumstances for the benefit of Group personnel including, as recommended by the Code, the Directors. This insurance policy does not provide cover where the Director or Officer has acted fraudulently or dishonestly.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

English company law requires the Directors to prepare financial statements for each financial year. Accordingly, the Directors have prepared the Group's financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law).

Under English company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Annual Report and Accounts, confirms that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that the Group faces.

In the case of each Director in office at the date the Directors' report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board

Nicky Hartery
Non-executive Chair

3 March 2022

GOVERNANCE

Nominations Committee report

The Committee supports the Board within the Group's governance framework by providing oversight of the business's leadership needs."

Nicky Hartery
Chair, Nominations Committee

Dear Shareholder

I am pleased to present the Nominations Committee's report for the year ended 31 December 2021.

Role and responsibilities of the Committee

The Committee's role is to support the Board within the Group's governance framework by providing oversight of the business's leadership needs, both Executive and Non-executive, with a view to ensuring that the Group is able to implement its strategy, achieve its objectives and compete effectively. It does this by reviewing and making recommendations to the Board on the size, structure and composition of the Board and Committees. In compliance with the Code, it also ensures that plans are in place for the orderly succession to both Board and senior management positions, including overseeing the development of a diverse pipeline for succession.

The Committee ensures all Board appointments are made in line with the Group's Diversity and Inclusion Policy. This states that all decisions involving people, including recruitment, are based on objective assessment that reflects talent, engagement and achievement and are not subject to any form of bias.

Committee meetings

The Committee met three times in 2021. In addition to the members of the Nominations Committee, who are all independent Non-executive Directors, and the General Counsel & Company Secretary, the Chief Executive was invited to attend whenever the Committee felt that it was necessary to enable a full discussion of its agenda items.

New Non-executive Director

We welcomed Dave Randich onto the Board and the Committee on 15 December 2021 following a rigorous process to recruit a North American Non-executive Director to bring North American building products market experience to the Board and strengthen the Board's geographic diversity.

New Director appointment process

Prior to initiating the recruitment of the new Non-executive Director, the Chair of the Board and the Nominations Committee in discussion with members of the Committee and the Chief Executive agreed the required skills, knowledge, experience and personal attributes relevant to the Group's strategy. Among the criteria were a deep understanding of the North American building products market and strong international experience.

The Committee engaged Russell Reynolds, a signatory to the Voluntary Code of Conduct for Executive Search firms, with whom the Group has previously worked but otherwise has no connection, to undertake the search. The Committee emphasised that diversity of the Board should be a key consideration in the search and that diversity should be considered in its widest sense.

The Chair and the Chief Executive created a shortlist of candidates after reviewing a longlist. They subsequently met with the shortlist of candidates. Owing to travel restrictions in force, most of these meetings were conducted online. Two preferred candidates were identified following these meetings.

The preferred candidates met with the other members of the Committee, the Group Chief Financial Officer and the President of Tyman North America.

Following careful consideration of feedback from interviews and references that had been taken, the Committee recommended Dave's appointment to the Board.

Committee evaluation

The Committee was evaluated as part of the external effectiveness review of the Board and its committees (details of which can be found on pages 98 and 99). Committee members were interviewed by the external reviewer, Dr Tracy Long, who also observed the Committee meeting in December 2021. The evaluation concluded that the Committee should continue to strengthen its focus on Executive and Non-executive succession planning, having regard to diversity and inclusion and key competencies that are important to the Group's present and future.

Review of Board effectiveness

The Committee assists the Board in the operation of its three-year cycle of evaluations. The first year of the cycle comprises of an externally facilitated evaluation that is carried out by an independent consultant. In the following two years, the Board builds on the outcomes of the first year using internally devised questionnaires and the process is led by the Chair of the Board and the Nominations Committee, but facilitated by the General Counsel & Company Secretary. In every year, the evaluation separately assesses the effectiveness of: (a) the Board; (b) each committee; and (c) the Board Chair. The results of the Board Chair are reviewed by the Senior Independent Director.

The 2020 review identified a number of priorities. A progress report on those priorities can be found on page 98.

A tender process was carried out to appoint an appropriate consultant to conduct the externally facilitated review in 2021. After a rigorous review of potential consultants, the Chair and the General Counsel & Company Secretary interviewed a shortlist of two preferred candidates and ultimately appointed Boardroom Review to carry out the evaluation. Boardroom Review and its reviewer, Dr Tracy Long, have no other connection with Tyman. Details of the evaluation process and its findings and recommendations can be found on pages 98 and 99.

Committee membership

The members of the Nominations Committee during the year ended 31 December 2021 were as follows:

Nominations Committee member	Appointed to the Committee
Nicky Hartery (Chair)	October 2020
Paul Withers	February 2020
Pamela Bingham	January 2018
Helen Clatworthy	January 2017
Dave Randich	December 2021

The Nominations Committee membership includes all of the Non-executive Directors. All its members are independent Non-executive Directors. The Chair was considered independent on appointment. Meetings of the Committee are attended by the Chief Executive Officer by invitation, when appropriate.

Key activities of the Committee in the last twelve months

The Committee held three formal meetings during the year to consider the following:

- The search and selection process for a North American Non-executive Director.
- A review of the work being undertaken to ensure that the Group has the appropriate organisation capability in place to deliver on its strategic objectives.
- A review of the Committee's terms of reference.
- The review of the Nominations Committee report for inclusion in the 2020 Annual Report and Accounts.
- Whether share ownership guidelines would be appropriate for the Non-executive Directors.
- The consideration of the Committee's priorities for 2022.

Organisation Capability Review ("OCR")

The Group performed a structured OCR for the third year in 2021. The OCR's objectives are to:

- identify where there are capability gaps that need to be addressed to be able to successfully execute the Group's strategic plans;
- identify what organisation structure changes may be required to support this;
- assess the Group's leadership talent and how this supports succession plans across the Group; and
- understand areas of key talent risk and any mitigation actions that may be required; and
- identify the health and shape of the Group's diversity and actions required to strengthen this.

The OCR is undertaken annually as a key element of the Group's talent management programme and will be used to strengthen the development of a diverse executive pipeline.

A key element of the OCR process is the conversation that is stimulated to cross-confirm views on individual talent and develop precision on what competencies are required to deliver the Group's strategy. The review meetings are first conducted amongst the divisional leadership teams to consider the organisation below them. This output is then used by the Division President and Division HR Director to develop the overall division OCR, which is then reviewed with the Chief Executive and Group CFO.

The Committee reviewed the findings and the recommendations of the OCR undertaken in 2021. The Committee also engaged directly with Senior Management at the Board strategy meeting on 13 October 2021. At that meeting, the Committee received strategy updates and updates on progress against divisional strategic initiatives from the divisional Presidents. The Committee also met with members of the UK & Ireland division in December 2021. Such direct engagement is extremely valuable to the Committee in identifying and developing the talent pipeline for senior leadership positions.

Diversity of the Board

The aim of the Committee is to ensure that the Board is well-balanced and appropriate for the needs of the business and the achievement of its strategy, comprising of Directors who possess appropriate experiences and are independent in character and judgement. Therefore, before recommending new candidates to the Board, the Nominations Committee takes account of the balance of skills, knowledge, experience, diversity of background and cultural fit.

As a member of the FTSE 350, the Committee is mindful of the Hampton-Alexander Review targets in respect of gender diversity. It keeps such targets under review when considering appointments to the Board and is pleased to confirm continued adherence to these recommendations. At 31 December 2021, the Board had 42.9% female representation.

The Committee is also aware of the Parker Review's recommendation that each board should have at least one Director from an ethnic minority background by 2024. In accordance with our policy on diversity and inclusion, the Committee will continue to ensure ethnic and all other aspects of diversity are considered for each appointment.

Committee priorities for 2022

The priorities of the Committee for 2022 are set out below:

- Oversight of the establishment of the Group's talent excellence programme
- Continued review of Directors' skills matrix
- Oversee the implementation of the action plan arising from the 2021 Board evaluation
- Continue to ensure the right organisation capability is in place for the Group to deliver on its strategic priorities, including reviewing senior management succession planning and the strengthening of talent pipelines

On behalf of the Nominations Committee

Nicky Hartery
Chair, Nominations Committee

3 March 2022

Audit and Risk Committee report

The Committee has focussed on providing effective governance over the Group's financial reporting, risk management, internal controls and oversight of the external audit tender."

Helen Clatworthy
Chair, Audit and Risk Committee

Dear Shareholder

On behalf of the Board, I am pleased to present an update on the work of the Audit and Risk Committee during the year. The Committee has continued to support the Board in development of the Group's risk management and internal control framework, as well as ensuring the integrity and quality of external financial reporting. This report sets out the activities of the Committee during 2021 and the Committee's priorities for the year ahead.

In 2021, the Committee continued to focus on the core aspects of governance within the Group. This included the enhancement of the Group's risk management and internal controls frameworks, progress with establishing the new approach to internal audit, and completing the tender of the external audit.

The Committee was pleased with progress made in enhancing the risk management and internal controls frameworks, which included deployment of the new Code of Business Ethics and a Group Minimum Standards of Financial Control framework and the implementation of a programme of risk management activities developed by the Group Head of Internal Audit and Risk Management to further enhance the Group's approach to enterprise risk management.

The updated structure and approach to internal audit has developed well in the year and forms a basis for an increasingly risk-based approach to internal audit. The 2021 internal audit plan is complete, and I am pleased to report that all but one audit was completed on-site as COVID-19 restrictions eased. The Committee considered the co-sourcing relationship with BDO and concluded there was no need to perform a tender for this arrangement at this time. BDO will continue to report to the Group Head of Internal Audit and Risk Management on a co-source basis.

The Committee oversaw a formal and robust external audit tender process in 2021. Following the recommendation of the Audit and Risk Committee, the Board has appointed Deloitte to succeed PwC for the financial year ending 31 December 2022 onwards.

The Committee has also spent time understanding the requirements of the Taskforce on Climate-Related Financial Disclosures ("TCFD") and environmental, social and governance ("ESG") reporting, including the impacts on the risk framework. The Committee is satisfied with progress made to date.

David Randich was appointed as a Non-executive Director and a member of the Audit and Risk Committee on 15 December 2021. I would like to welcome David to the Committee and look forward to his contributions going forward.

Role of the Committee

The Board has delegated responsibility to the Committee for the oversight of the Company's financial reporting, monitoring the integrity of the financial statements and other financial communications of the Company. It is responsible for ensuring that effective governance and appropriate frameworks are in place for the oversight of the Company, major subsidiary undertakings and the Group as a whole, and for considering whether accounting policies are appropriate.

The Committee operates under terms of reference approved by the Board. These terms of reference have been reviewed and updated by the Committee and may be found on the Group website.

In 2021, the Committee met four times, with meetings timed to coincide with key dates in the financial reporting and audit cycles of the Group. To provide the appropriate focus on key priorities, an annual schedule of Committee activity is set out a year in advance.

In addition to the Committee members, the Board Chair, Chief Executive Officer and Chief Financial Officer regularly attend Committee meetings at the invitation of the Committee Chair. Other attendees include the Group Financial Controller and members of the finance team, senior representatives from the external auditors, PwC, as well as BDO and the Group Head of Internal Audit and Risk Management.

In advance of meetings, the Committee is provided with reports from the Chief Financial Officer, the Group finance function, PwC and internal audit. These reports provide the Committee with detailed information on accounting and audit matters, and the progress the Group is making in respect of risk management activities and internal control related matters.

The Committee meets separately with the external auditors and the Group Head of Internal Audit and Risk Management during the course of the year, without Executive management being present. The Chair of the Committee has also met with PwC outside of Committee meetings to keep appraised of the year end audit process and audit matters in general.

The Committee is authorised to seek independent advice should it wish to do so; however, this was not required during the year.

Committee membership

The members of the Committee during the year ended 31 December 2021 were as follows:

Committee member	Appointed to the Committee
Helen Clatworthy (Chair)	January 2017
Paul Withers	February 2020
Pamela Bingham	January 2018
David Randich[1]	December 2021

[1] David Randich joined the Board and Committee on 15 December 2021.

All members are independent Non-executive Directors.

Under provisions of the UK's Corporate Governance Code, the Committee should have at least one member with recent and relevant financial experience and competence in accounting and/or auditing, and the Committee as a whole should have competence relevant to the sector in which the Company operates. The Board considers that Helen Clatworthy has such recent and relevant financial experience.

Each member of the Committee has the requisite competence including significant international, commercial and operational skills and experience which are relevant to an international manufacturer and distributor of engineered components to the building industry.

Financial reporting

Key activities of the Committee in the last twelve months

- Reviewed the financial results for the half-year ended 30 June 2021 and recommendation of results announcement.
- Reviewed the financial results for the full-year ended 31 December 2021, results announcement, and the Annual Report and Accounts.
- Reviewed the significant judgements and estimates that impact the financial statements.
- Considered the appropriateness of accounting policies.

Significant judgements and estimates

The Committee is responsible for monitoring the integrity of the financial statements including significant judgements and estimates. In undertaking this review, the below significant issues and judgements were discussed with management and the external auditors. As part of these discussions, the Committee provided challenge to management on the appropriateness of assumptions and the areas of particular consideration outlined below and sought clarification as necessary:

Area of focus	Audit and Risk Committee review	Conclusions
Carrying value of goodwill and intangibles *See note 10 to the Group financial statements*	The Group has goodwill and intangible assets of £430.1 million. The assessment of the carrying value of intangible assets involves significant estimates related to drivers of future cash flows, long-term growth rates and discount rates. The Committee received a detailed report from management outlining the valuation methodology, key assumptions used, the level of headroom, comparison to external market information and sensitivity analysis. The Committee discussed the report with management and PwC and considered whether the key assumptions were appropriate and the extent to which the valuation was sensitive to changes in these assumptions. Particular consideration was given to the level of uncertainty arising from the ongoing effect of COVID-19, supply chain disruption and the potential impact of climate change on longer-term cash flows and the terminal growth rate.	The Committee was satisfied that the methodology and assumptions used in the impairment testing were appropriate and that no impairment charge was required.
Going concern and viability assessment *See note 2.2 to the Group financial statements and pages 78 to 80*	The Board is required to satisfy itself that the Company will continue as a going concern for a period of at least twelve months from the date of the financial statements. It is also required to consider the longer-term viability of the Group. The Committee received a detailed report from management outlining key assumptions used in the going concern and viability assessments, along with analysis of liquidity headroom and covenant compliance under a base case scenario, severe but plausible downside scenario, and a reverse stress test scenario. The Committee considered whether the key assumptions used were appropriate, including the assumed mitigating actions in the downside scenario. Consideration was given to the current level of macro-economic uncertainty as well as the impact of climate change. Particular consideration was given to the impact of the Group's RCF facility and $45 million of USPP debt becoming due in the final year of the viability period and the strong prospects of successful refinancing.	The Committee was satisfied that assumptions used were reasonable and it was appropriate to prepare the financial statements on a going concern basis. It was also satisfied that the viability statement was appropriate (see pages 78 to 80).
Carrying value of provisions *See note 20 to the Group financial statements*	The Group holds provisions related to restructuring, properties, warranty claims and tax exposures of £6.2 million. There is inherent judgement involved in assessing the level of provision required. The Committee discussed the key assumptions used in determining these provisions with management and with PwC to assure themselves as to the adequacy and appropriateness of the provisions.	The Committee was satisfied that the judgements exercised were appropriate and that the provisions were fairly stated in the annual accounts.

Area of focus	Audit and Risk Committee review	Conclusions
Alternative performance measures ("APMs") and exceptional items *Further information on APMs can be found on pages 203 to 208 and on exceptional items in note 6 to the Group financial statements*	The Group uses a number of alternative performance measures and draws out certain significant, non-recurring items as exceptional. The selection of APMs and classification of items as exceptional is judgemental. The Committee considered the use of these measures as part of its assessment of whether the Annual Report is fair, balanced and understandable. This included considering whether the APMs are useful to users and present a faithful representation of underlying trading, the consistency of APMs used and their calculation, and the disclosure of reconciliations to GAAP numbers.	The Committee was satisfied that APMs are appropriate and provide useful information to users, changes made to the definitions were appropriate and transparent, and these are clearly reconciled to the nearest GAAP number where appropriate. The Committee considered that the items drawn out as exceptional were in accordance with the Group's accounting policy and disclosures in the financial statements were appropriate.
Carrying value of accounts receivable *See note 14 to the Group financial statements*	IFRS 9 requires the Group to estimate the expected credit loss on receivables, taking into account past experience and expectations about future losses. The expected credit loss rates are a significant estimate made by management. The Committee reviewed the assumptions used by management in determining the expected credit loss rates. This included reviewing the ageing of accounts receivable and historical write-offs, and considering the current and forecast market environment in each of the key markets the Group operates in. Particular consideration was given to the ongoing impact of COVID-19 on expected credit loss risks.	The Committee was satisfied that the expected credit loss rates used were appropriate and the resultant carrying value of trade receivables was reasonable.
Carrying value of inventory *See note 13 to the Group financial statements*	Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Management exercises judgement in assessing net realisable value and provisions required for slow-moving and obsolete inventory. In addition, the Group uses standard costing to value inventory, with a proportion of purchase price and manufacturing variances being capitalised in order to revalue inventory to actual cost. In 2021, as a result of significant cost inflation in the second half of the year, the variances between standard and actual cost are more significant than normal. The allocation of variances to inventory on hand requires some estimation, including the calculation of stock turn. The Committee considered the basis for the provisions made by management for obsolete and slow-moving inventory, which included consideration of the ageing of inventory, assessments of future demand, market conditions and new product development initiatives. The Committee also considered the basis on which the purchase price and manufacturing variances were capitalised into inventory.	The Committee was satisfied that the inventory valuation was consistent with the Group's accounting policy and previous practice and that the resultant valuation was reasonable.
Taxation *See note 8 to the Group financial statements*	Taxation represents a significant cost to Tyman in both cash and accounting terms. The Group is exposed to differing tax regimes and risks which affect both the carrying values of tax balances (including deferred tax) and the resultant income statement charges. There is an element of judgement in the assessment of uncertain tax positions and in the calculation of deferred tax balances together with the associated probability of crystallisation. The Committee reviewed the tax charge for the half-year and the full-year, including the underlying tax effect, the appropriateness of and movement in provisions for uncertain tax positions recognised and the risks associated with them.	The Committee was satisfied that the taxation accounting and disclosures, including provisions for uncertain tax positions are appropriate.

Following discussions with the auditors and considerations set out above, the Committee was satisfied that the financial statements dealt appropriately with each of the areas of significant judgement. PwC also reported to the Committee on any misstatements that they had found in the course of their work and confirmed that no material amounts remained unadjusted.

Risk and control

Key activities of the Committee in the last twelve months

Risk

- Reviewed the risk management framework, the Group's risk philosophy, risk appetite and the principal risks and uncertainties facing the Group, including how those risks evolved during the year.
- Participated in risk management discussions and received presentations on the Group's risk management process and key developments underway or planned for the year ahead.

Going concern and viability

- Reviewed the going concern and viability assessments prepared by management, including key assumptions.
- Reviewed the viability statement and recommendation of approval to the Board.

Internal control and internal audit

- Assessed the effectiveness of Group's systems of internal control and risk management.
- Reviewed the divisional internal control representations.
- Approved the Group Internal Audit Charter.
- Reviewed the key developments in Internal Audit including the IIA Code of Practice.
- Approved the internal audit plan for the year.
- Reviewed the internal audit reports, recommendations and mitigating plans.
- Assessed the effectiveness of internal audit.

The Group's assessment of its principal risks and uncertainties is set out on pages 84 to 91. The key elements of risk management and internal controls are detailed on page 86 of the risk management section of this Annual Report.

Fair, balanced, and understandable assessment

In accordance with the Corporate Governance Code, the Committee reviewed the Annual Report and was able to confirm to the Board that the Committee considered the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.

Risk

During the year, the Committee promoted continuous improvement in the Group's risk management system, which included reviewing the risk management structure and approach, the Group's risk appetite and principal risks and uncertainties facing the Group.

In line with the priorities set out in the 2020 Annual Report, the Committee has considered the Group's cyber and emerging risks.

The Committee confirmed to the Board it had carried out a robust assessment of the principal risks, including emerging risks and developments throughout the year.

Internal control

The Committee receives regular reports throughout the year to assure itself that the Group's internal control systems are robust, including reports from the Chief Financial Officer, Group Financial Controller and the Group Head of Internal Audit and Risk Management. The Committee reviewed the bi-annual representations of compliance with the Group's Accounting Policies and Procedures and considered the impact of exceptions noted on the effectiveness of the Group's internal controls.

The Committee has also monitored updates in corporate governance and financial reporting requirements including those recommendations made by BEIS on corporate reform and concluded that appropriate steps have taken place to position the Group for these changes. During the year, a Group Minimum Standards of Internal Control framework was established, and groupwide training sessions were conducted. These sessions included emphasising the importance of a strong control environment as well as fraud awareness. A more comprehensive controls self-assessment process has been developed in line with this framework and this will be adopted in 2022.

As outlined in the risk management section of this report on pages 84 to 91, risk management is embedded in many aspects of the Group's leadership model where key areas of risk are inherently considered. Key governance mechanisms for the management of risk include the Executive Committee, the Finance Leadership Team, the strategic planning process, budgeting and forecasting and the Business Performance Review ("BPR") process.

The BPR process, which is undertaken every month for each division is chaired by the Group Chief Executive Officer and covers key aspects of strategic, financial, operational and compliance risks. This includes proactive monitoring of key actions from month to month, safety performance, business ethics, legal matters, financial performance, progress on strategic priorities, organisational developments and risk watchlist items. The BPR meetings include a review of organisational capabilities and twice a year include a deep dive into divisional risk management. The key points arising from this process are then reviewed by the Board.

The Committee confirms it has carried out its annual review of the effectiveness of the system of internal control as operated throughout the year ended 31 December 2021 and up to the date of approval of the Annual Report and Accounts. The Committee also confirms that no significant failings or weaknesses were identified from that review.

Internal audit and internal audit effectiveness

Having appointed the Group Head of Internal Audit and Risk Management in 2020, I am pleased to report that good progress has been made in enhancing the Group internal audit and risk management function.

The internal audit function, led by the Group Head of Internal Audit and Risk Management is now well established and has a clear plan in place to further develop an increasingly risk-based internal audit programme.

Throughout the year, the Committee has reviewed progress in relation to the further development of the Group's risk framework including its risk philosophy and appetite, an assessment of risk management maturity and proposals for further enhancing and embedding enterprise risk management. The Committee has also reviewed and approved the ongoing enhancements to the internal audit function and its key activities including the Internal Audit Charter and the status of actions relating to the IIA Code of Practice.

In the context of appointing the Group Head of Internal Audit and Risk Management, the Committee has reviewed the resourcing of the internal audit function more broadly. The Committee has considered the current co-sourcing relationship with BDO, led by the Group Head of Internal Audit and Risk Management. The relationship with BDO has operated well throughout 2021 and a decision not to tender this co-sourcing arrangement was made.

The Group Head of Internal Audit and Risk Management has attended every meeting of the Audit and Risk Committee. He has had ongoing contact with the Audit and Risk Committee throughout the year, including meetings without management being present. The Group Head of Internal Audit and Risk has monthly meetings with the Chair of the Committee and has had access to the Chair of the Board as required.

The 2021 internal audit plan was completed, and the number of audits has increased considerably from 2020 as the impact of COVID-19 and government restrictions eased across the Group. In 2021, there were a number of reviews in the UK, US, Mexico and China and all but one internal audit was completed on-site.

The Committee reviewed the activity of internal audit throughout the year, including progress in delivering the 2021 audit plan, audit reports, completion of audit recommendations and approved the 2022 internal audit plan. The focus of internal audit in the year has been on a range of risk areas and included reviews of key Group policies, financial and IT controls, payroll, and business continuity plans. Regular review and tracking of internal audit recommendations takes place throughout the year, complemented by follow-up audits as appropriate based on risk.

The Audit and Risk Committee reviewed the effectiveness of internal audit for the financial year with input from management and concluded the function had performed well and had been effective in discharging its duties and resources appropriately.

Moving into 2022, the Committee looks forward to supporting the Group Head of Internal Audit and Risk Management in further establishing the Group internal audit function and moving the risk and assurance agenda to the next stage in its development.

External audit

Key activities of the Committee in the last twelve months

- Reviewed and approved PwC's terms of engagement and audit plan, including audit fees, scope, risk assessment and the threshold levels of materiality for the Group financial statements.
- Considered the independence and objectivity of PwC.
- Reviewed PwC's report following completion of the audit and the management representation letter.
- Reviewed the effectiveness and independence of PwC.
- Reviewed and approved the policy on the provision of non-audit services by the external auditors.
- Oversaw the audit tender process, including discussions with management, meetings with tendering firms, review of proposal documents and presentations.
- Recommended to the Board that Deloitte be appointed to succeed PwC as auditors at the 2022 AGM.

The Committee is responsible for managing the relationship with and the performance of the external auditors, which includes making recommendations in respect of the appointment, reappointment and, if necessary, removal of the external auditors.

Appointment of the external auditors

PwC were appointed the Group's auditors in December 2011 and have therefore served as the Group's auditors since the conclusion of the 2012 AGM. Richard Porter has been the Group audit partner since 2017.

In line with the provisions of the CMA Order, during 2021, the Audit and Risk Committee oversaw a formal tender process for external audit services for the financial year ending 31 December 2022 onwards. Following a robust process, the Board appointed Deloitte to succeed PwC and a resolution will be put forward to appoint Deloitte as external auditor at the forthcoming 2022 AGM. The process undertaken to reach this decision has been outlined below. The Committee would like to thank each of the participating firms.

External audit tender process

Expressions of interest

Introductory discussions were held by management with a selection of top 10 audit firms, including the incumbent auditor, to understand their appetite for involvement in the tender process. Management considered various factors including independence, audit quality, geographic coverage, industry experience, FTSE 250 experience and capacity to deliver when determining which firms to invite to tender. Consideration was given to ensuring firms outside the big four had equal opportunity to participate.

Appointment of selection panel

A selection panel was appointed to evaluate the performance of firms and prepare a report and recommendation to the Audit and Risk Committee. The panel was led by the Audit and Risk Committee Chair and members included the Chief Financial Officer and Group Financial Controller.

Proposal documents

An external audit proposal document was received from each of the three participating firms. This was reviewed by the selection panel against the evaluation criteria and requirements set out in the Request For Proposal. A selection panel meeting was held to discuss feedback on the proposal documents and management meetings, with two firms being selected to progress to the oral presentation stage.

Presentation and Q&A

The two shortlisted firms were invited to give an oral presentation and participate in a Q&A session. Each presentation was attended by the selection panel as well as a further member of the Audit and Risk Committee to provide an unbiased view because they had no previous involvement in the process. The presentations for each of the firms were assessed against the evaluation criteria and a feedback session was held to discuss the performance of each firm.

References

At least two references were requested for the Group Partner of each participating firm, and one reference for other senior team members.

Recommendation and Board decision

Based on the assessment of the performance of the firms through the process against the evaluation criteria, the selection panel recommended two firms to the Audit and Risk Committee, with a preference for Deloitte. The Committee unanimously agreed and put this forward to the Board, who endorsed this recommendation.

Objectives and evaluation criteria

The main objectives of the tender process, as well as transparent evaluation criteria with importance weighting against which each firm was to be assessed, were agreed by the selection panel at the planning stage. A scorecard with more detailed questions aligned to the evaluation criteria was also prepared.

The criteria used to evaluate firms throughout the process was as follows:

- Audit quality;
- Audit approach and service;
- Behaviour throughout the proposal process and cultural fit;
- Capability and experience of lead partner and team; and
- Value for money.

Request for Proposal

A formal Request for Proposal was issued to each of the three firms that were formally invited to tender, being two big-four firms and one mid-tier firm. The Request for Proposal included an overview of Tyman plc, details of the planned tender process, the evaluation criteria, a detailed timetable and guidelines for expected content and length of the proposal documents and oral presentations.

Data room

All participating firms were given access to the data room, which included a substantial amount of information to assist firms with the production of their tender proposal. Participating firms were able to request further information, and any additional information requested was provided to all firms to ensure equality in the process.

Management meetings

Firms were given the opportunity to meet with key members of the head office and divisional management and Committee members to allow them to ask questions to ensure they had a deep understanding of the business, risks, controls and processes and priorities, to assist them in preparing their proposal documents. Each member of management was provided with a copy of the scorecard and was asked to provide feedback on the firms following each of the meetings.

Announcement and feedback

Results of the audit tender process were announced following the Board's decision. Detailed feedback was captured and provided to each of the participating firms to explain the decision reached.

Transition

Deloitte has shadowed PwC during the 2021 year end audit. They attended key meetings through the audit process and reviewed management papers on key judgements. Deloitte, during their transition period, will also have full access to both Group and divisional management to assist with any queries they have to facilitate a smooth transition. A review of Deloitte's independence has been completed in advance of the transition and the Committee is satisfied with Deloitte's independence. The Committee will monitor the transition to ensure it is effective.

External audit effectiveness

A key responsibility of the Committee is ensuring the continued effectiveness of the external audit.

The Committee discussed feedback on the audit process with Group management and with PwC during private sessions as well as feedback from the audit tender process and was satisfied there were sound working relationships between the Group's finance teams and the audit team.

Having considered feedback, the robustness and quality of the work performed and the contents of the reports on audit findings the Committee was satisfied that PwC has continued to provide an effective audit.

Auditors' independence and objectivity

The Committee recognises the importance of auditors' independence and receives reports from PwC during the year in respect of their compliance with the fundamental principles of objectivity, integrity and professional behaviour, including independence. PwC has provided their annual independence letter to the Audit ad Risk Committee in March 2022. The Committee reviews the policy on auditors' independence and non-audit services annually and takes into consideration the nature, scope and appropriateness of non-audit services supplied by the external auditors, while taking into account that the provision of certain non-audit services can be most effectively provided by the Group's external auditors.

The policy on auditors' independence and non-audit services was reviewed and approved during the year, with no significant changes made. A copy of this policy may be found at the Group's website.

The Committee was satisfied with the external auditors' independence and objectivity.

Audit and non-audit fees

The Committee regularly reviews the audit fees to ensure these are appropriate to enable an effective and high-quality audit to be conducted. The fee for the 2021 Group audit is £1.0 million (2020: £0.9 million). The increase in the fee is primarily driven by an increase in audit market rates and the impact of additional work required to satisfy new auditing standards. Further information in respect of the audit fee can be found in note 4 to the Group financial statements.

During 2021, non-audit fees paid to PwC were 5.1% (2020: 6.3%) of the annual Group audit fee. This work related entirely to the provision of compliance or regulatory services customarily performed by external auditors, including the interim review which is classed as a non-audit service. Approval of the Audit and Risk Committee is required for all non-audit services.

The Committee is satisfied that the provision of such services does not in any way prejudice the objectivity and independence of the external auditors.

Governance and Committee effectiveness

Key activities of the Committee in the last twelve months

- Reviewed the Committee's terms of reference and agreement of its objectives.
- Reviewed and evaluated the Committee's effectiveness.
- Reviewed and considered the Group's compliance with the UK Corporate Governance Code as well as considering potential developments being considered by BEIS in relation to the recommendations made in the Brydon Report.
- Reviewed compliance with non-financial reporting practices and procedures.
- Reviewed the Group's consolidated Annual Report and Accounts for the financial year ended 2021 and reported to the Board that they were fair, balanced and understandable.
- Recommended that the Board approve the half-year and full-year results announcements.

Governance

The Committee assessed the Group's compliance with the revised UK Corporate Governance Code, which included receiving a report from management outlining how each of the requirements of the Code had been addressed.

The Committee also reviewed the Group's non-financial reporting practices and disclosures and assessed compliance with the s172 requirements. This included review of the sustainability report, stakeholder engagement disclosures and s172(1) statement.

The Committee is satisfied that the Group has complied with the UK Corporate Governance Code 2018 and non-financial reporting regulations.

Committee effectiveness

The Committee effectiveness was included as part of the overall externally-facilitated effectiveness evaluation of the Board and its committees and the Committee was found to be effective. The report on the Board and Committees evaluation can be found on pages 98 and 99.

Audit and Risk Committee priorities for 2022

The priorities for the Committee for 2022 are set out below:

- Planning for and responding to forthcoming changes in corporate governance, financial reporting requirements and audit reform, including consideration of recommendations made by BEIS on corporate reform.
- Review of the groupwide risk management processes, including the principal and emerging risks facing the Group. This will include tracking progress in cyber security risk management.
- Review of the Group's climate change and sustainability related disclosures.
- Provide oversight and support to ensure the successful transition of the external audit from PwC to Deloitte.

The results of the work on these priorities will be reported in the 2022 Annual Report.

On behalf of the Audit and Risk Committee

Helen Clatworthy
Chair, Audit and Risk Committee

3 March 2022

Remuneration report

The Committee is mindful of the Group's commitment to creating value for our wider stakeholder groups."

Paul Withers
Chair, Remuneration Committee

Dear Shareholder

On behalf of the Board, I am delighted to present the report of the Company's Remuneration Committee for the year ended 31 December 2021.

As in previous years, this report is set out in three sections:

- this Annual statement, which summarises the key decisions made by the Remuneration Committee during the year and how they were arrived at;
- our 2021 Remuneration policy, which was approved by shareholders at the 2021 Annual General Meeting ("AGM"); and
- the Annual report on Directors' remuneration, which describes the implementation of our Remuneration Policy in 2021, and how we intend to implement our Policy this year. This section of the report will be put to shareholders, for an advisory vote, at the 2022 AGM (pages 125 to 137).

Changes to the Board and Remuneration Committee composition

David Randich, who is based in the US, joined the Board as a Non-executive Director and became a member of the Remuneration, Nomination and Audit and Risk Committees with effect from 15 December 2021. David's fee is in line with the Policy for Non-executive Directors and includes the payment of an annual travel supplement to reflect the additional time commitment of the intercontinental travel required to fulfil this role.

Performance and reward in 2021

As outlined in the Chair's Statement and Chief Executive Officer's Review on pages 30 to 33, the Group's performance in 2021 was strong against both 2020 and 2019, with good market momentum and share gains delivering growth in spite of well-publicised supply chain challenges, labour constraints and input cost inflation. Highlights included:

- LFL revenue growth of 17% against 2020 and 11% against 2019;
- LFL adjusted operating profit up 16% against 2020 and 11% against 2019;
- Adjusted EPS growth of 18% against 2020 and 17% against 2019;
- ROCE improvement to 14.5% from 12.3% in 2020 and 12.0% in 2019;
- strong market share gains in core International markets and further net customer wins in North America; and
- good progress on our sustainability roadmap, with strong growth in revenue from products that positively impact SDGs in-use, and a reduction in water usage and operational carbon emissions.

The Committee is mindful of the Group's commitment to creating value for our wider stakeholder groups. This commitment has been very evident throughout the COVID-19 pandemic, with efforts to ensure the health and safety of our employees, their families and communities, cancellation of the 2020 management bonus scheme, and voluntary Executive Director salary reductions during 2020. In 2021, good progress has been made with embedding the Group's culture through the deployment of the purpose, values and Code of Business Ethics. The Group became a UK Real Living Wage employer from 1 January 2022 and continues to enhance its stakeholder engagement activities.

The Group's Chief Financial Officer received a 1.5% salary increase for 2021 which was in line with the average increase for the Group's UK, USA and Europe-based employees. The Chief Executive was awarded a 4.5% increase in line with other high performers across the Group, and which represented the first of a planned two-stage increase to reflect her strong performance in role and to start to align her total remuneration more closely with comparable levels for other CEOs of companies of similar scale and complexity to Tyman.

Having cancelled the management bonus scheme in 2020, the Committee reinstated this in 2021. The strong performance in the year delivered adjusted profit before tax in excess of the target performance level. Due to higher than planned working capital as a result of significant cost inflation and the need to protect supply chain resilience in light of current industry-wide challenges, both cash conversion and cash generation were below target, with cash generation slightly above threshold. This resulted in a bonus outturn of 73.3% of maximum and the Executive Directors will consequently receive bonuses of 110.0% of salary for the CEO and 91.7% of salary for the CFO. Further details, including bonus targets and outcomes, are included on page 128.

The vesting period for the LTIP awarded in 2019 ended in 2021. This award was subject to a single performance condition of cumulative three-year adjusted EPS of between 95.0p (25% vesting) and 112.0p (100% vesting) and, for the Executive Directors, included additional discretionary underpins based on three-year relative TSR and 2021 ROCE. While three-year TSR was 53.6%, outperforming the FTSE All-Share and FTSE SmallCap indices over that period, and the Group's target ROCE was achieved for the first time in 2021, actual cumulative underlying EPS for the three years, 2019 to 2021, was 86.76 pence. This was below threshold and consequently the 2019 LTIP will lapse in full. Further details are included on page 128.

Overall, the Committee is satisfied that pay outcomes in respect of the year ended 31 December 2021 are appropriate and accordingly we have not applied any discretion to this year's incentive outcomes.

Implementation of Policy for 2022

Following a consultation with our largest shareholders, we submitted our Remuneration Policy for approval at the 2021 AGM, receiving 90.31% of votes in favour. The Committee was pleased to gain strong support for the changes proposed, which included the commitment to align the CEO's pension contribution to the level available to the wider UK workforce from 1 January 2022, an increase to both the maximum annual bonus and LTIP opportunity for the CEO from 125% to 150% of salary, and the removal of the 200% of salary exceptional award limit under the LTIP. The Committee also set out its intention to align the total remuneration of the CEO more closely with comparable levels for CEOs of companies of similar scale and complexity to Tyman through a phased increase to her salary over the course of two years: a 4.5% increase to £477,500 which took effect from 1 January 2021, and a further increase to £550,000 from 1 January 2022, subject to continued good performance.

The Committee reviewed the appropriateness of the second salary increase in the context of the Group's performance in 2021 and outcomes for our wider stakeholders. Having reflected on the Group's robust performance in the year and the strong leadership Jo has continued to exhibit in delivering the strategy and fostering positive outcomes for the Group's stakeholders, the Committee has unanimously approved implementation of the second planned salary increase with effect from 1 January 2022. The CFO's salary was increased by 4.1%, in line with the UK workforce average.

The CEO will receive cash in lieu of pension of 7% of salary from 1 January 2022, reduced from 15% in line with our Policy. The CFO will continue to receive cash in lieu amounting to 7% of salary. This contribution level is aligned with that available to the wider UK workforce. The maximum bonus opportunity and LTIP award levels will remain at 150% of salary for the CEO and 125% for the CFO. Further details on each element of remuneration, including details of performance measures and targets, are included on page 135.

Closing remarks

The Committee remains committed to keeping under review the appropriateness of the remuneration arrangements for Tyman in the context of its strategy and culture, as well as wider market developments. The Committee looks forward to your continued support at the 2022 AGM, where I will be happy to answer questions or receive feedback on any aspect of the Group's remuneration.

Paul Withers
Chair, Remuneration Committee

3 March 2022

Remuneration policy report

This section sets out the Remuneration policy for Executive and Non-executive Directors that was approved by shareholders at the 2021 AGM, and which shall be effective for a period of up to three years from that date (i.e. until the Group's 2024 AGM). Minor amendments have been made to the drafting of the Remuneration policy report from the version approved by shareholders in 2021 (which can be found in the 2020 Annual Report) including: (i) the data used in the pay-for-performance scenarios; (ii) page references; and (iii) the section on Non-executive Director letters of appointment, to reflect changes in Board composition during 2021.

The 2018 UK Corporate Governance Code sets out principles against which the Committee should determine the Policy for executives. A summary of these principles, and how the proposed Policy reflects these, is set out below:

Principle	Our approach
Clarity	We remain committed to transparent Director pay decisions, with the rationale for decisions, awards and in particular, incentive targets and outcomes, published in detail.
Simplicity	Our Policy consists of fixed remuneration, annual and long-term incentive components only. The share incentive and bonus schemes were designed with simplicity and shareholder preference in mind.
Risk	The combination of reward for short-term business performance (50% deferred into shares for three years) and long-term, sustainable earnings performance and returns ensures the incentives drive the right behaviours for the Group, its shareholders, employees and customers. Formulaic outcomes produced by the performance conditions can be overridden where, in the Committee's opinion, they do not reflect the true performance of the business or individual Directors' contributions. Furthermore, all variable pay awards are subject to malus and clawback provisions.
Predictability	There are defined threshold and maximum pay scenarios, which we have disclosed on page 124.
Proportionality	There is a clear and direct link between Group performance and individual rewards under the annual bonus and LTIP. No variable remuneration is payable for performance below a defined threshold level.
Alignment to culture	The Remuneration Committee has worked hard to formulate a Policy and incentive plans that support a performance culture, driving sustainable growth while also rewarding appropriate short-term business performance, without encouraging excessive risk taking or unsustainable Company performance. Financial and non-financial incentive measures reflect and support business strategy. Our assessment of annual performance considers both what is delivered and how the Executive Directors have delivered it.

Link to strategy	Operation	Maximum opportunity	Metrics
Base salary			
To pay Executive Directors at a level commensurate with their contribution to the Company and appropriately based on skill, experience and performance achieved. The level of salary paid is considered appropriate for motivation and retention of the calibre of executive required to ensure the successful formation and delivery of the Group's strategy and the management of its business in the international environment in which it operates.	Base salary is paid monthly in cash. The Executive Directors' salaries are set having regard to typical pay levels at companies of a similar size, internationality and complexity. Salaries are normally reviewed annually and are typically effective from 1 January each year. When reviewing salaries, the Committee considers all relevant factors including: • prevailing market and economic conditions; • scope and responsibilities of the role; • the level of increase for other roles within the business; and • Company and individual performance.	There is no prescribed maximum salary. Salary increases will normally be broadly in line with the general annual salary increase received by Group employees in the relevant Director's country of residence. The Committee retains the discretion to award larger increases, for example, to reflect a change in role, development and performance of a Director or reflect an increase in complexity of the Group.	While there are no performance targets attached to the payment of salary, Company and individual performance are factors considered in the salary review process.
Benefits			
To provide a range of market competitive benefits to facilitate the recruitment of high calibre individuals and encourage their retention.	Executive Directors are eligible for a range of benefits that may include: • life assurance cover; • critical illness cover; • private medical and dental cover; • car allowance; and • professional tax and financial advice. Additional benefits may also be provided in certain circumstances which may include relocation and associated expenses. Other benefits may be offered if considered appropriate, reasonable and necessary by the Committee and any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit). Executive Directors are eligible for other benefits introduced for the wider workforce on broadly similar terms.	No overall maximum level has been set since some costs may change in accordance with market conditions. Benefits are reviewed by the Committee on an annual basis and set at an appropriate market rate.	No performance metrics apply.

Link to strategy	Operation	Maximum opportunity	Metrics
Pension			
To provide a market-competitive benefit for retirement, to facilitate the recruitment of high calibre individuals and encourage their retention.	Executive Directors are eligible to participate in the relevant pension arrangements offered by the Group or to receive a cash salary supplement in lieu of pension entitlement. The Committee may amend the form of any Executive Director's pension arrangements in response to changes in legislation or similar developments, provided that the amendment does not materially increase the cost to the Company of the pension provision.	The maximum pension allowance for the current Chief Executive is 15% of base salary. This will be aligned with the majority of the wider workforce with effect from 1 January 2022. For all other and any new Executive Directors, the maximum pension contribution/allowance will be in line with the majority of the wider workforce. Currently, this is 7% of base salary.	No performance metrics apply.
Annual bonus			
To incentivise and reward achievement of annual goals consistent with the strategic direction of the business. To create further alignment with shareholders' interests via the delivery and retention of deferred equity.	Rewards annual performance against targets set and assessed by the Committee. Any bonus payable under the annual bonus scheme is paid 50% in cash and 50% in shares deferred for three years under the DSBP and is not pensionable. Dividend equivalents may accrue on deferred bonus during the deferral period, at the Committee's discretion on vested deferred bonus shares at the time of vesting. Three-year recovery and withholding provisions apply. The Committee has discretion to override formulaic outcomes (under both financial and non-financial metrics) if deemed appropriate.	The maximum annual bonus opportunity for the Executive Directors is 150% of salary.	Performance metrics are selected annually based on the objectives of the business at the time, with the majority of the bonus linked to financial metrics. Annual financial performance targets have historically been focused on profit and cash generation metrics. Performance below threshold results in zero payment. Payments normally rise from 0% to 100% of the maximum opportunity for performance between the threshold and maximum targets.

Link to strategy	Operation	Maximum opportunity	Metrics
Long Term Incentive Plan			
To align the interests of senior executives to those of shareholders in developing the long-term growth of the business and execution and delivery of the Group's strategy. To facilitate share ownership.	Consists of awards of shares that vest subject to the achievement of performance conditions. Participation and individual award levels will be determined at the discretion of the Committee and within the approved limits of the policy. The Committee reviews the LTIP performance measures in advance of each grant to ensure their ongoing appropriateness and, where material changes to performance measures are proposed, it consults with shareholders. Awards made under the LTIP are non-pensionable and will normally require Executive Directors to retain any awards that vest, net of tax, (whether held as shares or options) for a minimum of two further years from the date of vesting. Three-year recovery and withholding provisions apply. Dividend equivalents may accrue during the performance period to the extent that awards vest. The Committee has discretion to override formulaic outcomes (under both financial and non-financial metrics) if deemed appropriate.	150% of salary.	Awards are subject to the achievement of defined targets measured over three financial years, starting at the beginning of the financial year in which the award is made. In respect of each performance measure, performance below threshold results in zero vesting. The starting point for the vesting of each performance element will be no higher than 25% of the maximum opportunity and will rise in a straight-line basis to 100% of maximum opportunity for attainment of levels of performance between threshold and maximum. Awards will be granted subject to performance conditions that measure the long-term success of the Company. The Committee may introduce or reweight performance measures so that they are directly aligned with the Company's strategic objectives for each performance period.

Link to strategy	Operation	Maximum opportunity	Metrics
Shareholding requirements			
To motivate and reward the creation of long-term shareholder value. To ensure alignment with shareholders' interests.	Executive Directors are required to retain a minimum shareholding equivalent to 200% of basic salary, normally to be achieved within five years of appointment. Executive Directors are required to retain at least 50% of shares vesting (after any disposals necessary to pay associated tax charges) or such higher percentage (as the Committee may determine in light of the extent to which the holding requirement has been met) under both the Deferred Share Bonus Plan and the LTIP until the minimum shareholding is reached.		No performance metrics apply.
Post-employment shareholding requirement			
To further strengthen alignment with shareholders' interests in the long term.	Executive Directors are required to retain a minimum number of shares for two years post-employment equivalent to the lower of 100% of basic salary or the actual shareholding at the time of departure. This is enforced by having such shares deposited in accounts that require the Company's approval for their release. Shares purchased by Executive Directors and shares under any buy-out awards are not included for the purpose of post-employment shareholding.		No performance metrics apply.

Link to strategy	Operation	Maximum opportunity	Metrics
Chair and Non-executive Director fees			
To attract and retain high calibre Non-executive Directors.	Non-executive Director fees are set by the Board. Fees are normally reviewed annually, but not necessarily increased. Reviews take into account the time commitment, responsibilities and fees paid by companies of a similar size and complexity. Fee increases, if applicable, for Non-executive Directors, take effect from 1 January. Additional fees may be paid to Chairs of Board Committees, to the Senior Independent Director and to the Non-executive Director designated as being responsible for employee engagement. If there is a temporary yet material increase in the time commitments for Non-executive Directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload. No eligibility to receive bonuses or retirement benefits or to participate in the Group's long-term incentive plans or employee share plans. Any reasonable business related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit). This may include a travel allowance to reflect the additional time commitment of intercontinental travel required of the Non-executive Directors, based on their home location and the location of the Board meeting.	Aggregate annual fees to Directors are limited to £500,000 under the Company's Articles of Association.	No performance metrics apply.

Notes to the Remuneration policy table

1. Recovery and withholding provisions may be applied to LTIP and DSBP awards in the circumstances of a material misstatement, gross misconduct, or a material misjudgement of the performance of the Company.
2. For the avoidance of doubt, by approval of the policy, authority has been given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous Directors' remuneration reports. Details of any payments to former Directors, where required by relevant regulations, will be set out in the Annual report on remuneration as they arise.
3. The Remuneration Committee retains discretion over the operation of certain elements of pay, particularly variable pay. This includes the overriding discretion to adjust either the annual bonus or LTIP if the formulaic outcome is not considered to be reflective of Company performance. In addition, the Committee may adjust elements of the plan including, but not limited to:
    - participation;
    - the timing of the grant and/or payment;
    - the size of an award (up to plan limits) and/or payment;
    - discretion relating to the measurement of performance in the event of a change of control;
    - determination of a good leaver for incentive plan purposes;
    - adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);
    - in certain circumstances to grant and/or settle bonus or LTIP awards in cash. In practice, this will only be used in exceptional circumstances for Executive Directors;
    - revise any formulaic outcomes of bonus and LTIP awards downwards or upwards in the event that an exceptional negative or positive event occurs during the bonus year in question. However, in practice, the Committee would not normally expect to revise any formulaic outcomes upwards; and
    - the ability to recognise exceptional events within the existing performance conditions.
4. Annual bonus performance metrics are determined at the start of each year based on the key business priorities for the year. The majority will be based on clear financial targets that may include, but are not limited to, profit and cash generation as, when combined, these are often strong indicators of sustainable growth.
5. LTIP performance metrics are determined at the time of grant. Performance measures may include measures of profitability (such as EPS), measures of capital allocation discipline (such as ROCE), measures linked to other strategic priorities (such as ESG) and other measures of long-term success (such as relative TSR). These measures align with the Company's goal of value creation for shareholders through financial growth and above market returns. Performance against targets may also be subject to appropriate discretionary underpins.

Executive Directors' service agreements and exit payment policy

The service agreements of the Executive Directors provide for a notice period of no more than twelve months from either party. On termination of their contract by Tyman, and during the period of notice, Executive Directors would be eligible to be paid their salary, pension contributions and other employment benefits (but not annual bonus or grants under long-term incentive plans) until the earlier of the end of the notice period or the Director obtaining full-time employment, with an obligation on the part of the Director to mitigate.

Payments will normally be made monthly, although the Committee retains discretion to agree settlement terms. These may include a pro rata bonus in respect of the period worked by the Executive Director up until the date of termination. Bonuses in the final year of employment may also be settled in cash. The Committee may pay reasonable outplacement and legal fees where considered appropriate. The Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

Executive Directors who are categorised as 'good leavers' by the Committee will generally be eligible to receive outstanding awards under the Executive Share Plans as they vest in future years. Awards that vest under the LTIP post-employment will normally be prorated to reflect the fact that the Executive Director was not employed for the entire period under measurement. For LTIP awards made after the 2014 AGM, the Committee retains discretion to waive the post-vesting holding period requirement for good leavers depending on circumstances. Similar provisions apply in the event of a change of control.

In the event that an Executive Director is dismissed for reasons constituting gross misconduct, all unvested awards under Executive Share Plans lapse and the Committee retains no discretion in this regard.

Non-executive Directors' letters of appointment and shareholding guidelines

The Chair and Non-executive Directors do not have service agreements but the terms of their appointment, including the time commitment expected, are recorded in letters of appointment. Non-executive Directors are employed for terms of three years' duration, terminable on a month's notice by the Company or the Director. All Non-executive Directors are required to undertake that they will submit themselves for re-election at each Annual General Meeting occurring during their term of office and no Non-executive Director will serve more than three terms of three years without prior shareholder approval.

Non-executive Directors do not have a minimum shareholding requirement; however, they are expected to acquire and retain a shareholding in the Group for the duration of their appointment.

Other policies

Recruitment of Executive Directors

The Committee's general policy on recruitment is that the structure of remuneration for new Executive Directors should be in line with the Policy in force at that time, with base salary set taking into account a range of factors, including the salary for the incumbent and the candidate's relative experience in role. The Committee may agree that the Company will meet certain relocation and associated expenses of a new Executive Director, subject to circumstances.

For a new Executive Director their annual bonus framework and LTIP awards will be in line with the limits set out in the Remuneration policy table. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors for the first year of appointment. An LTIP award can be made shortly following an appointment (assuming the Company is not in a Closed Period).

Where individuals are promoted to the Board from within the Group, their existing share grants or awards will be allowed to pay out on their original terms.

In certain circumstances, and in order to secure the services of an outstanding candidate, it may be necessary to make an award to a new Executive Director to buy out unvested performance plan share or cash awards forfeited on leaving their previous employment. Any such awards would be subject to independent confirmation of the existence, forfeiture on departure and probability of these historical awards vesting had the new Executive Director remained in post. In doing so, the Committee will seek to do no more than match the fair value of the awards forfeited, taking account of performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. Such awards may be made using existing arrangements or using the flexibility provided by the Listing Rules to make awards without prior shareholder approval.

Any such awards would be made in cash or in shares in Tyman plc, and may be subject to performance conditions attached to Tyman.

Appointment of Non-executive Directors

New Non-executive Directors appointed to the Board will be paid in line with the fee rates applicable at that time. The Committee will review the fee for a new Chairman on appointment, taking into account a range of factors, including the fee for the incumbent and the candidate's relative experience in role. All Non-executive Director appointments will be subject to the same provisions concerning annual re-election and shareholdings as the then current Non-executive Directors.

Policy on external appointments

Executive Directors are allowed to accept external appointments as Non-executive Directors. In respect of quoted companies, this is limited to one other quoted company, subject to Board approval, provided that these are not with competing companies and are not likely to lead to conflicts of interest. Executive Directors would normally be allowed to retain the fees paid from these appointments. Executive Directors may not serve as the Non-executive Chair of another quoted company.

Other share plans

The Executive Directors may participate in any all-employee share plans on the same basis as other employees in their country of residence. The maximum level of participation is subject to the limits imposed by HMRC (or a lower cap set by the Company).

Employment conditions elsewhere in the Group

The Remuneration policy for Executive Directors is consistent with that for other employees save lower levels of incentive opportunity based on seniority and market norms. All senior management employees of the Group participate in bonus arrangements, with all permanent UK, US and other international employees eligible to participate in one or more share schemes. Employees in certain other jurisdictions are also eligible to participate in all-employee share plans. Although the Committee does not consult directly with employees on the Directors' remuneration policy, the Committee considers any feedback gathered by management or the designated NED as well as the general basic salary increase, remuneration arrangements and employment conditions for the broader employee population when determining remuneration policy for the Executive Directors.

Consultation with shareholders and shareholder bodies

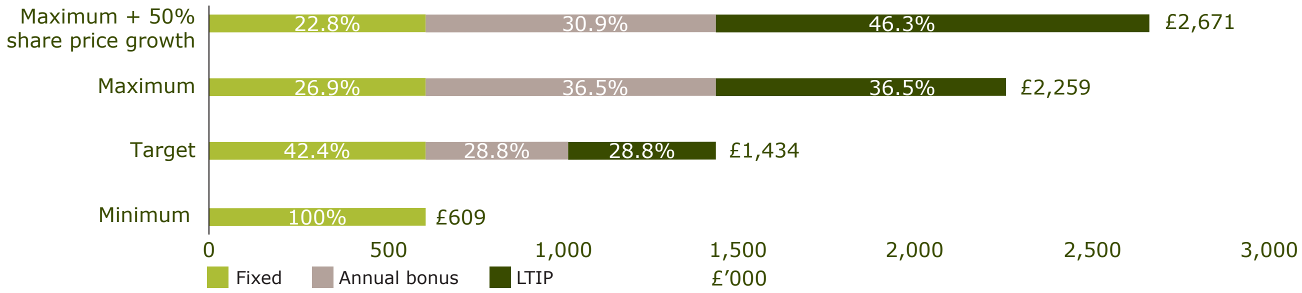
The Committee is committed to regular engagement with shareholders and governance bodies. In advance of implementing any material future changes to the Executive Directors' remuneration, the Committee would normally engage in consultation with shareholders.

All Committee members attend the Annual General Meeting and may also be contacted through the Group's registered office or via email to the Group's Secretariat (cosec@tymanplc.com) to answer any questions shareholders or shareholder bodies may have in relation to the Group's remuneration policy.

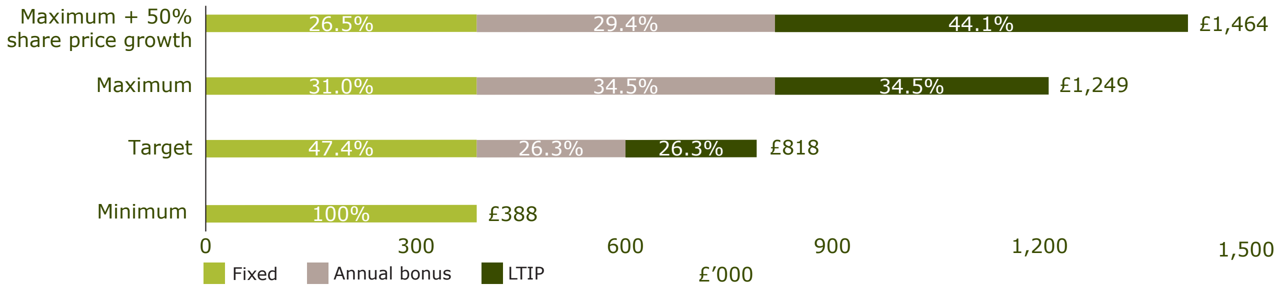
Illustrative performance scenarios

The table below sets out performance scenarios for each Executive Director, for the financial year 2022, showing an indication of the level of remuneration that would be received at minimum, on-target and maximum performance.

Chief Executive Officer



Chief Financial Officer



The above charts provide an illustration of the proportion of total remuneration made up of each component of the remuneration and the value of each component. These assumptions are shown for illustration purposes only.

Four scenarios have been illustrated for each Executive Director:

Minimum performance	Fixed remuneration No annual bonus No vesting of LTIP awards
On-target performance	Fixed remuneration 50% annual bonus payout (CEO: 75.0% of salary, CFO: 62.5% of salary) 50% of LTIP awards vest (CEO: 75.0% of salary, CFO: 62.5% of salary)
Maximum performance	Fixed remuneration 100% annual bonus payout (CEO: 150% of salary, CFO: 125% of salary) 100% of LTIP awards vest (CEO: 150% of salary, CFO: 125% of salary)
Maximum + 50% share price growth	Fixed remuneration 100% annual bonus payout (CEO: 150% of salary, CFO: 125% of salary) 100% of LTIP awards vest (CEO: 150% of salary, CFO: 125% of salary) and 50% share price growth applied to the LTIP award

The fixed pay element is based on the following elements:

- Base salary is the base salary effective for Jo Hallas and Jason Ashton for the year ending 31 December 2022, as set out on page 135.
- Benefits are the annualised value of benefits paid in the year ended 31 December 2021, as set out in the table of Directors' remuneration on page 127.
- Cash contribution in lieu of pension of 7% of base salary.

Annual report on Directors' remuneration

The Annual report on Directors' remuneration set out below (together with the Remuneration Committee Chair's annual statement) will be put to a single advisory shareholder vote at the 2022 AGM. This report sets out the pay outcomes in respect of the 2021 financial year and explains how the Committee intends to operate in 2022 the Remuneration policy that was approved by shareholders at the 2021 AGM. The information from the single figures of total remuneration for Directors on page 127 to the end of the section on payments to past Directors on page 131 has been audited. The remainder of the Annual report on Directors' remuneration is unaudited.

Role of the Remuneration Committee

The Remuneration Committee is responsible for setting and implementing the Remuneration policy for the Executive Directors and the Company's Chair.

In addition, the Committee considers the remuneration arrangements for all senior executives in the Group and other relevant senior managers. This ensures a consistent application of Remuneration policy across the Group and aligns all senior managers' remuneration to the Group's strategic objectives. Remuneration received reflects the contribution made by senior executives to the business, the performance of the Group, the size and complexity of the Group's operations and the need to attract, retain and incentivise executives of the highest quality.

Committee membership

The members of the Committee during the year ended 31 December 2021 were as follows:

Remuneration Committee member	Appointed to the Committee
Paul Withers (Chair)	February 2020 (Chair since end of March 2020)
Nicky Hartery	October 2020
Pamela Bingham	January 2018
Helen Clatworthy	January 2017
David Randich[1]	December 2021

1 David Randich was appointed to the Committee when he joined the Board as a Non-executive Director on 15 December 2021.

All members of the Committee are Independent Non-executive Directors. The Chief Executive attends meetings at the invitation of the Committee Chair. Other individuals such as external advisers may be invited to attend all or part of any meeting, as and when appropriate and necessary. None of these individuals were present or participated in any discussion in respect of their own remuneration.

The Committee held four meetings during the year to coincide with the Company's reporting cycle, including the approval of the Annual report, and the management of the Executive Directors' remuneration and incentive plans. The meetings (members' attendance at which is summarised on page 97) were conducted using secure online meeting technology when it was not possible to meet in person due to the ongoing pandemic.

The Committee operates under terms of reference approved by the Board. The terms of reference were reviewed by the Committee during the year to ensure they: remained relevant for the aims of the Committee; continued to meet the requirements of the business, the Group's shareholders and other stakeholders; and reflected changes in corporate governance best practice. The terms of reference may be found on the Group website.

Committee activities during the year

The Committee considered the following matters during the past twelve months:

Salaries and fees	• Reviewed and approved the base salaries to be paid to the Executive Directors and senior managers from 1 January 2022, taking account of pay award trends across the Group. This included a detailed assessment of the performance context for the second stage of the phased increase in the CEO's base salary proposed to shareholders last year
Bonus	• Approved the structure of the 2021 bonus for the Executive Directors and senior managers. • Following the end of the year, reviewed and approved payouts under the 2021 bonus.
Share plans	• Approved the proposed participant list, award opportunities and targets for the 2021 LTIP. • Following the end of the year, reviewed and approved the vesting outcome of the 2019 LTIP. • Approved the terms of the UK, US and International Employee Sharesave plans.
Remuneration Policy	• Finalised the proposed Remuneration Policy that was submitted to shareholders, and received 90.31% support, at the 2021 AGM.
Governance	• Ensured the Group complied with gender pay gap and CEO pay ratio reporting requirements. • Reviewed changes to the Committee's terms of reference, in line with the Code. • Assessed the Committee's performance and monitored progress against its set objectives. • Following the end of the year, reviewed and approved this 2021 Remuneration report.

Stakeholder engagement

Ahead of the 2021 AGM (and as reported in last year's Remuneration report), the Committee consulted with Tyman's largest shareholders on the proposed revisions to the Policy and the two-stage implementation of this (in 2021 and 2022). The Committee welcomed the broad indications of support for its proposals and the >90% level of support for the resolution at the AGM. The Committee noted the feedback from some shareholders about disclosing fully the Committee's decision-making process in the event that it considered it appropriate to approve the second stage of the salary increase for the CEO; and we hope that we have addressed this expectation appropriately on page 115.

At the time of implementing the revised LTIP and annual bonus structures for 2021, webinars were organised with our HR leadership teams and scheme participants, to discuss the changes and intended operation of these schemes, including the behaviours that they sought to incentivise. Through this two-way dialogue, we also received positive feedback on the LTIP structure and the excitement and empowerment to drive outcomes that participation in the Plan creates. Further, the Board Director with responsibility for workforce engagement also remained available to the workforce throughout the year, and in the Board's opinion continues to provide an effective conduit for direct engagement with the workforce about a range of issues, including remuneration.

External advisers

During 2021, the Committee was advised by Ellason LLP. As described in last year's report, Ellason was appointed as the independent remuneration adviser to the Committee, effective 1 January 2021.

Total fees for Ellason's advice provided to the Committee during the year were £35,801, excluding VAT (and charged on a time and materials basis). Ellason provided advice to the Committee on all aspects of its agenda during the year, including incentive design, target setting, benchmarking and aspects of remuneration governance. Ellason reports to the Chair of the Committee and provides no other service to the Group during the year. As such, Ellason is considered by the Committee to remain independent. Ellason is a signatory of the Remuneration Consultants Group Code of Conduct and any advice received is governed by that Code which sets out guidelines to ensure that advice provided is independent and free of undue influence.

Remuneration outcomes for 2021

Single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 December 2020 and 2021:

	Year ended 31 December	Salary/ fees[1] £'000	Benefits[4] £'000	Annual bonus: cash[2] £'000	Annual bonus: deferred[2] £'000	Vested LTIP awards £'000	Cash Payments in lieu of pension[3] £'000	Other £'000	Total remun-eration £'000	Total fixed £'000	Total variable £'000
Executive Directors											
Jo Hallas	**2021**	**478**	**20**	**262**	**262**	–	**72**	–	**1,094**	**570**	**524**
	2020	419	20	–	–	–	63	–	502	502	–
Jason Ashton	**2021**	**331**	**19**	**152**	**152**	–	**23**	–	**677**	**373**	**304**
	2020	299	19	–	–	–	21	–	339	339	–
Non-executive Directors											
Nicky Hartery[5]	**2021**	**193**	–		–	–	–	–	**193**	**193**	–
	2020	24	–		–	–	–	–	24	24	–
Paul Withers[6]	**2021**	**68**	–		–	–	–	–	**68**	**68**	–
	2020	52	–		–	–	–	–	52	52	–
Pamela Bingham	**2021**	**56**	–		–	–	–	–	**56**	**56**	–
	2020	49	–		–	–	–	–	49	49	–
Helen Clatworthy[7]	**2021**	**57**	–		–	–	–	–	**57**	**57**	–
	2020	56	–		–	–	–	–	56	56	–
David Randich[8]	**2021**	**3**	–		–	–	–	–	**3**	**3**	–
	2020	–	–		–	–	–	–	–	–	–

1 Executive and Non-executive Directors who were in a role from April 2020 to July 2020 volunteered a salary/fees reduction of 25% for that period as a response to COVID-19. The 2020 figures in the table show the reduced basic annual salaries and fees received in that year.

2 All bonuses for 2020 were cancelled as agreed by the Board as a response to COVID-19. Deferred bonuses are not subject to further performance or service conditions.

3 Jo Hallas and Jason Ashton received cash in lieu of pension amounting to 15% and 7% of earned base salary, respectively. The Executive Directors are not members of any of the Group pension schemes.

4 The benefits provided to the Executive Directors included car allowance, private medical insurance, permanent health insurance and life assurance. There were no changes to the benefit policies or levels during the year.

5 Nicky Hartery was appointed to the Board on 1 October 2020.

6 Paul Withers was appointed to the Board on 1 February 2020.

7 Due to an administrative error, Helen Clatworthy received an overpayment of fees in 2020. Her fee for 2021 reflects the deduction made to correct this in early 2021.

8 David Randich was appointed to the Board on 15 December 2021. His fee in 2021 includes a travel supplement (of £15,000 per annum, pro-rated for 2021).

Determination of the 2021 Group Bonus Plan

The maximum bonus opportunities for Executive Directors in respect of the 2021 financial year were 150% of base salary for the Chief Executive Officer, and 125% of base salary for the Chief Financial Officer. Of any amounts payable, 50% is paid in cash and 50% is deferred in shares, which vest after three years. For 2021, the Executive Directors' bonus was based 100% on financial metrics. The outcome of the 2021 bonus, alongside the performance targets set, is shown below:

Measure	Threshold 0%	Target 50%	Exceeds 100%	Performance achieved	Payout as % of maximum[2]
Profit[1] growth over prior year (25% weighting)	£68.4m	£71.8m	£75.2m	£81.5m	25.0
Profit performance versus target (45% weighting)[3]	£65.4m	£70.2m	£77.2m	£81.5m	45.0
Cash conversion of operating profit (15% weighting)	75%	85%	95%	64%	0.0
Cash generation versus target (15% weighting)[4]	£63.4m	£70.5m	£77.5m	£66.6m	3.3
Total bonus achieved					73.3

1 Profit is defined as Adjusted Profit before Tax

2 Calculation is performed on the basis of targets and performance in £'000 rounded to one decimal percentage place.

3 Profit performance versus target is measured on a constant currency basis.

4 Cash generation targets for the Group exclude the investment impact of major projects. The Group recorded an Operational Cash Flow in the year of £57.9 million and the investment impact of major projects in the year was £8.6 million.

DSBP awards granted during the year

As a result of the cancellation of the management bonus scheme in 2020, no DSBP awards were granted during 2021.

LTIP awards vesting in March 2022

LTIP awards were made to the Chief Executive Officer and Chief Financial Officer on 18 March 2019 and 14 May 2019 respectively, subject to performance measured over three years ended 31 December 2021. Awards were measured against targets outlined below dependent upon the Company's three-year cumulative adjusted EPS, and subject to a discretionary underpin based on, inter alia, relative TSR over the period 2019–2021, and reported ROCE performance in 2021 of not less than 15% (calculated on a 2018 GAAP basis).

EPS targets (100% weighting)	Cumulative EPS target over the three years ending December 2021[1]
Threshold – 25% of award	95.0p
Maximum – 100% of award	112.0p

1 Straight-line vesting between these points. No award is made if performance is below threshold.

Performance year	Earnings per share
2019	27.46p
2020	27.20p
2021	32.10p
Adjusted cumulative EPS	86.76p

As the adjusted cumulative EPS of 86.76p was less than the threshold of 95.0p, the LTIP awards lapsed in full.

Details of the Directors' awards which lapsed are shown below:

Director	Date of award	Normal vesting date[1]	Number of shares under award	Number of shares vested	Number of shares lapsed	Estimated award value on vesting
Jo Hallas	18 March 2019	March 2022	225,038	–	225,038	£nil
Jason Ashton	14 May 2019	May 2022	155,912	–	155,912	£nil

[1] The awards are subject to a two-year holding period after vesting.

LTIP awards granted during the financial year

LTIP awards were granted to both Executive Directors on 21 May 2021, with face values of 150% of salary for the Chief Executive Officer and 125% of salary for the Chief Financial Officer.

Director	Award scheme	Date of award	Normal vesting date[1]	Number of shares awarded	Face value of award £'000	Share price[2]	Share award receivable at lower threshold
Jo Hallas	LTIP – nil cost options	21 May 2021	May 2024	205,111	716	£3.4920	51,277
Jason Ashton	LTIP – nil cost options	21 May 2021	May 2024	118,445	414	£3.4920	29,611

[1] The awards are subject to a two-year holding period after vesting.

[2] Calculated by reference to the 5-day average closing price prior to the date that shares were awarded to all other eligible employees (five trading days ended 11 March 2021) of £3.4920 (as stated on page 119 of the 2020 Annual Report, to support alignment of interests across the LTIP population).

Vesting of the 2021 awards is based on four measures over a three-year period commencing 1 January 2021. Any awards vesting for performance will be subject to an additional two-year holding period, during which time clawback provisions will apply.

Performance will be measured against the targets as set out below:

Measure	Weighting	Basis of measurement	Threshold (25% vesting)	Stretch (100% vesting)
Adjusted EPS	40%	3-year CAGR to 2023	4.5% p.a.	12.0% p.a.
ROCE	25%	2023 outturn	13.0%	14.2%
Relative TSR	20%	Ranking vs constituents of the FTSE250 Index (xIT)	Median	Upper quartile
ESG	15%			
– Safety	*Four categories weighted equally*	2023 TRIR[1]	5.5	4.0
– Environment		2023 TCO_2e per £m revenue[2]	64.0	48.0
– Impact		2023 sustainable product revenues[3]	17%	20%
– Culture		Employee engagement	Based on a qualitative assessment of improvement by the Workforce Engagement NED, taking into account factors such as eNPS[4], ethics training and incidents, diversity and inclusion, and talent development.	

[1] Total Recordable Incident Rate. Aligns with Tyman's stated ambition to achieve a TRIR of <3.0 by 2026.

[2] Tonnes of carbon dioxide equivalents per £m revenue is a measure of operation carbon emissions. Aligns with Tyman's stated ambition to achieve a 50% reduction by 2026 (relative to a 2019 baseline).

[3] Reflects the % of total revenues that meet the UN Sustainable Development Goals (SDGs) in use.

[4] Employee Net Promoter Score.

For performance between Threshold and Stretch, the % vesting increases on a straight-line sliding scale.

GOVERNANCE

Directors' interests in shares

The interests of each person who was a Director of the Company as at 31 December 2021 (together with interests held by his or her connected persons) were:

Director	Shares				Options		% of salary required (2021)[2]	% of salary achieved[3]	2020 guidelines met?
	Owned outright or vested		Unvested and not subject to performance conditions	Unvested and subject to performance conditions	Vested but not exercised	Unvested and not subject to performance conditions			
	31 December 2021[1]	31 December 2020							
Nicky Hartery	100,000	100,000	–	–	–	–	–	–	–
Jo Hallas	249,597	161,454	29,740	634,502	–	10,793	200%	209%	Yes
Jason Ashton	27,351	27,351	17,155	420,389	–	10,793	200%	33%	Building
Paul Withers	50,000	50,000	–	–	–	–	–	–	–
Pamela Bingham	3,928	3,928	–	–	–	–	–	–	–
Helen Clatworthy	15,000	15,000							
David Randich	–	n/a	–	–	–	–	–	–	–

[1] From 31 December 2021 to 3 March 2022 there were no changes to the above stated interests.

[2] Annualised base salary as at 31 December 2021.

[3] Based on the closing price of Tyman plc ordinary shares of £3.995 on 31 December 2021, and Executive Directors' beneficial shareholdings at that date (i.e. shares owned outright or vested).

Directors' interests in shares under all share plans (LTIP, share awards issued under Listing Rule 9.4.4(2), DSBP and SAYE) (audited)

Award scheme	Award date	Shares over which awards held at 1 Jan 2021	granted during the year	vested during the year[1]	lapsed/cancelled during the year	held at 31 Dec 2021	Exercise price	Earliest vesting date[2]
Jo Hallas								
LTIP	18/03/19	225,038	–	–	–	**225,038**		Mar 2022
LR 9.4.2(2) awards[3]	01/04/19	156,814	–	156,814	–	**–**		Apr 2021
LTIP[4]	25/03/20	204,353	–	–	–	**204,353**		Mar 2023
LTIP[4]	21/05/21	–	205,111	–	–	**205,111**		May 2024
DSBP	11/03/20	29,740	–	–	–	**29,740**		Mar 2023
UK ESPP	30/09/19	4,066	–	–	–	**4,066**	£1.7706	Nov 2022
UK ESPP	30/09/20	6,727	–	–	–	**6,727**	£1.6054	Nov 2023
Jason Ashton								
LTIP	14/05/19	155,912	–	–	–	**155,912**		May 2022
LTIP[4]	25/03/20	146,032	–	–	–	**146,032**		Mar 2023
LTIP[4]	21/05/21	–	118,445	–	–	**118,445**		May 2024
DSBP	11/03/20	17,155	–	–	–	**17,155**		Mar 2023
UK ESPP	30/09/19	4,066	–	–	–	**4,066**	£1.7706	Nov 2022
UK ESPP	30/09/20	6,727	–	–	–	**6,727**	£1.6054	Nov 2023

[1] LTIPs are subject to a mandatory two-year holding period, upon vesting, after the sale of the necessary number of shares to cover tax and national insurance payments.

[2] All awards lapse ten years from the date of grant.

[3] These one-off awards of nil cost options were granted under the exemption to the requirement for prior shareholder approval, to which Listing Rule 9.4.2(2) applies and were made to facilitate recruitment and to compensate for loss of certain benefits and share awards from Jo Hallas' previous employment, which were forfeited.

[4] Details of qualifying performance conditions in relation to outstanding LTIP awards are summarised below.

March 2020 LTIP

Measure	EPS (50% of an award)	ROCE (50% of an award)
Performance measurement basis	FY22 adjusted EPS	FY22 ROCE
25% (threshold) vesting	31.33p	13.0%
100% vesting	38.57p	14.2%
Between 25% and 100% vesting	Straight line sliding scale	Straight line sliding scale
Underpin	Discretionary; relative TSR	Discretionary; relative TSR

Details of the 2021 LTIP performance conditions are set on page 129.

Payments for loss of office

There were no payments for loss of office made to past Directors during the year.

Payments to past Directors

There were no cash payments to past Directors during the year.

In line with the leaver treatment outlined in the 2019 Annual Report, James Brotherton's retained interest in 23,178 shares (including dividend equivalents) under the 2018 DSBP vested in March 2021.

In line with the leaver treatment outlined in the 2019 Annual Report, Louis Eperjesi's retained interest in 37,554 shares (including dividend equivalents) under the 2018 DSBP vested in March 2021.

On 12 March 2021, which was the date of vesting, based on the closing share price that day of £3.58, Louis's retained interest was valued at £134,443.32 while James's was £82,977.24.

Service contracts

Service contracts were entered into between the Company and the Executive Directors as follows:

Director	Commencement date	Notice period in months
Jo Hallas	1 April 2019	Twelve
Jason Ashton	9 May 2019	Twelve

Details of the letters of appointment of the Non-executives are shown below:

Non-executive Director	Commencement date	Notice period in months	Commencement date	Notice period in months
Nicky Hartery	1 October 2020	1 October 2020	1 October 2023	One
Paul Withers	1 February 2020	1 February 2020	1 February 2023	One
Pamela Bingham	18 January 2018	18 January 2021	18 January 2024	One
Helen Clatworthy	9 January 2017	9 January 2020	9 January 2023	One
David Randich	15 December 2021	15 December 2021	15 December 2024	One

Copies of service contracts and letters of appointment are available to view at the Company's registered office.

External appointments of Executive Directors

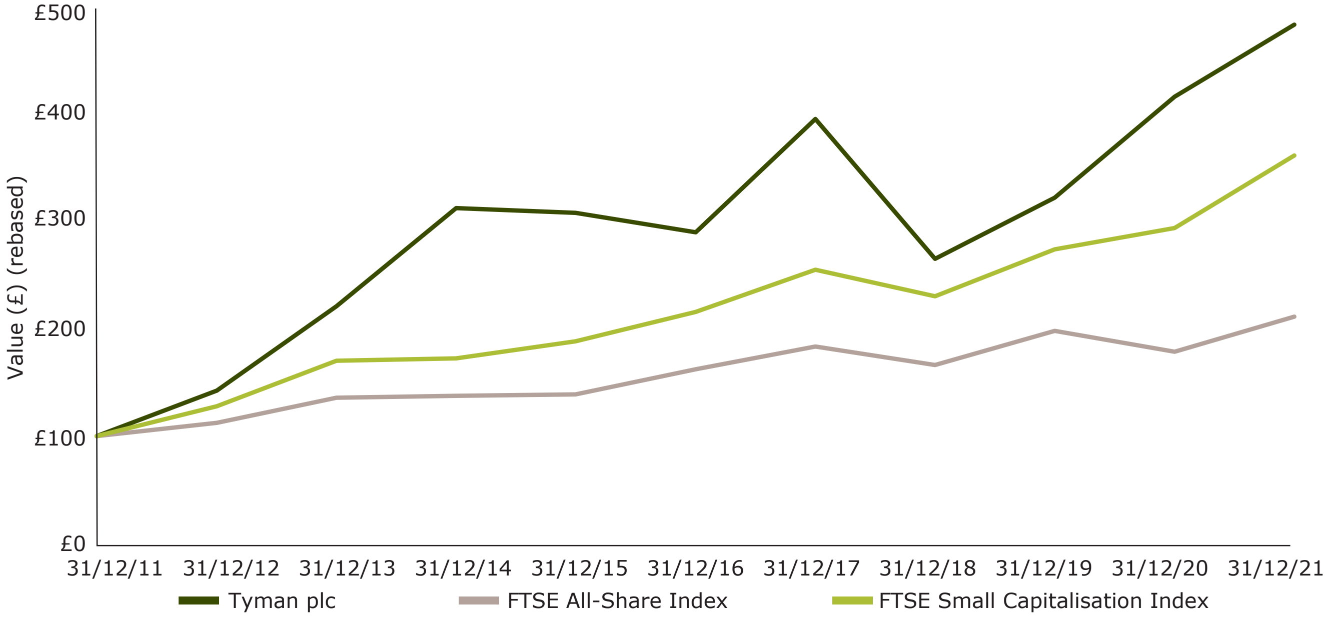
The Committee acknowledges that Executive Directors may be invited to become independent non-executive directors of other listed companies that have no business relationship with the Company and that such roles may broaden their experience and knowledge to Tyman's benefit.

The Executive Directors are permitted to accept such external appointment with the prior approval of the Board, which would only be given if it does not present a conflict of interest with the Group's activities (including consideration of whether such individual has the capacity for the required time commitment) and the wider exposure gained will be beneficial to such Executive Director's development. Where fees are payable in respect of such appointment, they may be retained by the Executive Director.

Jo Hallas was appointed as an independent non-executive director of Smith & Nephew plc on 1 February 2022.

Performance graph and table

This graph shows the value, by 31 December 2021, of £100 invested in Tyman plc on 31 December 2011, compared with the value of £100 invested in the FTSE All-Share and FTSE SmallCap indices on the same date, these being two broad market indices of which Tyman has been a constituent for the majority of the period shown.



Historical Chief Executive remuneration outcomes

The table below sets out the single figure for the total remuneration paid to the Chief Executive Officer, together with the annual bonus payout (expressed as a percentage of the maximum opportunity) and the LTIP payout (expressed as a percentage of the maximum opportunity), for the current year and previous nine years.

Year	CEO	Single figure of total remuneration £'000	Annual bonus payout %	LTIP payout %
2021	Jo Hallas	1,094	73.3	Nil
2020	Jo Hallas	502	Nil[1]	n/e
2019	Jo Hallas	1,299[2]	30	n/e[2]
	Louis Eperjesi	134	n/e	Nil
2018	Louis Eperjesi	1,153	39.5	90
2017	Louis Eperjesi	876	51	42
2016	Louis Eperjesi	1,052	91	49
2015	Louis Eperjesi	1,026	58	100
2014	Louis Eperjesi	1,137	31	94
2013	Louis Eperjesi	1,821	90	100
2012	Louis Eperjesi	493	68	Nil
2011	Louis Eperjesi	338	22	Nil

n/e = not eligible – individual was employed during the year but was not eligible to participate in the bonus or LTIP scheme as appropriate that year.

1 The 2020 Group bonus was cancelled due to the scale of the financial impact of the COVID-19 crisis on the business, the wider stakeholder experience and the societal impact of the pandemic.

2 The single figure shown for Jo Hallas for 2019 of £1,299k includes £775k in relation to the buy-out of the share awards at her previous employer which she forfeited by joining Tyman during the year. Consequently, the amount paid to Jo Hallas solely in respect to her Tyman employment during 2019 was £524k.

Percentage change in remuneration of Directors and employees

In accordance with the Companies (Directors' remuneration policy and Directors' remuneration report) Regulations 2019 (applying to financial years commencing on or after 10 June 2019), the table below covers the percentage change in salary/ fees, taxable benefits and annual bonus for each Executive Director and Non-executive Director; and will continue to be built up over time to display a five-year history.

Director[1,2,3]	**Basic salary / total fee[4]**		**Taxable benefits[5]**		**Annual bonus[6]**	
	2021 vs 2020	**2020 vs 2019**	**2021 vs 2020**	**2020 vs 2019[8]**	**2021 vs 2020**	**2020 vs 2019**
Nicky Hartery	1.2%	n/a	n/a	n/a	n/a	n/a
Jo Hallas	14.0%	-5.9%	1.7%	4.7%	n/a	-100.0%
Jason Ashton	10.7%	-6.0%	1.3%	4.4%	n/a	-100.0%
Paul Withers	11.0%	n/a	n/a	n/a	n/a	n/a
Pamela Bingham	14.4%	1.0%	n/a	n/a	n/a	n/a
Helen Clatworthy	2.6%	-1.3%	n/a	n/a	n/a	n/a
David Randich	n/a	n/a	n/a	n/a	n/a	n/a
Average UK employee[7]	6.1%	1.9%	17.9%	-1.6%	n/a	-91.4%

1 Relevant changes in Directors and their responsibilities include:

- a Nicky Hartery was appointed to the Board on 1 October 2020.
- b Jo Hallas was appointed to the Board as the Chief Executive Officer on 1 April 2019.
- c Jason Ashton was appointed to the Board as the Chief Financial Officer on 9 May 2019.
- d Paul Withers was appointed to the Board on 1 February 2020 and became Chair of the Remuneration Committee and Senior Independent Director with effect from 31 March 2020.
- e Pamela Bingham started receiving a fee in respect of her role as Employee Engagement Director with effect from 1 March 2020.
- f David Randich was appointed to the Board on 15 December 2021.

2 All figures shown are based on a full-time equivalent basis to allow comparability where a Director was not in role for the entirety of a financial year.

3 Note that those Directors who were not a Director at any point during 2021 have not been included. The percentage changes in their remuneration for prior years (and in which they were a Director) are disclosed in the 2020 Annual Report.

4 All the Directors who were in role from April to July 2020 volunteered cuts of 25% to their base salaries and fees for four months (April to July) due to COVID-19. Whilst the workforce also experienced cuts to their salaries ranging from 10–20%, the workforce's forgone salaries were repaid to them. However, the cuts to the Directors' salaries and fees were not repaid to them. The % change from 2020 to 2021 reflects this temporary reduction in basic salary or total fee for part of 2020 only, as well as the annual increases awarded for 2021.

5 For Executive Directors, taxable benefits consist primarily of car allowance, private medical insurance, permanent health insurance and life assurance. Non-executive Directors do not receive taxable benefits.

6 The figures shown are reflective of any bonus earned in respect of the relevant financial year. The n/a for the % change in bonuses from 2020 to 2021 reflects the cancellation in 2020 (the base year) of the management bonus scheme following the onset of the COVID-19 pandemic. Non-executive Directors are not eligible to participate in the annual bonus scheme.

7 The average percentage change of employee FTE salary is calculated with reference to the UK workforce as at 31 December 2021. This definition is broader than all employees of Tyman plc (as required by the reporting regulations), reflecting that the Tyman plc employee population is very small (and limited largely to the Head Office) and therefore is considered by the Committee not to be sufficiently representative of our wider workforce.

8 Taxable benefits for 2020 vs 2019 have been re-stated to exclude pension contributions.

Relative spend on pay

The table below sets out, for the years ended 31 December 2021 and 31 December 2020, the total cost of employee remuneration for the Group together with the total distributions made to shareholders by way of dividends.

Relative spend on pay (£'000)	2021	2020	Year on year
Total employee remuneration for the Group (excluding share-based payments)	**151,700**	140,037	8.33
Dividends paid in the financial year	**15,630**	Nil	n/a

CEO pay ratio

The Regulations require certain companies to disclose the ratio of the Chief Executive's pay, using the amount set out in the single total figure table, to that of the 25th percentile, median and 75th percentile total remuneration of full-time equivalent UK employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A	1:55	1:46	1:31
2020	Option A	1:26	1:22	1:14
2019	Option A	1:32	1:27	1:19

	CEO pay (£)	P25 pay (£)	P50 pay (£)	P75 pay (£)
Salary				
2021	**477,500**	**18,595**	**22,440**	**34,066**
2020	418,919	18,331	21,930	33,729
2019	441,750	19,550	23,335	33,598
Total pay				
2021	**1,094,116**	**19,897**	**23,524**	**36,451**
2020	501,409	19,064	23,027	36,090
2019	657,510	20,333	24,268	33,598

The 25th percentile, median and 75th percentile figures used to determine the above ratios were selected from an analysis of the full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) of all the UK employees for the year ended 31 December 2021. This methodology is defined as Option A under the reporting regulations and is considered by the Committee to be the most accurate approach.

The Committee notes that the statutory CEO pay ratios have increased in 2021, with the ratio of CEO total remuneration to the median employee, for example, rising from 22:1 to 46:1. The primary driver of the increase this year is the payment of an annual bonus to the CEO for 2021 performance (compared to no bonus payment in 2020, with the scheme having been cancelled for Executive Directors as a result of the pandemic). Figures recorded in each of 2019, 2020 and 2021 do not include the value of any LTIP vesting to the CEO which is expected to be a significant driver of the headline pay ratio each year and which may lead to an increase in the ratios in future (but which will reflect the longer-term performance of the Group).

In reviewing the pay ratio analysis, the Committee is satisfied that the individuals identified at each quartile reflect the pay profile across different levels at Tyman, and that the overall picture presented by the ratios is consistent with the Group's pay, reward and progression policies.

Statement of implementation for the 2022 financial year

Details of the Directors' remuneration for the 2022 financial year are set out in the table below:

Salary

Jo Hallas – to be increased to £550,000 with effect from 1 January 2022

Jason Ashton – £344,500 (2021: £330,890 – 4.1% increase, in line with the UK workforce average)

As set out in the Annual statement, the Committee awarded Jo Hallas the second stage of the salary increase set out in last year's report in recognition of her ongoing strong performance and the performance of the Group as whole.

Pension allowance

Jo Hallas – 7% of base salary (reduced from 15% of salary to align with the majority of the wider workforce)

Jason Ashton – 7% of base salary

Benefits

Life assurance cover, critical illness cover, private medical and dental cover, car allowance (of £17,500 per annum) and professional tax and financial advice.

Annual bonus

Maximum opportunities:

Jo Hallas: 150% of salary

Jason Ashton: 125% of base salary

Bonuses will be based entirely on financial measures, with 70% linked to adjusted profit before tax and 30% linked to cash generation. Consistent with prior years, the precise bonus targets will be disclosed in detail in the 2022 Annual Report and Accounts (these are considered currently to be commercially sensitive). Any bonus earned will be payable 50% in cash and 50% in shares deferred for three years.

LTIP

Award opportunities:

Jo Hallas: 150% of salary

Jason Ashton: 125% of base salary

LTIP awards comprise grants of nil-cost options, vesting three years after grant, subject to performance over a 3-year period commencing 1 January 2022 against four measures:

Measure		Weighting	Basis of measurement	Threshold (25% vesting)	Stretch (100% vesting)
Adjusted EPS		40%	3-year CAGR to 2024	4.5% p.a.	12.0% p.a.
ROCE		25%	2024 outturn	13.6%	15.04%
Relative TSR		20%	Ranking vs constituents of the FTSE 250 Index (xIT)	Median	Upper quartile
Sustainability Scorecard		15%			
– Safety	Four categories weighted equally		2024 TRIR[1]	5.0	4.0
– Sustainable Operations			2024 TCO_2e per £m revenue[2]	56.0	41.0
– Sustainable Culture			Employee engagement	Qualitative[4]	
– Sustainable Solutions			% revenue from sustainable products in-use[3]	21%	24%

1 Total Recordable Incident Rate. Aligns with Tyman's stated ambition to achieve a TRIR of <3.0 by 2026.

2 Tonnes of carbon dioxide equivalents per £m revenue is a measure of operational carbon emissions. Aligns with Tyman's stated ambition to achieve a 50% reduction by 2026 (relative to a 2019 baseline).

3 Reflects the % of total revenues that meet the UN Sustainable Development Goals ("SDGs") in use.

4 To be based on a qualitative assessment of improvement by the Workforce Engagement NED, taking into account factors such as eNPS, ethics training and incidents, diversity and inclusion, and talent development.

For performance between Threshold and Stretch, the % vesting increases on a straight line sliding scale.

Vested LTIP awards have a two-year post-vesting holding period.

Non-executive Director fees

The Chair is paid an annual basic fee (determined by the Remuneration Committee), with no additional fee for chairing the Nominations Committee. For 2022, the Chairman's annual fee will be increased to £205,000, to reflect his ongoing valued contribution to the Group.

Non-executive Directors are paid an annual basic fee, plus an additional fee for chairing a Board Committee. These fees are determined by the Chairman, CEO and CFO. In line with the increases awarded to the wider UK workforce, the annual base fee payable to NEDs will be increased by 4.0% (to £52,000) for 2022. In addition, to reflect the additional time commitment of the intercontinental travel required of David Randich to attend Board meetings, and within Policy limits, a travel supplement (of £15,000 per annum) will be payable to Mr Randich in addition to his base fee. Fees payable to NEDs for additional responsibilities remain unchanged from 2021, as set out below.

Position	Annual fee 2022 £	Annual fee 2021 £
Chair	205,000	192,850
Non-executive Director	52,000	50,000
Annual fee for the Chair of the Audit or Remuneration Committees	10,000	10,000
Annual fee for the Senior Independent Director	8,000	8,000
Annual fee for the Workforce Engagement Director	6,000	6,000
Intercontinental travel supplement	15,000	n/a

Other items

Details of share plans

During the year awards were made under the following plans:

- Tyman Sharesave Plans: in the form of options totalling 112,836 shares at a price of £3.49 to £3.69, vesting over a one or three-year period, depending on jurisdiction. The total number of awards outstanding as at 31 December 2021 is 562,382.
- Deferred Share Bonus Plan: none. The total number of share awards outstanding as at 31 December 2021 is 231,005.
- Tyman Long Term Incentive Plan: awards totalling 868,499 shares were made in the year. Awarded with performance conditions, vesting over a three-year period, with a further two-year holding period. The total number of LTIP awards outstanding as at 31 December 2021 is 2,459,148.

The total number of shares outstanding under all share plans as at 31 December 2021 is 3,252,535.

Dilution

As at 31 December 2021, shares equivalent to 1.65% of the Group's issued share capital (excluding treasury shares) would be required to settle all outstanding awards under Executive and employee share plans, assuming maximum vesting.

However, the Group operates the general principle that the vesting of share awards under Executive and employee share plans should be satisfied either by the issue of shares out of treasury or, subject to Trustee consent, through shares acquired on the market by the Tyman Employee Benefit Trust.

Certain jurisdictions require that new shares are issued to employees to settle vesting under share arrangements. Where new shares are issued in these circumstances, it is the Group's intention to match the new shares issued with an equal purchase of shares on the market either into treasury or into the Tyman Employee Benefit Trust.

In accordance with the Investment Association's Principles of Remuneration, the Company can satisfy awards to employees under all its share plans with new issue shares or shares issued from treasury up to a maximum of 10% of its issued share capital (adjusted for share issuance and cancellation) in a rolling ten-year period. Within this 10% limit, the Company can only issue (as newly issued shares or from treasury) 5% of its issued share capital (adjusted for share issuance and cancellation) to satisfy awards under Executive (discretionary) plans.

As well as the LTIP and DSBP, the Company operates various all employee share schemes as described on page 123. Subject to Trustee consent, shares acquired on the market have been used to satisfy the exercise of options under the Sharesave Scheme and the International Sharesave Plans.

Statement of voting at Annual General Meetings

The table below sets out the results of the 2021 AGM in respect of the Remuneration policy and Annual Report on Directors' remuneration, respectively:

Director	Votes for	Votes at discretion	Votes against	Total number of votes cast	Total number of votes withheld
Remuneration policy	152,491,342 (90.31%)	0 (0%)	16,362,020 (9.69%)	168,853,362 (100%)	6,895
Annual Report on Directors' remuneration	153,510,584 (96.45%)	0 (0%)	5,647,668 (3.55%)	159,158,252 (100%)	9,702,005

The Committee is grateful to the Group's shareholders for their support as shown in the voting levels at the 2021 AGM and looks forward to receiving their continued support in 2022.

This Annual Report on Directors' remuneration has been approved by the Remuneration Committee and is signed on its behalf by:

Paul Withers
Chair, Remuneration Committee

3 March 2022

Other statutory information

Principal activities

The Group is a leading international supplier of engineered fenestration components and access solutions to the construction industry. These activities remain unchanged from the previous year. The Company is the ultimate holding company of the Tyman Group of companies. A full list of subsidiaries may be found on pages 194 to 197.

Share capital

The Company's shares are listed in the premium segment of the Official List and are traded on the Main Market of the London Stock Exchange. The Company's share capital consists of ordinary shares of 5.00 pence each, carrying the right to attend, vote and speak at general meetings of the Company. The ordinary shares also have the right to profits of the Company which are available for distribution and the return of capital on a winding up.

The issued share capital of the Company as at 31 December 2021 was 196,762,059 ordinary shares of 5.00 pence each, of which 521,423 shares are held in Treasury.

Further information on the Company's share capital may be found in note 22 to the Group financial statements.

Directors

The names and biographical details of the Directors are on pages 92 and 93 of this report. Further information regarding the Directors who served during the year to 31 December 2021 may be found on pages 125 to 137 in the Remuneration report.

Re-election of Directors

Each Director of the Board will stand for election or re-election at the AGM. Accordingly, Nicky Hartery, Jo Hallas, Jason Ashton, Paul Withers, Pamela Bingham and Helen Clatworthy will offer themselves for re-election at the 2022 AGM. As this is Dave Randich's first year of appointment, he will offer himself for election to the Board.

Annual General Meeting

At the Company's 2021 AGM the Directors were authorised to allot shares equal to approximately one-third of the issued share capital of the Company as at 5 April 2021 or a further one-third of the issued share capital in connection with a pre-emptive offer by way of a rights issue.

The Directors were also given the authority to allot shares for cash representing up to 5.0% of the Company's issued share capital as at 5 April 2021, without first offering these shares to existing shareholders in the proportion to their existing holding. The Directors confirmed there was no intention to issue more than 7.5% of the issued share capital of the Company on a non-pre-emptive basis in any rolling three-year period without prior consultation with the relevant investor groups (except in connection with an acquisition or specified capital investment as contemplated by the Pre-Emption Group's Statement of Principles).

Shareholders also approved an additional authority for the Directors to issue ordinary shares, or sell treasury shares, for cash in connection with an acquisition or capital investment of the kind contemplated by the Pre-Emption Group's Statement of Principles up to an additional aggregate amount being approximately 5.0% of the issued ordinary share capital as at 5 April 2021.

At the 2021 AGM, the Company was also authorised to make market purchases of its own shares of up to approximately 14.99% of the shares in issue as at 5 April 2021. The Board had no immediate intention of exercising this authority but wished to retain the flexibility to do so should it be needed in the future. This authority was not used during the year and therefore remained in full at the year end.

The Directors believe that it is in the best interests of the Company that these powers are renewed and, as in previous years, resolutions to renew these authorities will be put to shareholders at the Company's AGM to be held on 19 May 2022.

The Notice of the Company's AGM and related explanatory notes accompany this Annual Report and Accounts, which may also be found with further information on these resolutions on the Group's website. Other than elections to the Board and authorities to allot shares, to dis-apply pre-emption rights in certain limited circumstances and to purchase its own shares as explained above, the principal business to be considered at the AGM is the approval of an amendment to the Company's articles of association.

Waiver of dividends

As at 31 December 2021, the Tyman Employee Benefit Trust held 1,068,969 ordinary shares in Tyman plc. Further information on the Employee Benefit Trust may be found on page 43. Dividend waivers are in place from Tyman plc in respect of the 521,423 shares held in Treasury as at 31 December 2021 and all but £0.01 of the total dividend to the Tyman Employee Benefit Trust.

Strategic report

Pages 2 to 137 (inclusive) of this Annual Report comprise the Strategic report, Governance and Directors' report and the Remuneration report. These reports have been written and presented in accordance with English law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided accordingly.

The Directors are required under the Disclosure Guidance and Transparency Rules to include a Management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company. The Management report disclosures can be found in the Strategic report on pages 84 to 91.

A description of the main features of the Group's internal control and risk management systems in relation to the process for preparing the consolidated accounts continues further on page 86 of the Strategic report.

Pursuant to Section 414c of the Companies Act 2006 the Strategic report on pages 2 to 91 contains disclosures in relation to future developments, dividends, finance and financial risk management, and the disclosures relating to the Group's greenhouse gas emissions and environmental policy and performance.

A full description of the Group's activities relating to our employees, their involvement with the Company and our employment and health and safety practices and policies may be found on pages 59 to 63 of the Strategic report.

Share transfer restrictions

There are no restrictions on the transfer of fully paid-up shares in the Company.

Directors and Officers' insurance

Details of the Group's Directors and Officers' insurance arrangements may be found on page 100.

Substantial shareholders

The Company has been notified of, or has identified, the following direct or indirect interests comprising 3% or more of its voting share capital (the issued share capital less shares held by the Company in Treasury) in accordance with DTR 5. The Company's substantial shareholders do not have different voting rights from those of other shareholders:

	Ordinary shares held as at 31 December 2021	%	Ordinary shares notified as at 3 March 2022	%
Alantra Asset Management	19,356,843	9.86	19,356,855	9.86
Fidelity International	17,768,977	9.05	17,866,110	9.10
BlackRock	14,073,538	7.17	14,073,538	7.17
Wellington Management	11,540,758	5.88	11,349,351	5.78
BMO Global Asset Management (UK)	10,341,247	5.27	10,100,878	5.15
abrdn	9,431,864	4.81	9,426,308	4.80
Artemis Investment Management	9,146,353	4.66	9,146,353	4.66
Allianz Global Investors	8,154,164	4.15	8,155,874	4.16
Chelverton Asset Management	7,050,000	3.59	7,050,000	3.59
M&G Investments	6,278,068	3.20	6,048,791	3.08
Janus Henderson Investors	6,223,516	3.17	6,271,641	3.20

Financing

The Group finances its operations through a mixture of retained profits, equity and borrowings. The Group does not trade in financial instruments. Full details of the Group's borrowing facilities are set out in note 18 to the financial statements.

The main risks arising from the Group's borrowings are market risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and the policies, which have been applied throughout the year, are set out in note 19 to the financial statements.

Financial reporting

The Annual Report and Accounts are intended to provide a balanced and clear assessment of the Group's past performance, present position and future prospects. A statement by the Directors on their responsibility for preparing the financial statements is given on page 100 and a statement by the auditors on their responsibilities is given on page 147.

Employee engagement and policies

This information is included in the Sustainability report on pages 46 to 77.

Other Stakeholder engagement and policies

Information summarising how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year is included in the s172 statement on pages 81 to 83.

Going concern

As a consequence of the work undertaken to support the viability statement, which may be found on pages 78 and 79, the Directors have continued to adopt the going concern basis in preparing the financial statements (see note 2 to the financial statements).

Auditors and disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

As explained in the Audit and Risk Committee report on page 109, PricewaterhouseCoopers LLP will not seek reappointment when their term of office expires at the end of the forthcoming AGM. Following a competitive tender process, and on the recommendation of the Audit and Risk Committee, the Board intends to appoint Deloitte LLP as the Group's external auditor. Accordingly, the appointment of Deloitte LLP is recommended to the shareholders for approval at the forthcoming AGM.

Political donations

The Company did not make any political donations during the year (2020: £Nil).

Disclosure of information under Listing Rule 9.8.4

Reporting requirements under LR 9.8.4R (4), (5) and (6) and LR 9.8.6 (1), if applicable, have been included in the Remuneration report on pages 114 to 137. All other information required to be disclosed, under LR 9.8.4R (1), (2) and (7) to (14), if applicable, is covered in this report. There is no further information to disclose.

Events after the reporting year

None.

By order of the Board

Peter Ho
General Counsel & Company Secretary

3 March 2022
Company registration number: 02806007

Independent auditors' report

to the members of Tyman plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Tyman plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 December 2021; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- 10 operating units subject to full scope audits on the basis of financial significance
- Specific procedures over certain classes of transactions and balances at 9 further operating units where the particular balances were financially significant
- 81% (2020: 80%) of Group revenue accounted for by reporting units where full scope audit work performed over revenue. 79% (2020: 79%) of Group adjusted operating profit accounted for by the reporting units where full scope audit work was performed.

Key audit matters

- Goodwill and intangible assets impairment assessment (Group)
- Inventory valuation (Group)
- Present value of defined benefit obligations (Group)
- Recoverable amount of investments in subsidiaries and affiliates (Company)

Materiality

- Overall Group materiality: £4,000,000 (2020: £4,100,000) based on 4.5% of adjusted operating profit.
- Overall Company materiality: £3,300,000 (2020: £3,700,000) based on 1% of total assets.
- Performance materiality: £3,000,000 (2020: £3,100,000) (Group) and £2,475,000 (2020: £2,800,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

As part of our audit, we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate change risk on the Group's financial statements. We read management's paper which sets out their assessment of climate change risk to the Group and the impact on the financial statements and impairment testing. Management consider that the impact of climate change does not give rise to a material financial statement impact as explained in note 10 to the financial statements. We used our knowledge of the Group to evaluate management's assessment. We particularly considered how climate change risks would impact the assumptions made in the forecasts prepared by management used in their impairment analyses and going concern. Our procedures in relation to the assessment of the carrying value of goodwill and intangible assets are described in the related key audit matter. We also discussed with management the ways in which climate change disclosures should continue to evolve as the Group continues to develop its response to the impact of climate change.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Inventory valuation, valuation of defined benefit pension schemes and recoverable amount of investments in subsidiaries and affiliates are new key audit matters this year. Going concern and Impact of Covid-19, which were key audit matters last year, are no longer included because of the following:

- Going concern: in the prior year, the entity's ability to continue as a going concern was assessed as a significant risk due to the Covid-19 pandemic affecting the environment in which the Group operates resulting in the financial covenants for the Group being reset during the period. In the current year the Group has experienced strong growth and covenant compliance. The year end going concern assessment shows significant headroom forecasted throughout the going concern period. Based on these considerations, we have assessed the going concern risk as normal for the current year audit.
- The impact of Covid-19 is no longer included as a key audit matter because the Group has not suffered any significant impact from the pandemic and trading is ahead of that achieved pre pandemic.

Independent auditors' report continued
to the members of Tyman plc

Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible assets impairment assessment (Group)	
Refer to note 10 to the financial statements. There is £363.3 million of goodwill and £66.8 million of intangible assets recognised on the balance sheet, predominantly arising from past acquisitions. The Group operates in the building products market and therefore future results are impacted by fluctuations in the housing and construction market and wider economy. We focused on these balances because the judgement of whether or not an impairment charge on any of the three CGUs was necessary involved significant estimates about the future results of the business. Management has considered the potential impact of climate change on the assumptions supporting the impairment test, taking into consideration the risks and opportunities identified in the climate change risk assessment, the qualitative assessment of the potential financial impact and mitigations, and the commitments made in the sustainability roadmap.	There are deemed to be three CGUs, namely North America, UK & Ireland and International. For all the CGUs we evaluated management's future cash flow forecasts and tested the underlying value in use calculations. We agreed management's forecast to the latest Board approved strategic plan. We also compared historic actual results to those budgeted to assess the quality of management's forecasting. The key assumptions in the calculations were growth in revenue, gross margin and EBITDA margins. In assessing these assumptions, we considered external construction industry outlook reports and economic growth forecasts from a variety of sources, as these were good indicators of building product sales. We also involved our valuation experts and tested: • management's assumption in respect of the long-term growth rates in the forecasts by comparing them to long term average growth rates of the economies in the relevant territories; and • the discount rate by assessing the cost of capital for the Company and comparable organisations. We considered the outturn of significant estimates from last year to assess management's forecasting accuracy. We considered the climate change risk assessment prepared by management and understood the impact on management's forecast, which is not deemed material based on available information. We reviewed for completeness the climate change risk assessment by performing an analysis of sectors and competitors in relation to physical and transitional risks. We considered the impacts of climate change risk assessment in relation to the assumptions supporting the impairment assessment and agree with management's conclusion that there is no material impact based on the information available. We have also considered the effects of Covid-19 in relation to cash flow forecasts and determined this to have no significant impact. We are satisfied these assumptions are appropriate. We performed sensitivity analysis in respect of the key assumptions, which were flexed to determine at what level this would eliminate the headroom in the model. There were no changes in the key assumptions that were considered reasonably possible which would eliminate headroom, as outlined in the disclosure included in note 10. We have considered management's disclosures in respect to the recoverability of goodwill and intangible assets to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Inventory valuation (Group) Refer to note 13 to the financial statements. The Group applies FIFO costing and achieves this through a standard costing method adjusted for capitalised purchase variances. Capitalised variances are determined as the difference of actual against standard purchase costs considering as a basis the number of inventory turnover days. Slow moving and obsolete provisions are based on historical turnover. The current year has seen an impact on the global business operations in terms of increase of raw material prices, shipping costs, labour costs (in specific countries like the US) and supply chain issues. These factors, along with the decision for the Group to build up the inventory level at year-end to prevent supply shortages during the Chinese New Year, have contributed to a material increase in inventory. Considering these factors, there is a risk that inventory costing and provisioning may be more susceptible to material misstatement. We considered the effects of the supply chain disruption on the calculation of the inventory reserve, as there can be items deemed obsolete or slow moving under the current Group accounting policy but for which the Company might have already received specific orders.	We have performed a walkthrough of the costing and provisioning processes for the components in scope; We have obtained an understanding of how management accounts for costs and where capitalised variances were material we tested: • the standard costing through sample testing; • the capitalised variances by reperforming the actual invoice cost compared to the standard costing; • the assumption made over stock turn and reperformed the calculation to capitalise variances to reach a FIFO costing policy. We have obtained an understanding of the application of the provision policy and tested the ageing reports and mathematical accuracy of the calculation. We verified no manual adjustments have been made in respect of the provision and determined this was in line with the Group accounting policy. We were satisfied with the costing methodology applied and deemed reasonable the assumptions for the basis of the inventory provisions. We have considered management's disclosures in respect to the valuation of inventory to be appropriate.
Valuation of defined benefit pension schemes (Group) Refer to note 21 to the financial statements. The Group's principal defined benefit pension schemes are operated in the US and Italy. The US defined benefit schemes provide benefits to members in the form of a guaranteed level of pension payable for life, while the Italian schemes relate to TFR termination obligations payable to employees of the Group's Italian operations. The pension assets and liabilities are material to the Group and consist of gross obligations of £29.9m and gross plan assets of £25.9m as at 31 December 2021). An inherent level of risk exists in the valuation of the obligations as there are assumptions utilised in the estimation process with respect to discount rates, the number of employees, salaries, length of service, mortality and demographic data. Considering the nature of the Italian scheme and the immaterial impact of the liability, we determined the risk to relate to the US pension assets and liabilities. We considered the magnitude of the balances and changes in discount rates and mortality rate assumption may have a material effect on the Group's financial position and there is estimate and expertise involved in making the assumptions.	We challenged the appropriateness of key assumptions supporting the Group's valuation of retirement benefit obligations, including comparison of these assumptions with our internally developed benchmarks. We have involved our own internal actuarial experts to assess the appropriateness of management's assumptions in relation to mortality rates and discount rates. We circularised fund managers and custodians to confirm the existence of pension assets and performed independent valuation procedures. We reviewed trust deeds and communications to members to confirm any changes to the pension schemes. We are satisfied these assumptions used are appropriate. We have considered management's disclosures in respect to the valuation of defined benefit obligations to be appropriate.

Independent auditors' report continued
to the members of Tyman plc

Key audit matter	How our audit addressed the key audit matter
Recoverable amount of investments in subsidiaries and affiliates (parent)	
Refer to note 4 to the Company financial statements. There are £345.8 million of investments in subsidiaries recognised on the Company balance sheet. In line with IAS 36, the carrying amounts of the Company's investments are reviewed at each reporting date to determine whether there is an indication of impairment An impairment review using a value in use calculation has been performed by management for each investment . We focused on these balances as the models applied in determining the recoverable amount require the use of assumptions over which there is a degree of judgement, including short-term and long-term growth assumptions, discount rates, and other judgmental cash flows, which all increase the risk of error.	We tested the appropriateness and reasonableness of the model, key assumptions and sensitivities. We identified and tested significant assumptions to third party industry information or other external data, as applicable. We used our internal valuation experts to assess the discount and long-term growth rates applied in management's calculations. We considered the impacts of climate change risk assessment in relation to the assumptions supporting the recoverability assessment. We considered the outturn of significant estimates from last year to assess management's forecasting accuracy. We are satisfied the assumptions used in the recoverability assessment are appropriate and that no impairment exists. We have considered management's disclosures in respect to the valuation of the investments in subsidiaries and affiliates to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate. The Group is structured along three divisions being Tyman North America, Tyman UK & Ireland and Tyman International, along with centralised functions covering Group treasury and central costs. The Group financial statements are a consolidation of 77 reporting units for the Group's operating businesses, which map into the three divisions and centralised functions. Of the Group's 77 reporting units, we identified 10 which, in our view, required an audit of their complete financial information, due to their size. The units were based in the United Kingdom (UK), the United States (US), and Italy. Specific audit procedures on certain balances and classes of transactions were performed at a further 9 reporting units, as while overall the units were not financially significant, certain classes of transactions and balances were material or considered to be higher risk, including cost of sales, interest, loans, cash, inventory, accounts payable, pension liabilities and property, plant and equipment.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each of the reporting units either by us, as the Group engagement team, or the component auditors in the US or Italy operating under our instruction. Where work was performed by the US and Italian component auditors, the UK engagement leader and senior manager were in regular contact with the teams via video calls, reviewed audit work papers with specific focus related to significant and elevated risks and key estimates, and participated in the US and Italian component clearance meetings. 81% of the Group's revenue and 79% of the Group's adjusted operating profit is accounted for by the 10 reporting units where we performed full scope audit work on the complete financial information.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Company
Overall materiality	£4,000,000 (2020: £4,100,000).	£3,300,000 (2020: £3,700,000).
How we determined it	4.5% of adjusted operating profit	1% of total assets (capped as a proportion of Group overall materiality)
Rationale for benchmark applied	Adjusted operating profit is the key measure used internally by management in assessing the performance of the Group, externally by analysts, and is the measure disclosed as a key performance indicator in the Annual Report. This measure provides us with a consistent year on year basis for determining materiality based on trading performance and eliminates the impact of non-recurring items. Adjusted operating profit excludes amortisation of acquired intangible assets, impairment of goodwill and acquired intangible assets, and exceptional items.	The Company is predominantly an investment holding Company and therefore total assets is deemed the most appropriate benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was from £163,000 to £3,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%%) of overall materiality, amounting to £3,000,000 (2020: £3,100,000) for the Group financial statements and £2,475,000 (2020: £2,800,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £200,000 (Group audit) (2020: £195,000) and £165,000 (Company audit) (2020: £185,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the appropriateness of the Group's cash flow, liquidity and gearing covenant forecasts in the context of the Group's 2021 financial position. In assessing this we considered the current trends of supply chain and raw material costs, external construction industry outlook reports and economic growth forecasts, as these were good indicators to support management's forecast assumptions. We have also considered the effects of Covid-19 and determined this to have no significant impacts.;
- Understanding and assessing the appropriateness of the key assumptions used both in the base case and in the severe but plausible downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Corroborating key assumptions to underlying documentation and ensured this was consistent with our audit work in these areas;
- Testing the mathematical accuracy of management's cash flow models;
- Considering the historical accuracy of management's forecasting; and
- Reviewing the disclosures provided relating to the going concern basis of preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent auditors' report continued
to the members of Tyman plc

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Governance and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Governance and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Governance and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Governance and Directors' report.

Directors' Remuneration

In our opinion, the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified the principal risks of non-compliance with laws and regulations related to breaches in health and safety regulations and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation.
- Evaluating management's controls designed to prevent and detect irregularities.
- Identifying and testing journals, in particular journal entries posted with unusual account combinations or with unusual descriptions.
- Challenging assumptions and judgements made by management in their significant accounting estimates including the key audit matters described in this report.
- Assessing matters reported on the entity's whistleblowing helpline.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Independent auditors' report continued

to the members of Tyman plc

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 1 May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 December 2012 to 31 December 2021.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Richard Porter
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

3 March 2022

Consolidated income statement

For the year ended 31 December 2021

	Note	**2021 £'m**	2020 £'m
Revenue	3	**635.7**	572.8
Cost of sales	3	**(424.0)**	(380.7)
Gross profit		**211.7**	192.1
Selling, general and administrative expenses		**(138.6)**	(132.4)
Operating profit	4	**73.1**	59.7
Analysed as:			
Adjusted[1] operating profit	3	**90.0**	80.3
Exceptional items	6	**0.6**	(1.8)
Amortisation of acquired intangible assets	10	**(17.5)**	(18.8)
Operating profit		**73.1**	59.7
Finance income	7	**–**	0.3
Finance costs	7	**(9.1)**	(12.4)
Net finance costs	7	**(9.1)**	(12.1)
Profit before taxation	3	**64.0**	47.6
Income tax charge	8	**(14.4)**	(10.4)
Profit for the year		**49.6**	37.2
Basic earnings per share	9	**25.4p**	19.1p
Diluted earnings per share	9	**25.3p**	19.0p
Non-GAAP alternative performance measures[1]			
Adjusted[1] operating profit		**90.0**	80.3
Adjusted[2] profit before taxation	9	**81.5**	68.4
Basic Adjusted earnings per share[2]	9	**32.1p**	27.2p
Diluted Adjusted earnings per share[2]	9	**32.0p**	27.1p

1 Before amortisation of acquired intangible assets, impairment of goodwill and acquired intangible assets, and exceptional items. See Alternative Performance Measures on pages 203 to 208.

2 Before amortisation of acquired intangible assets, impairment of goodwill and acquired intangible assets, exceptional items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs and the associated tax effect. See Alternative Performance Measures on pages 203 to 208.

The notes on pages 154 to 196 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	**2021 £'m**	2020 £'m
Profit for the year		**49.6**	37.2
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	21	**1.6**	1.4
Total items that will not be reclassified to profit or loss		**1.6**	1.4
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**2.4**	(12.7)
Effective portion of changes in value of cash flow hedges	17	**–**	0.3
Total items that may be reclassified to profit or loss		**2.4**	(12.4)
Other comprehensive income/(expense) for the year, net of tax		**4.0**	(11.0)
Total comprehensive income for the year		**53.6**	26.2

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 8.

The notes on pages 154 to 196 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Note	Share capital £'m	Treasury reserve £'m	Hedging reserve £'m	Translation reserve £'m	Retained earnings £'m	Total equity £'m
At 1 January 2020		9.8	(4.3)	(0.3)	59.5	351.6	416.3
Total comprehensive income/(expense)		–	–	0.3	(12.7)	38.6	26.2
Profit for the year		–	–	–	–	37.2	37.2
Other comprehensive income/(expense)		–	–	0.3	(12.7)	1.4	(11.0)
Transactions with owners		–	0.9	–	–	(0.3)	0.6
Share-based payments[1]	23	–	–	–	–	0.9	0.9
Issue of own shares from Employee Benefit Trust		–	1.2	–	–	(1.2)	–
Purchase of own shares for Employee Benefit Trust	23	–	(0.3)	–	–	–	(0.3)
At 31 December 2020		9.8	(3.4)	–	46.8	389.9	443.1
Total comprehensive income		–	–	–	2.4	51.2	53.6
Profit for the year		–	–	–	–	49.6	49.6
Other comprehensive income		–	–	–	2.4	1.6	4.0
Transactions with owners		–	0.8	–	–	(15.1)	(14.3)
Share-based payments[1]	23	–	–	–	–	1.6	1.6
Dividends paid	24	–	–	–	–	(15.6)	(15.6)
Issue of own shares from Employee Benefit Trust		–	1.1	–	–	(1.1)	–
Purchase of own shares for Employee Benefit Trust	23	–	(0.3)	–	–	–	(0.3)
At 31 December 2021		**9.8**	**(2.6)**	**–**	**49.2**	**426.0**	**482.4**

1 Share-based payments include a tax credit of £0.3 million (2020: tax credit of £0.2 million) and a release of the deferred share-based payment bonus accrual of £0.3 million (2020: £0.6 million).

The notes on pages 154 to 196 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

Consolidated balance sheet

As at 31 December 2021

	Note	2021 £'m	2020 £'m
TOTAL ASSETS			
Non-current assets			
Goodwill	10	**363.3**	361.9
Intangible assets	10	**66.8**	84.1
Property, plant and equipment	11	**63.5**	60.7
Right-of-use assets	12	**52.0**	51.8
Financial assets at fair value through profit or loss	14	**1.1**	1.1
Deferred tax assets	8	**12.6**	16.3
		559.3	575.9
Current assets			
Inventories	13	**137.8**	84.0
Trade and other receivables	14	**81.0**	72.8
Cash and cash equivalents	15	**58.1**	69.7
		276.9	226.5
TOTAL ASSETS		**836.2**	802.4
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(112.8)**	(84.4)
Derivative financial instruments	17	**(0.3)**	(0.2)
Borrowings	18	**(0.1)**	(40.3)
Lease liabilities	12	**(6.0)**	(5.4)
Current tax liabilities		**(6.0)**	(6.8)
Provisions	20	**(1.4)**	(1.3)
		(126.6)	(138.4)
Non-current liabilities			
Borrowings	18	**(149.0)**	(128.8)
Lease liabilities	12	**(48.8)**	(48.4)
Deferred tax liabilities	8	**(20.5)**	(26.8)
Retirement benefit obligations	21	**(4.0)**	(8.9)
Provisions	20	**(4.8)**	(7.6)
Other payables	16	**(0.1)**	(0.4)
		(227.2)	(220.9)
TOTAL LIABILITIES		**(353.8)**	(359.3)
NET ASSETS		**482.4**	443.1
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22	**9.8**	9.8
Treasury reserve		**(2.6)**	(3.4)
Translation reserve		**49.2**	46.8
Retained earnings		**426.0**	389.9
TOTAL EQUITY		**482.4**	443.1

The notes on pages 154 to 196 are an integral part of these consolidated financial statements.

The financial statements on pages 149 to 153 were approved by the Board on 3 March 2022 and signed on its behalf by:

Jo Hallas
Chief Executive Officer

Jason Ashton
Chief Financial Officer

Tyman plc

Company registration number: 02806007

Consolidated cash flow statement

For the year ended 31 December 2021

	Note	**2021 £'m**	2020 £'m
Cash flow from operating activities			
Profit before taxation	3	**64.0**	47.6
Adjustments	25	**47.4**	55.9
Changes in working capital[1]:			
Inventories		**(54.0)**	3.3
Trade and other receivables		**(9.1)**	1.7
Trade and other payables		**29.2**	3.3
Provisions utilised		**–**	(0.4)
Pension contributions		**(2.8)**	(1.7)
Income tax paid		**(17.7)**	(13.8)
Net cash generated from operations		**57.0**	95.9
Cash flow from investing activities			
Purchases of property, plant and equipment	11	**(16.1)**	(9.9)
Purchases of intangible assets	10	**(4.5)**	(0.6)
Proceeds on disposal of property, plant and equipment		**0.8**	–
Acquisitions of subsidiary undertakings, net of cash acquired		**–**	(1.5)
Net cash used in investing activities		**(19.8)**	(12.0)
Cash flow from financing activities			
Interest paid		**(8.8)**	(12.5)
Dividends paid	24	**(15.6)**	–
Purchase of own shares for Employee Benefit Trust		**(0.3)**	(0.3)
Proceeds from drawdown of borrowings		**40.0**	91.6
Repayments of borrowings		**(57.8)**	(135.7)
Principal element of lease payments		**(6.2)**	(6.4)
Net cash used in financing activities		**(48.7)**	(63.3)
Net (decrease)/increase in cash and cash equivalents		**(11.5)**	20.6
Exchange (losses)/gains on cash and cash equivalents		**(0.1)**	0.1
Cash and cash equivalents at the beginning of the year		**69.7**	49.0
Cash and cash equivalents at the end of the year		**58.1**	69.7

1 Excluding the effects of exchange differences on consolidation.

The notes on pages 154 to 196 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the year ended 31 December 2021

1. General information

Tyman plc is a leading international supplier of engineered fenestration and access solutions to the construction industry. The Group designs and manufactures products that enhance the comfort, sustainability, security, safety and aesthetics of residential homes and commercial buildings. Tyman serves its markets through three regional divisions. Headquartered in London, the Group employs approximately 4,200 people with facilities in 16 countries worldwide.

Tyman plc is a public limited company listed on the London Stock Exchange, incorporated and domiciled in the United Kingdom. The address of the Company's registered office is 29 Queen Anne's Gate, London SW1H 9BU.

2. Accounting policies and basis of preparation

The accounting policies in this section relate to the financial statements in their entirety. Accounting policies, including critical accounting judgements and estimates used in the preparation of the financial statements, that relate to a particular note are described in the specific note to which they relate. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Tyman plc transitioned to UK-adopted International Accounting Standards in its Group financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements of Tyman plc have been prepared in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial statements have been prepared on a historical cost basis, except for items that are required by IFRS to be measured at fair value, principally certain financial instruments.

2.2 Going concern

The Group's business activities, financial performance and position, together with factors likely to affect its future development and performance, are described in the Chief Executive Officer's review on pages 32 and 33. Changes to principal risks and uncertainties are described on pages 84 to 91.

As at 31 December 2021, the Group had cash and cash equivalents of £58.1 million and an undrawn RCF available of £123.6 million, giving liquidity headroom of £180.8 million. The Group also has potential access to an uncommitted accordion facility of £70 million.

The Group is subject to leverage and interest cover covenants tested in June and December and had significant headroom on both covenants at 31 December 2021, with £79.8 million (77.8%) of EBITDA headroom on the leverage covenant and £79.2 million (77.2%) of EBITDA headroom on the interest cover covenant.

The Group has performed an assessment of going concern through modelling several scenarios. The base case scenario reflects the budget for 2022 and the strategic plan financials for 2023. A severe but plausible downside scenario has also been modelled, which assumes a deterioration in revenue from the base case of 10%. This reflects the risks arising from ongoing supply chain disruption, ability to continue passing on price increases to customers and market uncertainty. This scenario also includes some level of remedial actions to preserve cash flow in the event of performance downgrades, however, there are further cost mitigating actions that could be taken by management in the event this became necessary.

In all scenarios modelled, the Group would retain significant liquidity and covenant headroom throughout the going concern period.

Reverse stress-testing has also been performed to model a scenario which would result in elimination of covenant headroom within the going concern assessment period. Revenue would need to decrease significantly, to an extent not considered plausible, for the covenants to be breached. This scenario was considered highly unlikely.

Having reviewed the various scenario models, available liquidity and taking into account current trading, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, the consolidated and Company financial information has been prepared on a going concern basis.

The Group's viability statement is set out on pages 78 and 79 of the Annual Report and Accounts.

2. Accounting policies and basis of preparation continued

2.3 Accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any affected future periods.

There are no areas representing the critical judgements made by management in the preparation of the Group's financial statements

The areas involving key assumptions concerning the future and other key sources of estimation uncertainty that are significant to the financial statements are listed below and in more detail in the related notes:

- going concern assessment (note 2.2);
- the carrying amount of goodwill and intangible assets (note 10);
- provisions (note 20);
- defined benefit pension and post-retirement benefit schemes (note 21)

In addition, although not considered critical judgements or key sources of estimation uncertainty, the following areas involve estimates or judgements in applying the Group's accounting policies:

Estimates

- Inventory (note 13)
- Trade receivables (note 14)
- Taxation (note 8)

Judgements

- APMs and exceptional items (note 6)
- Lease extension and termination options (note 12)

2.4 Changes in accounting policies and disclosures

2.4.1 New, revised and amended standards and interpretations adopted by the Group

The accounting standards and interpretations that became applicable in the year did not materially impact the Group's accounting policies and did not require retrospective adjustments.

IFRS IC agenda decision – Configuration and Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)

The March 2021, IFRS IC update included an agenda decision on accounting for Configuration and Customisation ("CC") costs in a Cloud Computing Arrangement under IAS 38. This decision clarifies the steps that entities should consider in accounting for CC in Software as a Service ("SaaS") arrangements. This means that implementation costs that would previously have been capitalised as part of an intangible asset and amortised over its useful life may need to be expensed immediately as incurred. As this is an agenda decision item, it is effective immediately and must be retrospectively applied.

The Group has evaluated the impact of this on the carrying value of intangible assets related to current and previous software implementations. All material current and previous system implementations are "on-premise" arrangements rather than SaaS arrangements and, therefore, the agenda decision does not apply to these. The total value of implementation costs associated with SaaS arrangements, all of which were incurred during 2021, was £0.3 million. These costs were expensed to the income statement as incurred. Adjusted operating profit in 2021 was, therefore, £0.3 million less than it would have been prior to this decision agenda. This is a timing difference only and will reduce the amortisation charge in future years. There is no impact on cash flows. This may impact the timing of future expenses associated with future SaaS implementations as the Group embarks on a multi-year programme of system upgrades.

Interest Rate Benchmark Reform – phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

LIBOR regulators (including the UK Financial Conduct Authority and the US Commodity Futures Trading Commission) have commenced a transition away from LIBOR towards alternative risk-free rates ("RFR"). Consequently, the IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one.

In March 2021, the FCA and ICE Benchmark Administration (the administrator of LIBOR) announced that sterling, euro, Swiss franc and Japanese yen LIBOR panels, as well as panels for one-week and two-month US dollar LIBOR, will cease at the end of 2021, with the remaining US dollar LIBOR panels ceasing at the end of June 2023. In September 2021, the FCA announced that to ensure an orderly wind-down, it would require the LIBOR benchmark administrator to continue to publish these settings under a "synthetic" methodology, based on term risk-free rates, for the duration of 2022 for use with legacy contracts.

Notes to the financial statements continued

For the year ended 31 December 2021

2. Accounting policies and basis of preparation continued

The interest rates under the Group's RCF facility are floating rates based on LIBOR plus a margin. An amendment to the facility agreement was signed in January 2022 to facilitate the transition to new benchmark RFRs. Any existing sterling drawdowns will continue to use LIBOR rates until their maturity. For new drawdowns in sterling, the rates will transition to the Sterling Overnight Index Average ("SONIA") rate. The new benchmark rates for US dollar and euro borrowings have not yet been amended and LIBOR rates for these currencies will continue to be applied until such time as new rates are agreed. On transition to the new rates, the Group will apply the Phase 2 amendments practical expedient to account for the change in the basis for determining contractual cash flows as a result of interest rate benchmark reform. This means the Group will account for these changes by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9 without the recognition of an immediate gain or loss. This practical expedient applies as the change is necessary as a direct consequence of interest rate benchmark reform, and the new basis is economically equivalent to the previous basis.

The Group does not have any material lease or other agreements with variable payments linked to IBOR and, therefore, there is no impact on the Group's other contractual arrangements.

2.4.2 New, revised and amended accounting standards not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.4.3 Other changes to accounting policies

There are no further changes to accounting policies.

2.5 Consolidation

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2.6 Foreign exchange

2.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the functional currency of the Company and the presentation currency of the Group.

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Other than the ineffective element, these are recognised directly in equity until the disposal of the net investment, at which time they are recognised in the income statement.

2.6.3 Group companies

On consolidation, assets and liabilities of Group companies denominated in foreign currencies are translated into sterling at the exchange rate prevailing at the balance sheet date. Income and expense items are translated into sterling at the average rates throughout the year.

Exchange differences arising on the translation of opening net assets of Group companies, together with differences arising from the translation of the net results at average or actual rates to the exchange rate prevailing at the balance sheet date, are taken to other comprehensive income. On disposal of a foreign entity, the cumulative translation differences recognised in other comprehensive income relating to that particular foreign operation are recognised in the income statement as part of the gain or loss on disposal.

2.7 Revenue recognition

The Group derives revenue solely from the sale of goods to customers. This revenue recognition policy applies to all product types and sales channels. Revenue from the sale of goods is recognised when control of the goods has been transferred to the buyer. Control transfers when the customer has the ability to direct the use of and obtain substantially all of the benefits of the goods. This is either on dispatch of the goods or on receipt of goods by the customer, depending on the terms of shipment.

2. Accounting policies and basis of preparation continued

Where the Group is responsible for arranging shipping services, an evaluation is made to determine whether the shipping services are a separate performance obligation. Where these are considered to be a separate performance obligation, the revenue recognition criteria are applied to the performance obligations of sale of goods and shipping services separately. Revenue is allocated to each performance obligation based on its standalone selling price.

The Group is considered to be acting as the principal in shipping arrangements when it has discretion over setting prices, has primary responsibility for fulfilling the obligation, and retains inventory risk. In these circumstances, the cost of freight to customers is considered a distribution expense. The cost of freight is recorded within selling, general and administrative expenses.

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the amounts receivable for goods supplied, stated net of discounts, returns, rebates and value-added taxes. Where customers have a right to return goods, a refund liability is recognised (included in trade and other payables) for the expected value of refunds to be provided to customers. A corresponding contract asset is recognised reflecting the value of goods expected to be returned (included in other receivables).

Accumulated experience is used to estimate and provide for rebates, discounts, and expected returns using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Incremental costs of obtaining a contract, such as sales commissions, are expensed as incurred, as the period over which the Group obtains benefit from these is less than twelve months.

3. Segment reporting

3.1 Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, defined as the Board of Directors of the Group, is responsible for allocating resources and assessing performance of the operating segments.

3.2 Segment information

The reporting segments reflect the manner in which performance is evaluated and resources are allocated. The Group operates through three clearly defined divisions: Tyman North America, Tyman UK & Ireland and Tyman International.

North America comprises all the Group's operations within the US, Canada and Mexico. UK & Ireland comprises the Group's UK and Ireland hardware business, together with Access 360 and Tyman Sourcing Asia. International comprises the Group's remaining businesses outside the US, Canada, Mexico and the UK (although includes the two UK seal manufacturing plants). Centrally incurred functional costs that are directly attributable to a division are allocated or recharged to the division. All other centrally incurred costs and eliminations are disclosed as a separate line item in the segment analysis.

Each reporting segment broadly represents the Group's geographical focus, being the North American, UK & Ireland and International operations respectively. In the opinion of the Board, there is no material difference between the Group's operating segments and segments based on geographical splits. Accordingly, the Board does not consider geographically-defined segments to be reportable. For completeness, the Group discloses certain financial data for business carried on in the UK that is not accounted for in Tyman UK & Ireland in notes 3.2.1 and 3.2.4.

The following tables present Group revenue and profit information for the Group's reporting segments, which have been generated using the Group accounting policies, with no differences of measurement applied, other than those noted above.

3.2.1 Revenue

	2021			2020		
	Segment revenue £'m	**Inter-segment revenue £'m**	**External revenue £'m**	Segment revenue £'m	Inter-segment revenue £'m	External revenue £'m
North America	**400.5**	**(2.8)**	**397.7**	374.8	(2.7)	372.1
UK & Ireland	**106.2**	**(0.4)**	**105.8**	92.8	(0.6)	92.2
International	**135.2**	**(3.0)**	**132.2**	110.9	(2.4)	108.5
Total revenue	**641.9**	**(6.2)**	**635.7**	578.5	(5.7)	572.8

Included within the Tyman International segment is revenue attributable to the UK of £22.3 million (2020: £17.2 million).

There are no single customers which account for greater than 10% of total revenue.

FINANCIAL STATEMENTS

Notes to the financial statements continued

For the year ended 31 December 2021

3. Segment reporting continued

3.2.2 Profit before taxation

	Note	**2021 £'m**	2020 £'m
North America		**65.1**	64.5
UK & Ireland		**14.8**	8.8
International		**19.5**	12.3
Operating segment profit		**99.4**	85.6
Centrally incurred costs		**(9.4)**	(5.3)
Adjusted operating profit		**90.0**	80.3
Exceptional items	6	**0.6**	(1.8)
Amortisation of acquired intangible assets	10	**(17.5)**	(18.8)
Operating profit		**73.1**	59.7
Net finance costs	7	**(9.1)**	(12.1)
Profit before taxation		**64.0**	47.6

3.2.3 Operating profit disclosures

	Cost of sales		**Depreciation**		**Amortisation**	
	2021 £'m	2020 £'m	**2021 £'m**	2020 £'m	**2021 £'m**	2020 £'m
North America	**(280.0)**	(258.5)	**(11.8)**	(12.8)	**(12.3)**	(13.7)
UK & Ireland	**(67.5)**	(58.6)	**(2.0)**	(2.5)	**(3.2)**	(3.4)
International	**(76.5)**	(63.6)	**(4.5)**	(5.1)	**(3.1)**	(3.2)
Unallocated	**–**	–	**(0.2)**	–	**(0.2)**	–
Total	**(424.0)**	(380.7)	**(18.5)**	(20.4)	**(18.8)**	(20.3)

3.2.4 Segment assets and liabilities

	Segment assets		**Segment liabilities[1]**		**Non-current assets[2]**	
	2021 £'m	2020 £'m	**2021 £'m**	2020 £'m	**2021 £'m**	2020 £'m
North America	**540.8**	507.0	**(134.0)**	(133.5)	**384.5**	389.6
UK & Ireland	**141.5**	134.2	**(39.7)**	(33.1)	**81.4**	85.3
International	**153.4**	155.9	**(52.3)**	(61.1)	**80.3**	84.0
Unallocated	**2.2**	5.3	**(129.5)**	(131.6)	**0.5**	0.7
Total	**837.9**	802.4	**(355.5)**	(359.3)	**546.7**	559.6

1 Included within unallocated segment liabilities are centrally held borrowings of £125.8 million (2020: £129.1 million), provisions of £0.4 million (2020: £0.4 million) and other liabilities of £3.0 million (2020: £2.1 million). Where borrowings can be directly attributed to segments, these have been allocated.

2 Non-current assets exclude amounts relating to deferred tax assets.

Non-current assets of the International segment include £17.6 million (2020: £14.3 million) attributable to the UK.

3.2.5 Capital expenditure

	Property, plant and equipment		**Intangible assets**	
	2021 £'m	2020 £'m	**2021 £'m**	2020 £'m
North America	**8.5**	7.7	**4.0**	–
UK & Ireland	**0.5**	0.3	**0.3**	–
International	**7.0**	1.9	**0.2**	0.6
Total	**16.0**	9.9	**4.5**	0.6

3. Segment reporting continued

3.2.6 Other disclosures

	Goodwill		Intangible assets		Retirement benefit obligations	
	2021 £'m	2020 £'m	**2021 £'m**	2020 £'m	**2021 £'m**	2020 £'m
North America	**268.5**	265.6	**43.6**	53.6	**(0.8)**	(5.2)
UK & Ireland	**60.2**	60.2	**4.7**	7.9	**–**	–
International	**34.6**	36.1	**18.5**	22.6	**(3.2)**	(3.7)
Total	**363.3**	361.9	**66.8**	84.1	**(4.0)**	(8.9)

4. Operating profit

Operating profit is stated after charging the following:

	Note	**2021 £'m**	2020 £'m
Depreciation of property, plant and equipment	11	**(11.5)**	(12.7)
Depreciation of right-of-use assets	12	**(7.0)**	(7.7)
Amortisation of acquired intangible assets	10	**(17.5)**	(18.8)
Amortisation of other intangible assets	10	**(1.3)**	(1.5)
Impairment of other intangible assets	10	**(1.9)**	–
Foreign exchange loss		**(1.0)**	(1.3)
Employee costs	5	**(152.7)**	(138.3)

Analysis of auditors' remuneration:

	2021 £'m	2020 £'m
Audit of Parent Company and consolidated financial statements	**(0.3)**	(0.3)
Audit of subsidiaries	**(0.7)**	(0.6)
Total audit	**(1.0)**	(0.9)
Audit-related assurance services	**(0.1)**	(0.1)
Total fees	**(1.1)**	(1.0)
Total audit fees	**(1.0)**	(0.9)
Total non-audit fees	**(0.1)**	(0.1)
Total fees	**(1.1)**	(1.0)

Audit-related assurance services were primarily in respect of the interim review.

5. Employees and employee costs

5.1 Accounting policy

5.1.1 Wages and salaries

Wages and salaries are recognised in the income statement as the employees' services are rendered.

5.1.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

- when the Group can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

FINANCIAL STATEMENTS

Notes to the financial statements continued

For the year ended 31 December 2021

5. Employees and employee costs continued

5.1.3 Bonus plans

The Group recognises a liability and an expense for bonuses based on the expected level of payment to employees in respect of the relevant financial year. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

5.1.4 Government grants

In the previous year, the Group utilised available government job retention schemes across various territories and the amount of government support received outside of the United Kingdom in the year was £1.7 million. This was accounted for as a government grant under IAS 20. As the grant was intended to cover employee costs, this was recognised in the profit or loss within selling, general and administrative expenses, offsetting the related expense. There was no government support received across the Group in 2021.

5.2 Number of employees

The average monthly number of employees during the financial year and total number of employees as at 31 December 2021 was:

	Average		Total	
	2021	2020	**2021**	2020
Administration	**405**	399	**418**	388
Operations	**3,554**	3,273	**3,404**	3,414
Sales	**336**	363	**337**	329
	4,295	4,035	**4,159**	4,131

The analysis above includes Directors.

5.3 Employment costs

Employment costs of employees, including Directors' remuneration, during the year were as follows:

	Note	**2021 £'m**	2020 £'m
Wages and salaries		**(136.4)**	(124.8)
Social security costs		**(11.2)**	(10.8)
Share-based payments	23	**(1.0)**	(0.1)
Pension costs – defined contribution schemes	21	**(3.8)**	(3.6)
Pension costs – defined benefit schemes	21	**(0.3)**	(0.7)
Government support income[1]		**–**	1.7
		(152.7)	(138.3)

1 The government support income of £1.7 million in 2020 relates to government support received outside of the United Kingdom and was accounted for as a government grant under IAS 20.

Details of Directors' remuneration are set out in the Remuneration report on pages 114 to 137.

6. Exceptional items

6.1 Accounting policy

Where certain income or expense items recorded in the year are material, by their size or incidence, the Group presents such items as exceptional within a separate line on the income statement, except for those exceptional items that relate to net finance costs and tax. Separate presentation provides an improved understanding of the elements of financial performance during the year to facilitate comparison with prior periods and to assess the underlying trends in financial performance.

Exceptional items include one-off redundancy and restructuring costs, transaction costs and integration costs associated with merger and acquisition activity, as well as credits relating to profit on disposal of businesses, and property provision releases.

The Group aims to be both consistent and clear in its recognition and disclosure of exceptional gains and losses. Management judgement is required in assessing the nature and amounts of transactions that satisfy the conditions for classification as an exceptional item.

6. Exceptional items continued

6.2 Exceptional items

	2021 £'m	2020 £'m
Footprint restructuring – credit	**0.3**	0.2
M&A and integration – costs	**–**	(0.8)
M&A and integration – credits	**0.6**	0.6
M&A and integration – net	**0.6**	(0.2)
Loss on disposal of business	**–**	(1.8)
Impairment charge	**(1.9)**	–
Impairment credits	**1.6**	–
Impairment – net	**(0.3)**	–
	0.6	(1.8)

Footprint restructuring

The footprint restructuring credit in the current and prior year corresponds to the release of excess provisions made relating to the streamlining of the International footprint. The classification as exceptional is consistent with the original charge.

M&A and integration

The M&A credit in the current year relates to the release of provisions made as part of the business combination accounting for previous acquisitions, which are no longer required. M&A and integration costs in the previous year relate to costs associated with the integration of businesses acquired in 2018, predominantly Ashland.

Loss on disposal of business

The prior year charge relates to a loss on the disposal of the Ventrolla business, which was divested on 5 November 2020.

Impairment

The impairment charge in the current year relates to impairment of certain of the Group's intangible assets following the decision to commence a multi-year ERP upgrade. The impairment credit relates to the release of a portion of provisions made in 2019 against inventory and other assets associated with the new door seals product in North America, which is no longer required. The classification as exceptional is consistent with the original charge.

7. Finance income and costs

	2021 £'m	2020 £'m
Finance income		
Gain on revaluation of fair value hedge	**–**	0.3
	–	0.3
Finance costs		
Interest payable on bank loans, private placement notes and overdrafts	**(5.9)**	(8.9)
Interest payable on leases	**(2.5)**	(2.8)
Amortisation of borrowing costs	**(0.5)**	(0.5)
Pension interest cost	**(0.1)**	(0.2)
Loss on revaluation of fair value hedge	**(0.1)**	–
	(9.1)	(12.4)
Net finance costs	**(9.1)**	(12.1)

Notes to the financial statements continued

For the year ended 31 December 2021

8. Taxation

8.1 Accounting policy

The income tax charge comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the relevant statement.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax liabilities are recognised if they arise from the initial recognition of:

- goodwill; or
- an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, except for deferred income tax liabilities, where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and where the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. Offset may be applied either within the same tax entity or different taxable entities where there is an intention to settle tax balances on a net basis.

Estimation is required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where deductible temporary differences exist, management's judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. The deferred tax assets recoverable amount may differ from the amounts recognised if actual taxable profits differ from management's estimates.

The Group has made provisions for uncertain tax positions in accordance with IFRIC 23. At any point in time the Group has open tax returns across the jurisdictions in which it operates that may give rise to different amounts of tax due. Judgement is required in making an assessment of whether it is probable a tax authority will accept an uncertain tax treatment. If it is not probable, the position will be accepted, estimation is required in making a provision using either the expected value approach or the most likely outcome approach. The amounts at which tax liabilities are finally settled may differ from the amounts provided.

8. Taxation continued

8.2 Taxation – income statement and other comprehensive income

8.2.1 Tax on profit

	Note	**2021 £'m**	2020 £'m
Current taxation			
Current tax on profit for the year		**(18.8)**	(15.5)
Prior year adjustments		**1.5**	1.4
Total current taxation		**(17.3)**	(14.1)
Deferred taxation			
Origination and reversal of temporary differences		**2.2**	3.6
Rate change adjustment		**0.4**	0.1
Prior year adjustments		**0.3**	–
Total deferred taxation	8.3	**2.9**	3.7
Income tax charge in the income statement		**(14.4)**	(10.4)
Total (charge)/credit relating to components of other comprehensive income			
Current tax charge on translation		**–**	(0.2)
Current tax credit on share-based payments		**0.1**	0.1
Deferred tax (charge)/credit on actuarial gains and losses	8.3	**(0.5)**	0.1
Deferred tax credit on share-based payments	8.3	**0.2**	0.1
Deferred tax charge on translation	8.3	**(0.1)**	(0.2)
Income tax charge in the statement of other comprehensive income		**(0.3)**	(0.1)
Total current taxation		**(17.2)**	(14.2)
Total deferred taxation		**2.5**	3.7
Total taxation		**(14.7)**	(10.5)

The Group's UK profits for this financial year are taxed at the statutory rate of 19.0% (2020: 19.0%). The deferred tax balances have been measured using the applicable enacted rates. In the UK, legislation to increase the standard rate of corporation tax to 25% from 1 April 2023 was enacted in the Finance Act 2021 on 10 June 2021, and consequently deferred tax has been remeasured to reflect this.

Taxation for other jurisdictions is calculated at rates prevailing in those respective jurisdictions.

8.2.2 Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of tax in the UK of 19.0% (2020: 19.0%). The differences are explained below:

	2021 £'m	2020 £'m
Profit before taxation	**64.0**	47.6
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	**(12.2)**	(9.0)
Effects of:		
Expenses not deductible for tax purposes	**(0.9)**	(0.1)
Overseas tax rate differences	**(3.5)**	(2.8)
Rate change adjustment	**0.4**	0.1
Prior year adjustments	**1.8**	1.4
Income tax charge in the income statement	**(14.4)**	(10.4)

Notes to the financial statements continued

For the year ended 31 December 2021

8. Taxation continued

8.3 Taxation – balance sheet

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2021 £'m	2020 £'m
Deferred tax assets	**12.6**	16.3
Deferred tax liabilities	**(20.5)**	(26.8)
Net deferred tax liabilities	**(7.9)**	(10.5)

The net movement in deferred tax is as follows:

	Note	**2021 £'m**	2020 £'m
At 1 January		**(10.5)**	(14.1)
Income statement credit	8.2	**2.5**	3.6
Rate change adjustment	8.2	**0.4**	0.1
Tax charge relating to components of other comprehensive income	8.2	**(0.4)**	–
Exchange difference		**0.1**	(0.1)
At 31 December		**(7.9)**	(10.5)

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets	Accelerated tax depreciation £'m	Post-retirement benefit provisions £'m	Purchased goodwill £'m	Other timing differences £'m	Total £'m
At 1 January 2020	0.7	2.0	5.6	8.9	17.2
Income statement charge	–	(0.2)	(0.4)	(0.3)	(0.9)
Rate change adjustment	–	–	–	0.1	0.1
Tax (charge)/credit relating to components of other comprehensive income	–	(0.3)	–	0.3	–
Exchange difference	–	–	–	(0.1)	(0.1)
At 31 December 2020	0.7	1.5	5.2	8.9	16.3
Income statement charge	(0.8)	(0.7)	(1.5)	(0.6)	(3.6)
Rate change adjustment	–	–	0.3	0.1	0.4
Tax (charge)/credit relating to components of other comprehensive income	–	(0.5)	–	0.1	(0.4)
Exchange difference	–	–	–	(0.1)	(0.1)
At 31 December 2021	**(0.1)**	**0.3**	**4.0**	**8.4**	**12.6**

Deferred tax liabilities	Accelerated tax depreciation £'m	Intangible assets on acquisition £'m	Other timing differences £'m	Total £'m
At 1 January 2020	(6.3)	(21.6)	(3.4)	(31.3)
Income statement credit	0.7	3.8	–	4.5
Rate change adjustment	–	(0.2)	0.1	(0.1)
Exchange difference	0.2	–	(0.1)	0.1
At 31 December 2020	(5.4)	(18.0)	(3.4)	(26.8)
Income statement credit	0.9	3.8	1.3	6.0
Rate change adjustment	–	0.2	(0.2)	–
Exchange difference	–	0.2	0.1	0.3
At 31 December 2021	**(4.5)**	**(13.8)**	**(2.2)**	**(20.5)**

The deferred tax asset arises from temporary differences arising in various tax jurisdictions, predominantly the US and UK. Given both recent and forecast trading, the Directors are of the opinion that the level of profits in the foreseeable future is more likely than not to be sufficient to recover these assets.

Deferred tax liabilities of £14.0 million (2020: £19.2 million) are expected to fall due after more than one year and deferred tax assets of £7.5 million (2020: £10.8 million) are expected to be recovered after more than one year.

8. Taxation continued

8.3.1 Factors that may affect future tax charges

The estimated tax losses within the Group are as follows:

Estimated tax losses:	Gross losses 2021 £'m	Gross losses 2020 £'m	Tax effect of losses 2021 £'m	Tax effect of losses 2020 £'m
Capital losses	**3.3**	3.3	**(0.6)**	(0.6)
Trading losses	**20.2**	21.4	**(5.4)**	(5.7)
	23.5	24.7	**(6.0)**	(6.3)

In accordance with the Group's accounting policy, as the future use of these losses is uncertain none of these losses have been recognised as a deferred tax asset.

An assessable temporary difference exists, but no deferred tax liability has been recognised because the Group is able to control the timing of any distributions from these subsidiaries and hence any tax consequences that may arise.

On 25 April 2019, the European Commission published its final decision regarding its investigation into the UK CFC rules, concluding that the exemption applied to income derived from UK activities constituted a breach of EU State Aid rules. The Group had previously disclosed a contingent liability, but had not recognised a provision based on analysis performed and the level of uncertainty in respect of the potential liability. On 29 June 2021, HMRC notified the Group that it had concluded its review and determined that no State Aid had been provided. As such, there is no longer a contingent liability at 31 December 2021.

9. Earnings per share

9.1 Non-GAAP Alternative Performance Measures accounting policy

The Directors believe that the adjusted profit and earnings per share measures provide additional useful information to shareholders on the underlying performance of the business. These measures are consistent with how business performance is measured internally. The adjusted profit before tax measure is not recognised under IFRS and may not be comparable with adjusted profit measures used by other companies (see Alternative Performance Measures on pages 203 to 208).

9.2 Earnings per share

	2021 £'m	2020 £'m
Profit for the year	**49.6**	37.2
Basic earnings per share (p)	**25.4p**	19.1p
Diluted earnings per share (p)	**25.3p**	19.0p

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares.

9.2.1 Weighted average number of shares

	2021 'm	2020 'm
Weighted average number of shares (including treasury shares)	**196.8**	196.8
Treasury and Employee Benefit Trust shares	**(1.4)**	(1.7)
Weighted average number of shares – basic	**195.4**	195.1
Effect of dilutive potential ordinary shares – LTIP awards and options	**0.7**	0.7
Weighted average number of shares – diluted	**196.1**	195.8

Notes to the financial statements continued

For the year ended 31 December 2021

9. Earnings per share continued

9.2.2 Non-GAAP Alternative Performance Measure: Adjusted earnings per share

The Group presents an adjusted earnings per share measure which excludes the impact of exceptional items, certain non-cash finance costs, amortisation of acquired intangible assets and certain non-recurring items. Adjusted earnings per share has been calculated using the adjusted profit before taxation and using the same weighted average number of shares in issue as the earnings per share calculation. See Alternative Performance Measures on pages 203 to 208.

Adjusted profit after taxation is derived as follows:

	2021 £'m	2020 £'m
Profit before taxation	**64.0**	47.6
Exceptional items	**(0.6)**	1.8
Loss/(gain) on revaluation of fair value hedge	**0.1**	(0.3)
Amortisation of borrowing costs	**0.5**	0.5
Amortisation of acquired intangible assets	**17.5**	18.8
Adjusted profit before taxation	**81.5**	68.4
Income tax charge	**(14.4)**	(10.4)
Add back: Adjusted tax effect[1]	**(4.4)**	(4.9)
Adjusted profit after taxation	**62.7**	53.1

[1] Tax effect of exceptional items, amortisation of borrowings costs, amortisation of acquired intangible assets, gain or loss on revaluation of fair value hedge and unwinding of discount on provisions.

Adjusted earnings per share is summarised as follows:

	2021	2020
Basic adjusted earnings per share	**32.1p**	27.2p
Diluted adjusted earnings per share	**32.0p**	27.1p

10. Goodwill and intangible assets

10.1 Accounting policy

10.1.1 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity, at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

10.1.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment. On acquisition of businesses by the Group, the Group recognises any separately identifiable intangible assets separately from goodwill, initially measuring the intangible assets at fair value.

Purchased intangible assets acquired through a business combination, including purchased brands, customer relationships, trademarks and licences, are initially measured at fair value and amortised on a straight-line basis over their estimated useful economic lives as follows:

- Acquired brands – 5 to 20 years
- Customer relationships – 9 to 15 years
- Internally developed computer software – 5 to 10 years
- Purchased computer software – 3 to 4 years

10. Goodwill and intangible assets continued

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised when the intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management. Configuration and customisation costs associated with Software as a Services ("SaaS") arrangements are capitalised if they create an intangible asset that the Group controls. If these costs do not meet the definition of an intangible asset, but are considered to be an integral part of the service provided by the software provider, they are capitalised as a prepayment and expensed as the service is provided. In other cases, these costs are expensed as incurred.

The estimated useful lives of acquired intangible assets are reviewed whenever events or circumstances indicate that there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset. Any amendments to the estimated useful lives of intangible assets are recorded as a change in estimate in the period the change occurred.

10.1.3 Impairment of goodwill and intangible assets

Intangible assets, including goodwill, that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels, for which, there are largely independent cash inflows. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Goodwill previously impaired cannot be reversed at a later date.

10.1.4 Critical accounting estimate: carrying amount of goodwill and intangibles

As at 31 December 2021, the Group had goodwill of £363.3 million (2020: £361.9 million) with intangible assets amounting in total to £66.8 million (2020: £84.1 million). An impairment review using a value in use calculation has been performed for each CGU. There is significant estimation involved in determining the appropriate assumptions to use in the calculations, including the forecasted cash flows of each CGU and appropriate discount rates relative to the Company's cost of capital. These assumptions have been subjected to sensitivity analyses. Details of estimates used and sensitivities in the impairment reviews are set out in this note.

10.2 Cash generating units

The Group's CGUs have been defined as each of the Group's three operating divisions. Each division has its own senior management and leadership team, which holds the overall responsibility for the key decision making of each operating unit within that division. In the opinion of the Directors, the divisions represent the smallest groups of assets that independently generate cash flows for the Group. This conclusion is consistent with the approach adopted in previous years.

10.3 Carrying amount of goodwill

	£'m
Net carrying value	
At 1 January 2020	371.3
Exchange difference	(9.4)
At 31 December 2020	361.9
Exchange difference	1.4
At 31 December 2021	**363.3**

FINANCIAL STATEMENTS

Notes to the financial statements continued

For the year ended 31 December 2021

10. Goodwill and intangible assets continued

Goodwill is monitored principally on an operating segment basis and the net book value of goodwill is allocated by CGU as follows:

	2021 £'m	2020 £'m
North America	**268.5**	265.6
UK & Ireland	**60.2**	60.2
International	**34.6**	36.1
	363.3	361.9

10.3.1 Impairment tests for goodwill

The recoverable amounts of CGUs are determined from VIU calculations. VIU is determined by discounting the future pre-tax cash flows generated from the continuing use of the CGU, using a pre-tax discount rate.

Assumptions

Cash flow projections

Cash flow projections, which have been reviewed and approved by the Board, are derived from the bottom-up budget for 2022 and the strategic plan for 2023–2024, extrapolated for a further two years at the estimated medium-term growth rate for each CGU. The five-year cash flows were extrapolated using a long-term growth rate of 1.5% in order to calculate the terminal recoverable amount.

Climate change

The Group has considered the potential impact of climate change on future cash flows and the terminal growth rate used in the impairment test. This took into consideration the risks and opportunities identified in the TCFD disclosures outlined in the sustainability report on pages 68 to 77, a qualitative assessment of the potential financial impact and mitigations that could impact the impairment model, and the commitments made in the sustainability roadmap. The Group has not identified any risks that have a significant financial impact that cannot reasonably be mitigated by activities already planned or in many cases, already underway as part of the sustainability roadmap. There have been no factors identified that would be expected to limit the useful lives of any major assets or parts of the business, which would suggest the current terminal growth rate is not appropriate. There are also many opportunities presented by climate change, the benefit of which is expected to offset the risks. The Group continues to work on quantifying the impact of risks and opportunities as part of the TCFD work.

Discount rates

Discount rates are estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk profiles of the CGUs.

The key assumptions used in the VIU calculations in each of the Group's CGUs at 31 December are as follows:

	Average pre-tax discount rate		**Average EBITDA margin: years one to five**	
	2021	2020	**2021**	2020
North America	**12.7%**	12.8%	**21.9%**	23.4%
UK & Ireland	**11.2%**	12.6%	**15.7%**	16.0%
International	**14.4%**	14.1%	**20.2%**	19.2%

Impairment review results: 2021

A review of the carrying amount of goodwill and intangible assets across the Group has been carried out at year end, taking into account the current trading conditions and future prospects. The assumptions have been subjected to sensitivity analyses, including sensitising revenue, gross margin and the discount rate. The annual impairment review did not result in any impairment losses being recognised in 2021. Results are summarised as follows:

UK & Ireland: Relative to the base case scenario, revenue would need to decline by over 9% on average in each of the five years from 2022 to 2026, to eliminate VIU headroom, or the average EBITDA margin for the next five years would need to decrease from 15.7% to 11.1%, to reduce VIU headroom to zero. This is substantially lower than the 2021 EBITDA margin in a year where input costs have increased significantly. This scenario is considered unlikely to occur given historic rates and strategic initiatives in progress.

10. Goodwill and intangible assets continued

North America: Relative to the base case scenario, revenue would need to decline by over 9% on average in each of the five years from 2022 to 2026, to eliminate VIU headroom, or the average EBITDA margin for the next five years would need to decrease from 21.9% to 15.8%, to reduce VIU headroom to zero. Given the current trading performance and the margin uplift potential of operational improvement activities, realisation of pricing benefits and stabilisation of cost inflation, this scenario is felt unlikely to occur.

International: Relative to the base case scenario, revenue would need to decline by 15% on average in each of the five years from 2022 to 2026, to eliminate VIU headroom, or the average EBITDA margin for the next five years would need to decrease from 20.2% to 13.6% for the VIU headroom of the International division to reduce to zero. Given the strength in underlying demand in the core International markets, the expected benefits from streamlining International operations and growth from new product introductions, this is felt unlikely to occur.

10.4 Carrying amount of intangible assets

	Note	Computer software £'m	Acquired brands £'m	Customer relationships £'m	Total £'m
Cost					
At 1 January 2020		13.2	86.5	258.1	357.8
Additions		0.6	–	–	0.6
Disposals		(0.4)	–	–	(0.4)
Exchange difference		(0.2)	(0.7)	(5.4)	(6.3)
At 31 December 2020		13.2	85.8	252.7	351.7
Additions		4.4	0.1	–	4.5
Disposals		(2.0)	(3.0)	–	(5.0)
Exchange difference		(0.1)	(0.8)	(0.2)	(1.1)
At 31 December 2021		**15.5**	**82.1**	**252.5**	**350.1**
Accumulated amortisation					
At 1 January 2020		(5.9)	(52.5)	(195.4)	(253.8)
Amortisation charge for the year	4	(1.5)	(5.7)	(13.1)	(20.3)
Disposals		0.2	–	–	0.2
Exchange difference		0.1	0.8	5.4	6.3
At 31 December 2020		(7.1)	(57.4)	(203.1)	(267.6)
Amortisation charge for the year	4	(1.3)	(5.4)	(12.1)	(18.8)
Disposals		2.0	3.0	–	5.0
Impairment		(1.9)	–	–	(1.9)
Exchange difference		(0.1)	0.4	(0.3)	–
At 31 December 2021		**(8.4)**	**(59.4)**	**(215.5)**	**(283.3)**
Net carrying value					
At 1 January 2020		7.3	34.0	62.7	104.0
At 31 December 2020		6.1	28.4	49.6	84.1
At 31 December 2021		**7.1**	**22.7**	**37.0**	**66.8**

The amortisation charge for the year has been included in administrative expenses in the income statement and comprises £17.5 million (2020: £18.8 million) relating to amortisation of acquired intangible assets and £1.3 million (2020: £1.5 million) relating to amortisation of other intangible assets.

Notes to the financial statements continued

For the year ended 31 December 2021

11. Property, plant and equipment

11.1 Accounting policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost of the subsequent item can be measured reliably. The carrying amount of the replaced part is derecognised from the date of replacement. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation is provided on all other property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, at the following annual rates:

- Freehold buildings – 2.0 to 5.0%
- Plant and machinery – 7.5 to 33.0%

The carrying amounts of property, plant and equipment are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying amount may not be recoverable. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

11.2 Carrying amount of property, plant and equipment

	Note	Freehold land and buildings £'m	Plant and machinery £'m	Total £'m
Cost				
At 1 January 2020		26.6	104.0	130.6
Additions		0.1	9.8	9.9
Disposals		–	(13.4)	(13.4)
Exchange difference		1.6	(2.8)	(1.2)
At 31 December 2020		28.3	97.6	125.9
Additions		0.2	15.8	16.0
Disposals		(1.7)	(2.8)	(4.5)
Exchange difference		(1.8)	(2.1)	(3.9)
At 31 December 2021		**25.0**	**108.5**	**133.5**
Accumulated depreciation				
At 1 January 2020		(7.4)	(57.4)	(64.8)
Depreciation charge for the year	4	(0.8)	(11.9)	(12.7)
Disposals		–	12.1	12.1
Impairment		–	(0.5)	(0.5)
Exchange difference		(1.2)	1.9	0.7
At 31 December 2020		(9.4)	(55.8)	(65.2)
Depreciation charge for the year	4	(0.8)	(10.7)	(11.5)
Disposals		0.9	2.7	3.6
Impairment		–	(0.2)	(0.2)
Exchange difference		1.5	1.8	3.3
At 31 December 2021		**(7.8)**	**(62.2)**	**(70.0)**
Net carrying value				
At 1 January 2020		19.2	46.6	65.8
At 31 December 2020		18.9	41.8	60.7
At 31 December 2021		**17.2**	**46.3**	**63.5**

11. Property, plant and equipment continued

Depreciation on property, plant, and equipment is included in the income statement as follows:

	2021 £'m	2020 £'m
Cost of sales	**9.0**	9.7
Administrative expenses	**2.5**	3.0
Total depreciation charge	**11.5**	12.7

The carrying amounts of property, plant and equipment have been reviewed for impairment, with a charge of £0.2 million (2020: charge of £0.5 million) recognised. As part of this review, the Group has considered the impact of physical risk hazards arising from climate change on significant asset locations, the risk of obsolescence or impairment of equipment due to the introduction of climate-related technologies, and additional costs of transitioning to energy efficient technology. There were no assets identified where this would significantly reduce the useful economic life and no impairment charge has been recognised in relation to climate change. Refer to the sustainability report on pages 46 to 77 for further detail on climate risks and opportunities.

12. Leases

12.1 Accounting policy

Recognition

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset. The Group recognises a right-of-use ("ROU") asset and a lease liability at the commencement of the lease.

Short-term and low-value assets

The Group has elected not to recognise ROU assets and lease liabilities for leases where the total lease term is less than or equal to twelve months, or for leases of assets, with a value of less than £5,000. The payments for such leases are recognised in the income statement on a straight-line basis over the lease term.

Non-lease components

Fees for components such as property taxes, maintenance, repairs and other services, which are either variable or transfer benefits separate to the Group's right to use the asset are separated from lease components based on their relative stand-alone selling price. These components are expensed in the income statement as incurred.

Measurement

Lease liabilities

Lease liabilities are initially measured at the present value of future lease payments at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, or where this cannot be readily determined, the lessee's incremental borrowing rate. Lease payments include the following payments due within the non-cancellable term of the lease, as well as the term of any extension options where these are considered reasonably certain to be exercised:

- fixed payments;
- variable payments that depend on an index or rate; and
- the exercise price of purchase or termination options if it is considered reasonably certain these will be exercised.

Subsequent to the commencement date, the lease liability is measured at the initial value, plus an interest charge determined using the incremental borrowing rate, less lease payments made. The interest expense is recorded in finance costs in the income statement. The liability is remeasured when future lease payments change, when the exercise of extension or termination options becomes reasonably certain, or when the lease is modified.

Right-of-use assets

The ROU asset is initially measured at cost, being the value of the lease liability, plus the value of any lease payments made at or before the commencement date, initial direct costs and the cost of any restoration obligations, less any incentives received.

The ROU asset is subsequently measured at cost, less accumulated depreciation and impairment losses. The ROU asset is adjusted for any remeasurement of the lease liability. The ROU asset is subject to testing for impairment where there are any impairment indicators.

Notes to the financial statements continued

For the year ended 31 December 2021

12. Leases continued

12.2 The Group's leasing arrangements

The Group leases manufacturing and warehousing facilities, offices, and various items of plant, machinery, and vehicles used in its operations.

Leases of manufacturing and warehousing facilities and offices generally have lease terms between five and 25 years, while plant, machinery, and vehicles generally have lease terms between six months and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

12.3 Carrying value of right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Land and buildings £'m	Plant and machinery £'m	Total £'m
At 1 January 2020	57.0	2.4	59.4
Additions	2.9	0.4	3.3
Disposals	(1.6)	–	(1.6)
Depreciation charge	(6.7)	(1.0)	(7.7)
Revaluation impairment	(0.3)	–	(0.3)
Exchange difference	(1.3)	–	(1.3)
At 31 December 2020	50.0	1.8	51.8
Additions	1.4	0.9	2.3
Lease extensions	4.7	–	4.7
Change in indexation	0.1	–	0.1
Disposals	(0.1)	–	(0.1)
Depreciation charge	(6.1)	(0.9)	(7.0)
Exchange difference	0.2	–	0.2
At 31 December 2021	**50.2**	**1.8**	**52.0**

12.4 Carrying value of lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	2021 £'m	2020 £'m
At 1 January	**(53.8)**	(60.0)
New leases	**(2.3)**	(3.3)
Lease extensions	**(4.7)**	–
Change in indexation	**(0.2)**	–
Disposals	**0.2**	1.6
Interest charge	**(2.5)**	(2.8)
Lease payments	**8.6**	9.2
Exchange difference	**(0.1)**	1.5
At 31 December	**(54.8)**	**(53.8)**

	2021 £'m	2020 £'m
Current liabilities	**(6.0)**	(5.4)
Non-current liabilities	**(48.8)**	(48.4)
	(54.8)	(53.8)

12. Leases continued

12.5 Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss

	2021 £'m	2020 £'m
Depreciation of ROU assets	**(7.0)**	(7.7)
Interest expense (included in finance cost)	**(2.5)**	(2.8)
Expense relating to short-term and low-value assets not included in lease liabilities (included in cost of sales and administration expenses)	**(1.3)**	(1.0)
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales and administration expenses)	**(0.5)**	(0.5)
	(11.3)	(12.0)

12.6 Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management applied judgment in determining whether these options were reasonably certain to be exercised when determining the lease term. In making this judgment, management considered the remaining lease term, future business plans and other relevant economic factors.

As at 31 December 2021, potential future cash outflows of £64.0 million (2020: £68.1 million) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

13. Inventories

13.1 Accounting policy

Inventories are valued at the lower of cost and net realisable value. Cost is determined in accordance with the first-in, first-out method. Cost includes the cost of materials determined on a purchase cost basis, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The carrying amounts of inventories are stated with due allowance for excess, obsolete or slow-moving items. Management exercises judgement in assessing net realisable value. In estimating provisions for slow-moving and obsolete inventory management assesses of the nature and condition of the inventory, including assumptions around future demand, market conditions and new product development initiatives.

13.2 Carrying amount of inventories

	2021 £'m	2020 £'m
Raw materials and consumables	**34.4**	28.4
Work in progress	**19.6**	14.0
Finished goods	**83.8**	41.6
	137.8	84.0

The cost of materials charged to cost of sales in the income statement during the year was £279.0 million (2020: £242.7 million).

Inventories are stated net of an allowance for excess, obsolete or slow-moving items of £19.5 million (2020: £18.9 million).

A charge in respect of an increase in inventory provision of £0.9 million (2020: credit of £0.9 million) was recognised in respect of inventories during the year.

There were no borrowings secured on the inventories of the Group (2020: £Nil).

Notes to the financial statements continued

For the year ended 31 December 2021

14. Trade and other receivables

14.1 Accounting policy

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less they are classified as current assets; otherwise they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method, less appropriate allowances for estimated credit losses (provision for impairment).

The Group assesses on a forward-looking basis the expected credit losses associated with its trade receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the length of time overdue. An estimate is made of the expected credit loss based on the Group's history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

The trade receivables impairment provision requires the use of estimation techniques by Group management. The estimate is made based on the assessments of the creditworthiness of customers, the ageing profile of receivables, historical experience, and expectations about future market conditions.

14.2 Carrying amounts of trade and other receivables

	2021 £'m	2020 £'m
Trade receivables	**72.9**	66.8
Less: Provision for impairment of trade receivables	**(3.0)**	(3.7)
Trade receivables – net	**69.9**	63.1
Other receivables – net	**5.7**	4.8
Prepayments	**5.4**	4.9
	81.0	72.8

All trade and other receivables are current. Other receivables is net of an expected credit loss provision of £1.1 million (2020: £1.8 million). The net carrying amounts of trade and other receivables are considered to be a reasonable approximation of their fair values.

Impairment of trade receivables

An expected credit loss of £3.0 million has been recognised at 31 December 2021 (2020: £3.7 million).

The impairment loss allowance was determined as follows:

31 December 2021	**Not yet due**	**0–3 months overdue**	**3–12 months overdue**	**> 12 months overdue**	**Total**
Expected credit loss rate	**0.7%**	**13.0%**	**22.2%**	**100.0%**	**4.1%**
Gross trade receivables (£'m)	**60.9**	**10.0**	**0.9**	**1.1**	**72.9**
Loss allowance (£'m)	**0.4**	**1.3**	**0.2**	**1.1**	**3.0**

31 December 2020	Not yet due	0–3 months overdue	3–12 months overdue	> 12 months overdue	Total
Expected credit loss rate	2.0%	13.1%	50.0%	100.0%	5.5%
Gross trade receivables (£'m)	55.2	9.9	0.8	0.9	66.8
Loss allowance (£'m)	1.1	1.3	0.4	0.9	3.7

14. Trade and other receivables continued

Movement in the allowance for impairment of trade receivables is as follows:

	2021 £'m	2020 £'m
At 1 January	**(3.7)**	(3.1)
Provision for receivables impairment	**(0.1)**	(1.8)
Receivables written off during the year	**0.7**	0.5
Unused amounts reversed	**0.1**	0.7
At 31 December	**(3.0)**	(3.7)

Movements in the impairment allowance are recognised in administrative expenses in the income statement.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2021 £'m	2020 £'m
US dollars	**41.0**	36.6
Sterling	**16.2**	14.2
Euros	**17.2**	16.8
Other currencies	**6.6**	5.2
	81.0	72.8

14.3 Financial assets at fair value through profit or loss

The Group classifies equity investments as assets held at FVPL. See note 19.1 for financial instruments accounting policy.

Financial assets measured at FVPL are as follows:

	2021 £'m	2020 £'m
Unlisted shares	**1.1**	1.1

There was no gain or loss recognised in profit or loss in the current and prior year. The maximum market risk exposure at the end of the year is the carrying amount of this investment.

15. Cash and cash equivalents

15.1 Accounting policy

In the consolidated statement of cash flows and balance sheet, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts where the Group has a legal right of set off. Bank overdrafts, where there is no legal right of set off, are classified as borrowings.

15.2 Carrying amounts of cash and cash equivalents

	2021 £'m	2020 £'m
Cash at bank and in hand	**76.6**	72.8
Short-term deposits	**0.4**	0.4
Bank overdrafts	**(18.9)**	(3.5)
	58.1	69.7

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2021 £'m	2020 £'m
Sterling	**8.3**	19.2
US dollars	**22.5**	24.6
Euros	**13.1**	16.6
Other currencies	**14.2**	9.3
	58.1	69.7

Notes to the financial statements continued

For the year ended 31 December 2021

16. Trade and other payables

16.1 Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

16.2 Carrying amounts of trade and other payables

	2021 £'m	2020 £'m
Trade payables	**(78.4)**	(55.1)
Other taxes and social security costs	**(4.4)**	(6.5)
Accruals	**(29.1)**	(22.3)
Deferred income	**(1.0)**	(0.9)
	(112.9)	(84.8)
Analysed as:		
Current liabilities	**(112.8)**	(84.4)
Non-current liabilities	**(0.1)**	(0.4)
	(112.9)	(84.8)

The carrying amounts of trade and other payables are considered to be a reasonable approximation of their fair values.

The carrying amounts of trade and other payables are denominated in the following currencies:

	2021 £'m	2020 £'m
US dollars	**(59.2)**	(44.5)
Sterling	**(22.4)**	(14.8)
Euros	**(22.8)**	(19.8)
Other currencies	**(8.5)**	(5.7)
	(112.9)	(84.8)

17. Derivative financial instruments

17.1 Accounting policy

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group designates certain derivatives as either:

- fair value hedge: hedges of the fair value of recognised assets or liabilities or a firm commitment;
- cash flow hedge: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; or
- net investment hedge: hedges of a net investment in a foreign operation.

For those instruments designated as hedges, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognised immediately in the income statement.

17. Derivative financial instruments continued

17.1.1 Fair value hedges

Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded in the income statement, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

17.1.2 Cash flow hedges

The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

17.1.3 Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar manner to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

17.2 Carrying amounts of derivative financial instruments

	2021		2020	
	Assets £'m	**Liabilities £'m**	Assets £'m	Liabilities £'m
Forward exchange contracts – fair value hedges	**–**	**(0.3)**	–	(0.2)
Total	**–**	**(0.3)**	–	(0.2)
Analysed as:				
Current	**–**	**(0.3)**	–	(0.2)
Total	**–**	**(0.3)**	–	(0.2)

The carrying amounts of derivative financial instruments are denominated in the following currencies:

	2021		2020	
	Assets £'m	**Liabilities £'m**	Assets £'m	Liabilities £'m
US dollars	**–**	**(0.3)**	–	(0.1)
Other currencies	**–**	**–**	–	(0.1)
	–	**(0.3)**	–	(0.2)

17.2.1 Fair value hedges

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2021 was £24.3 million (2020: £23.7 million). The hedge ratio of foreign exchange contracts is 1:1, holding all other variables constant. The contracts have a range of maturities up to 17 June 2022.

During the year, a loss of £0.1 million (2020: gain of £0.3 million) was recognised in the income statement for the changes in value of the fair value hedges.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next six months.

17.2.2 Cash flow hedges

The notional principal amounts of the outstanding interest rate swap at 31 December 2021 were £Nil (2020: £Nil).

During the year, a gain/loss of £Nil (2020: gain of £0.3 million) was recognised in the statement of comprehensive income and £Nil (2020: £Nil) in the income statement for the ineffective portion of changes in the value of cash flow hedges.

Notes to the financial statements continued

For the year ended 31 December 2021

17. Derivative financial instruments continued

17.2.3 Net investment hedges

The Group uses foreign currency-denominated debt to hedge the value of its US dollar and euro-denominated net assets, which may change due to respective movements in US dollar and euro exchange rates. At 31 December 2021, the value of the net investment hedges was £126.0 million (2020: £129.5 million). These hedges are considered highly effective and no ineffective portion has been recognised in the income statement.

The hedge ratio of each net investment hedge was 1:1, holding all other variables constant. The weighted average hedged rate of the US net investment hedge was 1.376 (2020: 1.284) and of the EUR net investment hedge was 1.163 (2020: 1.125).

The effect of the net investment hedges on the Group's financial statements is summarised as follows:

	2021 US net investment hedge	**2021 EUR net investment hedge**	2020 US net investment hedge	2020 EUR net investment hedge
Loan carrying amount (£'m)	**(81.4)**	**(44.6)**	(81.1)	(48.4)
Loan carrying amount (US$m/€m)	**(110.0)**	**(53.1)**	(110.7)	(53.9)
Hedge ratio (holding all other variables constant)	**1:1**	**1:1**	1:1	1:1
Change in carrying amount of loans as a result of foreign currency movements recognised in OCI	**(0.8)**	**3.1**	2.7	(2.5)
Change in value of hedged item used to determine hedge effectiveness	**0.8**	**(3.1)**	(2.7)	2.5

18. Interest-bearing loans and borrowings

18.1 Accounting policy

Interest-bearing loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans and borrowings are subsequently carried at amortised cost using the effective interest method.

18.2 Carrying amounts of interest-bearing loans and borrowings

	Note	**2021 £'m**	2020 £'m
Unsecured borrowings at amortised cost:			
Bank borrowings		**(116.5)**	(97.0)
Senior notes		**(33.3)**	(73.3)
Capitalised borrowing costs		**0.7**	1.2
Borrowings		**(149.1)**	(169.1)
Lease liabilities	12	**(54.8)**	(53.8)
Total interest-bearing liabilities		**(203.9)**	(222.9)
Analysed as:			
Current liabilities		**(6.1)**	(45.7)
Non-current liabilities		**(197.8)**	(177.2)
		(203.9)	(222.9)

There were no defaults in interest payments in the year under the terms of the existing loan agreements.

Non-cash movements in the carrying amount of interest-bearing loans and borrowings relate to the amortisation of borrowing costs (see note 7).

The carrying amounts of interest-bearing loans and borrowings are denominated in the following currencies:

	2021 £'m	2020 £'m
Sterling[1]	**0.7**	1.2
US dollars	**(105.2)**	(108.2)
Euros	**(44.6)**	(62.1)
	(149.1)	(169.1)

[1] Relates to capitalised borrowing costs.

18. Interest-bearing loans and borrowings continued

18.2.1 Bank borrowings

Multi-currency revolving credit facility

On 19 February 2018, the Group entered into the 2018 Facility. The 2018 Facility gives the Group access to up to £310.0 million of borrowings and comprises a £240.0 million committed revolving credit facility and a £70.0 million uncommitted accordion facility, expiring in February 2024. The banking facility is unsecured and is guaranteed by Tyman plc and its principal subsidiary undertakings.

As at 31 December 2021, the Group has undrawn amounts committed under the multi-currency revolving credit facility of £123.6 million (2020: £143.1 million). These amounts are floating rate commitments which expire beyond twelve months.

Other borrowings

The Group acquired bank borrowings as part of the acquisition of Reguitti. At 31 December 2021, the remaining facility has a carrying value of £0.1 million (2020: £0.2 million) and an undrawn value of £Nil (2020: £Nil). The facility has a maturity of 22 May 2022 and is unsecured.

18.2.2 Private placement notes

On 19 November 2014, the Group issued unsecured private debt placement notes with US financial institutions totalling US$100.0 million.

The debt comprised US$55.0 million debt with a seven-year maturity from inception at a coupon of 4.97% and US$45.0 million with a 10-year maturity from inception at a coupon of 5.37%. The US$55.0 million matured and was repaid in November 2021. The US$45.0 million is due in 2024 and is classified as non-current.

18.3 Net debt

18.3.1 Net debt summary

	2021 £'m	2020 £'m
Borrowings	**(149.1)**	(169.1)
Lease liabilities	**(54.8)**	(53.8)
Cash	**58.1**	69.7
At 31 December	**(145.8)**	(153.2)

18.3.2 Net debt reconciliation

	Cash £'m	Borrowings £'m	Lease liabilities £'m	Total £'m
At 1 January 2020	49.0	(211.8)	(60.0)	(222.8)
Cash flows	22.1	44.0	9.2	75.3
Acquisitions	(1.5)	–	–	(1.5)
Disposals	–	–	1.6	1.6
New leases	–	–	(3.3)	(3.3)
Lease interest accretion	–	–	(2.8)	(2.8)
Foreign exchange adjustments	0.1	(0.8)	1.5	0.8
Amortisation of borrowing costs	–	(0.5)	–	(0.5)
At 31 December 2020	69.7	(169.1)	(53.8)	(153.2)
Cash flows	(11.5)	17.8	8.6	14.9
Disposals	–	–	0.2	0.2
New leases	–	–	(2.3)	(2.3)
Lease modifications	–	–	(0.2)	(0.2)
Lease interest accretion	–	–	(2.5)	(2.5)
Lease extensions	–	–	(4.7)	(4.7)
Foreign exchange adjustments	(0.1)	2.7	(0.1)	2.5
Amortisation of borrowing costs	–	(0.5)	–	(0.5)
At 31 December 2021	**58.1**	**(149.1)**	**(54.8)**	**(145.8)**

Notes to the financial statements continued

For the year ended 31 December 2021

19. Financial risk management and financial instruments

19.1 Accounting policy

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

19.1.1 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured subsequently at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss.

Initial measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in administrative expenses in the income statement, together with foreign exchange gains and losses.
- FVPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value, with any gains or losses recorded in profit or loss.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For policy on impairment of trade receivables, see note 14.

19.1.2 Financial liabilities held at amortised cost

Financial liabilities held at amortised cost comprise "trade and other payables" (see note 16) and "interest-bearing loans and borrowings" (see note 18).

19.2 Financial instruments: by category

Assets as per balance sheet:

	31 December 2021			31 December 2020		
	Financial assets at amortised cost £'m	**Financial assets at fair value through profit or loss £'m**	**Total £'m**	Financial assets at amortised cost £'m	Financial assets at fair value through profit or loss £'m	Total £'m
Trade and other receivables[1]	**69.9**	**–**	**69.9**	63.1	–	63.1
Financial assets at FVPL	**–**	**1.1**	**1.1**	–	1.1	1.1
Cash and cash equivalents	**58.1**	**–**	**58.1**	69.7	–	69.7
Total financial assets	**128.0**	**1.1**	**129.1**	132.8	1.1	133.9

1 Excludes non-financial assets.

19. Financial risk management and financial instruments continued

	31 December 2021			31 December 2020		
	Derivatives used for hedging £'m	**Other financial liabilities at cost £'m**	**Total £'m**	Derivatives used for hedging £'m	Other financial liabilities at cost £'m	Total £'m
Borrowings[1]	**–**	**(149.8)**	**(149.8)**	–	(170.3)	(170.3)
Lease liabilities	**–**	**(54.8)**	**(54.8)**	–	(53.8)	(53.8)
Derivative financial instruments	**(0.3)**	**–**	**(0.3)**	(0.2)	–	(0.2)
Trade and other payables[2]	**–**	**(107.5)**	**(107.5)**	–	(77.4)	(77.4)
Total financial liabilities	**(0.3)**	**(312.1)**	**(312.4)**	(0.2)	(301.5)	(301.7)

1 Excludes capitalised borrowing costs of £0.7 million (2020: £1.2 million).

2 Excludes non-financial liabilities.

19.3 Financial instruments: risk profile

19.3.1 Capital risk management

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents (note 15), interest-bearing loans and borrowings (note 18) and equity attributable to the shareholders of the Company, as disclosed in the consolidated statement of changes in equity.

19.3.2 Financial management

The Group's principal financial instruments comprise bank loans, private debt, and cash and short-term deposits. The Group has various other financial instruments, such as trade receivables and trade payables that arise directly from its operations. No trading in financial instruments is undertaken.

The Board reviews and agrees policies for managing each financial instrument risk and they are summarised below.

19.3.3 Liquidity and credit risk

The Group maintains sufficient cash and marketable securities and the availability of funding through an adequate amount of credit facilities. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow.

The Group manages liquidity risk by the pooling of cash resources and depositing funds available for investment in approved financial instruments with financial institutions. Counterparty risk with respect to cash and cash equivalents is managed by only investing in banks and financial instruments with independently assessed credit ratings of at least A2, as published by Standard and Poor's. Individual risk limits are assessed by management based on the external ratings. Management does not expect any losses from the non-performance of these counterparties.

Credit risk is also attributable to the Group's exposure to trade receivables due from customers. Management assesses the credit quality of customers taking into account their financial position, past experience and other factors. In order to mitigate credit risk, the Group utilises credit insurance in those areas of its operations where such insurance is available. In areas where such insurance is not available, or it is uneconomical to purchase, management monitors the utilisation of credit limits by customers, identified either individually or by group, and incorporates this information in credit risk controls. The diverse nature of the Group's customer base means that the Group has no significant concentrations of credit risk.

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. Management considers all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

During the year ended 31 December 2021, the Group operated within its borrowing facilities. Following a temporary relaxation of the leverage covenant granted in 2020 to 3.5x at December 2020 and 4.0x at June 2021 due to uncertainty arising from COVID-19, the leverage covenant returned to 3.0x adjusted EBITDA at December 2021.

Notes to the financial statements continued

For the year ended 31 December 2021

19. Financial risk management and financial instruments continued

The table below analyses the contractual undiscounted cash flows of the Group's financial liabilities into relevant maturity groupings based on the contractual maturity date.

	Not later than one year £'m	Later than one year but not later than five years £'m	Later than five years £'m	Total £'m
Borrowings[1]	**(1.7)**	**(153.1)**	**–**	**(154.8)**
Lease liabilities	**(8.5)**	**(26.5)**	**(40.8)**	**(75.8)**
Derivative financial instruments	**(0.3)**	**–**	**–**	**(0.3)**
Trade and other payables[2]	**(107.5)**	**–**	**–**	**(107.5)**
At 31 December 2021	**(118.0)**	**(179.6)**	**(40.8)**	**(338.4)**
Borrowings[1]	(43.9)	(135.0)	–	(178.9)
Lease liabilities	(8.0)	(24.5)	(44.2)	(76.7)
Derivative financial instruments	(0.2)	–	–	(0.2)
Trade and other payables[2]	(77.4)	–	–	(77.4)
At 31 December 2020	(129.5)	(159.5)	(44.2)	(333.2)

1 Excludes capitalised borrowing costs of £0.7 million (2020: £1.2 million).
2 Excludes non-financial liabilities.

19.3.4 Interest rate risk

The interest rate profile of the Group's borrowings as at 31 December 2021 was as follows:

	Floating rate borrowings[1] £'m	Fixed rate borrowings[2] £'m	Fixed rate lease liabilities £'m	Total £'m
Sterling	**–**	**–**	**(14.6)**	**(14.6)**
US dollars	**(71.8)**	**(33.3)**	**(35.6)**	**(140.7)**
Euros	**(44.7)**	**–**	**(1.4)**	**(46.1)**
Other	**–**	**–**	**(3.2)**	**(3.2)**
At 31 December 2021	**(116.5)**	**(33.3)**	**(54.8)**	**(204.6)**
Sterling	–	–	(14.9)	(14.9)
US dollars	(34.9)	(73.4)	(33.4)	(141.7)
Euros	(62.1)	–	(1.6)	(63.7)
Other	–	–	(3.9)	(3.9)
At 31 December 2020	(97.0)	(73.4)	(53.8)	(224.2)

1 Excludes capitalised borrowing costs of £0.7 million (2020: £1.1 million).
2 Excludes capitalised borrowing costs of £Nil (2020: £0.1 million).

The interest rate on the floating bank loans is linked to LIBOR. The Board periodically reviews any exposure the Group may have to interest rate fluctuations, and, where appropriate, considers use of interest rate swaps to fix the cost of a proportion of these floating rate borrowings.

	Floating rate borrowings[1] £'m
US dollars	**(71.8)**
Euros	**(44.7)**
At 31 December 2021	**(116.5)**
US dollars	(34.9)
Euros	(62.1)
At 31 December 2020	(97.0)

1 Excludes capitalised borrowing costs of £0.7 million (2020: £1.1 million).

19. Financial risk management and financial instruments continued

Interest rate sensitivity

The impact of a 50 basis point movement in floating interest rates on borrowings would have a c.£0.5 million (2020: c. £0.8 million) impact on profits. This impact would be reduced by the tax effect on such a change.

Interest rate risk of financial assets

The weighted average interest rate received on deposited funds was Nil% during the year (2020: Nil%).

19.3.5 Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro. Foreign exchange risk arises from future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the Group's functional currency and net investments in overseas entities.

The Group includes entities which transact in currencies other than sterling and that have functional currencies other than sterling, whose net assets are, therefore, subject to currency translation risk. The Group borrows in local currencies as appropriate to minimise the impact of this risk on the balance sheet. See details of net investment hedges in note 17.

Foreign currency exchange rate sensitivity

Foreign currency financial assets and liabilities, translated into sterling at the closing rate, are as follows:

At 31 December 2021	Sterling £'m	US dollars £'m	Euros £'m	Other £'m	Total £'m
Financial assets					
Trade and other receivables[1]	13.9	36.5	15.7	3.8	69.9
Financial assets at FVPL	–	1.1	–	–	1.1
Cash and cash equivalents	8.3	22.5	13.1	14.2	58.1
Total financial assets	22.2	60.1	28.8	18.0	129.1
Financial liabilities					
Borrowings[2]	–	(105.2)	(44.6)	–	(149.8)
Lease liabilities	(14.6)	(35.6)	(1.4)	(3.2)	(54.8)
Derivative financial instruments	–	(0.3)	–	–	(0.3)
Trade and other payables[3]	(20.6)	(58.1)	(21.0)	(7.8)	(107.5)
Total financial liabilities	(35.2)	(199.2)	(67.0)	(11.0)	(312.4)
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(2.3)	(0.4)	(0.5)	(3.2)
10% decrease in functional currency		3.2	0.7	0.5	4.4
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		12.7	3.5	(0.5)	15.7
10% decrease in functional currency		(15.6)	(4.2)	0.7	(19.1)

1 Excludes non-financial assets.
2 Excludes capitalised borrowing costs of £0.7 million (2020: £1.2 million).
3 Excludes non-financial liabilities.

Notes to the financial statements continued

For the year ended 31 December 2021

19. Financial risk management and financial instruments continued

At 31 December 2020	Sterling £'m	US dollars £'m	Euros £'m	Other £'m	Total £'m
Financial assets					
Trade and other receivables[1]	12.3	31.4	15.8	3.6	63.1
Financial assets at FVPL	–	1.1	–	–	1.1
Cash and cash equivalents	19.2	24.6	16.6	9.3	69.7
Total financial assets	31.5	57.1	32.4	12.9	133.9
Financial liabilities					
Borrowings[2]	–	(108.2)	(62.1)	–	(170.3)
Lease liabilities	(14.9)	(33.4)	(1.6)	(3.9)	(53.8)
Derivative financial instruments	–	(0.1)	–	(0.1)	(0.2)
Trade and other payables[3]	(13.3)	(41.1)	(17.9)	(5.1)	(77.4)
Total financial liabilities	(28.2)	(182.8)	(81.6)	(9.1)	(301.7)
Potential impact on profit or loss – (loss)/gain					
10% increase in functional currency		(2.3)	(0.4)	(0.4)	(3.1)
10% decrease in functional currency		2.5	0.3	0.5	3.3
Potential impact on other comprehensive income – gain/(loss)					
10% increase in functional currency		11.6	4.5	(0.3)	15.8
10% decrease in functional currency		(14.1)	(5.5)	0.4	(19.2)

1 Excludes non-financial assets.
2 Excludes capitalised borrowing costs of £0.7 million (2020: £1.2 million).
3 Excludes non-financial liabilities.

The 10% movements in exchange rates are considered to be indicative of a reasonable annual movement, based on historical average movements in exchange rates.

19.3.6 Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern so as to provide returns to shareholders and benefits to stakeholders. The Group defines its capital as total equity plus net debt.

In maintaining the capital structure, the Group may adjust the amount paid as dividends to shareholders, issue new shares or dispose of assets to reduce debt.

The Group monitors its financial capacity by reference to its financial covenant ratios, including leverage and interest cover. If the Group fails to meet its key financial covenant ratios required by its lenders, this could impact the Group's average interest rate of borrowings and the future availability of credit to the Group.

The Group is in compliance with the financial covenants contained within its credit facilities, and has been in compliance throughout the financial year.

	Note	**2021 £'m**	2020 £'m
Borrowings (including lease liabilities)[1]	18	**204.6**	224.1
Less: Cash and cash equivalents	15	**(58.1)**	(69.7)
Total equity		**482.4**	443.1
Total capital		**628.9**	597.5

1 Excludes capitalised borrowing costs of £0.7 million (2020: £1.2 million).

19.4 Fair value estimation

The Group's derivative financial instrument used for hedging is measured at fair value. The Group uses the following hierarchy for measuring fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

Derivatives shown at fair value in the balance sheet have been valued by reference to Level 2 techniques described above.

There were no transfers between levels in the current and prior year.

19. Financial risk management and financial instruments continued

19.4.1 Valuation techniques used to derive Level 2 fair values

Level 2 hedging derivatives comprise interest rate swaps fair valued using forward interest rates extracted from observable yield curves and foreign exchange contracts valued with reference to the period end exchange rate. The effects of discounting are generally insignificant for Level 2 derivatives. The fair value of the derivative financial instruments at 31 December 2021 is a net liability of £0.3 million (2020: liability of £0.2 million).

There were no changes in valuation techniques during the year.

19.4.2 Group's valuation process

The Group has a team that performs the valuations of financial assets required for financial reporting purposes. This team reports to the CFO and the Audit and Risk Committee.

19.4.3 Fair value of financial assets and liabilities measured at amortised cost

The fair values of borrowings are as follows:

	2021 £'m	2020 £'m
Current liabilities	**(6.1)**	(45.7)
Non-current liabilities	**(197.8)**	(177.2)
Fair value of borrowings	**(203.9)**	(222.9)

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- trade and other receivables;
- cash and cash equivalents; and
- trade and other payables.

20. Provisions

20.1 Accounting policy

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised in the income statement within net finance costs. Provisions are not recognised for future operating losses.

Notes to the financial statements continued

For the year ended 31 December 2021

20. Provisions continued

20.1.1 Critical accounting estimates and judgements: carrying amount of provisions

Provisions, by their nature, are uncertain and highly judgemental. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date based on the nature of the provisions, the potential outcomes, any developments relating to specific claims and previous experience.

20.2 Carrying amounts of provisions

	Property related £'m	Restructuring £'m	Warranty £'m	Other £'m	Total £'m
At 1 January 2020	(3.3)	(0.9)	(3.1)	(2.3)	(9.6)
(Charged)/credited to the income statement					
Additional provisions in the year	(0.1)	0.1	(0.5)	–	(0.5)
Unused amounts reversed	–	–	0.7	–	0.7
Utilised in the year	–	0.3	–	0.1	0.4
Exchange difference	–	–	0.1	–	0.1
At 31 December 2020	(3.4)	(0.5)	(2.8)	(2.2)	(8.9)
(Charged)/credited to the income statement					
Additional provisions in the year	–	–	(0.1)	(0.1)	(0.2)
Unused amounts reversed	–	0.2	1.6	1.0	2.8
Exchange difference	–	–	–	0.1	0.1
At 31 December 2021	**(3.4)**	**(0.3)**	**(1.3)**	**(1.2)**	**(6.2)**

Analysed as:

	2021 £'m	2020 £'m
Current liabilities	**(1.4)**	(1.3)
Non-current liabilities	**(4.8)**	(7.6)
	(6.2)	(8.9)

Current liabilities are those aspects of provisions that are expected to be utilised within the next twelve months.

20.2.1 Property related

Property provisions include provisions for site restoration costs of £1.3 million (2020: £1.3 million) and leasehold dilapidations of £2.1 million (2020: £2.1 million).

These provisions relate to contractual obligations to reinstate leasehold properties and land to their original state of repair and are based on management's best estimate of future costs to remediate. Property provisions are expected to be utilised by 2042.

20.2.2 Restructuring

Restructuring provisions reversed in the year and remaining at year end predominantly relate to the streamlining of the international satellite operations which commenced in late 2019. The majority of the remaining provisions are expected to be utilised in 2022.

20.2.3 Warranty

Warranty provisions are calculated based on historical experience of the ultimate cost of settling product warranty claims and potential claims. These warranty provisions are expected to be utilised by 2031. The unused amounts reversed during the year predominantly relates to a reduction in a provision made on a previous acquisition, as well as a reduction in a product warranty provision.

20.2.4 Other

Included in other provisions is £0.4 million (2020: £0.4 million) relating to the tax consequences of international intragroup transactions, for which the fiscal authorities may be expected to adopt opposing treatments in respect of revenue and cost recognition. The remaining £0.8 million (2020: £1.7 million) relates to various provisions for potential obligations mainly arising from the Group's M&A activity. These other provisions are expected to be utilised by 2025.

21. Retirement benefit obligations

21.1 Accounting policy

The Group operates both defined contribution and defined benefit pension plans.

21.1.1 Pension obligations

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group recognises contributions as an employee benefit expense when they are due and has no further payment obligations once the contributions have been paid. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. Prepaid contributions are recognised as an asset to the extent that a cash refund in the future is available.

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit an employee will receive on retirement. This amount is usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

21.1.2 Key source of estimation uncertainty: defined benefit pension and post-retirement benefit schemes

Defined benefit obligations are calculated using a number of assumptions, including future salary increases, increases to pension benefits, mortality rates and, in the case of post-employment medical benefits, the expected rate of increase in medical costs. The plan assets consist largely of listed securities and their fair values are subject to fluctuation in response to changes in market conditions. Effects of changes in the actuarial assumptions underlying the benefit obligation, effects of changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the plan assets are classified as actuarial gains and losses and are recognised directly in equity. Further actuarial gains and losses will be recognised during the next financial year. An analysis of the assumptions that will be used by management to determine the cost of defined benefit plans that will be recognised in the income statement in the next financial year is presented in this note.

21.2 Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes, the assets of which are held externally to the Group in separate trustee-administered funds. The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due. The charge to the income statement was £3.8 million (2020: £3.6 million). At the year end, the Group had unpaid pension contributions of £0.2 million (2020: £0.1 million) included within employee benefit liabilities.

21.3 Defined benefit pension schemes

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements.

	2021 £'m	2020 £'m
Net liability on the balance sheet	**(4.0)**	(8.9)
Income statement charge[1]	**(0.3)**	(0.7)
Remeasurements[2]	**2.1**	1.3

1 The income statement charge included within profit before taxation includes current service costs, past service costs, administrative costs and interest costs.

2 The remeasurement of post-employment benefit obligations includes a £0.5 million deferred tax charge. The remeasurement included in the consolidated statement of comprehensive income and consolidated statement of changes in equity of £1.6 million is included net of the £0.5 million deferred tax charge.

The Group's principal defined benefit pension schemes are operated in the US and Italy. The US defined benefit schemes provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

Notes to the financial statements continued

For the year ended 31 December 2021

21. Retirement benefit obligations continued

The Italian schemes relate to TFR termination obligations payable to employees of the Group's Italian operations. Italian employers are required to make provision for a type of severance package to its employees equivalent to 6.9% of each employee's gross annual salary, revalued on the basis of 75.0% of inflation plus a fixed rate of 1.5% during the period of accrual. Upon termination of employment, the employer is obliged to pay a lump sum to the employee. TFR termination obligations are unfunded by the Group. For certain US plans, pensions in payment do not receive inflationary increases. The benefit payments are from trustee-administered funds. Plan assets held in trusts are governed by local regulations and practice in the US, as is the nature of the relationship between the Group and the trustees and their composition.

Responsibility for governance of the plans, including investment and contribution schedules, lies jointly with the Group and the board of trustees. The board of trustees is composed of representatives of the Company and plan participants in accordance with the relevant plan rules.

Actuarial gains and losses from participant experience, changes in demographic assumptions, changes in financial assumptions and net return on plan assets are recognised, net of the related deferred tax, in the consolidated statement of comprehensive income.

In 2021, the Group commenced a process to terminate in the two remaining US defined benefit schemes. These schemes have been closed to new entrants and closed to further accrual of service for many years. Termination of these schemes will reduce income statement volatility, reduce administration costs and burden and will reduce future cash outflows. Under the terms of the arrangement, participants will be given the option of receiving a lump-sum benefit or an annuity, the liability for which will be transferred to an insurance company. The termination process is expected to take up to twenty-four months, with the final distribution date in the second half of 2023.

In September 2021, a Notice of Intent to Terminate was issued to participants and a Plan Termination Amendment was signed in November 2021. During the year, additional contributions were made to the plans to reduce the net deficit and all assets were transferred to fixed income funds to minimise volatility. During 2022, the Group will complete various procedures and filings required for approval of the termination by the Inland Revenue Service ("IRS") and Pension Benefit Guarantee Corporation ("PBGC"). In 2023, participant elections will be finalised, the final termination liability will be calculated, annuities transferred to a provider, and any final termination payment made. After such time, the Group will have no further obligations remaining.

The movement in the defined benefit obligation over the year is as follows:

		Present value of obligations		**Fair value of plan assets**		**Net defined liability**	
	Note	**2021 £'m**	2020 £'m	**2021 £'m**	2020 £'m	**2021 £'m**	2020 £'m
Balance at 1 January		**(31.8)**	(30.5)	**22.9**	19.3	**(8.9)**	(11.2)
Included in the income statement:							
Current service cost		**(0.1)**	(0.1)	**–**	–	**(0.1)**	(0.1)
Administration costs		**–**	–	**(0.1)**	(0.3)	**(0.1)**	(0.3)
Interest (expense)/income	7	**(0.6)**	(0.9)	**0.5**	0.6	**(0.1)**	(0.3)
Subtotal in income statement[1]	5	**(0.7)**	(1.0)	**0.4**	0.3	**(0.3)**	(0.7)
Included in other comprehensive income							
Remeasurement gain/(loss) arising from:							
Net gain on plan assets[2]		**–**	–	**1.1**	4.1	**1.1**	4.1
Gain/(loss) from change in demographic assumptions		**(0.1)**	0.2	**–**	–	**(0.1)**	0.2
Gain/(loss) from change in financial assumptions		**1.2**	(3.0)	**–**	–	**1.2**	(3.0)
Experience loss		**(0.1)**	–	**–**	–	**(0.1)**	–
Subtotal in other comprehensive income[3]		**1.0**	(2.8)	**1.1**	4.1	**2.1**	1.3
Employer contributions		**–**	–	**2.5**	1.5	**2.5**	1.5
Benefit payments		**1.7**	1.6	**(1.3)**	(1.4)	**0.4**	0.2
Exchange difference		**(0.1)**	0.9	**0.3**	(0.9)	**0.2**	–
Balance at 31 December		**(29.9)**	(31.8)	**25.9**	22.9	**(4.0)**	(8.9)

1 The current service cost, past service costs and expenses relating to the administration of the defined benefit schemes are included in the income statement within administrative expenses. Also see note 5.3. Net expense is included within net finance income and costs (note 7).
2 Excluding amounts included in interest expense.
3 A deferred tax charge of £0.5 million (2020: deferred tax credit of £0.1 million) has been recognised in other comprehensive income in respect of remeasurements of the defined benefit obligation. Also see note 8.

21. Retirement benefit obligations continued

Defined benefit plan liabilities and assets by country are as follows:

	Present value of obligations		Fair value of plan assets		Net defined liability	
	2021 £'m	2020 £'m	**2021 £'m**	2020 £'m	**2021 £'m**	2020 £'m
United States	**(26.8)**	(28.1)	**25.9**	22.9	**(0.9)**	(5.2)
Italy	**(3.1)**	(3.7)	**–**	–	**(3.1)**	(3.7)
Balance at 31 December	**(29.9)**	(31.8)	**25.9**	22.9	**(4.0)**	(8.9)

Plan assets comprise the following asset classes:

	2021		2020	
	£'m	**%**	£'m	%
Equity instruments	**–**	**–**	12.5	54.6%
Large US equity	**–**	**–**	7.1	
Small/mid US equity	**–**	**–**	1.2	
International equity	**–**	**–**	4.2	
Fixed income	**25.9**	**100.0%**	9.2	40.2%
Other	**–**	**–**	1.2	5.2%
Balance at 31 December	**25.9**		22.9	

Equity instruments comprise quoted investments.

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. As a termination process has commenced, all US plan assets were transferred to fixed income investments, comprising a mixture of government and corporate bonds, to reduce volatility and provide an acceptable level of investment risk to better match liabilities. The Italian plans do not have plan assets.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancies	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The significant actuarial assumptions were as follows:

	2021		2020	
	United States	**Italy**	United States	Italy
Discount rate	**2.64%**	**0.80%**	2.30%	0.10%
Inflation	**2.25%**	**1.25%**	2.25%	0.50%
Salary growth rate	**n/a**	**1.25%**	n/a	0.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each jurisdiction. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65 for the US schemes as seen in the following table. This assumption is not relevant to the Italian schemes.

Notes to the financial statements continued

For the year ended 31 December 2021

21. Retirement benefit obligations continued

	2021		2020	
	United States	**Italy**	United States	Italy
Retiring at the end of the reporting year				
Male	**20.1**	**n/a**	19.9	n/a
Female	**22.1**	**n/a**	22.0	n/a
Retiring 20 years after the end of the reporting year				
Male	**21.6**	**n/a**	21.5	n/a
Female	**23.6**	**n/a**	23.4	n/a

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Change in discount rate assumption	Impact of increase in assumption	Impact of decrease in assumption
US	0.25%	(2.9)%	3.0%
Italy	0.50%	(4.6)%	5.1%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methodology has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous year.

The US pension schemes are closed to new entrants and closed to further accrual of service; as a result there will be no further service costs incurred by the Group related to these schemes. The expected level of contributions to the defined benefit pension scheme and post-employment medical benefits in the year to December 2022 is £1.5 million (2021: £1.4 million).

The weighted average duration of the defined benefit obligation is 12.1 years for US plans (2020: 13 years) and 10.2 years for Italian plans (2020: 10 years).

The expected maturity analysis of undiscounted post-employment pension benefits is as follows:

	Defined pension benefits[1] 2021 £'m	Defined pension benefits 2020 £'m
No later than one year	**(1.7)**	(1.8)
Between one and two years	**(1.7)**	(1.7)
Between two and five years	**(5.1)**	(5.3)
Later than five years	**(8.6)**	(9.1)
Total	**(17.1)**	(17.9)

1 This maturity analysis reflects the current terms of the scheme and does not reflect the planned termination of the US schemes.

22. Share capital and share premium

22.1 Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds received by the Company.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

22.2 Share capital and share premium

	Number of shares 'm	Ordinary shares £'m	Share premium £'m
At 31 December 2020 and 31 December 2021	**196.8**	**9.8**	**–**

Ordinary shares in the Company have a par value of 5.00 pence per share (2020: 5.00 pence per share). All issued shares are fully paid up.

23. Share-based payments

23.1 Accounting policy

The Group operates the LTIP, which is an equity-settled share-based compensation plan for certain employees, under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using the Black-Scholes model to predict target EPS levels.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised. The Group also operates a save as you earn scheme for employees and a deferred share bonus plan for senior management.

The Group also operates as deferred share bonus plan that requires that a portion of the Short-term Incentive Plan ("STIP") award to certain executives, which is determined based on current year performance is deferred in shares to be issued three-years after the award date. The value is fixed and the number of shares varies dependent on the share price at vesting. This is therefore treated as cash settled, with the credit being recorded as a liability. Once the shares are issued, the liability is transferred to retained earnings in equity. The total expense recognised in the year in respect of the deferred share bonus was £0.4 million.

The charges relating to the equity-settled share-based payments is outlined below.

	2021 £'m	2020 £'m
LTIP	**0.9**	0.1
Save as you earn	**0.1**	–
Total equity-settled share-based payments charge	**1.0**	0.1

The charge in respect of the save as you earn scheme ("SAYE") of £62,000 (2020: £47,000) is immaterial and therefore further disclosures are not provided.

Notes to the financial statements continued

For the year ended 31 December 2021

23. Share-based payments continued

23.2 LTIP

The charge to the income statement in 2021 in relation to the LTIP was £1.0 million (2020: £0.1 million).

Conditional, annual awards of shares are granted under the LTIP to the Executive Directors and certain senior managers at the discretion of the Remuneration Committee. Provided the participant remains an employee of the Group and where applicable, the performance targets are met, awards will vest between one and three years after the date of the grant at no cost to the employee. Further information on the LTIP and the performance targets for each grant are given in the Remuneration report.

The fair value of the awards granted under the LTIP in 2021 and the assumptions used in the calculation of the share-based payment charge are outlined below.

	Grant 1	Grants 2–4	Grant 5	Grant 6	Grant 7
Exercise price	£Nil	£Nil	£Nil	£Nil	£Nil
Share price at grant date	£3.58	£3.58	£4.88	£4.30	£4.30
Fair value	£3.58	£3.58	£4.69	£4.30	£4.30
Expected volatility	31.17%	31.17%	31.14%	31.05%	31.05%
Expected dividend yield	–	–	–	–	–
Risk-free rate	0.4%	0.1%	0.4%	0.4%	0.4%
Grant date	12 March 21	12 March 21	21 May 21	04 August 21	04 August 21
Expected life	3 years	1–3 years	3 years	3 years	3 years

LTIPs awarded to Divisional Presidents and Head Office employees under Grants 1 and 6 contain the following performance targets in respect of between half to two-thirds of the respective award's value: (a) 2023 Group EPS must be 31.06p or more; (b) 2023 Group ROCE must be 13.0% or more; and (c) at least the lower threshold of the Group ESG scorecard conditions (i.e. Safety, Sustainable Operations, Sustainable Culture and Sustainable Solutions) must be met. Divisional Presidents and senior reports to Divisional Presidents also have a performance target based on their division's 2023 EBITA. Senior reports to Divisional Presidents do not have the 2023 Group EPS performance targets attached to their LTIP awards. Divisional Presidents have no performance targets in respect of half of their awards. Head Office employees and senior reports to Divisional Presidents have no performance targets in respect of half of their awards.

The remaining recipients of awards under Grants 1 and 6 are subject only to a continuous service condition.

In addition to the Group EPS, Group ROCE and Group ESG performance targets described above, Executive Directors (who received an award under Grant 5) also have a TSR performance target. To fulfil the TSR performance target, they must achieve at least the "median" in the Net Return Index when ranked against constituents of the FTSE250 index, excluding investments trusts, as at 1 January 2021. Executive Directors are also subject to a two-year compulsory holding period post-vesting. For further details, see Directors' Remuneration report on pages 116 to 137.

Grants 2, 3, 4 and 7 relate to one-off restricted share awards, where LTIPs vest at the end of a period of between one to three years if the employees remain in continuous service. There are no performance targets attached to such awards.

Movements in the number of outstanding conditional awards of shares are as follows:

	2021 'm	2020 'm
At 1 January	**2.4**	2.1
Exercised	**(0.3)**	–
Granted	**0.9**	1.1
Lapsed	**(0.6)**	(0.8)
Dividend equivalent	**0.1**	–
At 31 December	**2.5**	2.4

At 31 December, there are no options currently exercisable.

23.3 Employee Benefit Trust purchases

Details of shares purchased by the Employee Benefit Trust to satisfy certain share awards vested in the year, as well as future obligations under the Group's various share plans are as follows:

	2021 'm	2020 'm
Number of ordinary shares	**0.1**	0.1
Cost to Company (£)	**0.3**	0.3

24. Dividends

	2021 £'m	2020 £'m
Amounts recognised as distributions to owners in the year:		
Final dividend for the year ended 31 December 2020 (2019: Nil[1])	**7.8**	–
Interim dividend for the year ended 31 December 2021 (2020: Nil)	**7.8**	–
Total amounts recognised as distributions to owners in the year	**15.6**	–
Amounts not recognised in the financial statements:		
Final dividend proposed for the year ended 31 December 2021 of 8.9 pence (2020: 4.0 pence)	**17.4**	7.8

1 As a result of significant uncertainty in 2020, payment of the final dividend proposed in 2019 of 8.4 pence per share was cancelled.

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in the financial statements for the year ended 31 December 2021.

25. Adjustments to cash flows from operating activities

The following non-cash and financing adjustments have been made to profit before taxation to arrive at operating cash flow:

	Note	2021 £'m	2020 £'m
Net finance costs	7	**9.1**	12.1
Depreciation of PPE	11	**11.5**	12.7
Depreciation of right-of-use assets	12	**7.0**	7.7
Amortisation of intangible assets	10	**18.8**	20.3
Impairment of intangible assets	10	**1.9**	–
Impairment of property, plant and equipment	11	**0.2**	0.5
Impairment of right-of-use assets	12	**–**	0.3
Loss on disposal of property, plant and equipment		**0.2**	1.3
Pension service costs and expected administration costs		**0.1**	0.4
Non-cash provision movements		**(2.4)**	(0.1)
Share-based payments		**1.0**	0.7
		47.4	55.9

26. Financial commitments

26.1 Capital commitments

	2021 £'m	2020 £'m
Property, plant and equipment	**1.7**	1.1

27. Contingent liabilities

There are no contingent liabilities in 2021.

28. Events after the balance sheet date

There were no events after the balance sheet date.

Notes to the financial statements continued

For the year ended 31 December 2021

29. Related party transactions

he following transactions were carried out with related parties of Tyman plc:

29.1 Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation. There were no transactions between the Company and its subsidiaries made during the year other than intercompany loans and dividends.

29.2 Key management compensation

The Group considers its Directors to be the key management personnel on the basis that it is the Directors who have the sole responsibility for planning, directing and controlling the Group. Full details of Directors' remuneration are given in the Remuneration report on pages 114 to 137. Key management compensation in accordance with IAS 24 is as follows:

	2021 £'m	2020 £'m
Short-term employee benefits	**1.7**	1.0
Share-based payments (including DSBP)	**0.7**	–
	2.4	1.0

29.3 Directors

Full details of individual Directors' remuneration are given in the Remuneration report on page 127. Directors remuneration in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is as follows:

	2021 £'m	2020 £'m
Aggregate emoluments	**2.4**	1.0
Aggregate gains made on the exercise of share options	**0.7**	0.3
	3.1	1.3

30. Subsidiaries

Details of the subsidiaries of the Group as at 31 December 2021 are detailed below. Unless otherwise indicated, all subsidiaries are wholly owned.

Registered name and office address	Country of incorporation	Nature of business
UK operations		
29 Queen Anne's Gate, London SW1H 9BU		
Amesbury Holdings Limited[1]	United Kingdom	Holding company
Balance UK Limited[1]	United Kingdom	Dormant
Bilco Access Solutions Limited[1]	United Kingdom	Building products
Crompton Limited[1]	United Kingdom	Dormant
ERA Home Security Limited[1]	United Kingdom	Building products
ERA Products Limited[1]	United Kingdom	Dormant
ERA Security Hardware Limited[1]	United Kingdom	Dormant
Grouphomesafe Limited[1]	United Kingdom	Dormant
Howe Green Limited[1]	United Kingdom	Building products
Jasper Acquisition Holdings Limited	United Kingdom	Holding company
Jasper Acquisition Limited[1]	United Kingdom	Holding company
Lupus Capital Limited	United Kingdom	Dormant
Octroi Group Limited	United Kingdom	Holding company
Octroi Investments Limited[1]	United Kingdom	Dormant
Otterburn Limited[1]	United Kingdom	Dormant
Profab Access Limited[1]	United Kingdom	Dormant
Response Electronics Limited[1]	United Kingdom	Dormant
Response Alarms Limited[1]	United Kingdom	Dormant
Schlegel Acquisition Holdings Limited	United Kingdom	Holding company
Schlegel Building Products Limited[1]	United Kingdom	Dormant
Schlegel Limited[1]	United Kingdom	Building products
Tyman Equities Limited	United Kingdom	Dormant

1 Held by subsidiary.

30. Subsidiaries continued

Registered name and office address	Country of incorporation	Nature of business
Tyman Financial Services Limited[1]	United Kingdom	Financing company
Tyman Investments[1]	United Kingdom	Dormant
Tyman Management Limited[1]	United Kingdom	Holding company
Ventrolla Limited[1]	United Kingdom	Dormant
Window Fabrication and Fixing Supplies Limited[1]	United Kingdom	Dormant
Y-cam Solutions Limited[1]	United Kingdom	Smart home security
Zoo Hardware Limited[1]	United Kingdom	Building products
North American operations		
Bay Adelaide Centre, East Tower, 22 Adelaide Street West, Toronto, ON M5H 4E3		
Amesbury Canada Inc[1]	Canada	Holding company
8005 Dixie Road, Unit 8043, Brampton, Ontario L6T 3V1		
AmesburyTruth, Inc	Canada	Holding company
Suite 1700 Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8 Canada		
Ashland Hardware Canada Inc.	Canada	Building products
Roberto Fierro #6351, Industrial Park Aero Juarez, Juarez, Chihuahua 32695		
Amesbury Mexico S.De R.L. De C.V.[1]	Mexico	Building products
Deportistas 7820 Parque Industrial Gema Ciudad, Juarez, Chihuahua 32648		
Bilcomex Comercializadora S.De R.L. De C.V.[1]	Mexico	Building products
Bilcomex S.De R.L. De C.V.[1]	Mexico	Building products
Via Monterrey Matamoros No. 600, Parque Industrial Milenium, Apoodaca, Nuevo Leon, Mexico, 66600		
Ashland Hardware and Casting Systems de Mexico, S.DE R.L. De C.V.[1]	Mexico	Building products
Centennial Lakes, Office Park V, Suite 800, 3600 Minnesota Drive, Edina, MN 55435		
Amesbury Acquisition Holdings (2) Inc[1]	United States	Holding company
Amesbury Door Hardware Inc[1]	United States	Building products
Amesbury Group Inc[1]	United States	Holding company
Amesbury Group Plastic Profiles Inc[1]	United States	Building products
Amesbury Industries Inc[1]	United States	Holding company
Ashland Hardware Holdings, Inc[1]	United States	Holding company
Ashland Hardware LLC[1]	United States	Building products
Balance Systems Inc[1]	United States	Building products
Fastek Products Inc[1]	United States	Building products
Giesse Group North America Inc[1]	United States	Building products
Overland Products Company, Inc[1]	United States	Building products
Schlegel Systems Inc[1]	United States	Building products
The Bilco Company[1]	United States	Holding company
The Bilco Holding Company[1]	United States	Holding company
Truth Hardware Corporation[1]	United States	Building products
Tyman Ventures Inc[1]	United States	Holding company
Unipoly Schlegel Holdings US Inc[1]	United States	Holding company
370 James Street, Suite 201, New Haven, CT 06513		
Bilco U.K. Limited[1]	United States	Building products
European operations		
Nieuwpoortsesteenweg 102, 8400 Oostende		
Schlegel Belgium BVBA[1]	Belgium	Dormant
Bredowstrasse 33, 22113, Hamburg		
Schlegel GmbH[1]	Germany	Building products
Carl-Zeiss-Strasse 37, 63322 Rödermark		
Jatec GmBH[1]	Germany	In liquidation

[1] Held by subsidiary.

FINANCIAL STATEMENTS

Notes to the financial statements continued

For the year ended 31 December 2021

30. Subsidiaries continued

Registered name and office address	Country of incorporation	Nature of business
Kolonou 1-3, 12131 Peristeri		
Giesse Group Hellas S.A.[1]	Greece	Building products
Via Tubertini n.1, 40054 Budrio BO, Italy		
Giesse S.p.A.[1]	Italy	Building products
Localita Fondi, 33 25071, Agnosine, Italy		
Reguitti S.p.A.	Italy	Building products
Havenkade 99B, 1973 AK Ijmuiden, Holland		
Tetchy Investments BV[1]	Netherlands	Dormant
Constitucion 84, Poligono Industrial Les Grases, 08980 Sant Feliu De Llobregat, Barcelona		
Giesse Group Iberia S.A.[1]	Spain	Building products
Other international operations		
Enrique Becquerel 4873, Area de promocion el Triangulo, CP 1615, Buenos Aires		
Giesse Group Argentina S.A.[1]	Argentina	Building products
44 Riverside Road, Chipping Norton, NSW 2170		
Schlegel Australia Pty (2006) Ltd[1]	Australia	Holding company
Schlegel Pty Limited[1]	Australia	Building products
617 Alameda Itatinga, Galpao 2, Parte B, Joapirange II, Valinhos-SP		
Giesse Brasil Indústria e Comércio de Ferragens e Acessórios Ltda.[1]	Brazil	Building products
618 Alameda Itatinga, Galpao 2, Parte B, Joapirange II, Valinhos-SP		
Schlegel América Latina – Vedação, Esquadrias e Extrusão Ltda.[1]	Brazil	Building products
No.151 Linjia of Linlianghe Village, Miaocheng Town, Huairou District, Beijing, 101401		
Giesse Hardware (Beijing) Co. Ltd.[1]	China	Building products
Second floor of No.3 Building, No.1515 of Juxian Road, Hi-Tech District, Ningbo, Zhejiang Province		
TSA Hardware (Ningbo) Co. Limited[1]	China	Building products
Amesbury (Ningbo) Hardware Trading Co. Ltd[1]	China	Building products
1 Commonwealth Lane, 6-18, One Commonwealth, Singapore 149544		
Schlegel Asia Pte. Ltd[1]	Singapore	In liquidation
3rd Interchange, Sheikh Zayed Road, Al Quoz Industrial Area 1, Dubai		
SchlegeGiesse Middle East Building Materials Trading LLC1[2]	United Arab Emirates	Building products
Overseas branch operations		
Units 30-32 Martock Business Park, Great Western Road, Martick, Somerset, TA12 6HB	United Kingdom	Building products
Bilco UK Ltd		
D-362, MIDC, TTC Industrial Area, Kushket Village, Juinagar, Navi Mumbai 400705	India	Building products
Giesse S.p.A		
Istanbul Merkez Şubesi, Halk Sokak Ada IS Merkezi No: 46, Kat: 2 Daire: 4, 34734 Sahrayicedid, Kadikoy, Istanbul	Turkey	Building products
Giesse S.p.A		
8 Chemin du Jubin, 69570 Dardilly	France	Building products
Giesse S.p.A		
Av. Eng. Duarte Pacheco, 19 - 3° DTO., 1070-100 Lisboa	Portugal	Building products
Giesse Group Iberia S.A.		

1 Held by subsidiary.
2 Shareholding of 49% held by the Group. The Group has managerial control and is entitled to 100% of the profits and cash generated by the business.

Company balance sheet

As at 31 December 2021

	Note	**2021 £'m**	2020 £'m
Non-current assets			
Investments	4	**345.8**	344.5
Debtors	5	**64.9**	–
Current assets			
Debtors	5	**40.7**	104.7
Cash and cash equivalents		**0.8**	6.0
		41.5	110.7
Creditors – amounts falling due within one year	6	**(0.3)**	(40.7)
Net current assets		**41.2**	70.0
Total assets less current liabilities		**451.9**	414.5
Creditors – amounts falling due after more than one year	6	**(74.5)**	(33.5)
Net assets		**377.4**	381.0
Equity			
Called up share capital	10	**9.8**	9.8
Treasury reserve		**(2.6)**	(3.4)
Retained earnings		**370.2**	374.6
– brought forward		**374.6**	374.3
– profit for the year		**10.8**	0.6
– other movements		**(15.2)**	(0.3)
Total shareholders' funds		**377.4**	381.0

The notes on pages 199 to 202 are an integral part of these financial statements.

The financial statements on pages 197 and 198 were approved by the Board on 3 March 2022 and signed on its behalf by:

Jo Hallas
Chief Executive Officer

Jason Ashton
Chief Financial Officer

Tyman plc

Company registration number: 02806007

FINANCIAL STATEMENTS

Company statement of changes in equity

For the year ended 31 December 2021

	Called up share capital £'m	Treasury reserve £'m	Retained earnings £'m	Total £'m
At 1 January 2020	9.8	(4.3)	374.3	379.8
Total comprehensive income				
Profit for the year	–	–	0.6	0.6
Transactions with owners	–	0.9	(0.3)	0.6
Share-based payments[1]	–	–	0.9	0.9
Issue of own shares to Employee Benefit Trust	–	1.2	(1.2)	–
Purchase of own shares for Employee Benefit Trust	–	(0.3)	–	(0.3)
At 31 December 2020	9.8	(3.4)	374.6	381.0
Total comprehensive income				
Profit for the year	–	–	10.8	10.8
Transactions with owners	–	0.8	(15.2)	(14.4)
Share-based payments[1]	–	–	1.5	1.5
Dividends paid	–	–	(15.6)	(15.6)
Issue of own shares to Employee Benefit Trust	–	1.1	(1.1)	–
Purchase of own shares for Employee Benefit Trust	**–**	**(0.3)**	**–**	**(0.3)**
At 31 December 2021	**9.8**	**(2.6)**	**370.2**	**377.4**

[1] Share-based payments include a deferred tax credit of £0.2 million (2020: deferred tax credit of £0.2 million) and a release of the deferred share bonus plan accrual of £0.3 million (2020: £0.6 million).

The notes on pages 199 to 202 are an integral part of these financial statements.

1. Accounting policies

For general information on the Company, see note 1 to the consolidated financial statements.

1.1 Basis of preparation

The financial statements of Tyman plc have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 applicable to companies reporting under FRS 101. The accounting policies have been consistently applied unless otherwise stated. None of the new standards, which became effective in the year, had a material impact on the Company.

The financial statements have been prepared on a going concern basis. The Group has performed an assessment of going concern through modelling several scenarios, including a base case scenario and a severe but plausible scenario. The Directors are satisfied that the Group and Company have sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Further details can be found in note 2.2 of the Group financial statements.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The following areas involving key assumptions concerning the future and other key sources of estimation uncertainty that are significant to the financial statements are listed below and in more detail in the related notes to the Group financial statements:

- going concern assessment (note 2.2);
- provisions (note 20).

In addition to this, the carrying value of investments is a key source of estimation uncertainty relevant to the Company. See note 4.

1.1.1 FRS 101 – reduced disclosure exemptions

The following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements in accordance with FRS 101:

- paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments;
- IFRS 7 Financial Instruments: Disclosures;
- paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the following paragraphs of IAS 1 Presentation of Financial Statements:
  - comparative information requirements in respect of paragraph 79(a)(iv);
  - paragraph 10(d), cash flow statements;
  - paragraph 16, statement of compliance with all IFRS;
  - paragraph 38A, minimum of two primary statements, including cash flow statements;
  - paragraphs 38B to 38D, additional comparative information;
  - paragraphs 40A to 40D, requirements for a third statement of financial position;
  - paragraph 111, cash flow statement information;
  - paragraphs 134 to 136, capital management disclosures;
  - paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates And Errors;
- IAS 7 Statement of Cash Flows;
- paragraph 17 of IAS 24 Related Party Disclosures; and
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group.

1.2 Foreign currency translation

1.2.1 Functional currency and presentation currency

The financial statements are presented in sterling, which is also the functional currency.

1.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Company financial statements continued

For the year ended 31 December 2021

1. Accounting policies continued

1.3 Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the instrument and are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

1.3.1 Financial assets at amortised cost

The Company classifies financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's financial assets comprise "debtors" (see note 5) and "cash and cash equivalents" in the balance sheet.

1.3.2 Financial liabilities held at amortised cost

Financial liabilities held at amortised cost comprise "creditors" (see note 6).

1.4 Investments in subsidiaries

Investments in subsidiaries are stated at cost less any accumulated impairment losses.

1.5 Borrowings

Interest-bearing loans and overdrafts are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans are subsequently carried at amortised cost using the effective interest rate method. All borrowing costs are expensed as incurred, on an accruals basis, to the income statement using the effective interest rate method.

1.6 Share-based payments

The Company operates an equity-settled share-based compensation plan (Long-Term Incentive Plan, "LTIP") for certain employees under which the entity receives services from employees as consideration for equity instruments (share options) of the Company. The fair value of the employee services received in exchange for the grant of options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity. The fair value of awards granted under LTIP is measured using the Black-Scholes model.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Details of share-based payments are provided in note 23 of the Group financial statements.

2. Profit attributable to the shareholders of the Company

The Company is an investment holding company. It receives dividend income from subsidiaries and bank interest. It pays loan interest to a subsidiary. The majority of selling, general and administrative expenses are paid by the Company's subsidiary, Tyman Management Limited, including the whole amount of relevant auditors' remuneration and operating lease costs.

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2021 of £10.8 million (2020: £0.6 million). £10.5 million of the Company profit relates to dividends received from Group Companies (2020: £Nil).

3. Employees

Other than the Directors, there were no employees of the Company during the year (2020: Nil). Directors' emoluments are set out in the Directors' remuneration report in the Group's Annual Report on pages 125 to 137.

4. Investments

4.1 Critical accounting estimate: carrying value of investments

An impairment review using a value in use calculation has been performed for each investment. The calculation of the value in use involves judgement in determining the appropriate assumptions to use in the calculations, including forecasted cashflows and appropriate discount rates. The same information as used in the Group goodwill impairment assessment is used for assessing the carrying value of investments in subsidiaries. For further information, see pages 167 to 169 of the Group financial statements.

4.2 Carrying value of investments

	£'m
Cost	
At 1 January 2020	344.3
Capital contribution relating to share-based payments	0.9
At 31 December 2020	345.2
Capital contribution relating to share-based payments	1.3
At 31 December 2021	**346.5**
Impairment	
At 1 January 2020	(0.7)
At 31 December 2020	(0.7)
At 31 December 2021	**(0.7)**
Carrying amount	
At 1 January 2020	343.6
At 31 December 2020	344.5
At 31 December 2021	**345.8**

All of the above investments are in unlisted shares. The Directors believe that the carrying value of the investments is supported by the recoverable amount of their underlying assets.

5. Debtors

	Note	**2021 £'m**	2020 £'m
Amounts receivable within one year			
Amounts owed by Group undertakings		**40.7**	–
		40.7	–
Amounts receivable after more than one year			
Amounts owed by Group undertakings		**64.2**	104.4
Corporation tax asset		**0.1**	–
Deferred tax asset	9	**0.6**	0.3
		64.9	104.7

The amounts owed by Group undertakings are unsecured and interest free. Of the total amount owed by Group undertakings, £40.7 million is due to be repaid in May 2022 and £33.3 million is due to be repaid in November 2024. The remainder of the Group receivable balance of £30.9 million is recoverable on demand but unlikely to be received within one year so is classified as non-current.

6. Creditors

	Note	**2021 £'m**	2020 £'m
Amounts falling due within one year			
Private placement notes	7	**–**	(40.4)
Other creditors		**(0.3)**	(0.3)
		(0.3)	(40.7)
Amounts falling due after more than one year			
Private placement notes	7	**(33.3)**	(32.9)
Amounts owed to Group undertakings		**(0.5)**	(0.6)
Bank borrowings		**(40.7)**	–
		(74.5)	(33.5)

The amounts owed to Group undertakings are interest free, repayable on demand and unsecured.

FINANCIAL STATEMENTS

Notes to the Company financial statements continued

For the year ended 31 December 2021

7. Private placement notes

The senior notes relate to the issuance of a private debt placement with US financial institutions totalling US$45,000,000 (2020: US$100,000,000). US$55,000,000 was repaid in November 2021. Refer to note 18.2.2 of the Group financial statements.

Details of the private placement notes, which are unsecured, are as follows:

	2021 £'m	2020 £'m
Wholly repayable in 2021	**–**	(40.4)
Wholly repayable in 2024	**(33.3)**	(33.0)
Capitalised borrowing costs	**–**	0.1
	(33.3)	(73.3)

8. Borrowings

Borrowings relate to a drawdown of the £240 million committed revolving credit facility used to repay the US$55,000,000 private debt placement in November 2021.

	2021 £'m	2020 £'m
Bank borrowings	**(40.7)**	–
	(40.7)	–

9. Deferred tax asset

	2021 £'m	2020 £'m
At 1 January	**0.3**	0.3
Income statement credit/(charge)	**0.1**	(0.1)
Tax credit relating to components of other comprehensive income	**0.2**	0.1
At 31 December	**0.6**	0.3

The deferred tax asset relates to share-based payments. There are no unused tax losses or unused tax credits.

10. Called up share capital

The share capital of the Company is as set out in note 22 of the Group financial statements.

11. Financial commitments

At 31 December 2021, the Company had future lease commitments on land and buildings under non-cancellable operating leases. These commitments were met on the Company's behalf by Tyman Management Limited, a subsidiary. The carrying value of the ROU asset held by Tyman Management Limited was £0.5 million (2020: £0.7 million) and of lease liabilities was £0.5 million (2020: £0.7 million). See further details regarding the nature of lease commitments in note 12 of the Group financial statements.

12. Dividends

The dividends of the Company are set out in note 24 of the Group financial statements.

13. Related party transactions

The Company has taken advantage of the exemption in accordance with FRS 101, as a wholly owned subsidiary, not to disclose details of related party transactions in accordance with IAS 24 Related Party Disclosures required by this standard.

APMs used in key performance indicators

Like-for-like or LFL revenue and operating profit

Definition

The comparison of revenue or adjusted operating profit, as appropriate, excluding the impact of any acquisitions made during the current year and, for acquisitions made in the comparative year, excluding from the current year result the impact of the equivalent current year pre-acquisition period. For disposals, the results are excluded for the whole of the current and prior period. The prior period comparative is retranslated at the current period average exchange rate. The Group considers these amendments to provide shareholders with a comparable basis from which to understand the organic trading performance in the year.

Purpose

This measure is used by management to evaluate the Group's organic growth in revenue and adjusted operating profit year-on-year, excluding the impact of M&A and currency movements.

Reconciliation/calculation

	2021 £'m	2020 £'m
Reported revenue	**635.7**	572.8
Revenue from business disposed of in prior year	–	(2.8)
Effect of exchange rates	–	(28.5)
Like for like revenue	**635.7**	541.5
Adjusted operating profit	**90.0**	80.3
Operating profit from business disposed of in prior year	–	2.2
Effect of exchange rates	–	(4.6)
Like for like adjusted operating profit	**90.0**	77.9

Adjusted operating profit and adjusted operating margin

Definition

Operating profit before amortisation of acquired intangible assets, impairment of goodwill and acquired intangible assets, and exceptional items.

Adjusted operating margin is adjusted operating profit divided by revenue.

Purpose

This measure is used to evaluate the trading operating performance of the Group.

Exceptional items are excluded from this measure to provide an improved understanding of the elements of financial performance during the year to facilitate comparison with prior periods and to assess the underlying trends in financial performance. Exceptional items include one-off redundancy and restructuring costs, transaction costs and integration costs associated with merger and acquisition activity, as well as credits relating to profit on disposal of businesses and property provision releases.

Amortisation of acquired intangible assets is excluded from this measure as this is a significant non-cash fixed charge that is not affected by the trading performance of the business.

Impairment of acquired intangible assets and goodwill is excluded, as this can be a significant non-cash charge.

Reconciliation/calculation

A reconciliation of adjusted operating profit is included on the face of the income statement on page 149.

	2021 £'m	2020 £'m
Adjusted operating profit	**90.0**	80.3
Revenue	**635.7**	572.8
Adjusted operating margin (%)	**14.2%**	14.0%

Leverage

Definition

Adjusted net debt translated at the average exchange rate for the year divided by adjusted EBITDA as defined in the lending agreement.

Purpose

This measure is used to evaluate the ability of the Group to generate sufficient cash flows to cover its contractual debt servicing obligations.

Alternative Performance Measure reconciliations continued

Reconciliation/calculation

	2021 £'m	2020 £'m
Adjusted net debt (at average exchange rate)	**91.0**	105.3
Adjusted EBITDA	**102.6**	95.2
Leverage (x)	**0.9x**	1.1x

Return on capital employed (ROCE)

Definition

Adjusted operating profit as a percentage of the last thirteen-month average capital employed.

Purpose

This measure is used to evaluate how efficiently the Group's capital is being employed to improve profitability.

Reconciliation/calculation

	2021 £'m	2020 £'m
Adjusted operating profit	**90.0**	80.3
Average capital employed	**619.4**	653.8
ROCE (%)	**14.5%**	12.3%

Adjusted earnings per share

Definition

Adjusted profit after tax divided by the basic weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares.

Purpose

This measure is used to determine the improvement in adjusted EPS for our shareholders.

Reconciliation/calculation

A reconciliation is provided in note 9 on page 166.

Dividend cover

Definition

Adjusted earnings per share divided by the total dividend per share for the financial year.

Purpose

This measure provides an indication of the dividend paid relative to adjusted earnings for comparison with the Group's dividend policy.

Reconciliation/calculation

	2021	2020
Basic adjusted earnings per share (p)	**32.1**	27.2
Total dividend per share (p)	**12.9**	4.0
Dividend cover (x)	**2.5x**	6.8x

Operating cash conversion and operational cash flow

Definition

Operational Cash Flow
Net cash generated from operations before income tax paid, exceptional costs cash settled in the year and pension contributions, and after proceeds on disposal of property, plant and equipment, payments to acquire property, plant and equipment and payments to acquire intangible assets.

Operating Cash Conversion
Operational cash flow divided by adjusted operating profit.

Purpose

These measures are used to evaluate the cash flow generated by operations in order to pay down debt, return cash to shareholders and make further investment in the business.

Reconciliation/calculation

	2021 £'m	2020 £'m
Net cash generated from operations	**57.0**	95.9
Income tax paid	**17.7**	13.8
Exceptional costs	**0.2**	4.2
Pension contributions	**2.8**	1.7
Proceeds on disposal of PPE	**0.8**	–
Payments to acquire PPE and intangible assets	**(20.6)**	(10.5)
Operational cash flow	**57.9**	105.1
Operational cash flow	**57.9**	105.1
Adjusted operating profit	**90.0**	80.3
Operating cash conversion (%)	**64.3%**	130.9%

Other APMs

EBITDA and adjusted EBITDA

Definition

EBITDA
Adjusted operating profit with depreciation, amortisation of computer software, and share-based payments expenses added back.

Adjusted EBITDA
EBITDA plus the pre-acquisition EBITDA of businesses acquired during the year covering the relevant pre-acquisition period less the EBITDA of businesses disposed of during the year.

Purpose

This measure is used as the numerator in calculating covenants under the terms of the Group's revolving credit facility.

Reconciliation/calculation

	2021 £'m	2020 £'m
Adjusted operating profit	**90.0**	80.3
Depreciation of property, plant and equipment	**11.5**	12.7
Amortisation of computer software	**1.3**	1.5
IFRS 16	**(1.2)**	(1.2)
Share-based payments expense	**1.0**	0.1
EBITDA of businesses disposed of during the year	**–**	1.8
Adjusted EBITDA	**102.6**	95.2

Alternative Performance Measure reconciliations continued

Adjustment to net cash generated from operations

Definition

The add back of net finance costs, depreciation, amortisation of intangible assets, impairment of PPE, profit on disposal of PPE, write-off of inventory fair value adjustments, pension service costs and expected selling, general and administrative costs, non-cash provision movements, profit on disposal of business and share-based payments.

Purpose

These are non-cash, non-operating items which are added back to profit to derive cash generated from operations in the cash flow statement.

Reconciliation/calculation

See reconciliation in note 25 on page 193.

Constant currency or CC

Definition

Comparison with the comparative period translated at the current year's average or closing exchange rate as applicable.

Purpose

This measure is used by management to measure performance of the business removing the effect of changes in foreign exchange rates which are outside of the control of management.

Reconciliation/calculation

It is not practicable to present a reconciliation of all CC measures used. A table showing the current and comparative period average and closing exchange rates is presented on page 213. A sensitivity analysis showing the impact of fluctuations in exchange rates is also presented on page 44.

Free cash flow

Definition

Operational cash flow after deducting pension contributions, income tax paid, net interest paid and exceptional cash costs settled in the year.

Purpose

This measure is used to evaluate the cash flow generated by the business operations after expenditure incurred on maintaining capital assets.

Reconciliation/calculation

See page 42 for reconciliation between operational cash flow and free cash flow.

Interest cover

Definition

EBITDA divided by the net interest payable on bank loans, private placement notes and overdrafts and interest income from short-term bank deposits.

Purpose

This measure is used to evaluate the profit available to service the Group's interest costs. This is one of the covenants the Group is subject to under the terms of its revolving credit facility.

Reconciliation/calculation

	2021 £'m	2020 £'m
EBITDA	**102.6**	93.4
Net interest	**5.9**	8.9
Interest cover (x)	**17.6x**	10.5x

Adjusted administrative expenses

Definition

Administrative expenses before exceptional items, amortisation of acquired intangible assets, impairment of acquired intangible assets and impairment of acquired goodwill.

Purpose

This measure is used to evaluate the adjusted administrative expenses of the business excluding the effect of exceptional items and amortisation of acquired intangible assets which is a significant charge that is not directly affected by trading.

Reconciliation/calculation

	2021 £'m	2020 £'m
Administrative expenses	**(138.6)**	(132.4)
Exceptional items	**(0.6)**	1.8
Amortisation of acquired intangible assets	**17.5**	18.8
Adjusted administrative expenses	**(121.7)**	(111.8)

Adjusted effective tax rate

Definition

Adjusted tax charge divided by adjusted profit before tax.

Purpose

This measure is used to evaluate the tax charge relative to profit arising on the adjusted trading activity of the Group.

Reconciliation/calculation

	2021 £'m	2020 £'m
Adjusted tax charge	**(18.8)**	(15.3)
Adjusted profit before tax	**81.5**	68.4
Adjusted effective tax rate (%)	**(23.1%)**	(22.4%)

Adjusted gross debt

Definition

Interest-bearing loans and borrowings, with unamortised borrowing costs and lease liabilities added back.

Purpose

This gives a measure of the gross amount owed to lenders, without the effect of unamortised borrowing costs for which cash outflow has already occurred.

Reconciliation/calculation

	2021 £'m	2020 £'m
Borrowings (including lease liabilities)	**(203.9)**	(222.9)
Lease liabilities	**54.8**	53.8
Unamortised borrowing costs	**(0.7)**	(1.2)
Adjusted gross debt	**(149.8)**	(170.3)

Alternative Performance Measure reconciliations continued

Adjusted net debt

Definition

Interest-bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs and lease liabilities added back.

Purpose

This gives a measure of the gross amount owed to lenders, without the effect of unamortised borrowing costs.

Reconciliation/calculation

	2021 £'m	2020 £'m
Borrowings (including lease liabilities)	**(203.9)**	(222.9)
Cash	**58.1**	69.7
Lease liabilities	**54.8**	53.8
Unamortised borrowing costs	**(0.7)**	(1.2)
Adjusted net debt	**(91.7)**	(100.6)

Adjusted profit before tax and adjusted profit after tax

Definition

Profit before amortisation of acquired intangible assets, impairment of goodwill and acquired intangible assets, exceptional items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs, accelerated amortisation of borrowing costs and the associated tax effect.

Purpose

This measure is used to evaluate the profit generated by the Group through trading activities. In addition to the items excluded from operating profit above, the gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs, accelerated amortisation of borrowing costs and the associated tax effect are excluded. These items are excluded as they are of a non-trading nature.

Reconciliation/calculation

	2021 £'m	2020 £'m
Profit before tax	**64.0**	47.6
Exceptional items	**(0.6)**	1.8
Loss/(gain) on revaluation of fair value hedge	**0.1**	(0.3)
Amortisation of borrowing costs	**0.5**	0.5
Amortisation of acquired intangible assets	**17.5**	18.8
Adjusted profit before taxation	**81.5**	68.4
Income tax charge	**(14.4)**	(10.4)
Adjusted tax effect	**(4.4)**	(4.9)
Adjusted profit after taxation	**62.7**	53.1

Adjusted tax charge

Definition

Tax charge adjusted for the tax effect of amortisation of acquired intangible assets, impairment of goodwill and acquired intangible assets, exceptional items, unwinding of discount on provisions, gains and losses on the fair value of derivative financial instruments, amortisation of borrowing costs, accelerated amortisation of borrowing costs.

Purpose

This measure is used to evaluate the tax charge arising on the adjusted trading activity of the Group.

Reconciliation/calculation

	2021 £'m	2020 £'m
Tax charge	**(14.4)**	(10.4)
Tax effect of adjusted profit adjustments	**(4.4)**	(4.9)
Adjusted tax charge	**(18.8)**	(15.3)

GRI Standard Content Index

This report has been prepared with reference to the GRI Standards:

General Disclosures 2021 (GRI 2)

Disclosure	GRI code	Page
1. The Organisation and Reporting Practices		
Organisational details	2–1	8
Entities included in the organisation's sustainability reporting	2–2	194
Reporting period, frequency and contact point	2–3	–
Restatements of information	2–4	55,58,65
External assurance	2–5	–
2. Activities and Workers		
Activities, value chain and other business relationships	2–6	8–19
Employees	2–7	62
Workers who are not employees	2–8	62
3. Governance		
Governance structure and composition	2–9	92–100
Nomination and selection of the highest corporate body	2–10	102–103
Chair of the highest corporate body	2–11	92–100
Role of the highest governance body in overseeing the management of impacts	2–12	69,97–98
Delegation of responsibility for managing impacts	2–13	49,69,97–98
Role of the highest governance body in sustainability reporting	2–14	69
Conflicts of interest	2–15	92–93,96
Communication of critical concerns	2–16	60,96–97
Collective knowledge of the highest governance body	2–17	98–99
Evaluation of the performance of the highest governance body	2–18	98–99
Remuneration policies	2–19	114–123,129,135
Process to determine remuneration	2–20	114–116
Annual total compensation ratio	2–21	134
4. Strategy, policies and practices		
Statement of sustainable development policy	2–22	46
Policy commitments	2–23	46,https://www.tymanplc.com/sustainability
Embedding policy commitments	2–24	20–23,46–77
Processes to remediate negative impacts	2–25	46–77
Mechanisms for seeking advice and raising concerns	2–26	61
Compliance with laws and regulations	2–27	49,54,90
Membership associations	2–28	67
5. Stakeholder engagement		
Approach to stakeholder engagement	2–29	81–83
Collective bargaining agreements	2–30	Not disclosed

Tyman material topics 2021 (GRI 3)

Disclosure	GRI code	Page
Disclosure of material topics		
Process to determine material impacts	3–1	https://www.tymanplc.com/sustainability/materiality-exercise
List of material topics	3–2	https://www.tymanplc.com/sustainability/materiality-exercise
Management of material topics	3–3	46-77
Circular economy		
GRI-301 Materials 2016	301	56,66
Packaging and wate		
GRI–301 Materials 2016	301	55-57,66
GRI–306 Effluents and waste 2016	306	58
GRI–306 Waste 2020	306	58
Material sourcing		
GRI–408 Child labour 2016	408	67, https://www.tymanplc.com/sustainability/sustainable-culture/ethics
GRI–409 Forced or compulsory labour	409	67, https://www.tymanplc.com/sustainability/sustainable-culture/ethics
GRI–308 Supplier environmental assessment	308	-
GRI–414 Supplier social assessment	414	-
GRI–301 Materials 2016	301	-
GRI–407 Freedom of association and collective bargaining	407	Not disclosed
Product innovation		
GRI–201 Economic performance	201	65
GRI–416 Customer health and safety	416	64-67
GRI–301 Materials 2016	201	66-67
GRI–305 Emissions 2016	305	64-65
GRI–413 Local communities 2016	413	65
Employee health, safety and wellbeing		
Occupational health and safety 2018	403	48-52
Climate change and greenhouse gas emissions		
GRI–302 Energy 2016	302	54-55
GRI–305 Emissions 2016	305	55
Energy management		
GRI–302 Energy 2016	302	54
Water stewardship		
GRI–303 Water 2016	303	58
Ethical business practices		
GRI–205 Anti–corruption	205	59-60, https://www.tymanplc.com/sustainability/sustainable-culture/ethics
GRI–206 Anti–competitive behaviour	206	59-60, https://www.tymanplc.com/sustainability/sustainable-culture/ethics
GRI–415 Public policy	415	139
Diversity and inclusion		
GRI–405 Diversity and equal opportunity 2016	405	62
GRI–406 Non–discrimination	406	62
Local communities		
GRI–413 Local communities 2016	413	63
Training and development		
GRI–404 Training and education	404	61

Definitions and glossary of terms

AGM	Annual general meeting
APM	Alternative performance measure
ARGE	European Federation of Associations of Locks & Builders Hardware Manufacturers
BPR	Tyman internal business performance reviews
Bps	Basis points
BREEAM	Building research establishment environmental assessment method (building sustainability certification scheme developed in the UK)
BSI Kitemark	UK product and service quality trade mark, owned and operated by the British Standards Institution
C2C	Cradle to Cradle product certification scheme for safer, more sustainable products
CAGR	Compound annual growth rate
CGU	Cash generating unit
CHIC	Concealed hardware innovative components
CIPS	Chartered Institute of Purchasing and Supply
CO_2	Carbon dioxide
DEFRA	UK Department of Food and Environmental Affairs
DSBP	Deferred share bonus plan
EAP	Employee Assistance Programme (counselling and support services for employee wellbeing)
EB Trust (EBT)	The Tyman employees' benefit trust
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPD	Environmental product declaration
EPS	Earnings per share
ERP	Enterprise resource planning
ESG	Environmental, social and governance
ESPP	Employee stock service plan
ExCo	Executive Committee
FCA	Financial Conduct Authority
FTE	Full time equivalent (headcount)
FVPL	Fair value through profit or loss
GAAP	Generally accepted accounting principles
GCC	Gulf Cooperation Council
GDPR	General data protection regulation
GHG	Greenhouse gas (emissions) arising from direct operations and/or indirectly via the value chain
GRI	Global Reporting Initiative – framework providing a common language and accepted definitions used in sustainability reporting
HSS	Health, safety and sustainability
IASB	International Accounting Standards Board
IEA	International Energy Agency
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIA Code of Practice	The Chartered Institute of Internal Auditors Code of Practice
IoT	Internet of things
IPCC	Intergovernmental panel on climate change
ISO 14001	International Organization for Standardization standard for environmental management systems
ISO 9000	International Organization for Standardization standard for quality management systems
KPI	Key performance indicator
LEED	Leadership in energy and environmental design standards (building sustainability certification scheme developed in the US)
LFL	Like-for-like

LIBOR	London inter-bank offered rate
LIRA	Leading Indicator of Replacement Activity
LOTO	Lock out, tag out safety procedure to ensure machines are adequately locked
LTI	Lost time incident
LTIFR	Lost time incident frequency rate – a core safety metric expressing the number of lost time incidents as a ratio per one million hours worked
LTIP	Long-term incentive plan
LTM	Last twelve months
M&A	Mergers and acquisitions
NED	Non-executive director
NGFS	Network for greening the financial system
NPD	New product development
OCR	Organisation Capability Review
OECD	Organisation for Economic Co-operation and Development
OEM	Original equipment manufacturer
PMI	Purchasing Managers' Index
PPE	Property, plant and equipment
ROAI	Return on acquisition investment
RCF	Revolving credit facility
RMI	Renovation, maintenance and improvement
ROCE	Return on capital employed
ROU	Right-of-use
SASB	Sustainability Accounting Standards Board
SAYE	Save as you earn
SBT	Science Based Target
SBTi	Science Based Target initiative
SEA	UK's Surface Engineering Association
SECR	UK Government's streamlined energy and carbon reporting
SKU	Stock keeping unit
Smartware	Integrated and mechanical and electronic security solutions
SONIA	Sterling Over Night Index Average
STEM	Science, Technology, Engineering and Mathematics
STIP	Short term incentive plan
TCFD	Taskforce on climate-related financial disclosures
TCO_2e	Tonnes of CO_2 equivalent (a standard measure for carbon emissions)
TFR	Trattamento di fine Rapporto (Italian pension scheme)
TRIR	Total recordable incident rate (a core safety metric including lost time and other recordable incidents involving restricted duty or medical intervention beyond first aid, expressed as a ratio per one million hours worked)
TSR	Total shareholder return
UKAS	UK Accreditation Service
UN SDG	United Nations Sustainable Development Goals
US EPA's EEIO	US Environmental Protection Agency's Environmentally-Extended Input-Output
USPP	US Private Placement
VIU	Value in use
WELL	Well building standard in place to enhance human health and wellbeing

Roundings and exchange rates

Roundings

Percentage numbers have been calculated using rounded figures from the financial statements, which may lead to small differences in some figures and percentages quoted.

Exchange rates

The following foreign exchange rates have been used in the financial information to translate amounts into sterling:

Closing rates	**2021**	2020
US dollar	**1.3512**	1.3650
Euro	**1.1912**	1.1129
Australian dollar	**1.8607**	1.7708
Canadian dollar	**1.7159**	1.7393
Brazilian real	**7.5285**	7.0898

Average rates	**2021**	2020
US dollar	**1.3757**	1.2836
Euro	**1.1631**	1.1251
Australian dollar	**1.8321**	1.8626
Canadian dollar	**1.7244**	1.7200
Brazilian real	**7.4216**	6.6115

Five-year summary

Statutory measures

	2021 £'m	2020 £'m	2019 £'m	2018 £'m	2017 £'m
Revenue	**635.7**	572.8	613.7	591.5	522.7
Net finance costs	**(9.1)**	(12.1)	(15.7)	(11.6)	(9.4)
Profit before taxation	**64.0**	47.6	24.8	38.9	34.5
Taxation	**(14.4)**	(10.4)	(7.1)	(12.5)	(3.3)
Profit after taxation	**49.6**	37.2	17.7	26.3	31.2
Total number of shares in issue ('000)	**196,762**	196,762	196,762	196,762	178,582
Dividends per share declared (p)	**12.9p**	4.0p	3.9p[2]	12.0p	11.3p
Average monthly number of employees	**4,295**	4,035	4,146	4,303	3,904

APMs and KPIs

	2021	2020	2019	2018	2017
LFL revenue growth (%)[1]	**17.4%**	(6.0)%	(1.8)%	2.7%	1.7%
LFL adjusted operating profit growth (%)[1]	**15.6%**	(5.5%)	(4.8%)	(4.8%)	(1.5%)
Adjusted operating profit (£'m)[1]	**90.0**	80.3	85.4	83.6	76.8
Adjusted operating margin (%)[1]	**14.2%**	14.0%	13.9%	14.1%	14.7%
Adjusted profit before taxation (£'m)[1]	**81.5**	68.4	71.0	72.7	68.3
Adjusted net debt (£'m)[1]	**(91.7)**	(100.6)	(164.5)	(210.7)	(163.7)
Adjusted basic earnings per share (p)[1]	**32.1p**	27.2p	27.5p	27.7p	26.9p
Return on capital employed (%)[1]	**14.5%**	12.3%	12.0%	13.4%	13.6%
Operating cash conversion (%)[1]	**64.3%**	130.9%	132.2%	92.4%	85.6%
Leverage (x)[1]	**0.9x**	1.1×	1.7×	2.0×	1.8×

1 See Alternative performance measures on pages 203 to 208.
2 The 2019 final dividend of 8.35p was withdrawn due to COVID-19.

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