

# Efficiency

## Priorities for 2024

- ➊ Deliver targeted efficiency savings of \$12 million
- ➋ Implement continuous improvement projects in the supply chain to lower cost and reduce environmental impact
- ➌ Improvement in working capital leading to higher cash conversion
- ➍ Make further progress vs 2030 environmental targets and develop updated SBT
- ➎ Launch ESG risk assessment process, enhancing our responsible sourcing system
- ➏ Develop site decarbonisation plans

## Link to risk

- ➋ Business interruption due to a supply chain failure of key raw materials and/or third-party service provision
- ➍ Business interruption due to a major event or a natural catastrophe
- ➎ Health and safety

 For detail about our approach to risk, see pages 63-71.

We continuously work towards improving our organisation, driving efficiency gains, and becoming a more resilient business. Over the last year we delivered \$10 million of savings, completing the \$25 million of savings programmes announced in 2021.

This was achieved through a combination of continuous improvement, procurement savings and strict cost management over the year, as well as delivery of Coatings and Talc synergies. Furthermore, we eliminated the first \$4 million of stranded costs following the sale of Chromium.

This year, at our CMD, we announced two efficiency programmes, delivering \$30 million of additional cost savings by 2025. The first one is Fit for the Future, targeted to deliver \$20 million annual savings by end 2025. The large majority of these will come from staff cost savings in three areas. Firstly, through optimising of our organisational structure – following the sale of Chromium, we are a smaller company, and we believe the size our workforce should reflect this. We are restructuring into a simpler and more efficient organisation, focused on our three key regions. We will also close our Cologne, Germany, office in 2024.

Secondly, we will create a new R&D and support centre in Porto, Portugal. This location is a proven global business services location, with the added advantages of being a source of great R&D talent as well as being a lower cost location. Since the announcement of the Fit for the Future programme in Q3 2023, we have hired multiple roles in Porto, Portugal, and expect to further consolidate roles from higher cost locations, into the new Porto office. We are excited about creating a new showcase laboratory, which will allow us to strengthen our customer proposition.

# \$30m

annual savings by 2025

Finally, we will outsource over 20 back office roles to India. This move will provide access to stronger processes, digital tools, and automation opportunities that we would not be able to deploy quickly ourselves.

The second efficiency programme focuses on supply chain optimisation and procurement efficiencies, where we target an additional \$10 million of annual savings. Half of those are expected to materialise in 2024 and half in 2025.

In our supply chain, we have built capability in continuous improvement. Examples of recent successes include the optimisation of raw material usage in New Martinsville, US, site and the transfer of hectorite technology to our organoclay manufacturing plant at Anji, China, enabling the site to produce higher value products while increasing global capacity for hectorite production.

We will drive better overall equipment effectiveness through more automated processes, reduce production bottlenecks and improve overall energy use across our business. In addition to running our plants better, we see scope to optimise our manufacturing footprint, especially as we completed the ramp up of our antiperspirant actives plant in India.

Across procurement, we expect to drive benefits from better use of vendor management, digital tools including e-sourcing, cutting back the number of raw materials that are single sourced, and standardising our procurement processes.

We see the combination of our growth platforms, together with these material efficiency programmes, delivering much improved financial performance by 2026.

Another key enabler of our efficiency is our sustainability focus. Our products help customers do more with less resources, for example, additives that help adhesives instantly grip heavy ceramic tiles without slipping, saving end users materials, time and money.

Efficiency is also a foundational requirement for sustainability improvements in our own operations and supply chain. This year, we made further progress in this area, for example in our Sotkamo plant, where we reduced electricity consumption by changing filter cleaning method, or a reduction in water consumption in Ludwigshafen, Germany, by transferring product line to a different filter press utilising different cleaning technology.

Our focus on efficiency has helped us to achieve two of our four 2030 environmental targets, meaning we are emitting less GHG and using less water per tonne of production than in our 2019 baseline year.

🔍 For detail about our sustainability strategy and sustainability targets, see pages 29-44.

Throughout our operations, our global process excellence teams have identified over 60 projects that are beneficial from both an efficiency and environmental perspective. Their implementation will drive delivery of both our cost saving ambitions and our 2030 sustainability targets.

We also completed the multi-year project to deliver one global ERP programme. This provides a single source of information including financial, manufacturing and supply chain data on the same system, cutting out duplication and inefficiency. And we also updated the Elementis corporate website, to improve the end user experience, including a more efficient customer interaction.

## Continuous improvement – dust filter cleaning method change at Sotkamo

At Elementis, we use a pneumatic conveying system to move dry talc products and remove dust. This process uses airflow to carry powder in a conveyor pipe and filters are required to separate solids and excess air.

In the filter housing, air passes through the filter bags removing talc dust, which enables air to be discharged from the top of the baghouse into the atmosphere. During this process, the filter cloth gaps become filled with particles and the filter becomes less efficient. To clean the filter bags, an air pulse is given to clean the particles from the filter cloth re-opening the gaps.

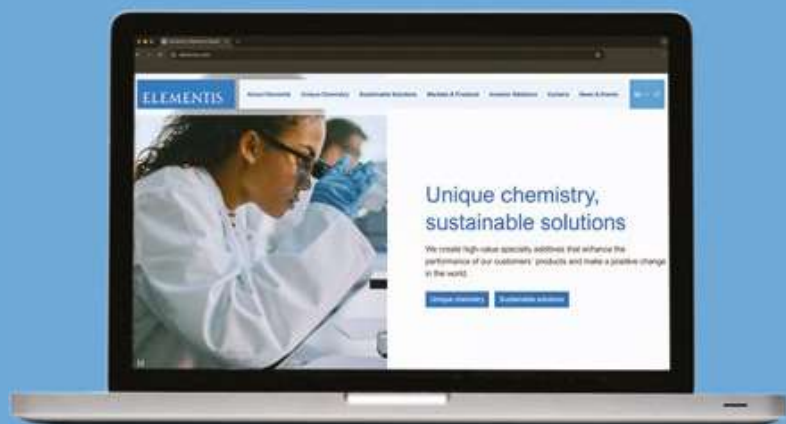
In our Sotkamo plant, we were looking at ways to lower the air compressors' energy consumption by reducing their running time. Dust filter cleaning consumes a lot of compressed air and most of the filters had pulse jet cleaning running continuously.

We recognised that we could save energy by changing the cleaning method based on differential pressure. This releases the cleaning pulse only when the pressure difference gets lower than the set limit. So far, the process has withstood the Finnish winter conditions, and the cold has not affected the cleaning method.



Photo: Example dust filter at Sotkamo plant.

Changes were implemented between April and June 2023 in 38 bag houses in the Sotkamo Micro Talc plant, and the compressed air consumption in the instrument air network reduced 40% in this period. We continue to monitor the energy usage and expect to not only deliver annual energy savings and CO<sub>2</sub> reduction, but also increase the lifetime of wearing parts of the equipment used.



🔍 See our new website at: [elementis.com](https://www.elementis.com)