Section 172

To enable them to fulfil their duties when making decisions, it is essential that our Directors understand what matters to, and the impact on, our stakeholders and, equally, that it is not always possible to provide positive outcomes for all stakeholders when considering the long-term success of the Company. Details of our stakeholder groups and how the business and the Board have engaged with them during the year are set out on pages 24-25.

The Board receives information on stakeholder engagement matters through regular reports and presentations from senior management throughout the year. All Board papers for principal Board decisions include a specific section on s.172(1) and stakeholder interests. In addition to s.172(1) duties, there are also other factors that are taken into account or may be considered relevant in the context of decision-making: for example, pension scheme members or engagement with regulatory authorities, as well as an overarching governance framework which includes Group policies and the Code of Conduct. Directors bring additional value by sharing knowledge or insight gained from other previous or current roles.

The Board visited several of our sites during 2024 (New Jersey and New Martinsville, US and Porto, Portugal). These visits provided opportunities for our employees to engage with the Directors during their tours of the sites, to give the Board management overview presentations and to participate in social events with the Board. In addition, the Directors engaged directly with our investors (see pages 82-83 for more detail) and participated in a wider programme of engagement with our employees.

Christine Soden, our Designated Non-Executive Director ("DNED") for Workforce Engagement, ensures that the views and concerns of the workforce are brought to the Board, understood and taken into account. Further information on our approach to workforce engagement can be found on pages 84-85.

Key decisions in the year

Strategic review of Talc business

Following the sale of the Chromium business, the Board judged that it was the right time to consider the position of Talc in the portfolio alongside other strategic options for the business. This was in the context of the structural evolution in talc markets which had occurred following the Group's acquisition of the Talc business in 2018. In early 2024, the Board asked management to undertake a deep-dive analysis of risks, issues and opportunities in relation to the Group's Talc business.

S.172(1) considerations

- The impact of a decision to evaluate a potential divestment of the Talc business on the retained Group operations in the longer term, as well as on stakeholders of the Talc business, were the business to be divested
- Whether the interests of the Talc business's employees, customers and suppliers would be best served as part of the Group or under a new owner
- The changed profile of Elementis' environmental impacts if the Talc business were to be sold
- Investor sentiment in relation to the Talc business

The Board's role

The Board considered reports from management and advisers which noted the overall market outlook for the Talc business, and took into account potential regulatory developments as well as the capital intensity of talc mining operations. The Board considered the synergies which had been delivered as a result of an earlier combination of the Talc business with the Coatings business within the Group and the extent of further synergies that might be available, as well as potential future growth opportunities.

The Board considered carefully the appropriate timing to initiate a strategic review of the Talc business, in light of the importance of the successful delivery of the Fit for the Future programme and its call on key resources within the Group. The Board carefully evaluated input from its financial advisers regarding a potential valuation of the Talc business in the event of a sale process. Taking all aspects into account, the Board approved the announcement of a strategic review of the Talc business in August 2024.

Key stakeholders identified

- Employees
- Customers
- Suppliers
- Government and regulators
- Communities and the environment
- Investors

Divestment of Eaglescliffe, UK site

The Group ceased chromium manufacturing operations in the UK in 2009 and, since that date, the Eaglescliffe site has been managed with a small staff necessary to ensure that the Group complies with its ongoing obligations to the UK Environment Agency under its operating permits. In March 2024, the Group concluded a sale agreement with the Flacks Group, having received expressions of interest from several other parties. In consideration of a negative purchase price of £11.5 million, split into two tranches, the first (£6.5 million) payable on completion, and the second (£5 million) on the first anniversary of completion, the Group agreed with the buyer that all past, present and future environmental liabilities would transfer to the buyer. The sale is expected to complete during 2025 when the Environment Agency consents to the transfer of all operating permits to the buyer.

S.172(1) considerations

- The divestment of the Eaglescliffe site is consistent with the divestment of the active Chromium operating business in 2023, and achieves a 'clean break' exit for the Group from the Eaglescliffe site and any associated environmental liabilities
- The buyer indicated that all employees at the site would be retained on the same, or better, terms and conditions
- The Group understands that the buyer intends to develop the site into a green energy-generation centre with solar panels and wind turbines (subject to consents). Therefore, the buyer's intended use of the site is not expected to have any adverse impact on the local community or the environment

The Board's role

The Board considered the negative consideration payable to the buyer and weighed this against the value to the retained Group and its shareholders of securing a full exit from the Group's legacy chromium manufacturing activities, following the divestment of the US-based chromium manufacturing business in 2023. The Board evaluated the buyer's proposed future use of the site and concluded that the buyer would be a positive custodian of the site. The Board further concluded that there would be no adverse impact to employees at the site, who would transfer to the buyer on the same, or improved, terms and conditions of employment as under the Group's employment.

Key stakeholders identified

- Employees
- Government and regulators
- Communities and the environment
- Investors

Middletown plant closure

In March 2024, the company announced the closure of one of our AP actives plants in Middletown, US, consolidating our manufacturing footprint. The Middletown plant closed in June 2024.

S.172(1) considerations

- The impact on our employees and community
- Ensuring a smooth transition of equipment and knowledge to an existing site

The Board's role

The Board considered the company's supply chain and noted that, through the closure of the Middletown, US, plant, the company would continue to be able to serve customers globally with the necessary supply chain resilience, through its remaining AP actives plants located in Huguenot, US and Taloja, India, at a balanced cost. The Board evaluated the expected cost savings that would flow from the consolidation of its AP actives manufacturing footprint and the company's ability to relocate and install equipment from the Middletown plant to its other AP actives plants.

Key stakeholders identified

- Employees
- Customers
- Suppliers
- Government and regulators
- Communities and the environment
- Investors

Middletown plant closure enabled by successful ramp-up at Taloja

Our Taloja plant in India in was completed in 2022, and we continued to test and qualify our products with major customers throughout 2023. 2024 was Taloja's first successful year operating at full production. We demonstrated consistent high quality and quantity of products through the year.

Taloja is now considered a reliable plant by our key customers, which led to a significant increase in our high-efficacy AP actives and the new business delivery across the Antiperspirants growth platform.

The full ramp-up also enabled us to action the AP actives plant consolidation. In June 2024, we closed one of the US plants, leaving us with two AP actives plants across two key locations, in the Americas and Asia.

Successful Taloja production has strengthened our competitive position, not only via cost efficiencies, but also improving our supply resilience, an important factor for our key global customers.

Read more on page 62.