ADVANCING HUMANITY

Annual
Integrated Report 2023

SYENSQO

Contents

About this report

Syensqo's 2023 Annual Integrated Report provides material information on Syensqo for the financial year ending December 31, 2023. This report reflects our progress in our integrated management journey, as it integrates all content into one comprehensive document.
The first chapters tell the story of the year, outlining Syensqo's establishment as a new company, our strategic approach and our key business areas and financial results. These chapters also provide a comprehensive overview of our sustainability objectives and the progress we have made.
Syensqo's Annual Integrated Report includes a management report, as required by article 12 of the Royal Decree of November 14, 2007 relating to the obligations of issuers of financial instruments admitted for trading on a regulated market. The information required by articles 3:6 and 3:32 of the Belgian Code of Companies and Associations can be found in various chapters of the report. They include our corporate governance statement, remuneration report, risk management report, business performance review, extra-financial statements and financial statements.
The Annual Integrated Report has been prepared using the GRI Sustainability Reporting Standards and the World Business Council for Sustainable Development (WBCSD) Environmental, Social and Governance (ESG) Disclosure Handbook as a reference framework. Our Annual Integrated Report has been established by Syensqo's Executive Leadership Team and Board of Directors.

The future is rich with unexplored possibilities.
We are explorers.
People from many horizons who dream the impossible, solve the unsolvable, partnering to pioneer the future of science.
Because a sustainable future starts with our commitment, our solutions and innovations are the catalysts that open new frontiers for the planet and its people.

WE ARE SYENSQO, EXPLORERS CREATING BREAKTHROUGHS THAT ADVANCE HUMANITY.

A DISCUSSION WITH OUR CHAIR AND OUR CEO

We are explorers - be part of the journey!

With two women at the helm of the company, Syensqo presents a unique governance profile compared with its peers in the industry. Rosemary Thorne, Chair of the Board of Directors and Dr. Ilham Kadri, Chief Executive Officer, discuss the genesis and ambitions of our science company, and deliver a message of ambition and hope.

Ms. Thorne, you were a member of the Board of Directors of Solvay — and you have now moved on as Chair of the Board of Syensqo. You were at the forefront of a bold move — how did that feel?

R.T. — I have indeed been involved with Solvay for over nine years, as a member of the Board and chair of the audit committee. Obviously when the shareholder assembly elected me, I was delighted at the prospect of taking on these new responsibilities, because I believe in the story. I was a firsthand observer of the profound transformation led by Ilham and her team and of the impressive results it generated. I have seen the process unfold, leading to the spinoff, which as board members, we discussed, steered and fully supported.

We've done incredibly well; our metrics are a testament to our success — and metrics don't lie. Believe me, I'm a stickler for numbers: an accountant by profession, I've been the Chief Financial Officer of major UK companies for a number of years. More recently, I was appointed as an independent non-executive director and chair of the audit committee at Merrill Lynch International, which is the international division of Bank of America. Previously, I also chaired the audit committee at Smurfit Kappa Group. And what I saw at Solvay was truly compelling.

Six out of ten board members at Syensqo are women. Was that deliberate?

R.T. — Before I speak about the board, let me tell you that as an organization, we're certainly aiming for more diversity, including gender diversity. During her time at Solvay, Ilham has been a strong advocate for Diversity, Equity and Inclusion, which she took to the next level. We still need to get more women into our sites, at all levels — but we start with a good basis of 24% female employees overall at Syensqo, in an industry that has been overwhelmingly masculine ever since its inception. We are aiming for gender parity at mid and senior management level by 2033 — and we are moving in the right direction: today, 35% of our junior executives are women.

Regarding the composition of our Board, another positive feature is that we have attracted five new high-profile members for Syensqo. As a consequence, we have an equal number of Directors stemming from the Solvay legacy — such as Ilham and myself — and newcomers with a fresh perspective.

Needless to say, I am very pleased with the quality, the expertise and the experience of the people who sit on the Board today. Their combined competence fits the needs of Syensqo and is a tribute to diversity and inclusion as well as globalization, representing our customers' footprint. We have six independent directors, eight nationalities and one US-based female director. Together, they have decades of complementary experience in governance, finance, industry, innovation, sustainability and talent management.

We were all eager to get to work and gain a deeper understanding of Syensqo in the field. As soon as the first quarter after the creation of our company, the Board of Directors visited our plants in Spinetta and Bollate, Italy, where they met the teams and focused on the company's innovation and sustainability ambition.

Turning to Dr. Kadri: the transformation and split which Ms. Thorne has just evoked — you actually made it happen. What is your state of mind today, looking back at the journey?

I.K. — I feel a combination of pride and gratitude to the teams, the management, the Directors and the shareholders of Solvay who made it possible. When I arrived in 2019, my mission was to unleash the potential of Solvay. We reinvented the company culture, structure and strategy — and the new energy that was injected into the company generated fantastic results. Like Rosemary said, numbers don't lie! Our financial achievements over the past five years include a 6.2% organic growth in EBITDA (Compound Annual Growth Rate — CAGR), a reduction of total net debt by €4.3 billion, the doubling of Return on Capital Employed (ROCE) from 8.1% to 15.2% and the generation of €4.5 billion in free cash flow. The company invested a total of €4 billion and distributed €2 billion in dividends to shareholders.

According to a report by a leading Belgian business school, Solvay created more than 20% (€1.8 billion) of shareholder value between 2019 and 2023, outperforming the BEL20 reference index. Over the same period, Solvay's Total Shareholder Return (TSR) performance has consistently surpassed the €Stoxx 600 and BEL20 indexes.
As we closed 2023 successfully, delivering on our financial commitments, we will be rewarding our investors accordingly after the vote at the Annual General Meeting on the proposed dividend of €1.62 per share.

"OUR PEOPLE DID AN OUTSTANDING JOB RUNNING THE COMPANY, SUPPORTING THE BUSINESS IN A CHALLENGING MARKET ENVIRONMENT AND WORKING HARD TO MAKE THE SPINOFF A REALITY."

Ilham Kadri, Chief Executive Officer of Syensqo

Creating value in the interest of all stakeholders implies both financial and non-financial performance… Where does Syensqo stand in terms of its Environmental, Social and Governance (ESG) commitment?

R.T. — We are clearly positioned as a growth company with the financial flexibility to invest in growth that will deliver sustainable value creation to shareholders over time. We will also be building on a strong legacy. Solvay confirmed its status as an ESG-driven company in 2021, when the Board created an ESG Committee, to help guide strategic priorities and ensure execution was aligned to the Group's commitments. In that respect also, the results were truly impressive. Likewise, Syensqo today benefits from the support and guidance of a highly qualified and dedicated ESG committee.
I.K. — In this area also, the facts and figures make me proud of our teams. They are a compelling illustration of Solvay's extra-financial performance over the past five years, resulting from the ambitious One Planet and One Dignity roadmaps. The company's accomplishments during the transformation include a steep decline in CO_2 emissions, twice faster than the target set by the Paris Agreement. In that same period, the company earned certification by the Science-Based Targets initiative (SBTi). On the social and people front, Solvay introduced a 16-week co-parental leave policy, initiated a shareholdership plan with significant employee participation, addressed 951 gender pay gaps and achieved a 76% employee engagement score by the end of 2023.
R.T. — I would like to emphasize that this high level of engagement has endured through major changes and headwinds. As Ilham said, Solvay went through a profound transformation — and it did so while navigating unprecedented challenges, including a global pandemic, armed conflict in Ukraine and subsequent crises. Engagement numbers and the above-benchmark success of Solvay's employee shareholding program are a testament to the commitment of our teams, as well as to their resilience and fighting spirit.
I.K. — This spirit also proved its worth throughout 2023: our people did an outstanding job running the company, supporting the business in a challenging market environment and working hard to make the spinoff a reality.

"OUR SUSTAINABILITY GOALS ARE MORE THAN JUST AN ETHICAL OBLIGATION - THEY ARE AT THE HEART OF OUR STRATEGY."

Ilham Kadri,
Chief Executive Officer of Syensqo

"WE ARE CLEARLY POSITIONED AS A GROWTH COMPANY WITH THE FINANCIAL FLEXIBILITY TO INVEST IN GROWTH THAT WILL DELIVER SUSTAINABLE VALUE CREATION TO SHAREHOLDERS OVER TIME."

Rosemary Thorne,
Chair of the Board of Directors

Now that the spinoff is complete, will the One Planet ambition live on at Syensqo?

I.K. — Absolutely - and moreover, we are accelerating! I left the Solvay legacy with 59 energy transition projects around the world, equivalent to taking two million internal combustion engine cars off the road every year. It's massive! To de-coal and prepare the new Solvay for the future, we notably implemented biomass energy in large sites such as Rheinberg in Germany and Dombasle in France. But we are agnostic to energy and we will resort to whichever low-carbon solution is most appropriate to the location under consideration: solar, wind, hydro, etc. Our ultimate objective is climate neutrality.

Going forward at Syensqo, I am very happy to say that we are in a position to achieve net zero by 2040, which would be ten years faster than Solvay. We are serious about decarbonization. I believe there is no alternative: the companies who are still struggling with it will disappear. That is why we are investing heavily: Rosemary and the Board approved a total budget of €2 billion for Solvay legacy energy transition projects — of which 44 were transferred to Syensqo. Furthermore, our ambition spreads beyond our walls, as we will keep working hard on our Scope 3 emissions.

What are your sustainability priorities beyond climate and carbon neutrality?

I.K. — Syensqo One Planet will focus on fewer priorities, where we can have the biggest impact. With regard to resources, our scientists, chemical engineers and business can make a big difference as we embed circularity by design in our products. The second and subsequent usages must be part of the plan from the outset. Back in 2019, the share of sustainable solutions driven by circularity in our sales was 2%. Five years later, the figure for these bio- or plant-based products stood at 9%. Now at Syensqo, we've committed to doubling the share of circular solutions in our turnover by 2030.

We call the third pillar of our sustainability program "better life." Occupational safety is at the top of our priorities in that respect. We aim for zero accidents, with everyone returning home unharmed after a day's work at Syensqo, always. Another key challenge, like Rosemary said, is to include more women at all levels in our organization. More specifically, we are aiming to reach gender parity at Syensqo within the next ten years. Also, we fully subscribe to the UN Global Compact call for action on Living Wage: we have committed to ensuring that by 2026, every single one of our 13,100 employees — irrespective of their job category or location — will be earning enough to afford a fair standard of living, even if he or she is the only income earner of the family.

How does your sustainability ambition relate to your business strategy?

I.K. — Our sustainability goals are more than just an ethical obligation - they are at the heart of our strategy.

As a growth company, one of our fundamental objectives is to further extend our market leading positions. The beauty is that we will not be growing at the expense of the planet, which is our home, but much on the contrary, we will reimagine ourselves, reinvent new solutions and contribute to fixing our home.

We supply the technologies and solutions our clients need to make their own products more sustainable and to reduce their impact on the environment. We are in one out of two electric vehicles, we are in almost every vehicle that flies because we lighten and electrify ground and air mobility, we enable green hydrogen (that's making energy from water!), we are in 80% of medicine packaging and we are in 25% of all shampoos.

Taking advantage of our exposure to high growth markets, our strategy is to accelerate our investments that align with megatrends such as: electrification, lightweighting, advanced connectivity, resource efficiency, sustainable sourcing and improving quality of life. We also want to accelerate our time-to-market, as well as to invest in new capacity and capabilities that will further improve how we serve our clients, such as our recent investments in clean mobility.

Our ambition is to become our customers' prime innovation partner, and we have what it takes to succeed: some 15% of Syensqo's workforce — and brain power! — is active in research and innovation and our target is to lift our annual research and innovation expenditure to approximately 5% of net sales. We also joined the artificial intelligence (AI) revolution to boost innovation and growth. Generative AI's latest breakthrough will help us reach new heights with data, and benefit our customers and society at large. Finally, we're already working hard on "blockbuster" projects including solutions for solid state and high energy batteries as well as advanced materials for hydrogen storage, production and conversion.

The recently announced partnership with Climate Impulse will certainly be a great showcase for Syensqo technologies, won't it?

I.K. — Absolutely! We are the main technological partner of this first non-stop nine-day round-the-world-flight in a green hydrogen-powered airplane. It's an engineering challenge and a human adventure that can only succeed with our high-tech materials and our solutions for hydrogen-based energy systems. Solving challenges for Climate Impulse will pave the way for groundbreaking innovations not only in aviation, but also in other modes of transportation, storage and industrial use. Furthermore, it will contribute to the effective deployment of the green hydrogen economy, which is vital to reach net-zero.

But more importantly, I am thrilled that Climate Impulse will fly our colors and carry our name because it is a perfect illustration of the spirit that drives us at Syensqo. This partnership positions us not only as innovators but also as the architects of a sustainable world. Let's face it: global warming and the environmental polycrisis are a frightening reality. Some still choose to ignore the situation, which is irresponsible. Others are petrified by pessimism and eco-anxiety — and let themselves grind to a standstill. At Syensqo, we are the explorers of the third way: that of science and action, which in my mind is the only one capable of restoring hope for generations to come.

What message would you like to leave with the readers of this Report?

I.K. — I invite them to be part of the journey and to support our team of explorers. 2024 will be the year of Syensqo — the year when we will operate with a clear roadmap to become a purer player, focusing on our core business, core strategies and preparing our organic growth plans in the service of sustainability.

R.T. — We also want to thank the investors who have placed their trust in our project so far, and to deliver our message of optimism to those who are more attracted by investments with a growth profile. Syensqo now offers a clear trajectory and high ambitions.

I.K. — Yes! Join us on our value creation journey: together, we'll explore breakthrough technologies that advance humanity and we'll contribute to making a dream come true: the ambition of a circular, carbon-neutral economy. We will be doing well by doing good.

INTRODUCING SYENSQO

At Syensqo, we are scientific explorers pursuing breakthroughs that advance humanity. Supported by our market-leading positions and innovation leadership, we invest in science and in the future, creating advanced, sustainable solutions that help drive growth.

Summary

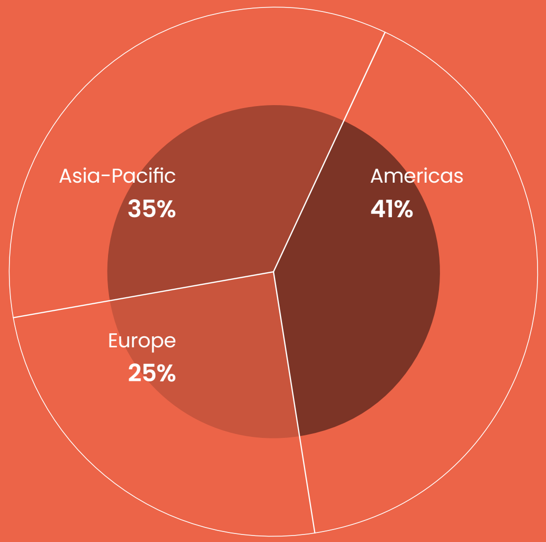
01

Key figures for 2023

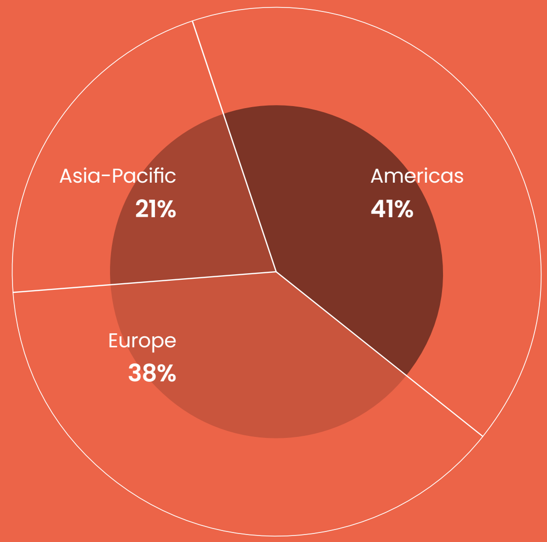
Syensqo is a science company developing groundbreaking solutions that enhance the way we live, work, travel and play. Inspired by the scientific conferences initiated by Ernest Solvay in 1911, our diverse and global team of more than 13,000 associates brings great minds together to push the limits of science and innovation for the benefit of our customers.

Our solutions help make products found in homes, food and consumer goods, planes, cars, batteries, smart devices and health care applications safer, cleaner, and more sustainable. And our innovation power enables us to deliver on the ambition of a circular economy, and explore breakthrough technologies that advance humanity.

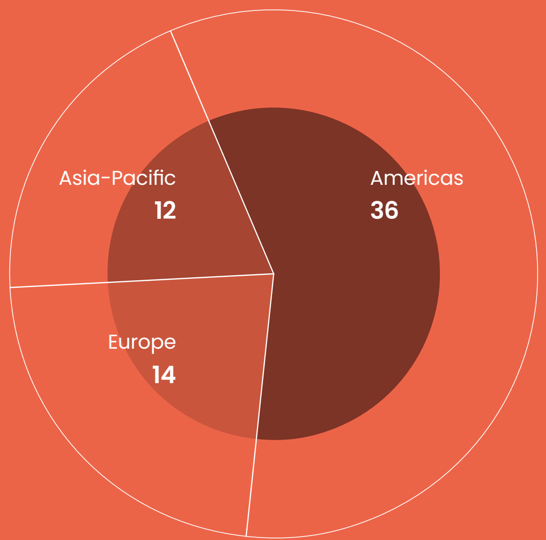
Syensqo around the world



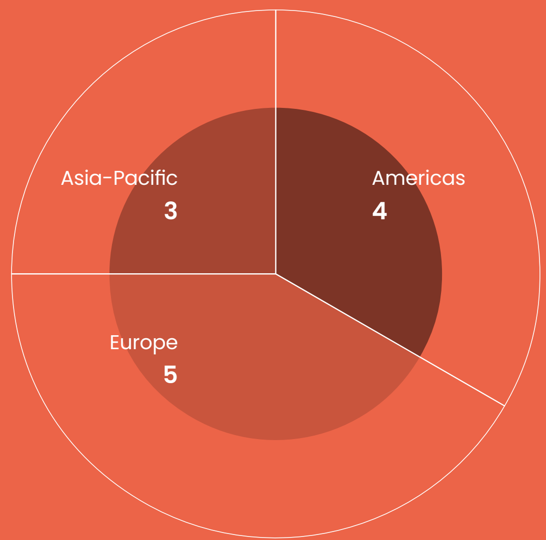
€6.8BN
Net sales



13,102
Employees



62
Industrial sites



12
Major research and innovation centers

Research and innovation

1,950
Employees

20.7%
Vitality index

€343M
R&I effort

85%
Expected R&I revenue from sustainable solutions according to our SPM methodology

Financial indicators
(2022 vs. 2023)

€1,618M
Underlying EBITDA
-10% organic basis[1]

10.6%
ROCE[3]
+240bps vs. 2021

€448M
Free cash flow[2]
To Syensqo shareholders
28% conversion

€1.62[4]
Dividend per share

Environmental and social indicators
(2023 vs. 2021)

Sustainable growth

13%
Circular sales[5]

Climate

Greenhouse gas emissions

1.6MT CO_2EQ[6]
Scopes 1 and 2
-25% (-20% structural)

6.1 MT CO_2EQ[7]
Scope 3 Focus 5 categories

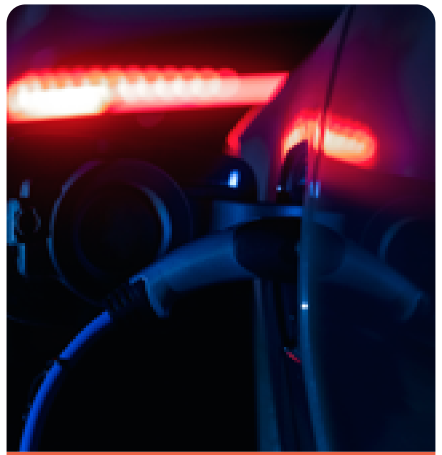
Better life

0.28
Reportable injuries and illnesses rate[8] (RIIR)

28%
Gender parity
Women in mid and senior management

1. Organic growth excludes forex conversion and scope effects.
2. Free cash flow to Syensqo shareholders is the free cash flow after payment of net interests, coupons of perpetual hybrid bonds and dividends to non-controlling interests. This represents the cash flow available to Syensqo shareholders, to pay their dividend and/or to reduce the net financial debt.
3. Return on capital employed.
4. Recommended to the shareholders meeting on May 23, 2024.
5. Our circularity KPI encompasses products either: based on recycled or renewable materials, produced with renewable energy, with increasing longevity in the use phase or enabling recycling at the end of life.
6. Total emissions from Syensqo operations.
7. Focus 5 categories of Scope 3 emissions: (1) purchased goods and services and (2) fuel-and energy-related activities (both upstream); and (3) processing of sold products, (4) use of sold products and (5) end-of-life treatment of sold products (all downstream).
8. Number of work-related injuries and illnesses (employees and contractors) resulting from an accident with severity above first aid, according to US OSHA 29 CFR 1904, per 200,000 work hours.

Highlights of 2023



DECEMBER 11

Successful launch and "investment grade" rating for Syensqo

Syensqo's shares are listed on Euronext Brussels and Euronext Paris, marking the start of an exciting new journey focused on innovation and growth. The strong credit rating confirms Syensqo as an attractive investment prospect with solid financial foundations.

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NOVEMBER 13

Syensqo unveils five-year growth strategy and objectives

Syensqo presents exciting new medium-term financial targets and sustainability commitments at our inaugural Capital Markets Day.

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NOVEMBER 2

US grant confirmed to help fund pivotal project for EV battery supply chain

Syensqo confirms plans to build North America's largest production facility for electric vehicle materials, with the support of a grant from the US Department of Energy and a Joint Venture with Orbia.

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NOVEMBER 3

Syensqo announces Board of Directors and Executive Leadership Team

A diverse and experienced Board and a world-class Executive Leadership Team are appointed to lead Syensqo. The new leadership includes Syensqo's first ever Chief Asia Officer.

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SEPTEMBER 27

Syensqo completes liability management process

In anticipation of the spinoff from Solvay, the final step of our liability management process is completed with the redemption of US bonds.

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DECEMBER 8

99.53% of shareholders approve Syensqo spinoff

The demerger of Solvay receives overwhelming support from shareholders at the Extraordinary General Meeting and Syensqo is born.

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SEPTEMBER 19

Syensqo joins the UN Global Compact Living Wage initiative

The initiative involves launching an assessment to guarantee living wage equity across the company and committing to close any gaps before 2030.

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SEPTEMBER 6

New Syensqo R&I facilities inaugurated in Shanghai, China

Syensqo's new research building is designed to support local customers and help fulfill demand for innovative and sustainable solutions in the region, serving critical sectors, such as green hydrogen, electronics and semiconductors.

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JUNE 7

Expansion of US mining solutions capacity to meet demand for copper

Syensqo announces completion of a 20% capacity expansion for our ACORGA® product line at our Mount Pleasant facility in Tennessee, which will help meet increasing demand for copper in e-mobility and clean energy applications.

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MARCH 6

Northrop Grumman supplier excellence award

This major aerospace and defense company's Quality Excellence award recognizes the role we play in ensuring they can deliver advanced technology solutions with quality and speed.

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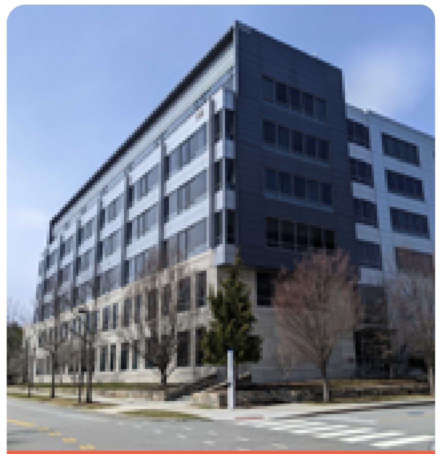

JANUARY 23

ISCC PLUS mass balance certification for Syensqo's vanillin production

Our vanillin is the first on the market to be accredited as International Sustainability and Carbon Certification (ISCC) PLUS compliant, meeting customer demands for more sustainable products. Our sulfone polymer plant in Marietta, Ohio and our PPS plants in Borger, Texas and Kallo-Beveren, Belgium also obtained this certification later in the year.

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JUNE 28

Settlement on PFAS remediation in New Jersey

Syensqo announces an agreement with the New Jersey Department of Environmental Protection resolving certain PFAS-related claims in the area.

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APRIL 4

A strategic collaboration with Ginkgo Bioworks

Syensqo joins forces with Ginkgo Bioworks to accelerate development of sustainable biopolymers and acquires a Ginkgo lab in Cambridge, Massachusetts that enables us to expand our R&I footprint in this important biotechnology hub.

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JUNE 15

Launch of Naternal™ bio-based biodegradable polymers for hair and skin care

Our Naternal™ range for biodegradable-by-design hair and skin care solutions is supported by investment in a new, world-class, multipurpose microbiology lab, with tools to enable innovation that is safe and sustainable by design.

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MARCH 23

Launch of new polymer for insulation of high-heat EV battery modules

The new high-heat and flame retardant grade in our Xydar® liquid crystal polymers (LCP) range meets the challenging requirements of next-generation electric vehicle models, which use higher voltage systems.

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An introduction to Syensqo

In 1863, Ernest Solvay founded a company with innovation and a passion for science and progress at its heart. For 160 years, this company has continually reinvented itself to advance science, society and humanity as a whole. Syensqo is the product of its latest reinvention.

Syensqo was established on December 11, 2023, following overwhelming shareholder approval for the separation of the former Solvay into two separate companies. A specialty chemical company, Syensqo is a market leader in material and consumer solutions. It is composed of the former Solvay materials segment, which includes our specialty polymers and composites businesses, our four growth platforms and the majority of the former Solvay solutions segment, namely our technology solutions, aroma performance and oil and gas businesses.

With the launch of Syensqo, we begin a new chapter in our history, focused on growth, innovation and sustainability. We aim to be the innovation leader in our industry, centering our innovation agenda on our customers, and the value we create for and with them.

"THERE ARE NO LIMITS TO WHAT SCIENCE CAN EXPLORE."

Ernest Solvay

The story behind our name

Our name – Syensqo – reflects our history of science at the service of humanity.

S and Y: the first and last letters in Solvay.

SYENS (saɪ.əns): a reference to our ambition to continue pioneering scientific breakthroughs

Q: represents the Solvay conference of 1911, which laid the foundations for quantum physics.

E and N: letters from the name of our founder, Ernest Solvay.

Unlocking Syensqo's full potential

— Syensqo is the product of Solvay's successful transformation story. In 2022, we delivered on our G.R.O.W. strategy, ahead of schedule. Two distinct business groups emerged from this strategy, focused on essential chemicals and specialty chemicals. Each group had different – and sometimes competing – needs, operating requirements and investment demands, and we believed that the only way to truly unlock the full potential of each of these business groups was to create two new companies.

As a standalone company, Syensqo will be better able to create sustainable shared value for all, both now and in the future. Building on the results of the G.R.O.W. strategy, we aim to expand our presence and influence in our markets, targeting above-market growth at superior returns, and benefiting from market-driving megatrends, such as electrification, lightweighting, advanced connectivity and resource efficiency. We will do this by providing innovative and sustainable solutions that help our customers and their customers to build a better world.

Inspired by the legacy of the Solvay Conferences

— In 1911, Ernest Solvay brought 24 of the world's most brilliant minds together to advance scientific research, at the first Solvay Conference. This gathering paved the way for the birth of modern and quantum physics – scientific theories that are fundamental to the work we do at Syensqo today. This extraordinary convergence of scientific explorers, who were driven by a shared passion for unraveling the mysteries of the universe, serves as the foundation for Syensqo. We endeavor to follow in their footsteps, embracing the legacy of the Solvay Conferences by pushing the boundaries of what is known today, so that we can create breakthroughs that advance humanity.

Driven by innovation

— At Syensqo, we are explorers. Innovation excellence, scientific curiosity and a commitment to making the world a better place are all part of our DNA. Our company was founded following a technological breakthrough that revolutionized the way soda ash is made. Customer-focused innovation and a commitment to enabling progress for people and the planet has served as a driving force for us ever since.

Our commitment to innovation excellence will only intensify at Syensqo. Our businesses hold leading positions in their core markets, developed over decades of collaboration with our customers. They benefit from strong innovation pipelines and our unique application expertise. And with around 25% of our workforce working in customer-facing roles and 15% in research and innovation (R&I), we are well placed to extend our leadership positions, by developing new products that exceed expectations and deliver value-added benefits for our customers.

An ongoing commitment to social responsibility

— As one of the first companies to implement a social welfare plan back in 1878, social responsibility has always been at the heart of our company culture. We believe that the best ideas will flourish in environments where stress is managed and the health, well-being, living standards and work-life balance of our employees are prioritized. Our Syensqo Cares package guarantees that all our employees receive at least minimum social benefits, including 16 weeks of parental leave for all parents, and health, disability and life insurance. We also offer flexible work practices, and our Solidarity Fund is there to help when our employees and communities face challenging times.

Diversity, Equity and Inclusion (DEI) is fundamental to social progress and the creation of a better life for all. This is why we have set ambitious targets and initiatives to help us lead the way in DEI by 2025, building on the progress made through our One Dignity program. We are also proud to count more than 25% of our employees as Syensqo shareholders, with a clear stake in our company's success.

Science that powers sustainability

— Ernest Solvay sought to make the world a better place – and we're committed to doing the same, by investing in and driving sustainable growth. This includes using our innovation power to support our customers' needs and environmental ambitions, as well as collaborating with suppliers and customers to reduce our carbon footprint and improve quality of life for all. Our focus is on the three pillars where we can contribute most: climate, sustainable growth and better life.

Thanks to the Solvay One Planet sustainability roadmap, we have a strong base to build on. As a company, we're on track to become carbon neutral by 2040. China is the first of our markets where every site uses 100% renewable electricity, while globally, 65% of our sites are powered solely by renewable electricity. With the help of our Sustainable Portfolio Management (SPM) tool, we've increased sales of sustainable solutions to 60%, and 13% of our sales now contribute to the creation of a circular economy. And as part of our continued efforts to improve quality of life, we're committed to ensuring we pay all our employees a fair living wage by 2026.

Strong financial foundations

— Syensqo has a proven track record of delivering strong profitability and creating value. Looking at the three years to 2022, we delivered more than 300 basis points of EBITDA margin improvement, with EBITDA margins above 23%, as well as a material increase in return on capital employed (ROCE), which has more than tripled over the same three year period to approximately 13.7% in 2022.

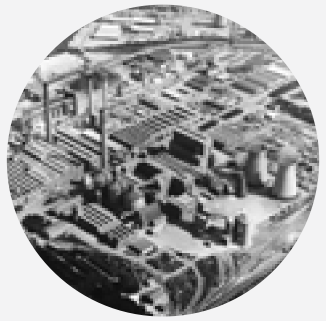
To put this in an industry context, Syensqo has consistently outperformed the majority of our peers, delivering top quartile sales and EBITDA growth, growing at a compound annual growth rate (CAGR) of 9% and 14% respectively. Looking ahead to 2028, we are structurally positioned to continue outperforming the market, giving us a great foundation on which to build the next chapter in our company's history.

160 years of scientific exploration

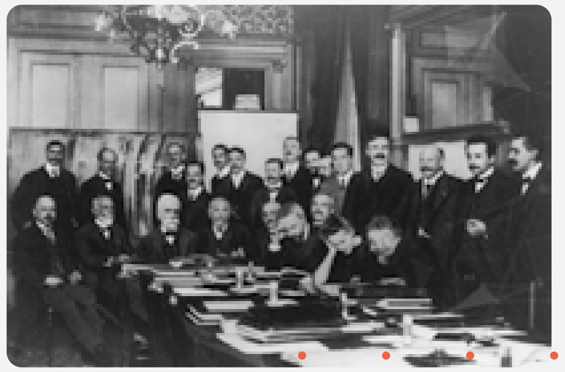
Syensqo may be a new company, but our foundations are firmly rooted in the past. We are able to draw on a 160-year legacy of invention, curiosity and passion for science to inspire our work today – and in the future – as we seek to develop breakthroughs that advance humanity.

1863
Ernest Solvay invents a new process for producing soda ash

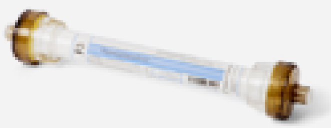
1878
Solvay innovates in social welfare (paid vacations, social security, 8-hour day)



1880
Solvay is the first industrial multinational company operating simultaneously in the US and Europe

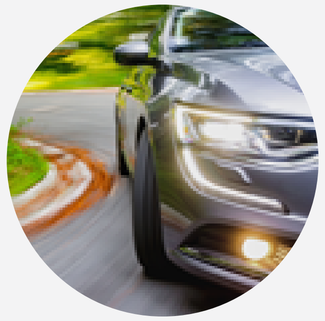


1911 & 1922
Ernest Solvay establishes the first Councils of Physics and Chemistry, which continue to bring together the brightest scientific minds today



1965
Development of PSU, a revolutionary healthcare polymer used for hemodialysis membranes

1978
Launch of PEEK, a very strong thermoplastic to replace metal for lighter, more fuel-efficient planes



1990
Rhodia, a future Solvay unit, invents precipitated silica for green tires

2010
Solvay launches its first green solvent, enabling a more sustainable approach to agriculture

2013
First Chemistry for the Future Solvay Prize

2015
Solvay flies around the world with Solar Impulse

Solvay partners with L'Oréal, HiChem and Technoserve to launch the Sustainable Guar Initiative

2018
Solvay partners with the Ellen MacArthur Foundation: a bold step toward a circular economy

2020
Solvay creates the Solvay Solidarity Fund, to help colleagues and communities facing hardship

2022
13 products labeled Efficient Solutions by the Solar Impulse Foundation

Prof. Katalin Karikó wins Solvay Prize on 100-year anniversary of the Solvay Conferences

Launch of our fourth Growth Platform on renewable materials and biotechnology

2023
Launch of Syensqo

OUR BUSINESS MODEL

Designed to accelerate sustainable value creation

Our separation from Solvay will allow us to accelerate our efforts to create more sustainable value for our stakeholders. With one operating model, ideally suited to both of our business segments, we can better focus our resources on what matters most for our customers.

Our financial results and the progress made toward meeting our ambitious sustainability objectives in 2023 provide a solid foundation to build on. With a portfolio of products aligned with the megatrends that drive our end markets, Syensqo is uniquely positioned to deliver long-term growth. This is reflected in our strategy and our sustainability ambition, which are aligned to ensure sustainable growth, by delivering solutions that contribute to the customer's performance and, at the same time, demonstrate a lower environmental impact.

1. Excluding hybrid bonds.
2. Excluding the contribution from corporate and business services.
3. Recommended to the Shareholders meeting on May 23, 2024.
4. Total emissions from Syensqo operations.
5. Focus 5 categories of Scope 3 emissions: (1) purchased goods and services and (2) fuel-and energy-related activities (both upstream) and (3) processing of sold products, (4) use of sold products and (5) end-of-life treatment of sold products (all downstream).
6. Number of species potentially impacted in one year. ReCiPe method for biodiversity impact assessment.
7. The Syensqo KPI "share in circular revenues" is calculated by adding: sales of products increasing durability in the use phase downstream in the value chain; sales based on recycled or renewable materials (85%) and renewable energy (15%); and sales enabling recycling at the end of life downstream in the value chain.
8. Number of work-related injuries and illnesses (employees and contractors) resulting from an accident with severity above first aid, according to US OSHA 29 CFR 1904, per 200,000 work hours.
9. All employees worldwide grade S14 or below.
10. Solvay Pulse surveys, March, September and November 2023.
11. Combined Syensqo and Solvay donations.

RESOURCES WE USE

Human

Syensqo's employees represent 112 different nationalities and are located across the world: 38% in Europe, 38% in North America, 3% in Latin America and 21% in Asia and the rest of the world. In total, 15% work in research and innovation.

- **13,102** Employees
- **24%** Women

Financial

Syensqo has invested €848 million in growth and energy transition projects, and €343 million to develop innovative sustainable solutions.

- **€7.6bn** Equity attributable to Syensqo share[1]
- **€1.6bn** Underlying net debt
- **€0.8bn** Total Capex
- **€1.6bn** Personnel expenses

Natural

Our net energy costs represented about €0.2 billion and our overall raw materials expenses amounted to around €2.1 billion.

- **931kt** Raw materials
- **20.4PJ** Energy consumption

HOW WE CREATE VALUE

Syensqo's portfolio of products and culture of innovation are fully aligned with the megatrends that will shape our society and our planet. Collectively, these trends provide a clear and long-term tailwind for our businesses that will accelerate our growth.

Materials

Our unique high-performance polymers and composite technologies provide innovative solutions for cleaner mobility, electronics and healthcare.

- **74%** of Group EBITDA[2]

Consumer and Resources

We are global leaders in essential chemicals. Our solutions are used in a broad range of applications in end markets such as home and personal care, agro, resources and building.

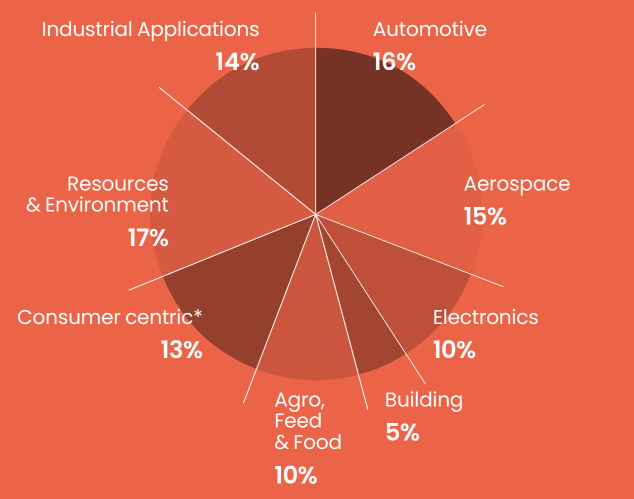
- **26%** of Group EBITDA[2]

ONE operating model

Our operating model is focused on addressing our customers' needs, and is supported by a customer-obsessed, engaged and diverse team that will drive growth.

Our One Planet sustainability roadmap is an integral part of our strategy. It focuses on climate and nature, sustainable growth and better life.

WHERE WE CREATE VALUE



*Health and personal care (HPC), healthcare, consumer goods

VALUE WE CREATE

Economic

- **€1.6bn** Underlying EBITDA
- **€448M** Free cash flow (FCF) to Syensqo shareholders from continuing operations
- **€1.62 per share** Recommended 2023 dividend[3]
- **€218M** Income taxes
- **255** Core suppliers

Environmental

Greenhouse gas emissions	Air emissions
1.6Mt CO_2eq. Scopes 1 and 2[4]	**613t** Nitrogen oxides
6.1Mt CO_2eq. Scope 3 Focus 5 categories[5]	**1,029t** Sulfur oxides

- **33** Species potentially affected by our operations[6]
- **35.1kt** Industrial waste not treated in a sustainable way
- **77.7Mm³** Freshwater withdrawal
- **60%** Group net sales with sustainable solutions
- **13%** Group net sales enabling the circular economy[7]

Social

- **0.28** Reportable Injury and Illness rate[8] (RIIR)
- **28%** Women in mid and senior management
- **25%** Employees that are Syensqo shareholders
- **€2M** Global Performance Sharing plan[9]
- **63%** Average response rate to Pulse survey[10]
- **79%** Employees feel "ok or better"[10]
- **€4M** Group donations[11]

OUR STRATEGY

A strategic approach that creates value for all stakeholders

Our separation from Solvay aims to accelerate our ability to create value in the interest of all stakeholders. It will further sharpen our focus and offer enhanced capital allocation optionality, which will prioritize profitable growth. This will enable us to focus our efforts more intensely and effectively on addressing our customers' most pressing needs. Our strategy is built on four pillars: superior growth, innovation leadership, sustainable solutions and capital discipline.

01

Accelerating our growth engine

As a growth company, we aim to further extend our market leading positions. Leveraging our exposure to high-growth markets, our strategy is to accelerate our investments in alignment with the megatrends shaping our society and planet. For example, we are already leaders in markets such as clean mobility, healthcare, sustainable farming and bio-based personal care. Our products are in some 85% of aircraft and 50% of electric vehicles (EVs), delivering value to customers, who seek to produce lighter planes, and EVs that consume less fuel and have a reduced carbon footprint – all at a lower total cost of ownership.

The separation from Solvay will allow us to accelerate time-to-market, as well as to invest in new capacity and capabilities that will further improve how we serve our clients. Some 25% of our workforce are now in customer-facing roles, and we have 45 application labs close to customers worldwide, deepening and extending our long-term relationships.

Investments to support long-term growth are underway, and are aligned with the most attractive growth opportunities. Together, these investments are expected to generate at least €500 million of EBITDA at maturity – albeit these returns are back-end weighted in our five-year plan. Our most significant projects focus on battery materials, including expansion of PVDF capacities in Europe and a greenfield in the US – to serve the automotive transition to EVs – and also on capacity for sulfone polymers in India, to bolster our presence in the healthcare and water purification sectors.

02

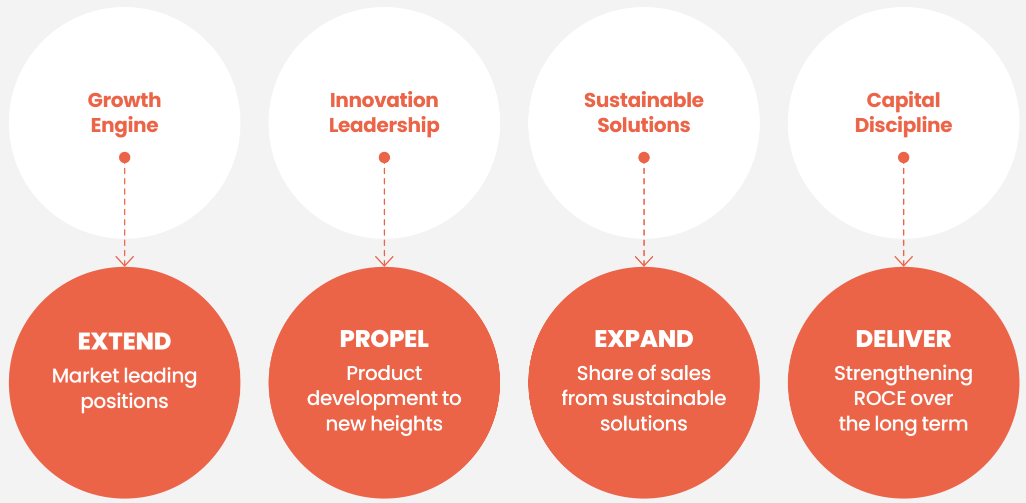
Propelling our innovation leadership

Our long track record of innovation leadership and differentiation in specialty materials and consumer technologies is widely recognized and valued by our customers globally. Driven by around 2,000 scientists and innovators dedicated to research and innovation, or approximately 15% of our total workforce, we have established strong intellectual property (IP) protection, with a portfolio of more than 1,800 patent families. Moreover, approximately 50% of our current net sales are protected by intellectual property or long-term contracts.

To support our ambition to become our customers' prime innovation partner, we plan to propel our capabilities to create breakthroughs that advance humanity and accelerate our long-term growth. This includes collaborating with leading institutions and biotech startups, expanding our application labs, and continuing to hire top talents and invest in disruptive technologies. Overall, our target is to increase our annual research and innovation expenditure to approximately 5% of net sales – significantly higher than the average of our peers.

We believe that this increase in investment will support further differentiation of our portfolio, create new patent families to protect our innovation, and create significant long-term value. Specifically, we have identified "blockbuster" projects which are expected to drive more than €2 billion in sales beyond 2028. These include sulfides for solid state batteries, advanced materials for hydrogen storage, lithium-ion salts and solvents for high-energy batteries, and our Aquivion® for hydrogen production and conversion.

Four strategic pillars



03

Expanding our share of sustainable solutions

At Syensqo, we believe that our sustainability goals are more than just an ethical obligation. They are a source of strategic differentiation, aligned with the evolving needs and priorities of our customers and partners. Building on the strong foundations of Solvay's One Planet sustainability program, we have adapted our sustainability targets to our growth strategy, resulting in more ambitious goals. For example, we now expect to achieve carbon neutrality by 2040, 10 years earlier than Solvay's previous target.

In addition, our revenue growth will be increasingly driven by a higher share of sales enabling the circular economy, covering the entire value chain, from the origin of the product to its end of life. We are reinventing the way we produce chemicals to accelerate the development of cleaner and more natural solutions that meet the growing demand of our customers and fulfill their sustainability goals. By 2030, our target is for 18% of our sales to be driven by circularity, compared to 13% in 2023.

04

Creating value through capital discipline

Underpinning Syensqo's growth strategy is a capital allocation framework that prioritizes growth, while continuing to target medium-term improvement to our returns. This disciplined approach, with clear return parameters, is governed by a rigorous and disciplined capital allocation framework. We intend to continue our balanced approach, ensuring that we maintain a well-invested asset base that is fit for the future, the flexibility to pursue investment options through the cycle and a strong investment-grade credit rating. In the medium term, we target the generation of more than €7 billion in cash. Approximately 30% of this will be allocated to sustenance capital expenditure, including asset maintenance, our One Planet initiatives and investments in our IT systems to support our operations, which we believe will deliver significant benefits over time. A further 25% will be spent on growth capital, as well as research and innovation projects with returns exceeding 15%.

We plan to allocate the balance of approximately €3 billion of cash to additional value-creative initiatives. The current cycle of investments in growth (R&I and capacity expansions) require cash outlays upfront. But this will eventually strengthen our competitive position and lead to higher earnings and cash flow once projects become operational during the ongoing medium-term plan and beyond. We will ensure there is effective competition for any discretionary capital that we allocate to the most attractive growth projects that build on the competitive advantages across our portfolio and deliver the most value to our shareholders.

OUR VALUE CHAIN

End-to-end value creation

Syensqo's core activities involve producing synthetic and natural ingredients that meet our customers' needs, and we aim to do this using processes that minimize our impact on the environment.

Our businesses are involved both upstream in the value chain, producing intermediate products, and downstream, processing chemicals or producing formulations. We also blend or transform products, developing tailor-made solutions that offer more innovative features and bring added value for our customers. Our surfactant and solvent formulations, and our composite materials are good examples of this.

Main inputs

Raw materials
- Minerals
- Fossil-based
- Renewable/recycled

Primary energy
- Fossil (gas, solid, liquid)
- Renewable/recycled

Secondary energy
- Electricity
- Heat
- Cooling

Businesses	Intermediate products	Production of ingredients	Processing/ formulation
MATERIALS			
Specialty Polymers	Partially involved	Core activity of the business	Partially involved
Composite Materials	Partially involved	Core activity of the business	Partially involved
CONSUMER AND RESOURCES			
Novecare		Core activity of the business	Fully involved
Technology Solutions		Core activity of the business	Fully involved
Special Chem		Core activity of the business	Partially involved
Aroma Performance		Core activity of the business	Fully involved
Oil & Gas Solutions		Core activity of the business	Fully involved

End markets
- Automotive and Aerospace
- Consumer Goods, Home and Personal Care, Healthcare
- Resources and Environment
- Agro, Feed and Food
- Electronics
- Building
- Industrial Applications

Involvement of businesses in production steps

- Fully involved
- Partially involved
- Core activity of the business

PARTNERSHIPS

Shaping the future and advancing humanity

As explorers, we are passionate about the possibilities science holds and eager to push its boundaries to advance humanity. While Syensqo may be a new company, we are already taking advantage of some exciting opportunities to collaborate with partners and put this mission into action.

Pushing the limits of science and innovation with Climate Impulse

— In February 2024, we announced that Syensqo will be the first and main technological partner for Climate Impulse, a non-stop, emission-free flight around the world in a hydrogen-powered plane. Led by Swiss pilot and explorer Bertrand Piccard, the project aligns perfectly with Syensqo's core values and purpose, as explorers creating breakthroughs that advance humanity.

The Climate Impulse project will change the landscape of sustainable science and air travel. It marks a significant milestone in Syensqo's ongoing commitment to innovation and environmental responsibility, positioning us as innovators and architects of a sustainable world.

Over the next four years, we will work with Piccard, composite engineer and co-pilot Raphaël Dinelli and their team to manufacture the aircraft's parts and conduct test flights. Many of our solutions will be on board the plane, including composites for lightweighting, and green hydrogen solutions for electrolyzers, fuel cells and safe storage.

Gearing up for an electric future with the DS PENSKE Formula E Team

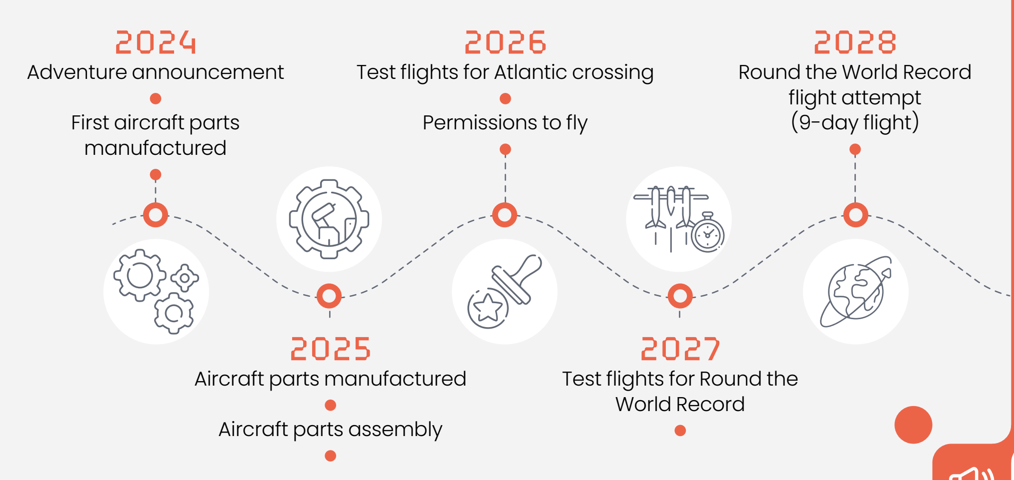
— In January 2024, we announced a three-year collaboration with leading Formula E team, DS PENSKE. The partnership is built on our shared commitment to raising the bar in technology, innovation, performance and sustainability, by advancing research and development in electric technology.

The Formula E championship aims to accelerate the world toward an electric future and achieve sustainable human progress. Backed by DS Automobiles, the DS PENSKE team is a key player in achieving this mission. The team strives to bring its historic achievements on the track to the open road and inspire a new generation of electric cars – and Syensqo is proud to support this endeavor.

Renewing our strategic partnership with the Ellen MacArthur Foundation

— Syensqo signed a three-year strategic partner agreement with the Ellen MacArthur Foundation in early 2024, focused on advancing the circularity and sustainability agenda in the chemical sector. This agreement is a continuation of the previous partnership with Solvay and underscores our commitment to transforming value chains into circular business models.

Climate Impulse Flight Plan



"WE HAVE A 160-YEAR LEGACY OF PUSHING THE LIMITS OF SCIENCE FOR THE BENEFIT OF SOCIETY. WE'VE ALWAYS BELIEVED IN BERTRAND PICCARD'S DREAMS AND WANT TO MAKE THEM COME TRUE."

Ilham Kadri,
Chief Executive Officer of Syensqo

SYENSQO EXPLORERS

Customer-obsessed, engaged and diverse

13,102
Employees,
112 Nationalities

~25%
Employees that hold shares in Syensqo

~25%
Employees that are customer-facing

Jean-Pierre Marchand,
Executive Vice-President for Research and Innovation, Novecare /

"We need to go beyond conversations and offer practical solutions."

In charge of R&I for our Novecare business, Jean-Pierre translates Syensqo's growth ambition into innovation and research projects, and leads a team of scientists around the world who implement them.

Covering a wide variety of markets, from agro to coatings, Novecare serves many different customers, who all expect us to help them solve the challenges they face relating to performance and sustainability.

Jean-Pierre says the key to being successful is having an in-depth understanding of these challenges, as well as the solutions our chemistries can offer. "Novecare's innovation model is very customer and market driven," he explains. "To meet our customers' needs we need to go beyond conversations and be able to offer practical solutions."

Jean-Pierre believes Syensqo's creation will allow us to better focus our resources and investments on elements that can differentiate us from competitors.

This includes developing the sustainable solutions our customers need, anticipating future trends and challenges and making the most of digitization.

Jerry-Peng Li,
Automation and Robotics Lab Manager, Research and Innovation /

"Syensqo's researchers are explorers with an eye on the future."

Jerry works at our Shanghai R&I center. He set up and manages the automation and robotics lab there, helping to drive our digital transformation. Made up of diverse young talents, Jerry's team has created many new tools and automation platforms, which help us better serve customers by accelerating innovation and reducing time to market.

Working with Syensqo's lab researchers, Jerry's team develops solutions that make research easier, safer and quicker. This includes automating and robotizing tasks like data analysis, and using artificial intelligence to develop new approaches to research. Examples include creating a digital reactor to automate chemical reactions in one click and an end-to-end digital solution for metal treatment.

Jerry believes Syensqo's explorer mentality has changed the way our researchers see digital. "They now recognize that adopting new, cutting-edge technologies will help us develop the solutions our customers – and the world – need," he says.

Kiyomi Ando,
Key Account Manager, Specialty Polymers /

"Our new structure and focus will make it easier to meet needs for increased capacity and quicker decisions."

Based in Tokyo, Kiyomi manages our relationship with one of Japan's biggest chemical companies.

She is also an ambassador for our X Factor Employee Resource Group, which focuses on attracting, retaining and enabling women at Syensqo.

Kiyomi's job is not only about selling products, it's about developing mutually-beneficial relationships with customers and collaborating with colleagues internally to meet the customer's – and Syensqo's – needs. She believes Syensqo and Japanese companies have complementary strengths and leverages this in her work, combining Syensqo's production and manufacturing capabilities with Japanese excellence in customization.

For Kiyomi, the creation of Syensqo will have a big impact on how we serve customers. "Demand for high-performance polymers is high, and there is a need for increased capacity and quicker decisions," she says. She believes that as Syensqo we will be better placed to meet these needs.

Solomon Lamola,
Home and Personal Care Distribution Manager for Africa, Novecare /

"Syensqo wouldn't exist without our customers."

Solomon is based in Johannesburg, South Africa. His role involves finding the best way to serve our customers' needs, while protecting Syensqo's best interests.

He sees himself as the link between Syensqo and our customers, serving as the voice and face of Syensqo externally, and of the customer internally.

"Syensqo's sales teams are the glue that brings our resources together to meet customers' needs," says Solomon. For example, when a global key account needed to formulate a new shampoo product on a very tight deadline, the sales team took the lead, coordinating teams from across the globe to make this major project a success.

Solomon sees salespeople as natural explorers. Their job is to go to new markets and explore new opportunities, and support customers in exploring new ways of using our solutions. The creation of Syensqo will have a positive impact on the way we serve our customers, empowering us to explore more.

Dr. DeeDee Smith,
E-Mobility Market Manager, Specialty Polymers /

"We need to speak to the customer about our products in their language."

DeeDee started her Syensqo career in R&I, developing new products for the automotive industry. She moved into a more commercial role to be closer to the customer.

Now globally responsible for marketing our products for electric motors, DeeDee works with cross functional teams in Syensqo to weave the value proposition of our solutions into content that is compelling for our customers.

"We need to make sure the customer understands our value," she says. This means talking to them about our products, but in their language. She gives the example of our Ajedium™ PEEK Slot Liners, designed to replace a cheaper material with a more than 50-year track record. "To persuade customers to make the switch, we talk to them about how Ajedium™ PEEK Slot Liners can help maximize e-motor efficiency and reduce costs, because this is what matters to them," she explains.

DeeDee sees the creation of Syensqo as a really positive step in bringing us closer to customers. It will accelerate a transition already underway in our businesses, making us more agile and responsive in meeting customers' unmet needs.

Jef Delbroek,
Customer Engineer, Composite Materials /

"Listening is how we work out what our customers need."

Jef acts as Syensqo's face, eyes and ears.

He works closely with aerospace and defense customers to ensure the right product ends up in the right place and dedicates 100% of his time to making sure they are happy. If customers have technical questions, issues or ideas for new projects, it's Jef they reach out to. Regular visits allow him to develop a clear understanding of each customer's processes and people, and the issues they face. He makes sure this information gets back to the right people at Syensqo, so that we can develop or improve products to meet the customer's needs. Jef believes the creation of Syensqo will only help to improve this customer relationship further.

"Listening is really important," he says. "It's how we work out what our customers need and what could make their lives easier." Jef is involved in our Climate Impulse partnership with Bertrand Piccard and applies the same principles here, working closely with the people designing the plane to ensure they have the right materials and parts to make this ground-breaking project a success.

ACCELERATING INNOVATION

Syensqo was born out of a vision of innovation and growth, and a dedication to making a meaningful impact in our industry and communities. Building on a legacy of scientific exploration, disruption and innovation, we aspire to become the innovation leader in our industry.

Summary

02

The global megatrends that power our growth

Investment in technologies that support the energy transition and clean mobility, preserve our natural resources and improve the quality of our lives is accelerating, as companies, governments and consumers begin to adapt to the realities of a world that is consuming beyond its means.

Syensqo's portfolio of products and culture of innovation are fully aligned with these megatrends, which will shape our society and our planet, both now and in the decades to come. Collectively, they provide a clear and long-term tailwind for our businesses, and will serve to accelerate our growth.

ELECTRIFICATION

Facilitating the transition to electric vehicles

€25BN
Total addressable market for Syensqo

~50%
Amount of electric or hybrid vehicles in global production by 2030
(Source: LMC Automotive)

>20%
CAGR in batteries between 2018 and 2030
(Source: World Material Forum)

>€400BN
OEM investment in EVs over the next 10 years
(Source: OEM/company public disclosures)

SYENSQO OFFER

Our solutions are used in applications such as e-motors, battery cells and modules and charging infrastructure.

- **Battery materials:** Our PVDF suspension solutions help batteries perform better. We are also the European front-runner in developing solid-state battery technology, which will improve safety and performance in the future. With plants in every major region, we can support customers globally and locally.
- **Specialty polymers:** Our advanced materials for e-motors, power electronics and battery packs enable OEMs to improve the energy efficiency, system integration, safety and sustainability of e-mobility applications.
- **Technology solutions:** Our metal-specific extractants, especially the CYANEX® range, optimize the extraction and purification of critical battery metals from end-of-life electric vehicle batteries, transforming them into high-purity raw materials to be used in new batteries.
- **Green hydrogen:** The solutions we are developing are a key lever for decarbonizing hard-to-abate sectors. We focus on improving system durability, efficiency and total cost of ownership, to help customers improve the viability and scalability of green hydrogen technologies. Used within electrolyzers, fuel cells and other facets of hydrogen systems, our products and solutions support leading hydrogen technology platforms.

To achieve climate neutrality, we need electrification. The transition from combustion engines to electric and hybrid vehicles is a key part of many green stimulus packages. China, the EU and several US states have all announced targets for 2035. And in response, many major original equipment manufacturers (OEMs) have announced plans to shift to electric fleets by 2030, investing huge amounts in capacity and infrastructure to achieve their goals.

All this, combined with a buoyant consumer electronics market, is driving demand for batteries and investment in the green hydrogen economy. Solutions are also needed to overcome some of the challenges of electrification, such as security of supply for raw materials and adequate charging infrastructure, efficient battery recycling and improved battery performance.

CASE STUDY

Product profile: Ajedium™ PEEK

One area we are working to improve in electric motors is electrical insulation. Our Ajedium™ PEEK film offers lower wall thickness, increased copper slot fill and superior thermal conductivity, which enable significant improvements in e-motor efficiency. This material can replace incumbent solutions, and offers additional benefits, such as the potential to downsize and reduce the weight of the electric motor.

In 2023, Ajedium™ PEEK was named runner-up in the Altair Enlighten Award's Future of Lightweighting category.

It has been proven to enable a potential mass reduction of 12kg in the battery pack and 4kg in the e-motor of EVs, compared to the weight of systems made using traditional materials.

LIGHTWEIGHTING

Solutions that help to lower emissions

>€10BN	-7.6G/KM	+7.3%
Total addressable market for Syensqo	Carbon emissions for every 100kg weight reduction (Source: International Organization of Motor Vehicle Manufacturers)	CAGR in lightweight automotive materials by 2025 (Source: International Organization of Motor Vehicle Manufacturers)

SYENSQO OFFER

Our solutions help OEMs adapt to the growing EV market and respond to demand for lightweight parts elsewhere.

- **Specialty polymers:** Our range of extremely lightweight polymers can be used to replace heavy metal parts in automotive and aerospace applications, offering the same strength and often increased resistance to corrosion and extreme temperatures. They can also help improve engine efficiency.
- **Composites:** Our thermoset composites offer unique benefits for aerodynamics, design, part integration and corrosion resistance. Some specific thermoset composites for high-volume automotive applications also provide superior flame retardancy in EV battery enclosures.
- **Thermoplastic composites (TPCs):** These durable, chemical- and corrosion-resistant, lightweight and recyclable materials offer high build rates for mass production. They combine our broad specialty polymers portfolio with our composite material technologies expertise, providing solutions in aerospace, automotive and energy transition.
- **Energy industry solutions:** Lightweight, and chemical- and corrosion-resistant, our composites and polymers can replace metal. Our high-performance pipe systems are quicker and cheaper to install, and have a lower total expenditure cost and carbon footprint.

Lightweighting lowers CO_2 emissions and enables more efficient use of natural resources. In the aviation industry, where fuel consumption accounts for the majority of emissions and 20-40% of operating costs, lightweighting improves sustainability and competitiveness, while in the automotive industry, reducing the weight of a vehicle by 10% can lead to 6-8% better fuel economy.

To be effective, lightweight materials need to be sustainable and recyclable, exhibit high mechanical properties and enable fast production cycles and easy part integration. One option is to replace metal with lightweight plastic alternatives. Depending on the application, these also offer design flexibility, improved safety, enhanced durability and lower maintenance costs. A wide variety of customized and modular products are now possible, and with the rise of electric vehicles and increasing momentum in aviation there are many new opportunities to use these adapted materials.

CASE STUDY

Product profile: CYCOM EP2190®

Our CYCOM® range provides solutions for the most technically challenging composite applications, enabling the development of light, safe and fuel-efficient aircraft. Developed to address a range of high-performance needs, CYCOM® boasts the largest number of products qualified on commercial and defense aircraft programs, providing manufacturers with different options to support aircraft assembly that help to reduce weight and save costs. CYCOM EP2190®, for example, is a lightweight thermoset composite that can be used in wing and fuselage applications. This incredibly tough epoxy-based system is available in thick and thin structures, and offers excellent performance in all environments, while also meeting customer demands for increased production rates and improved manufacturing efficiency.

RESOURCE EFFICIENCY

Solutions that enable efficient use of resources

>€50BN	X6	X5	50%
Total addressable market for Syensqo	Lithium supply by 2030 (Source: World Material Forum)	Copper demand for batteries from 2021-2030 (Source: Bloomberg NEF)	Consumers ready to pay more for a product designed to be reused or recycled (Source: Accenture 2019)

SYENSQO OFFER

Syensqo offers leading technologies to many markets where the need to improve resource efficiency is a key driver, such as mining and packaging.

- **Digitization of mines:** Our unique methodology makes it easier for customers to optimize their operations using digitization. This enables them to increase mineral recovery. In addition, we offer a broad range of solvent extractants that can be used for the purification and concentration of metals.
- **Polymers:** These are used to manufacture food packaging that can be safely reused and recycled. Our polymers are also found in filter bags and membranes, used to treat gases emitted by multiple industries.

The urgent search for resource-efficient solutions is driven by many factors. They include air, soil and water pollution, the growing pressure on biodiversity and the ever-increasing importance of reducing CO_2 emissions and shifting to a net-zero economy. This has inspired increased industrial innovation, which has benefits for the planet while also ensuring that businesses remain competitive.

Manufacturers are now actively looking for solutions that enable efficient use of resources. This includes using modular design and lightweighting, as well as transitioning to manufacturing methods that incorporate recycling and circular economy principles.

CASE STUDY

Product profile: CYANEX® 936P

Syensqo is the leading reagent solutions provider for the mining industry, offering extractants that improve operational productivity and yield for nickel, cobalt, copper, lithium, rare earths, gold, silver and other metals.

To support demand for electric vehicle battery materials, we developed CYANEX® 936P. This highly effective and efficient lithium extractant enables a continuous lithium production process within hours, regardless of weather conditions, as compared to the 18 months needed for techniques such as natural evaporation and precipitation, resulting in a more cost-effective process. Lithium solvent extraction requires a fraction of the surface area that natural evaporation ponds demand, and involves a low CO_2 footprint and non-water-intensive process.

Our CYANEX® range also supports recovery of other critical EV battery metals, such as nickel and cobalt, both through primary mining and recovery of metals from spent lithium-ion batteries. Recycling will help meet future demand for battery metals, which cannot be met by primary mining alone, by enabling a circular approach to the production of EV and other batteries. It will also help solve problems associated with traditional battery recycling, which is both costly and highly polluting.

SUSTAINABLE SOURCING

Embracing the wellness trend

>€10BN
Total addressable market for Syensqo

+5.7%
CAGR in waterborne coatings by 2025
(Source: internal research)

+3.1%
CAGR in organic shampoos through 2025
(Source: internal research)

$19.5BN
Market for agricultural biologicals by 2031
(Source: IDTechX)

SYENSQO OFFER

Syensqo is a market leader in several bio-based ingredients, and is developing a sustainable and circular portfolio that responds to our customers' needs.

- **Bio-based ingredients:** We are a top producer of natural vanillin, bio-sourced from rice bran, and over the coming years we will enhance our capabilities to develop natural ingredients for the food, flavors and fragrance markets. We are also the world leader in the chemical modification of guar, used in the agro and nutrition, and home and personal care markets.
- **Waterborne coating solutions:** These solutions address the challenges of adhesion to difficult substrates and overall durability, while complying with ever-stricter regulations. We are also developing new coating monomers with increased durability and sustainability.
- **Polyphthalamide (PPA):** This material, used for demanding electrical and electronic applications in e-mobility, is made from non-food competing bio-based sources. This ensures a reduced environmental impact, without compromising on material performance.

The wellness trend has led to increasing consumer demand for organic, natural and environmentally friendly products. This demand is likely to strengthen as consumers become more aware of the impact of products on health and the environment. Manufacturers have responded to this, and increasingly strict emissions restrictions, by embracing and accelerating trends related to naturalness, sustainability, carbon neutrality and ethical sourcing.

Chemical companies are increasingly investing in the biospace to accommodate this. Syensqo's renewable materials and biotechnology growth platform, for example, is designed to enable the adoption of renewable carbon, biotechnology and biodegradable solutions, speeding up the transition toward a more sustainable and circular portfolio, while providing customers with the sustainably sourced solutions they need.

CASE STUDY

Product profile: Naternal™ HP-8 COS SGI

The guar plant is an abundant and renewable resource that grows in arid and dry environments. The inner part of the plant is extracted to provide galactomannan, a large polymeric molecule with high molecular weight, which we can use to design new molecules, including polymers in our Naternal™ range.
We source guar through our Sustainable Guar Initiative (SGI), which aims to improve the lives of guar farmers in India. Our Naternal™ HP-8 COS SGI, for example, is part of the SGI program. This biodegradable thickening polymer can be used in beauty formulas that claim naturalness, biodegradability or ethical sourcing. It is used in various formulas, including shampoos, body washes, hair conditioners and hair treatments, helping to build viscosity and improve the stability of the formula, while also providing effective care and conditioning for hair and skin.

IMPROVING QUALITY OF LIFE

Addressing the challenges of a growing population

10BN
Projected world population by 2050
(Source: FAO: Global agriculture toward 2050)

+70%
In food output needed to feed a population of 9.1 billion
(Source: IDTechX)

$19.5BN
Market for agricultural biologicals by 2031
(Source: Fresenius 2030 vision)

+6%
Patients needing kidney replacement therapy per year
(Source: Fresenius 2030 vision)

SYENSQO OFFER

Syensqo is a leader in hemodialysis technologies, green solvents and crop protection solutions.

- **Agro solutions:** Our solutions cover crop protection, plant nutrition and grain and seed care, encouraging more sustainable agricultural practices. We also offer solutions to enable digitization and development of equipment.
- **Smartphone polymers:** These are used in internal electronic and structural applications in the most advanced wearable devices, used by consumers to monitor health and well-being.
- **Specialty polymers for healthcare:** Our high-performance, biocompatible polymers are used for hemodialysis membranes, our biomaterials enhance functional performance of implantable devices and our Actizone™ technology provides reliable, long-lasting disinfection.
- **Water treatment:** Our materials, chemicals and solutions products are used across the value chain to treat industrial, municipal, drinking, ground and fresh water. We offer sustainable, cost-effective solutions that help meet society's growing need for clean water.

The Covid-19 pandemic exposed the limits of global healthcare systems and led to increased consumer awareness of mental and physical well-being. But with the world's population projected to reach 9 billion in 2037[1], pressure on the environment, food sources, scarce natural resources such as water and public services is set to increase, threatening quality of life.

Managing this will require constant improvements in healthcare and hygiene, as well as solutions to ensure adequate food and water supplies and restore biodiversity. For industry, this means creating products that can help address these challenges, while also acting responsibly, by addressing climate change, social inequality and diminishing biodiversity, and improving quality of life for the communities they impact.

1. United Nations Report, World population prospects 2022.

CASE STUDY

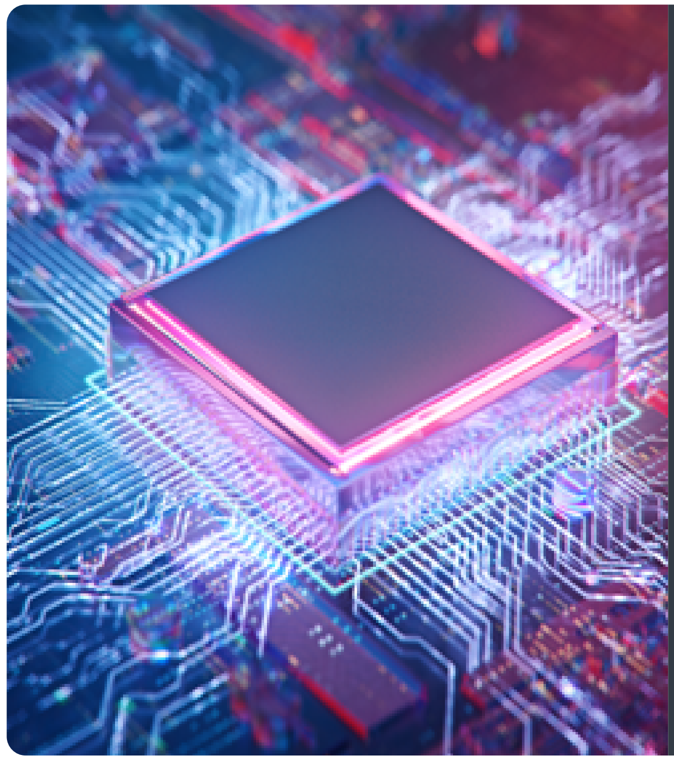
Product profile: Rhodiasolv® green solvents

Agrochemical formulators are developing more complex and safer formulations for pest control and disease prevention. However, choosing co-formulants, particularly solvents, which are used to solubilize active ingredients in formulations, is difficult because they need to solubilize increasingly complex formulations, while being environmentally friendly and not subject to regulation. Syensqo's portfolio of green solvents offer superior performance and are non-(eco)toxic, bio-sourced or circular. Our Rhodiasolv® green solvents can be used instead of toxic solvents, such as NMP and aromatics, and work with Emulsifiable Concentrate (EC) agricultural formulations. And our innovative artificial intelligence tool can be used to suggest the best green solvents to solubilize active ingredients.

ADVANCED CONNECTIVITY

Enabling developments in digital

>€50BN	$84BN	$144.2BN	+24%
Total addressable market for Syensqo	Sales of consumer electronics devices by 2030 (Source: Digitimes)	Estimated global automotive semiconductor market value by 2030 (Source: TechInsights)	CAGR in the augmented and virtual reality industry by 2032 (Source: IDTechX)



SYENSQO OFFER

We offer advanced materials for the manufacture of premium smart devices and leading edge semiconductor chips, which help respond to the need for precision performance and improved sustainability footprint.

- **Smart devices:** Our specialty materials for smartphones span our specialty polymer and composite portfolios. These help facilitate the design freedom needed for making new-generation smart devices, which need to be lightweight, exceptionally robust and sustainably made, while meeting precise electrical, thermal and flammability performance requirements.
- **Semiconductor consumables:** These solutions, based on high-purity materials, are uniquely suited for high temperature and chemically-resistant applications. They ensure a clean and controlled environment for manufacture and assembly of semiconductor chips.
- **Solutions for the future:** The high chemical and temperature resistance and mechanical strength of our advanced materials will prove increasingly beneficial as we transition to the more demanding material performance required for chip miniaturization and enabling innovation in new electronics devices.

Developments in digital technologies continue to generate disruptive new business models. And as technology becomes ever more integrated into our daily lives, this phenomenon is unlikely to lose momentum any time soon. Driving the market are key trends like growing demand for hyper-connectivity, the rapid expansion of 5G and the exponential growth of data.

At the same time, there is also a need for sustainably-made components that consume less energy and enable the diverse form factors that make up our interconnected world. A foldable 5G smartphone, for example, relies on the most advanced semiconductor chips and on high-performance polymers that meet electrical and mechanical requirements.

CASE STUDY

Product profile: Swyft-Ply™

Swyft-Ply™ is a new Syensqo brand that allows electronic and smart device manufacturers to reduce the weight and thickness of their devices, to enable advanced connectivity. The brand name refers to the lightweight, strong and fast-curing nature of our composites ("Swyft") and the use of multiple layers of material in the construction of a composite part ("ply"). Swyft-Ply™ is a composite product line, offering solutions that can be used to develop or manufacture parts for phones, tablets, Internet of Things (IoT), augmented and virtual reality devices and other similar products that can benefit from the structural, design, lightweighting and functional attributes of composite materials. Some of these functional attributes include dielectric properties, thermal conductivity and the possibility of integration with other materials using overmolding.

Creating market-leading solutions that support a more sustainable world

Syensqo offers the most differentiated portfolio of technologies in our industry and we are a leader in our markets. As a pure specialties company, supported by a culture of innovation that is fully aligned with the megatrends shaping our society and planet, we are now structurally positioned to outgrow our markets, by providing our customers with vital technologies that help advance humanity.

Syensqo's innovative, value-creating and market-leading solutions are designed to support a more sustainable world. They are grouped into two business segments:

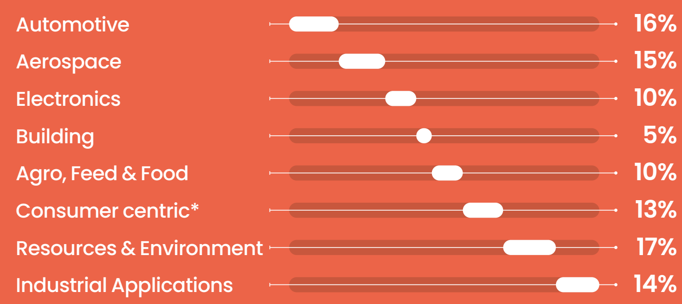
- **Materials:** an industry leader in advanced materials that provides customers with new solutions to solve critical performance and environmental challenges.
- **Consumer and Resources:** a market leader providing specialty ingredients focused on more natural and sustainable solutions, able to anticipate rapidly evolving customer needs.

Syensqo's separation from Solvay is allowing us to maximize opportunities in both segments. Our Materials businesses will benefit from increased investments in capacity, innovation and commercial capabilities, which will support above-market organic growth, superior returns and industry-leading margins. Our Consumer and Resources businesses are now well positioned to drive the consumer industry toward bio-based, natural, circular and resource-efficient solutions, leveraging our portfolio of innovative solutions and application expertise to drive above-market growth at strong returns.

As specialty businesses with a common approach to their markets and a shared obsession for customers, the two business segments complement each other well. Both will share digital systems designed to help us better serve our customers and innovate faster. And while our Materials segment has high capital intensity, long product life cycles, high barriers to entry and a value proposition that presents attractive margins, our Consumer and Resources businesses offer shorter time to market and demand much less capital.

Perhaps most importantly, both business segments focus on innovation-led growth that is fully aligned with the key megatrends driving our markets. Collectively these trends will provide a clear and long-term tailwind for all our businesses, serving to accelerate our growth.

Syensqo sales by end market
(% of Group sales)



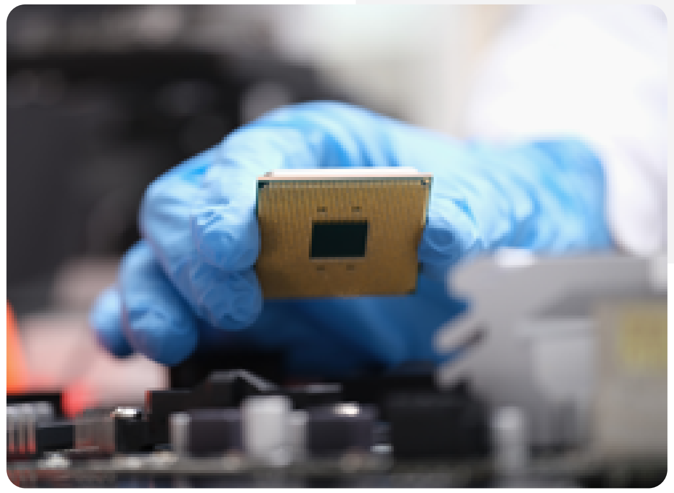
*HPC, Healthcare, consumer goods

A unique portfolio of high-performance polymers

Syensqo's Specialty Polymers global business unit (GBU) offers the widest range of high-performance polymers in the world. With unparalleled expertise in aromatic polymers, high-barrier polymers and fluoro-polymers, we can create tailor-made solutions for our customers.

Our specialty polymers are used in applications where other polymers cannot provide the performance standard needed. We offer the lowest total cost of ownership and our portfolio is supported by best-in-class technical service and extensive R&I competencies, with nearly 1,000 chemists, physicists and engineers working with our customers to provide leading-edge service in target segments. This combination of great support and high-performance products means we can solve problems that no one else can.

We focus on three key growth markets that are supported by megatrends: advanced connectivity in electronics, electrification and lightweighting in transportation and quality of life in the life solutions market. In all three areas, sustainability and circularity are critically important. Our outstanding track record combined with our pipeline of projects and customer-driven investments will drive growth far into the future, giving us a clear, organic growth-driven path toward creating a €5 billion business by 2030.



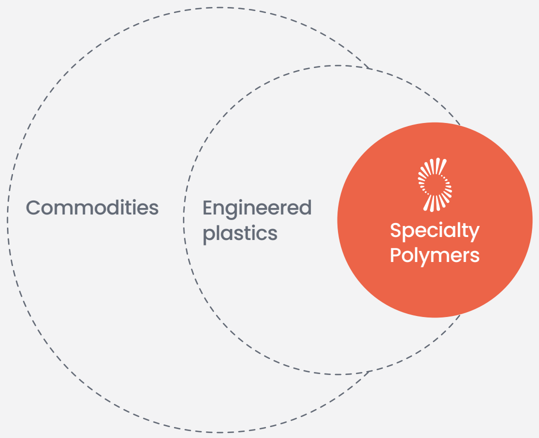
Electronics: A strategic relationship with the world's largest chip supplier

Our relationship with the world's largest semiconductor manufacturer, TSMC, has transformed over the last five years. Through a new engagement model, we work directly with TSMC to drive material specification and innovation along the value chain. We have rapidly built our business from one product family to five major product lines sold globally, by partnering with TSMC to identify new solutions that address yield, performance and sustainability specifications. Our business with TSMC now focuses on strategically supporting their most advanced nodes, providing opportunities for growth both now and in the future. In 2023, TSMC awarded us a certificate of appreciation, recognizing the strength of our partnership and our excellence in materials supply and technical consultation.

~90%
Advanced semiconductor chips enabled using Syensqo materials

Unique capabilities to create value for customers

Broadest portfolio of high-performance polymers → **Full suite of extensive solutions** → **Across fast-growing end markets**



- Surface properties
- Lightweighting
- Chemical resistance
- Broad range of temperature
- Electrical conductivity
- Heat resistance

Automotive
Battery
Building Construction
Healthcare
Consumer Goods
Environment
Electronics
Semicon.

Transportation: Driving the transition to electric vehicles

Nearly half our electric vehicle revenues come from applications other than batteries, such as e-motors, power electronics, battery components outside the cell, cooling systems and charging applications. Examples include Syensqo's PEEK, which can be used to insulate e-motor magnet wire and as secondary insulation as a slot liner. Together, Syensqo's PEEK magnet wire and slot liner solutions can improve e-motor efficiency of up to 2%, which can lead to a reduction in motor weight of up to 11%, while also improving power. Polymers used in battery components enable further weight reduction, while providing superior protection against battery fires and facilitating functional integration.

Our enduring collaboration with Bosch exemplifies this. What once centered around materials for combustion engine emission control systems has evolved into a dynamic partnership focusing on materials for electric motors and e-axles – a shift that underscores our collective commitment to driving sustainable mobility forward. This collaboration goes beyond transportation to other industries, showing our commitment to innovation and mutual growth.

~€1BN
Syensqo revenue generated in the automotive industry

Life solutions: Materials that are used to save lives

Our life solutions offer focuses on healthcare-related segments and water purification. In both areas, there is a long-term trend toward using our materials. Within healthcare, for example, we have a long track record of double GDP growth, which we fully expect to continue into the future. We supply dialysis equipment manufacturers with a sulfone polymer and work closely with them to continually improve our offer, ensuring better long-term survival rates and improved quality of life for patients. Long-term growth is driven by an aging population and increasing treatment numbers.

>65%
Dialysis patients in North America and Europe using cartridges containing Syensqo materials

COMPOSITE MATERIALS

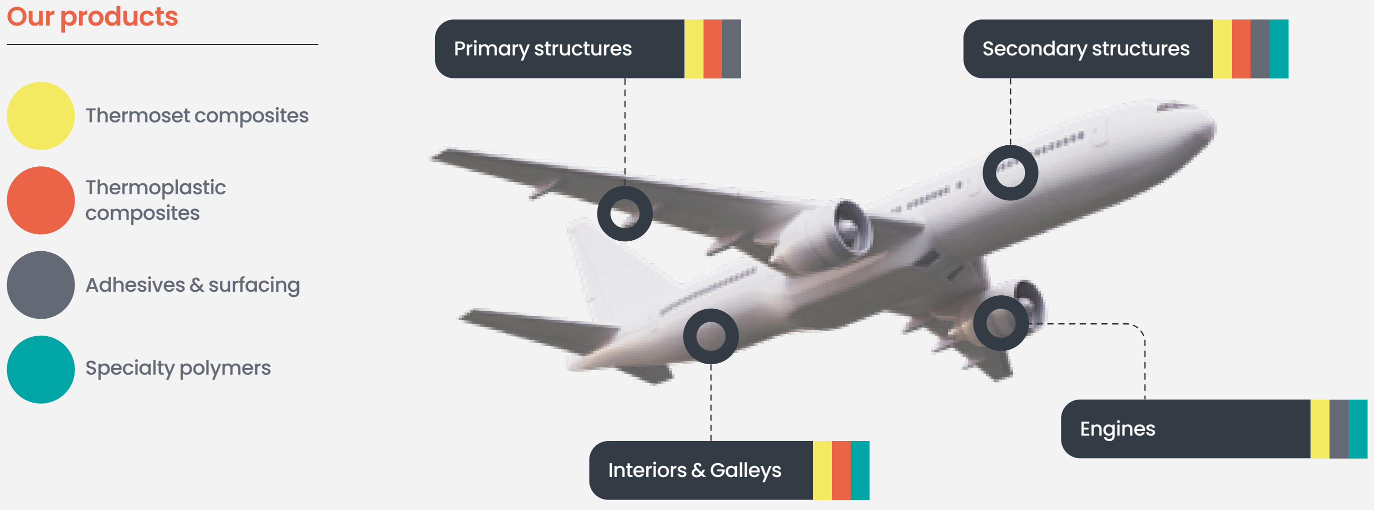
A top-tier supplier in a fast-growing market

Syensqo's Composite Materials GBU is a top-tier supplier of advanced composites, adhesives and surfacing materials to the aerospace industry. Our expertise in material formulation, design and application and process engineering allows us to deliver optimal solutions that address our customers' need for high performance, lightweighting, improved aerodynamics and lower total costs.

Over the next decades, the composite materials market will experience intense growth, fueled by new and existing programs and applications with current and new customers. Syensqo's technology and innovation capabilities in composite materials are present in all market segments within the aerospace and defense, automotive and other industries.

Through our composite and bonding solutions we have established very strong relationships with customers over decades, in many fast-growing industries. Our customers rely on our product portfolio, innovation capabilities and highly specialized technical support to enable lightweighting in high-performance applications. We work in partnership with customers from the design phase all the way to certification, and ultimately to industrialization. Our products are developed to meet very specific requirements and specifications to address a wide variety of application needs.

Enhancing performance all over the aircraft

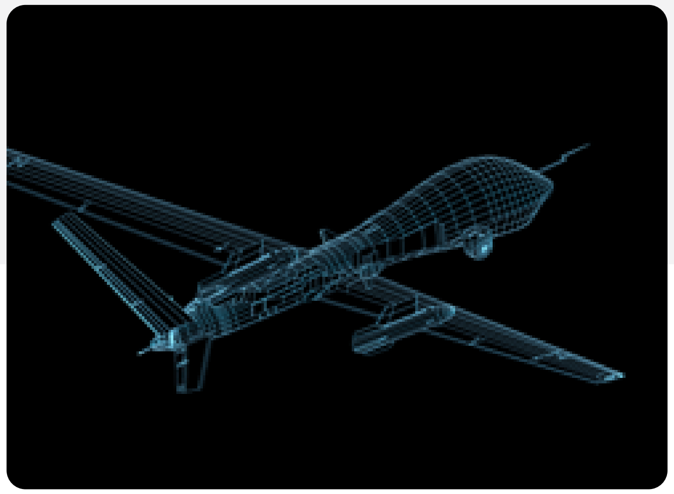


Commercial: Syensqo products in every part of the plane

The commercial aerospace market is our largest segment, accounting for approximately 60% of our business. Within this market, large commercial transport is the most prominent segment, with more than 24,000 aircraft active today. Over the next two decades, the replacement of existing aircraft and new growth means another 40,000 aircraft are expected to enter into service.

Composites will continue to be a key and growing enabler to meet the fuel efficiency targets set by the industry. Modern twin-aisle aircraft, for example, like the Boeing 787 and the Airbus A350, use a high content of composites, making them around 20% lighter than the traditional aluminum construction and enabling them to use about 20% less fuel than comparable aircraft. A key advantage composites have over other materials is that they can deliver lightweighting improvements in both aerostructures and propulsion, while also enabling aerodynamic improvements. As an established player in the aviation industry, this represents a significant opportunity for growth. Syensqo is a trusted, valued and prominent supplier in this industry, providing solutions that have a place in every part of the aircraft.

X10
Expected growth in aerospace market by 2050



Defense: A segment that will continue to grow

Defense is the second largest market segment for our Composite Materials business. Our material solutions are used in a wide variety of applications, from fighter jets to helicopters to Unmanned Aerial Vehicles (UAVs) and more. Syensqo is a leader in this space, as demonstrated by the presence of our materials in all major defense programs. Our technology solutions and our understanding of the specific requirements of this market will enable Syensqo to continue growing our presence and leadership in the defense market segment.

50
Syensqo products used in the F35 combat aircraft

Advanced Air Mobility: New opportunities for growth

Composites offer a very strong value proposition for the growing Advanced Air Mobility (AAM) sector. They serve as an enabler for lightweighting, which is critical to the success of electric aviation as it will help deliver longer range and greater payload to these types of aircraft. Syensqo's potential for innovation in this space is significant, and we also have the ability to help our AAM customers in the material qualification and certification process of these vehicles. We have key partnerships and collaborations with players who will help revolutionize the future of mobility in a sustainable way, while providing significant growth potential.

X10
Estimated growth of carbon materials market size by 2050

A broad portfolio of common technology platforms to fuel sustainable growth

Our diverse Consumer and Resources businesses serve attractive end markets, and are driven by secular and sustainability trends. These businesses leverage our core technology platforms – like surfactants, monomers, polymers and green solvents – and our unique formulation and application capabilities, to deliver value-added solutions for our customers that enhance their processes and formulations. Customers rely on our solutions to maximize performance properties, yield and efficiency while minimizing environmental impact.

We hold leadership positions across our key markets, and continue to upgrade and expand our portfolio of differentiated technologies and formulation capabilities. With flexible and multipurpose manufacturing sites spread across the world, we are well placed to anticipate and respond to our customers' needs.
Our Consumer and Resources businesses include:

- **Novecare:** a global leader in specialty chemicals, offering high-performing, differentiated solutions across the agrochemical, home and beauty care, coatings and industrial markets.
- **Aroma Performance:** a leading global producer of diphenols and the world's largest producer of vanillin for the food, flavors and fragrances industries.
- **Technology Solutions:** a global leader in specialty mining reagents, phosphine-based chemistry and solutions for polymer stabilization.
- **Oil and Gas Solutions:** offering a wide product portfolio in the upstream oilfield chemicals sector aimed at improving efficiency and protecting resources.

Home and Beauty Care: Helping our customers respond to consumer demand

Performance and sustainability demands drive the fast-moving home and beauty care markets. As a leader in hair care and cleansing solutions, our customers count on us to help them design high quality and eco-conscious products, and ensure compliance with increasingly strict regulations. These trends are leading to the introduction of more bio-based solutions and new technologies, as well as significant reformulation opportunities, helping to transform the entire value chain toward more responsible sourcing practices. Our Sustainable Guar Initiative and our bio-based, biodegradable polymers – the Naternal™ range – are great examples of this.

We also offer solutions that can help our customers reduce their product carbon footprint. Our fully circular Mirataine® CBS UP, for example, is a high-foaming surfactant derived from coconut fatty acids. It is commonly used in premium quality shampoos, skin cleansers and high-foaming bath and toiletry products. Based on 100% circular raw materials according to the mass balance[1] principle, it offers a significantly reduced net CO_2 footprint in comparison to our standard Mirataine® CBS.

-33%
Net CO_2 footprint of Mirataine® CBS UP compared to standard Mirataine® CBS

Leadership positions across markets

Agro
- Crop protection
- Green solvents

Home & Personal Care
- Natural hair care conditioning polymers
- Mild cleansing solutions

Mining
- Mineral processing
- Metal extraction

Coatings
- Binders
- Performance additives

Food, Flavor & Fragrances
- Synthetic vanillin
- EU natural vanillin[1]

1. Leadership is equivalent to Top 3 market position.

Agro: Accelerating the transition to sustainable agriculture

Trends shaping the agrochemical industry include the need to reduce environmental impact by expanding sustainable farming practices and reducing carbon footprint, a growing focus on pest resistance issues and different regulations that are accelerating change. By working closely with leading agrochemical companies to improve crop yields and enable the transition to more sustainable agricultural practices, Syensqo's portfolio of solutions is helping to overcome these challenges.

Our green solvents enable the best efficacy in the field, offering high solubility performance while reducing environmental impact. In seed care, our Peridiam® microplastic-free seed coatings meet various needs, with solutions tailored to different crops and market requirements. They offer the seed industry safer and better-performing solutions that are more respectful of the environment.

2-3X
Syensqo agro solutions projected growth vs. market

Mining Chemicals: Helping meet demand for critical metals

Demand for certain critical metals is growing, driven by the move toward electrification, as well as operational and sustainability issues. Syensqo is a leader in this area and our businesses have been serving mining companies for over a century. Our technical service, combined with tailored solutions, has led to long-term customer partnerships based on trust with all the leading mining companies. In the mineral processing segment, for example, we support the flotation process, which is one of the industry's leading separation techniques. Our AEROPHINE® flotation agents help mines extract maximum value from every metric ton of ore processed, improving efficiency while offering an improved safety profile compared to alternative chemistries.

1. The Mass Balance (MB) approach tracks the sustainability of a product through the whole value chain, driving the industry toward adopting critical environmental best practices.

~5%
Expected growth per year in Syensqo mining solutions sales

The tools that drive our innovation

Syensqo's businesses are already widely recognized by our customers as leaders in material and consumer technologies. As an independent company, we are now able to intensify our focus on customer-driven innovation, investing in the talents, resources and research projects that will deliver added value for our customers. With 15% of our people working in R&I, we can count on a talented and diverse team of explorers to create best-in-class technologies that will solve our customers' sustainability challenges and enable the transition to a carbon-neutral world.

Our innovation strategy is supported by our four growth platforms, each of which contributes to the decarbonization of our planet. Focused on key business trends, such as electrification, lightweighting and resource efficiency, and set up to serve our customers as efficiently as possible, the platforms offer a combined market opportunity of over €10 billion by 2030, complementing and amplifying the growth opportunities being generated by our GBUs.

Open innovation: Syensqo Ventures and our partnerships with academia

— Syensqo Ventures is our venture capital fund. We use it to expand customer relationships and innovation activities by investing in early-stage startups that address major human challenges associated with resource scarcity, climate change and quality of life. The startups we invest in are all aligned with the work we do as a company, meaning that they benefit not only from our financial investment, but also from the innovation expertise and resources we can share. This also benefits Syensqo, by providing opportunities for collaboration, innovation and growth acceleration within our own businesses.

We launched a series of internal panel discussions in 2023, designed to foster connections between our businesses and startups, identify potential business opportunities and encourage the development of an entrepreneurial mindset at Syensqo. Strengthening the relationship between our businesses and the startups we invest in will help us make the most out of our investment partnerships.

New Syensqo Ventures investments in 2023 include:

- **Compact Membrane Systems (CMS):** This US company has developed a unique membrane-based separation technology that can capture CO_2 at the scale and cost needed to decarbonize hard-to-abate industries. Syensqo's specialty polymers have the potential to provide the durability, performance and form factor required to support CMS' CO_2 capture solution. This investment is part of our efforts to invest in sustainable solutions enabled by specialty polymers, and grow our offering and expertise in decarbonization technologies. We invested alongside Chevron, Technip Energies and PTT Global Chemical, creating a strong group of corporations that span the supply chain and who can support CMS in their research and development and commercialization efforts.
- **Genesis Consortium:** Through the consortium, we support startups in SOSV's IndieBio startup development program, which holds a portfolio of early-stage, venture-backed companies with ties to key Syensqo markets, including agritech, food, bio-based materials and personal care. This investment supports our consumer and resources businesses and our renewable materials and biotechnology growth platform, providing them with early access to technology and partnership opportunities. For example, in December 2023, we invested directly in Bioeutectics – an investment that was sourced through our Genesis partnership. Bioeutectics is developing a new class of natural green solvents that are biodegradable, high performing, non-toxic and low cost, and which have many applications, aligned with Syensqo's core markets.

In addition to our Syensqo Ventures activities, we continue to reinforce our partnerships with key institutes and universities worldwide. These partnerships help us to explore potential new technologies in core strategic areas of development and to develop our capabilities.

In 2023, we signed a new partnership in the United States with Ginkgo Bioworks, in the field of biotechnology, helping to establish Syensqo as a key player in this very active field. In Europe, we reinforced our various existing partnerships, while also signing a collaboration agreement with the European Organization for Nuclear Research (CERN) to promote science, technology, engineering and mathematics (STEM) education. And in China, we signed comprehensive agreements on scholarships, training for outstanding students and upstream research programs in the field of simulation and catalysis with two of the most prominent universities: Fudan University and East China University of Science and Technology.

Developing products that are safe and sustainable by design

— Our safe and sustainable by design (SSbD) initiative is designed to put safety and sustainability at the heart of Syensqo's innovation process. The initiative involves a mindset change that will transform the way we develop new products and solutions, with benefits for our businesses, customers, the environment and society in general.

The SSbD approach involves integrating safety and sustainability assessments into product development from the very start of the innovation process. This will allow us to prioritize innovation projects that will help the industry develop safer, circular and sustainable solutions, by substituting or minimizing the use of substances of concern , minimizing impact on climate and the environment and enabling change in R&I processes. It builds on, and will reinforce, our innovative Sustainable Portfolio Management approach, which we use to assess the sustainability of our business, including our projects and investments.

Our SSbD initiative brings us in line with thinking at EU and global levels. The EU Chemicals Strategy for Sustainability, which is part of the EU Green Deal, encourages European companies to lead the transition to a SSbD approach, for the benefit of society and European business. The World Business Council for Sustainable Development (WBCSD), chaired by our CEO Ilham Kadri, echoes this call to action, encouraging all members to raise their safety and sustainability ambitions to future-proof their businesses. ●

15%
workforce in R&I

5%
annual R&I spend on sales

>1,800
patent families of which **>600** filed less than **5** years ago

20.7%
Vitality Index

INTERVIEW

Intensifying our innovation-focused culture

In conversation with Mike Finelli, Chief Technology and Innovation Officer (CTIO)

What drives innovation at Syensqo?

M.F. — Two key factors drive innovation at Syensqo. The first is our obsession with providing customers with the solutions they need. This is about using our customer-centric organization to understand the challenges our customers face so that we can provide them with the tailored solutions they need. It's an approach that allows us to build long-lasting relationships that create long-term value for everyone.

The second is the megatrends, such as lightweighting, electrification and advanced connectivity, that are driving our customers' end markets, and will shape our society and our planet for decades to come. These disruptive trends, which our portfolio of technologies is ideally placed to leverage, will bring significant opportunities across markets, fueling our innovation pipeline and growth. Around 80% of our innovation pipeline is based on sustainable solutions. Our north star is bringing innovations to market that will help us, our customers and end consumers to decarbonize the planet.

How will Syensqo use innovation to fuel growth?

M.F. — Our growth platforms, combined with continued innovation and growth in our GBUs, will make the difference here. Aligned with key megatrends that contribute to the decarbonization of our planet, they offer huge opportunities for growth. They also bring us closer to our customers, helping us to identify the areas in which future innovation would bring most value. About 22% of the overall Syensqo R&I budget is allocated to our platforms and our overall investment in R&I is now four times the amount it was just a few years ago. This gives us the scope to invest heavily in blockbuster innovation projects that will transform our portfolio and generate the revenue we need to continue investing in similar projects – and fuel growth – in the future. Our ambition is to not only be the innovation leader in our markets, but to set the innovation benchmark for the industry.

Does Syensqo have the relevant capabilities to meet its ambitions and deliver on its innovation strategy?

M.F. — To meet our goals, we're developing our capabilities and technologies in three main areas. First, we're investing in new capabilities, recruiting new talents in biotechnology and making sure we have the digital talents and tools we need to transform the way we do research. Second, we're expanding our geographical footprint so that we're better able to respond to demand and grow our businesses, particularly in China. Our new application development lab in Shanghai, for example, will help us respond to growing customer demand for tailored high-performance material solutions in China, while the recently-inaugurated research building in our Shanghai Technology Park will help us address fast-evolving market needs and accelerate innovation for future-shaping sustainable solutions. And third, we continue to develop our open innovation activities, through external partnerships with academic institutions and startups, and through our venture capital fund, Syensqo Ventures.

Where do we stand on electric vehicle battery materials?

M.F. — We are a leader in lithium-ion battery materials and we're developing a product portfolio that will enable the battery technology of the future. Our roadmap is aligned with the roadmaps of our customers, enabling us to offer them the solutions they need, when they need them and make the most of growth opportunities. Our PVDF binders have very high adhesion, which makes them the best for high-energy, high-performance batteries. They are currently used to help solve range anxiety in today's Generation 2 and 3 batteries. We continue to expand our capacity, while introducing new electrolytes and solvents to help manage higher voltages and temperature cycles. Having invested in Europe's first sulfide pilot plant, we're also ahead of the game in the development of materials for Generation 4, or "solid state", batteries. With the industry regionalizing, North America is set to become the fastest-growing market in the next 10 years, and our partnership with Orbia to develop the largest PVDF plant in the region will allow us to take advantage of this growth area.

What about the other platforms?

M.F. — For thermoplastic composites, the focus is on enabling decarbonization in three industries: energy, aerospace and mobility. Having invested heavily in our capabilities and capacity over the past few years, we have positioned ourselves as a development partner for our customers, with state-of-the-art labs where we can create tailor-made products that meet their exact needs.

Green hydrogen is a huge market, with huge opportunities for growth, as the only way that humanity will reach carbon neutrality by 2050 is by developing a green hydrogen economy. Today, there are two main ways to make green hydrogen and we are the only company in the world that has materials that can go in both types of membrane.

Last but not least, we have our renewable materials and biotechnology platform. We only launched this last year, but we've already made progress, signing a strategic partnership with Ginkgo Bioworks to investigate new biopolymers, acquiring a former Zymergen lab in the US and building a multi-purpose microbiology lab at our R&I center in France.

"INNOVATION IS AT THE HEART OF OUR STRATEGY: IT WILL FUEL OUR GROWTH AND ACCELERATE VALUE CREATION."

Mike Finelli,
Chief Technology and Innovation Officer

FOCUS

Four growth platforms to fuel our innovation

Our four strategic growth platforms play an important role in the decarbonization of our planet. Focused on battery materials, thermoplastic composites, green hydrogen and renewable materials and biotechnology, the platforms are aligned with the needs of our customers and support key megatrends, such as electrification, lightweighting, sustainable mobility and resource efficiency. They drive our innovation agenda, allowing us to get closer to our customers and better understand the challenges they face. Our diverse portfolio includes technologies at different stages of development, fully aligned with industry roadmaps.

BATTERY MATERIALS

Addressing the key challenges of the battery industry

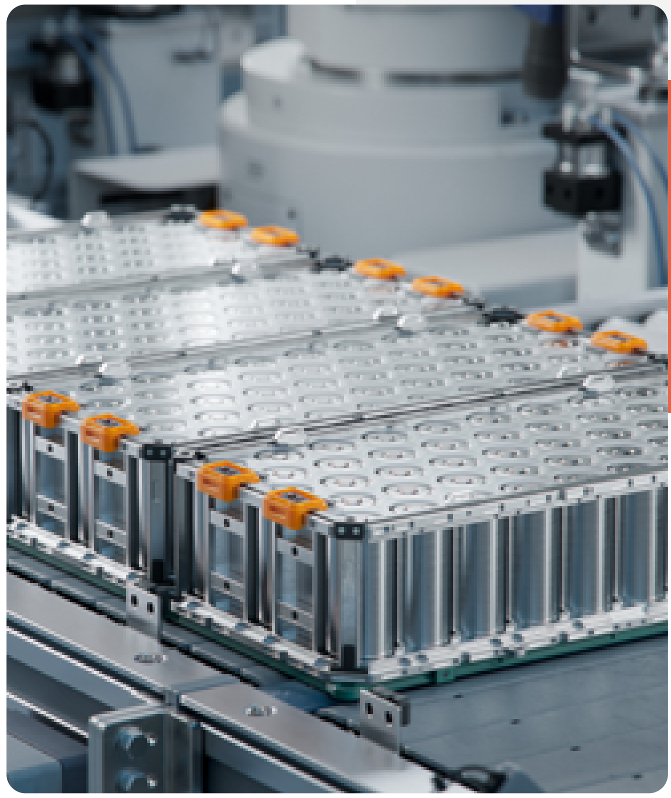
The electric vehicle is at the center of humanity's fourth energy transition, driving the electrification – and decarbonization – of our society. Changing consumer preferences and increasing environmental regulations, among other factors, have inspired an acceleration in EV production. And as a consequence demand for lithium-ion EV batteries is growing.

Syensqo enjoys a strong relationship with the automotive industry, built on a 30-year history of supplying original equipment manufacturers and their Tier 1 suppliers with the solutions they need. As a leader in lithium-ion battery materials, with a product portfolio designed to enable the battery technology of the future, we are well placed to capitalize on the electrification megatrend through our battery materials growth platform.

An innovation roadmap aligned with industry needs

— Syensqo's research and innovation priorities are aligned with the current and future needs of the battery industry. This means we will be able to provide our customers with the technologies they need, when they need them, helping them to overcome challenges relating to energy density, safety, cost, weight, sustainability and security of supply.

- Our PVDF binders are used in the Generation 2 batteries found in EVs today. Our Solef® PVDF provides superior adhesion, which allows battery makers to add more active ingredients in the cathode. This increases the energy density of the battery, extending driving range.
- Generation 3 batteries are now on the market and will become increasingly common in the next three to five years. They offer improved energy density, which will increase range and decrease charging times. To safely manage the higher voltages and temperatures this requires, these batteries need new solvents and electrolyte salts, such as our Energain® solvent for electrolytes, which can be used in high manganese cathodes and very high nickel cathodes, and our LiFSI electrolyte salts.
- Generation 4, or solid state, batteries will appear on the market toward the end of the decade, offering improved performance and safety. As sulfide is the leading technology for solid electrolytes, Syensqo has invested in Europe's first pilot plant for sulfide chemistry. In addition, our Solgain™ technology, a solid film based on PVDF with an encapsulated electrolyte, offers easy-to-scale "semi-solid" solutions that can provide a bridge to full industrialization of all solid state batteries (ASSB).



Investing in technology and capacity to secure future growth

— PVDF is needed in Generation 2 and 3 batteries, and in some formulations of Generation 4. We are therefore investing heavily in increasing PVDF production capacity at key regional sites. These investments ensure we are able to respond to increased global demand, at a local level, and extend our leadership position in the global lithium-ion battery market.

- **Europe:** In 2022, we invested €300 million in our Tavaux site in France to more than double the existing production capacity of our high-performance polymer Solef® PVDF, making it the largest PVDF production site in Europe. We expect the increased capacity to be operational in 2025.
- **Asia:** We doubled PVDF production capacity at our Changshu site in China in 2022.
- **North America:** In 2023, we finalized a joint venture agreement with Orbia to create the largest suspension-grade PVDF production facility in North America.

€6BN
Market opportunity by 2030

Electrifying mobility

Li-ion batteries

2015
Gen. 2: **150 - 180 Wh/kg**

2040s
Gen. 3: **180 - 320 Wh/kg**

- Leading supplier of PVDF for cathode binders
- Electrolyte & ingredient solutions (Energain® & LiFSI)

Solid state batteries

2028
Gen. 4: **300 - 500 Wh/kg**

- New inorganic conductors for solid state batteries

"AS A GLOBAL LEADER IN LITHIUM-ION BATTERY BINDERS, WE SET THE INDUSTRY STANDARD, OFFERING PRODUCTS THAT EXCEL IN ADHESION, PROCESSABILITY AND DURABILITY."

Marco Avataneo,
Head of Battery Application Development

In addition, we are investing in the materials needed for future generations of batteries. This includes next-generation solvents and electrolyte salts, such as Energain® and LiFSI, for Generation 3 batteries, and our state-of-the-art sulfide solid pilot unit in La Rochelle, France, which will enable us to scale up development of advanced inorganic materials for solid electrolytes used in Generation 4 batteries.

Syensqo is a member of the Important Project of Common European Interest (IPCEI) initiative on batteries, funded by several EU Member States. Through this, we have secured a sizable amount in subsidies from France, Belgium and Italy to fund and support innovation from research up to first industrial units for advanced battery materials.

Going beyond battery materials

— With our extensive and proprietary range of high-performance polymers and innovative compounds, we are able to work with our customers to meet their most critical needs. For batteries, this means helping to make them safer, more powerful, longer lasting and lower cost. We offer material solutions for all four main components of Li-Ion battery cells: the cathode, the anode, the electrolyte and the separator.

We also provide solutions for other areas of the battery, including battery cases, packs and recycling. Our thermoplastic composite technology, for example, is used to make battery enclosures. It reduces the weight of the battery enclosure by 25% compared to aluminum, and 40% compared to steel. It also makes the battery safer, while still allowing for all battery components to be easily integrated.

FOCUS

Syensqo has developed strong relationships with leading EV battery producers, working with them to develop solutions that will accelerate the shift to e-mobility and a more sustainable way of life. In 2023, we were one of seven companies to receive an award from Panasonic Energy, in recognition of our contribution to business management in the production of batteries for electric vehicles.

CASE STUDY #1

Partnering with Orbia to meet increasing demand for PVDF in North America

With more than half of US car sales expected to be electric by 2030, demand for lithium-ion batteries – and the PVDF needed to make them – is increasing. Our Joint Venture with Orbia will fill a supply gap, taking advantage of favorable regulatory conditions promoting regional production and material security to establish a robust, secure and local PVDF supply chain.
Orbia offers a secure supply of the critical minerals and intermediate materials needed to manufacture PVDF, such as hydrofluoric acid, vinyl chloride monomer (VCM) and chlorine.
As a global leader in PVDF, Syensqo brings process technology and unparalleled market know-how to the venture. By combining Orbia's material assets and production expertise with our own Solef® PVDF innovations, we will create the largest PVDF plant in North America and be able to provide a secure supply of PVDF in the region that optimizes energy storage efficiency by increasing the energy density, safety and power of EV batteries.
The total Syensqo investment is expected to be funded in part by a grant of $178 million awarded by the US Department of Energy, which will be used by Syensqo to build a facility in Augusta, Georgia. The Joint Venture involves two plants, one for raw materials and the other for finished products.

CASE STUDY #2

Collaborating with Airborne to create more compact and lightweight enclosures for high-energy batteries

In March 2023, Syensqo's Battery Enclosure Materials Automation (BEMA) project won major funding from Innovate UK, part of the United Kingdom's national innovation agency, UK Research and Innovation. Collaborating with Airborne, a technology leader in automated and digitalized advanced composite manufacturing, our aim is to develop an all-composite solution for energy-efficient battery packs.
The project has already received letters of support from Jaguar Land Rover and Vertical Aerospace. Both companies recognized the great potential of the design in creating more compact and lightweight enclosures for high-energy batteries in the electric cars and aircraft of the future. They also recognized the sustainability credentials of the project, which aims to reuse composite waste.

GREEN HYDROGEN

Enabling the transition to a green hydrogen economy

Over the coming decades, hydrogen will disrupt the balance of geopolitical power, as countries that currently play no role in the energy economy become major exporters of energy in the form of hydrogen. As of January 2023, more than a thousand hydrogen projects had been announced worldwide, with governments racing to partner with key industry players to build the infrastructure they need to develop a green hydrogen economy.

It is impossible to reach the target of net-zero carbon emissions by 2050 without green hydrogen – and the key to transforming it into the green energy solution of the future is chemistry. While conventional hydrogen is produced from fossil fuels, green hydrogen is produced entirely from renewable energy. It can therefore be used both to decarbonize the existing hydrogen economy and in new applications, such as clean mobility. It also has a key role to play in the decarbonization of hard-to-abate sectors, such as heavy-duty transportation, and emissions-intensive industries, like steel manufacturing.

Technologies that enable all areas of the green hydrogen economy

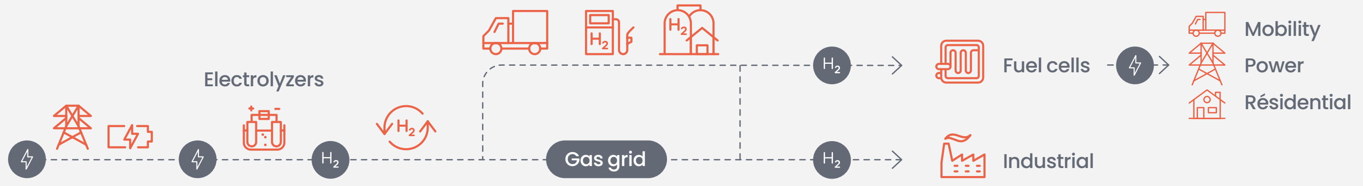
— With relevant products and solutions all along the green hydrogen value chain, our ambition is to be a leading material solutions provider for the green hydrogen economy. Our green hydrogen platform brings together all of our innovative material and chemical solutions and competencies, concentrating our resources and efforts in one place to better serve and advise customers across industries, globally.

The hydrogen economy is made up of three main components: production, transportation and storage and consumption in fuel cells. Syensqo has technologies that enable all three areas:

- **Hydrogen production:** We are developing and producing critical materials for use in the membranes that split the water molecule (H_2O) into hydrogen and oxygen. The two primary technologies used are alkaline electrolyzers and proton exchange (PEM) electrolyzers. Syensqo is the only company in the world that produces polymers for membrane materials for both technologies. This part of our business is doubling every year and we are expanding quickly to keep up with demand.
- **Transportation and storage:** We are working on solutions for storing green hydrogen in vehicles. Using our high performance polymers and thermoplastic composite technology, we will enable production of high pressure storage tanks that can be produced at high build rates and are recyclable.
- **Consumption:** This is where hydrogen is recombined with oxygen to create water and generate electricity to power a truck, for example, completing the cycle from water to water. Green hydrogen can also be used as a compound for fertilizers, as a reduction agent for steel production and as fuel to produce heat, among other things. Syensqo offers a unique portfolio of advanced solutions that goes beyond ionomers for the membrane and binder, such as high performance polymers for other critical parts of the fuel cell stack.

€2BN
Market opportunity by 2030

Enabling carbon neutrality with green hydrogen



H_2 Production
(PEM & alkaline electrolyzers)

- Polymers for core and balance of stack

Our solutions: fluoro-ionomers, e.g. Aquivion®, and sulfone polymers, e.g. Radel® and Udel®

H_2 Transportation & Storage
(Composite tanks)

- Polymers for H_2 storage vessels

Our solutions: specialty polymers

H_2 Consumption
(PEM fuel cells)

- Polymers for core, balance of stack and H_2 storage vessels

Our solutions: fluoro-ionomers, e.g. Aquivion®, and sulfone/sulfide polymers, e.g. Radel®, Udel® and Ryton®, and other specialty polymers

> "WE HAVE BEEN BENEFITING FROM SYENSQO'S AQUIVION PRODUCT PERFORMANCES FOR MORE THAN 15 YEARS AND ARE COMMITTED TO PURSUE THE COLLABORATION ON THIS STRATEGIC COMPONENT OF THE HYDROGEN REVOLUTION. WE TRUST IN SYENSQO'S CAPABILITY TO BRING THIS PRODUCT INTO A SUSTAINABLE FUTURE."
>
> **Holger Dziallas**, President of Greenerity

Speeding up the transition to a green hydrogen economy

— We have significantly increased the resources dedicated to the emerging green hydrogen market, particularly in research and innovation. Our innovation efforts focus on improving system durability, efficiency and total cost of ownership to help our customers improve the viability and scalability of green hydrogen technology.

We have teams located across continents, from the Americas, to Europe, to Asia. With a global reach and local presence, our focus is on building intimacy with our customers along the value chain and co-developing solutions tailored to their unique requirements. Our new R&I building in Syensqo's Shanghai Technology Park, for example, which was inaugurated in 2023, will help us to expand our competencies and foster collaboration with customers and innovation partners, allowing us to better serve the green hydrogen sector in China.

Syensqo's commitment to this growth industry is demonstrated by our membership in the Hydrogen Council, a global CEO-led initiative that brings together leading companies with a united vision and long-term ambition to make green hydrogen a catalyst for the clean energy transition.

RENEWABLE MATERIALS AND BIOTECHNOLOGY

Enabling carbon neutral and circular solutions across our businesses

€1.5Bn
Market opportunity by 2030

>10%
CAGR in natural vanillin by 2024

$19.5Bn
Market for agricultural biologicals by 2031

With consumers increasingly prioritizing wellness and quality of life, demand for natural, sustainable, organic and carbon-neutral products is growing. Through our renewable materials and biotechnology growth platform, we aim to provide a range of customers with the innovative and circular solutions they need to meet this demand. This includes formulations for agro and personal care, solutions for food and flavors and advanced materials for transportation and aerospace.

Syensqo is already a market leader in several bio-based products, including guar, bio-sourced solvents and natural vanillin. We also enjoy strong links with customers and external innovation partners. This ensures we are well placed to leverage the enormous innovation potential that biotechnology presents. By blending science and sustainability, our growth platform will enable the adoption of renewable carbon, biotechnology and biodegradable solutions, speeding up our transition toward a more sustainable and circular portfolio that reflects the needs of our customers – and the planet.

Meeting growing demand for sustainable and circular solutions

— To meet customer needs, we aim to embed circularity in all areas of the value chain. Our objective is to enable €500 million in new business revenues by 2030, based on the following three pillars:

- **Renewable carbon:** By using sustainable and renewable feedstocks to develop more environmentally friendly, natural and circular products, we aim to significantly increase the share of renewable carbon in our product offering. Syensqo has joined Biochem Europe (Cefic) and the Renewable Carbon Initiative (RCI) to strengthen our participation in the bio-economy, paving the way for new product innovations in this field. Our objective here is to generate new business revenues from sales of products enabled by renewable feedstocks, such as guar, natural vanillin and bio-sourced solvents.
- **Biotechnology:** We aim to expand our customer base through new businesses enabled by biotechnology. These disruptive transformation technologies use enzymes or micro-organisms to transform feedstocks, such as crops, waste and CO_2, into valuable molecules. Our acquisition of the former Zymergen biotech lab and the establishment of a strategic partnership with Ginkgo Bioworks are important steps in this journey.
- **End-of-life management:** Developing technologies that are biodegradable by design will enable us to manage the end-of-life of our products and move toward zero environmental pollution. This will allow us and our customers to better adapt to evolving regulations, such as the EU Green Deal or the EU Chemicals Strategy for Sustainability. Our new microbiology lab in Lyon, France will enhance our ability to develop and test our novel biodegradable solutions

Fueling innovation through strategic alliances

— Through open innovation and strategic alliances, we intend to build new growth businesses that will benefit multiple markets, including agro and personal care, food and flavors and transportation and aerospace. Our collaboration with Ginkgo Bioworks and our acquisition of a former Zymergen lab in the US are good examples of progress made in this area in 2023, allowing us to improve our competencies and strengthen our position in the biotech industry.

Expanding our capabilities and competencies

— In addition to acquiring the Ginkgo lab, Syensqo is investing in the construction of a world-class, multipurpose microbiology lab at our site in Lyon, France. Expected to be operational by late 2024, this lab will increase our biodegradability and toxicity testing capabilities. This will enable innovation in consumer applications while improving customer service and expanding our expertise. The lab will house state-of-the-art biodegradation, human and environmental toxicity screening tools that will enable an innovation process that ensures our products are safe and sustainable by design.

As a leading supplier of specialty ingredients that improve performance in the agrochemical and home and personal care markets, we are already actively engaged in addressing the key challenges these markets face in delivering zero-pollution products. The new lab will allow us to accelerate efforts in this area, building new competencies and capabilities, and strengthening our ability to develop breakthrough solutions that are biodegradable-by-design.

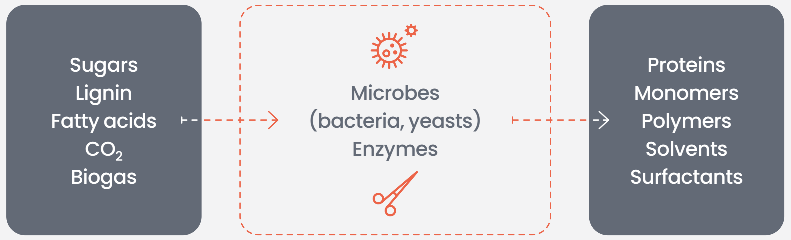
Supporting circularity with biotechnology

Focus on three key areas:

01
Focus on the **origin**
Increase the content of sustainable renewable carbon

02
Focus on the **end-of-life**
Develop biodegradable-by-design technologies

03
Transforming **feedstock** into valuable molecules through **biotechnology:**



"WITH THE EXPANSION OF OUR FOOTPRINT TO THE MOST IMPORTANT BIOTECH HUB IN THE US, AND THE ESTABLISHMENT OF A STRATEGIC PARTNERSHIP WITH GINKGO TO DEVELOP NEW BIOPOLYMERS, SYENSQO HAS SENT A CLEAR MESSAGE ABOUT THE IMPORTANCE BIOTECHNOLOGY WILL PLAY IN OUR FUTURE GROWTH."

Thomas Canova, Head of Renewable Materials and Biotechnology Growth Platform.

CASE STUDY #1

Transforming the way we do chemistry through biotechnology

In the next 15-20 years, biotechnology will completely change the way we produce chemicals. In a traditional chemical plant, there are often a dozen steps with many complex operations covering 50-100 acres of land. Using biotechnology, we can significantly reduce the number of steps and the amount of space required, as most of the chemistry is carried out inside a microorganism within one large warehouse. In addition, by using microorganisms to do the chemistry, biotechnology has the potential to create new chemical structures that cannot be created with conventional chemistry, converting renewable feedstocks into sustainable solutions that preserve natural resources and support the transition to a carbon-neutral future. For example, we can use biotechnology to turn sugars or waste oils into new classes of biosurfactants, which are bio-based, biodegradable and significantly less carbon intensive.

CASE STUDY #2

Partnering with Ginkgo Bioworks

In April 2023, we announced a multi-year strategic collaboration with Ginkgo Bioworks, which is building the world's leading platform for cell programming and biosecurity. The partnership aims to unlock the power of synthetic biology to create more sustainable and environmentally-friendly chemicals and materials. We will focus first on accelerating development of new and sustainable biopolymers, which have the potential to impact a number of markets, from home and personal care to agriculture and food. As part of the alliance, Syensqo has also acquired a Ginkgo (formerly Zymergen) lab in Cambridge, Massachusetts. This will expand our R&I footprint in the US, provide access to new talents and establish a growth base for synthetic biology in one of the most important biotech hubs in the world, accelerating Syensqo's biotechnology development plan.

THERMOPLASTIC COMPOSITES

Enabling lightweighting through our TPC platform

Thermoplastic composites (TPC) are strong, chemically resistant and lightweight materials that can be used as a replacement for metal. They are a critical technology enabler, providing customers across many industries with a solution that helps them meet challenging lightweighting, strength and build rate targets, at lower total cost of ownership.

Over the past few years, Syensqo has invested in stepping up our installed capacities and creating state-of-the-art TPC laboratories, while also establishing strong strategic collaborations with partners and customers. The world-class infrastructure and unique end-to-end innovation approach we have developed, combined with our unmatched historical expertise in composite and specialty polymer technology, makes us an important development partner for customers in several markets.

A unique position in the TPC industry

— Offering the broadest portfolio of specialty polymers and composite processing technologies, Syensqo is unique. We enjoy a leadership position in end-to-end technology, which we use to better serve our customers. Our TPCs can be used as a replacement for metal in some of the most demanding applications. They offer three benefits that address our customers' main challenges:

- **Reducing carbon emissions through lightweighting:** With our technology, customers can make parts that are 40-50% lighter than steel or aluminum yet provide the same or better performance.
- **High build rates:** TPC enables automation and a simplified production process, which allows a range of different industries to achieve challenging production rates. Our customers can form parts in just a few minutes and re-form them as needed, which makes TPCs ideal for high-volume applications and enables big savings for our customers.
- **Recyclability:** TPCs are inherently recyclable at the end of their life cycle because of the high-performance thermoplastic resins we use to create them.

A critical technology enabler in three key markets

— TPC is a critical technology enabler in many markets. We focus our efforts on three areas in particular – aerospace and advanced air mobility (AAM), clean energy and automotive.

Enabling higher build rates in aerospace and AAM

TPC helps the aviation industry address one of its biggest challenges: the need for higher build rates. High-volume production rates for TPC are around 5-10 times faster than for other technologies, and TPC also makes aerospace products lighter, safer, stronger and more fuel and cost efficient. The main applications for TPCs in aircraft are in structures such as clips, brackets and stiffeners. In AAMs they play a vital role in reducing weight in areas like the main body and wings.

In 2021, we joined forces with aerospace, defense and security technology company Leonardo to facilitate broader adoption of TPCs by the aerospace industry. Our joint lab, based in Syensqo's Material Science Application Center in Brussels and the Leonardo Lab in Grottaglie, Italy, focuses on composite materials and production processes critical for the future of the aerospace industry.

"Our joint lab agreement has been renewed and a new collaboration program on the assessment of TPC solutions for high rate aerostructural part manufacturing has now begun," says Salvatore Rino Scervo, Senior Vice President Innovation Labs & IP, Leonardo SpA. "The main focus of this program is next generation VTOL (vertical take-off and landing) aircraft and larger-scale TPC aerostructures. By combining the complementary skill sets of Syensqo and Leonardo, we are boosting our innovation ability and reducing the time to market."

In April 2023, we renewed our collaboration agreement with global company GKN Aerospace, aimed at expanding the use of TPC materials in aerospace structures. We are building a joint TPC roadmap to explore new materials and manufacturing processes for aerospace structures and targeting future strategic high build rate programs for commercial aviation and AAM.

"We are delighted to renew our agreement with Syensqo," says Arnt Offringa, Director Global Technology Center Netherlands, GKN Aerospace. "Lightweight technologies will play a key role in the journey to more sustainable aviation and working together has strengthened our technology leadership in thermoplastic innovation. Collaboration will be vital as we continue to push the boundaries of technology in order to meet our sustainability targets."

Enabling clean energy through decarbonization and better performance

The energy sector requires solutions that facilitate the transition to cleaner energy. Syensqo provides TPC solutions across the full spectrum of energy sources, focusing on two main areas:

1. **Making current energy sources more efficient and sustainable:** TPC pipes can be used as a more sustainable replacement for steel pipes in the energy industry. Offshore and onshore risers and flexible pipes using thermoplastic composites don't require corrosion or corrosion-related maintenance, are affordable and easy to install, and offer a 30% weight reduction and a 40% lower carbon footprint in comparison to steel.
2. **Developing solutions for sustainable energy sources:** We work with energy companies to help them develop clean energy solutions. The broad chemical resistance of TPC pipes means that they can enable future opportunities in offshore hydrogen and other sustainable energy applications.

€1BN
Market opportunity by 2030

Thermoplastic Composites: Lighter, Faster, Stronger

Aerospace & AAM	Scaling manufacturing processes
Energy	Design flexibility and more efficient solutions
Automotive	Higher electric motor efficiency and power density

"OUR TPC GROWTH PLATFORM IS A TRUE INNOVATION JOURNEY: PARTNERING WITH OUR CUSTOMERS FROM START TO FINISH, CO-INNOVATING AND CO-DEVELOPING NEW PRODUCTS, NEW APPLICATIONS, AND OFTENTIMES PIONEERING NEW PROCESSES."

Fabrizio Ponte,
TPC Platform Director

Syensqo has been working with Baker Hughes, one of the world's largest energy technology companies, for decades to replace metal with advanced materials. Our solutions are helping them to decarbonize their activities and facilitate cleaner energy production.

"Syensqo's advanced material innovation capabilities, along with its focus on partnering with end users, are a critical enabler in supporting Baker Hughes in taking energy forward: making it safer, cleaner and more efficient for people and the planet," says Domenico Di Giambattista, Vice President for Flexible Pipe Systems, Baker Hughes.

Enabling lightweighting and improved performance in automotive

TPCs offer flexibility, high throughput, functional integration and recyclability, providing solutions to some of the main challenges faced by the automotive industry. Our single step process also reduces the total cost of ownership, which is critical in high-volume auto applications. Among the solutions we offer are structural functional parts that enable the e-motor revolution. This includes our PEEK rotor sleeves, developed in collaboration with Trelleborg Sealing Solutions, which help to increase e-motor performance. Other ongoing projects include working on an application that will allow us to replace a part made from 22 welded steel parts with one piece of TPC, overmolded with one of our specialty polymers.

Investing in state-of-the-art infrastructure

— Our TPC growth platform brings end-to-end innovation – from molecules to composites – under one roof. This allows us to collaborate with customers from concept to commercial application, providing support in early-stage design, prototyping and testing of parts, and drastically reducing the time to market of our materials.

- Syensqo's product development center in Alpharetta, Georgia, in the US, is unique. It's the only facility in the world where it is possible to produce a new experimental high-performance polymer, use that polymer to create unidirectional composite tapes and then test the new material's performance in relation to the customer's needs without walking further than 100 meters.
- At our Material Science Application Center (MSAC) in Brussels, Belgium, we have prototyping capabilities that allow us to design and produce a customer part and then test it all in the same building. We can do this on large-scale parts, up to one meter squared.

OUR SUSTAINABILITY AMBITION

Sustainable business is not just the right thing to do; it is fundamental to everything we do. Through our sustainability ambitions, we drive more environmentally friendly solutions to our customers and make our own operations more sustainable. We also aim to design solutions for a better and more equitable life, for employees and across the value chain.

Summary

03

A sustainability commitment aligned with our growth strategy

Our sustainability commitment, which encompasses the environment, business and society, is a top priority for all our stakeholders. It is an integral part of our values and helps us to provide sustainable solutions to our customers.

Our One Planet sustainability roadmap helps pave the way to better growth for us all. Building on the results we achieved with Solvay in 2023, we have adopted a much more ambitious approach that sees us target climate neutrality in all our businesses by 2040. It is structured around three pillars: climate, sustainable growth and better life.

Our One Planet goals
Baseline 2021

Climate	Sustainable growth	Better life
Carbon neutral Scope 1 and 2 by 2040	**Sustainable solutions driven by circularity**	**Aim for zero**[4] Safety: reportable injuries and illness rate (RIIR)
-40% Scope 1 and 2[1] by 2030	**18%** Circular sales by 2030[3]	**Gender parity**[5] By 2033
-23% Focus 5 categories of Scope 3[2] by 2030		**Living wage to 100% of workforce** By 2026

Enabling our customers to do better

Catalyst for lightweighting
UP TO 20%
lower fuel consumption and CO_2 emissions in aviation

Critical enabler of electrification
100 KT
of CO_2 reduction per day[6]

Champion in decarbonization
>20%
CO_2 emissions reductions achieved[7] across value chain since 2018

Promoter of clean beauty
>80%
of hair and skin care products derived from natural origin

>80%
of innovation pipeline focused on sustainable solutions

1. Total emissions from Syensqo operations.

2. Emissions upstream and downstream in the value chain (suppliers and customers).
The Focus 5 categories are:
(1) purchased goods and services and (2) fuel-and energy-related activities (both upstream),
(3) processing of sold products,
(4) use of sold products and
(5) end-of-life treatment of sold products (all downstream).

3. The Syensqo KPI "share of sales of product contributing to the circular economy" is calculated by adding: sales of products increasing durability in the use phase downstream in the value chain, sales of products based on recycled or renewable materials (85%) and renewable energy (15%) and sales of products enabling recycling at the end of life downstream in the value chain.

4. Number of work-related injuries and illnesses (employees and contractors) resulting from an accident with severity above first aid, according to US OSHA 29 CFR 1904, per 200,000 work hours.

5. Mid and senior management.

6. Assuming a market share of 30% for Syensqo in the total CO_2 savings from fleet electrification in the world.

7. Includes Scopes 1 and 2 GHG emissions and targeted areas of Scope 3 emissions.

ONE PLANET: SUSTAINABLE GROWTH

Reinventing the way we do chemistry

Our sustainability commitments are integrated into our growth strategy and the way we do business. Eighty-five percent of our research and innovation projects are considered sustainable solutions, based on our Sustainable Portfolio Management framework, and our top-line growth will increasingly be driven by these sustainable solutions and circularity. This will mean providing our customers with the low environmental impact and renewable-based solutions they need to make their own operations and products more sustainable, for the benefit of our own business, our customers' businesses and the planet.

Our circular approach to chemistry involves reinventing the way we have traditionally manufactured products – from sourcing to end of life. Our new target of 18% circular sales by 2030 represents a 50% growth, reflecting our ambition in this area - in absolute revenue (Euros) it will double our circular sales by 2030. In 2023, 13% of Syensqo's sales were generated by products that enable durability or are based on renewable raw materials or energy[2]. Demand for our natural and biodegradable portfolio is increasing in consumer markets in particular, but also in materials markets, where the focus is on renewable raw materials, such as those offered in our Specialty Polymers ECHO portfolio. In addition to the ongoing work of our Global Business Units, our renewable materials and biotechnology growth platform, launched in 2022, will play a key role in accelerating our efforts to embed circularity and sustainability into our businesses.

Naternal™: biodegradable-by-design beauty care

— In 2023, we launched Naternal™, our new brand of bio-based biodegradable polymers for biodegradable-by-design hair and skin care solutions. The brand embraces the concept of regenerative beauty, going beyond sustainability to provide a product that is positive for both the planet and mankind. This means caring for every stakeholder in the value chain, from the planet and farming communities to brands and consumers.

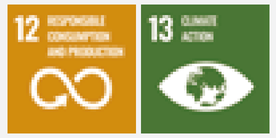
"THE INTRODUCTION OF NATERNAL™ CLEARLY DEMONSTRATES SYENSQO'S LONG-TERM COMMITMENT TO SUSTAINABLE GROWTH. NATERNAL™ REPRESENTS A NEW ERA, WHERE BEAUTY, THE PLANET AND FAIR TREATMENT OF FARMING COMMUNITIES CAN ALL BE BALANCED."

Jean-Guy Le-Helloco,
Vice-President Home and Personal Care

"UNTIL A YEAR AGO, I WAS STRUGGLING WITH LOW YIELD AND WATER LOSS IN MY FIELD. TODAY, I DON'T JUST ACHIEVE SUBSTANTIAL PRODUCTION, I'M ALSO ABLE TO CULTIVATE DURING WINTER SEASONS."

Dhannaram, a resident of Dudiwal, India, partnered with TechnoServe to construct a Khadin in his sloped field, to collect and store rainwater, addressing the challenges of high temperatures and water runoff. His guar crop production increased by 25-40%.

Our sustainable growth targets relate to two of the UN Sustainable Development Goals



Goals (baseline 2021)

Sustainable solutions driven by circularity	**18%** Circular revenues by 2030[1] 2023: **13%**

Syensqo is a global leader in naturally-derived polymers for beauty care formulations. Our Naternal™ range brings together all our biodegradable beauty care polymers, including guar and other natural feedstocks. These products are aligned with the biodegradable-by-design approach, which aims to integrate end-of-life management into the early stages of research, ensuring that product development is driven by both application and end-of-life performance.

Over the next few years, we plan to add new solutions and chemistries to our Naternal™ range. This effort will be supported by our renewable materials and biotechnology growth platform, which focuses research and innovation on using renewable feedstocks and biotechnology to develop innovative, safe and sustainable solutions.

UP: home and beauty care solutions that protect the environment without compromising on performance

— As consumer trends shift and the market moves toward natural and circular materials, beauty and detergent companies must switch to more sustainable feedstocks. However, this switch is technically challenging due to the lack of direct replacements and the limited availability of natural feedstocks.

To address this, Syensqo launched our UP range: circular mass balance[3] solutions that utilize upcycled circular raw materials. They offer identical performance to traditional fossil-feedstock-based alternatives, but with two key advantages: a significantly lower CO_2 footprint and an overall positive impact on environmental aspects, such as land use and water consumption. And as the final product specifications are exactly the same as their fossil-feedstock-based counterparts, our UP range can be used as "drop-in" replacements. Our Mirataine® CBS UP, for example, is used in several key home and beauty care applications, such as hand, dish and body washes and can be used as a direct replacement for its fossil-feedstock-based equivalent.

Setting the standard in sustainable guar farming

— Guar gum can be used as a thickening agent, stabilizer and binder in various industries. Made from the guar bean, a legume that is cultivated in the semi-arid regions of northern India, it's a renewable resource that helps us respond to growing customer demand for natural, sustainable and circular solutions. However, as industrial demand for guar has grown, environmental challenges have also emerged. The Sustainable Guar Initiative (SGI), which we set up alongside L'Oréal and international NGO TechnoServe in 2015, aims to address these issues, by ensuring higher and fairer prices for farmers, and encouraging better and more sustainable agricultural practices.

The program also offers training and education programs in domains such as water management and nutrition, and aims to empower women farmers, through training focused on hygiene, health, nutrition and digital literacy.

In 2023, the SGI launched an agroforestry pilot project, with the aim of introducing farmers to more regenerative farming practices, providing cover for guar, and capturing and storing CO_2. Twenty-five agroforestry plots were planted in 2023, and the plan is to scale it up to one million trees in the next three years, once we develop an appropriate model. This work comes in addition to the establishment of four community plantations and two silvi pasture units – amounting to 69,000 trees planted in total – which have significantly increased guar cover, and improved soil quality and access to fodder grass.

About 12,500 farmers – 3,500 of which are women – across 60 villages in Rajasthan are now covered by the SGI. International companies Henkel and Procter & Gamble joined in 2017 and 2022 respectively, and negotiations are ongoing to develop new partnerships, including for new markets, such as the agrochemical industry.

1. Reference year 2021.
2. Our circularity KPI encompasses products either: based on recycled or renewable materials, produced with renewable energy, with increasing longevity in the use phase or enabling recycling at the end of life.
3. The Mass Balance (MB) approach tracks the sustainability of a product through the whole value chain, driving the industry toward adopting critical environmental best practices.

FOCUS

SPM: A key tool in our decision-making process

Our Sustainable Portfolio Management tool was launched in 2012 as a way to assess the sustainability of our products and help us communicate this to our customers. SPM evaluates the risks and opportunities of our portfolio, taking into account the social and environmental impact of our operations, and the market trends and signals. The information we gather through the tool informs key business decisions, facilitating sustainable growth in the long-term. In 2023, 60% of our portfolio was considered a solution under the SPM tool. Examples of our solution products include ultra-barrier film for pharmaceutical blister packaging, polymers for reverse osmosis water treatment and renewable-based solvents for agro applications.

Stepping up our climate commitment

Building on the success of the Solvay One Planet sustainability roadmap, we have intensified our climate ambitions, setting more demanding targets for reducing Scope 1, 2 and 3 emissions, and committing to achieving carbon neutrality by 2040. Our new targets are aligned with the Paris Climate Agreement's most ambitious trajectory, aiming to limit global warming to 1.5° celsius. We will seek validation of these goals from the Science Based Targets initiative (SBTi) in 2024, improving on our previous "well below 2°C" SBTi target.

Forty-seven projects to enable our energy transition

— In 2023, we delivered a reduction of 15% for Scope 1 and 2 greenhouse gas (GHG) emissions. Of these, 11% are structural reductions achieved through our portfolio of energy transition projects. This equates to a reduction of 0.5Mt of CO_2 since the 2021 baseline, or 25% at constant scope.

We have launched 47 projects globally since 2018 to transition to green energy, accelerate electrification and improve processes, all reducing Scope 1 and 2 emissions. Seventy-three percent of our sites are now using 100% renewable purchased electricity.

A carbon neutrality plan for our Saint-Fons site in France

— In March 2023, we unveiled plans to decarbonize our Aroma Performance plant in Saint-Fons, France. With more than 95% of its energy coming from renewable sources, the site will become the first aroma plant in the world to be powered by renewable energy by 2026. For the 5% residual emissions that are too hard to abate, we plan to achieve carbon neutrality through high-integrity, nature-based offsets. These developments will allow us to bring products with a lower carbon footprint to market and deepen engagement with customers who are actively pursuing climate impact reductions. All our decarbonization initiatives at Saint-Fons combined will reduce the plant's GHG emissions by 75 kilotons per year compared to 2018 levels – the equivalent of removing 45,000 combustion engine cars from the road.

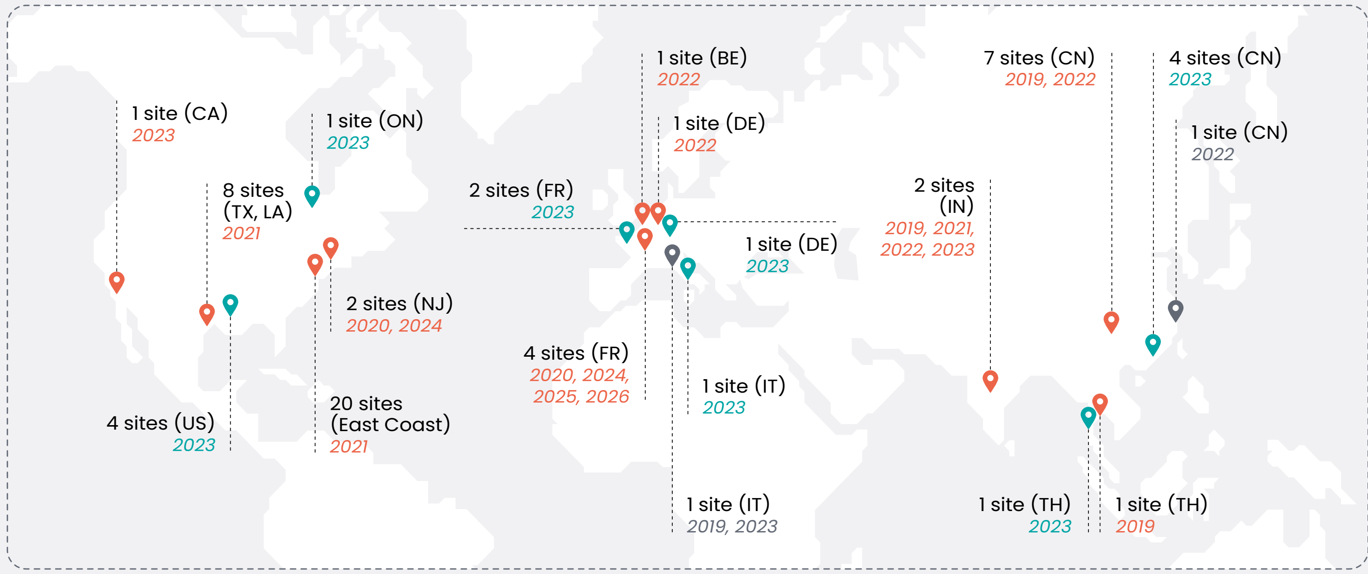
Accelerating on Scope 3

— Scope 3 emissions are GHG emissions occurring in the value chain that are associated with our activities. Specifically, they are emissions that occur at suppliers' sites, or earlier in the supply chain, as well as at customers' sites, when the consumer uses our product or at the end of a product's life. Syensqo is one of the few companies in the global chemical sector to have set such a high Scope 3 emissions reduction target that covers emissions both upstream and downstream in the value chain[3].

Reducing Scope 3 emissions requires close cooperation with our suppliers and customers. In 2023, we achieved a reduction of 1Mt of CO_2, or 14%, for our Focus 5[1] categories of Scope 3 emissions since 2021, at constant scope. Of these, 11% are structural reductions. This reduction came as a result of portfolio management and the phasing out of a high impact product. The majority of our efforts this year have focused on establishing the foundations that will enable us to make the next structural reductions to reach our new Scope 3 target. This includes deploying the latest digitization capabilities for measuring product carbon footprint and aligning on emissions data with suppliers and customers, intensifying collaboration with suppliers to enable lower carbon footprints for raw materials, and leveraging the power of mass balance to expand our offer of low carbon alternatives for the benefit of our customers.

Accelerating the energy transition

- Renewable energy (solar, wind, biomass, biogas)
- Process efficiency (electrification, waste heat recovery, equipment optimization)
- Other (energy mix, industrial emissions)



Advancing efforts to reduce emissions with our new product carbon footprint tool

— In 2023, we launched our new automated tool for measuring product carbon footprint (PCF), rolling it out across five of our Novecare business sites, in France and the US, and preparing to extend use of the tool globally. PCF is a measurement that takes into account all greenhouse gas emissions generated by a product, from raw material extraction to when it leaves the Syensqo factory (cradle to gate). Being able to quickly and efficiently calculate it will help both us and our customers reach Scope 3 emissions reduction targets.

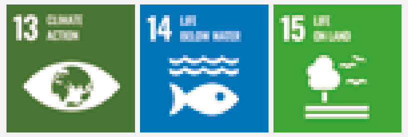
Our PCF tool is aligned with customer needs and industry guidelines, including the Product Carbon Footprint Guideline for the Chemical Industry issued by Together for Sustainability (TfS). It enables our businesses to quickly calculate the PCF of each of our commercial products. This will allow us to identify areas where we can reduce emissions and track our progress over time, and it will make it easier to initiate collaborative projects with suppliers and customers across the value chain to develop innovative and climate-friendly solutions that respond to customer needs. In 2023, we also began preparations to extend use of the tool to our Specialty Polymers business.

Expanding our mass balance portfolio

— Our Scope 3 strategy includes switching to "renewable carbon", moving from fossil-based raw materials to bio- and recycled-based raw materials and using high-integrity certification schemes for mass balancing. Integrating these circular raw materials into our solutions enables us to offer products with a lower carbon footprint and reduced fossil-based feedstocks, reducing supplier-side Scope 3 emissions for both Syensqo and our customers.

The mass balance concept is a globally-recognized industry approach that provides a defined set of rules for tracking and tracing

Our climate targets relate to three of the UN Sustainable Development Goals



Goals (baseline 2021)

Carbon neutral Scope 1 and 2 by 2040	**-40%** Scope 1 and 2 by 2030[1] 2023: **-0.5Mt**[2] -25% (-20% structural)	**-23%** Focus 5 categories of Scope 3 by 2030[1] 2023: **-1Mt**[2] -14% (-11% structural)

1. Reference year 2021. For Scope 3, the Focus 5 categories are: (1) purchased goods and services and (2) fuel-and energy-related activities (both upstream) and (3) processing of sold products, (4) use of sold products and (5) end-of-life treatment of sold products (all downstream).
2. At constant scope.
3. Our Scope 3 target refers to the Focus 5 categories of Scope 3 outlined above.

Local biodiversity roadmaps being developed and implemented on our sites

- Roadmap developed
- Roadmap under implementation

Initiatives to reduce freshwater intake underway at most of our sites
Our most advanced projects

- Operational projects
- Ongoing feasibility study
- Committed projects

Cooling or process water optimization

Effluent recycle

FOCUS

Addressing our energy consumption and mix

By the end of 2023, we had covered 75% of our global primary energy consumption under the energy transition part of our Star Factory program. This included identifying new projects and creating plant-level 2030 roadmaps to enable energy efficiency gains or facilitate the shift to renewable energy sources. At our Hengchang site in China, for example, we have installed vapor recompression technology to enable energy efficiency gains and switched a fuel source from coal to gas, generating overall reductions equivalent to 3% of Syensqo's Scope 1 and 2 emissions.

FOCUS

A Specialty Polymers portfolio designed to accelerate the transition to a carbon-neutral future

In 2023, we launched our ECHO portfolio, designed to make it easier for customers to source the specialty polymer solutions they need to accelerate on their carbon-neutrality journeys. Engineered with bio-based, recycled and mass balance-certified raw materials, the products in this portfolio provide more sustainable and circular alternatives to conventional fossil-derived materials, without compromising on performance. Most offer PCF reductions of up to 20% and as high as 60% in some cases.

the content of circular and renewable feedstock in materials and end products. All of the products in our growing mass balance portfolio are produced in our International Sustainability and Carbon Certification (ISCC-PLUS) certified plants. This certification allows us to verify the use of bio, bio-circular and circular raw materials as replacements for fossil resources in our products, lending credibility to our own and our customers' sustainability claims.

Decarbonizing our supply chain: a step change in carbon content measurement in sourcing

— Our upstream Scope 3 emissions are related to the actions of our suppliers. Mobilizing our supply chain to reduce the impact of raw materials is a key priority, helping us to achieve our Scope 3 target and improve our offering of low carbon footprint products.

We have continued to collect PCFs from the raw material suppliers that make the highest contributions to our GHG emissions. By late 2023, PCFs received and passing our quality standards accounted for 40% of Scope 3 emissions for our purchases of raw materials, surpassing our target for the year of a 35% coverage rate. Our efforts will continue into 2024.

To make further progress in reaching our Scope 3 target, at the end of 2023 we engaged with our top raw materials suppliers on their climate strategy and decarbonization action plans. This will allow us to better understand their plans and to discuss with them opportunities to improve. This will continue into 2024.

Having an impact beyond our Scope 3: avoided emissions

— One area that is not counted in our Scope 3 measurements is the role our solutions play in avoiding emissions. Through our Sustainable Portfolio Management tool, we have identified €1.2 billion in turnover that contributes to reducing climate impact. We offer several products that play a key role in enabling electrification and the switch to renewable energy, for example, such as our battery materials and our solutions for green hydrogen.

Our products also enable energy savings, by improving energy efficiency. Fuseply®, for example, is an innovative new adhesive bonding product, introduced to the market in 2023. It provides customers with a reliable way of bonding composite structures, eliminating the need to use fasteners, which add weight. This allows them to take full advantage of the lightweighting potential of composites - and lighter aircraft produce less emissions.

Reducing our impact on nature

— We have implemented multiple actions and concrete projects to address biodiversity, water use and the disposal of industrial waste at each of our sites, through the Star Factory program. This is essential to minimize our impact on the environment, preserve scarce resources and regenerate biodiversity. These projects also help us create value for our customers and other stakeholders, as more sustainable sites and processes will enable us to create more sustainable products.

Improving the biodiversity of our sites

— Preserving the world's ecosystems is essential for human, animal and plant health. In 2023, we focused our attention on local efforts, developing roadmaps to restore biodiversity in and around our sites. This is the case for fifteen sites and our aim is for all our industrial sites to have developed a roadmap by the end of 2024. Actions implemented at our Oldbury site in the UK, our Clamecy and Saint-Fons sites in France and our Hengchang site in China, for instance, include

IN CONVERSATION WITH

Dinand Tijhuis, from 2Masters

What is your relationship with Syensqo?
D.T. — 2Masters and Syensqo have maintained a longstanding strategic partnership dating back many years, and this enduring relationship continues to flourish. Having operated in the polymer industry since the 1990s, we are committed to sustaining and nurturing this partnership for many more years, with the shared hope for continued sustainable growth and collaboration.

What is your organization doing to reduce its carbon footprint and how is Syensqo helping you to do this?
D.T. — In our collaboration, Syensqo's sustainability commitment has notably inspired 2Masters, driven by Syensqo's leadership in programs such as Ecovadis and TfS. This is evident in 2Masters' recent move to an energy-neutral facility in December 2022, showcasing our sustainability mindset. Features like using cooling water for heating, motion-activated LED lighting, improved waste management and 723 photovoltaic panels powering operations highlight this integration.

How could we work better together to further reduce our impact on the planet and society?
D.T. — Sustainability is deeply embedded in our way of working – it's a regular topic in our discussions with Syensqo. Together, we will continue to strive for further investigation and implementation of energy-saving technologies, driving continuous improvement in sustainability across our operations. We eagerly anticipate exploring new initiatives with Syensqo that will enable us to take additional steps in reducing our joint carbon footprint across the entire value chain.

Our most advanced recovery projects in a pipeline addressing 40kt/year of non-sustainable industrial waste

- Operational projects
- Ongoing feasibility study
- Hazardous waste diverted from landfill

Reduce
Reuse
Recycle
Waste to cement
Waste to energy

FOCUS

Developing our Aroma Performance mass balance portfolio

Our Aroma Performance sites in Saint-Fons and Melle, in France, received ISCC PLUS certifications for the production of specific ingredients between late 2022 and 2023. This growing Aroma Performance mass balance portfolio includes:

- Rhovanil® MB, the world's first ISCC Plus mass balance certified range of high-purity vanillin.
- Hydroquinone (HQ MB) and hydroquinone monomethylether (MeHQ MB), which can be used as building blocks in the formulation of polyetherether ketone (PEEK) and other high-performance engineering thermoplastics.
- The first mass balance certified cyclopentanone, an ingredient used in perfume and a number of other applications, including as a solvent for electronics.

The development of this portfolio is driven by consumer demand and aligned with megatrends such as resource efficiency, reduced carbon footprint of solutions and sustainable sourcing. We work closely with our customers to help them address the challenges they face. Mass balance either provides the final solution or serves as a viable transition product to the development of a completely bio-based solution. The CO_2 footprint of our mass balance HQ is 43% lower than Syensqo's synthetic HQ, while the equivalent reduction for vanillin is 30%.

setting up insect hotels and beehives, developing participative gardens, tree planting and removing invasive species.

Syensqo is a member of the Wildlife Habitat Council, an international NGO that helps us to identify areas for improvement in the actions we take, both at our sites and in collaboration with local stakeholders.

A comprehensive approach to reducing our freshwater intake

— Syensqo's freshwater intake (FWI) trajectory continued to move in the right direction in 2023. The final result of 77.7Mm³ was 11% lower than in 2022. Through our Star Factory program, we aim to define a clear roadmap for addressing water scarcity at each of our plants, outlining targeted actions that will reduce our freshwater intake in the long term. Most sites have now designed their roadmaps and many are now implementing them. As part of the process, we are encouraging site leaders to integrate sustainability indicators into their performance management systems. Examples in 2023 include:

- **Tavaux, France:** We reduced freshwater intake by 4%, or 460km³, compared to 2022, by optimizing the water cooling loop that serves our energy and PVDF services at the site.
- **Borger, Texas, US:** The site made improvements to its reverse osmosis recovery system, decreasing water requirements by 31km³.
- **Feixiang, China:** Through a combination of several initiatives, we achieved freshwater savings of up to 80km³ per year. One project involved recovering and treating discharged effluent water, so it could be reused as cooling tower water, deionized water and steam. It was replicated elsewhere at the site and also helped to reduce energy use, CO_2 emissions and costs.

Keeping up momentum in industrial waste reduction

— Non-sustainable industrial waste (NSIW) is waste that is landfilled or incinerated without energy recovery. Reducing NSIW means finding ways to valorize it, either by reducing it at the source, reusing it in the same process, recycling it in another process or recovering energy from it. The NSIW trajectory remained on track in 2023, with a final result of 35.1kt, 12% lower than in 2022. Some of our achievements in 2023 include:

- **Tavaux, France:** The site reduced suspended solids in effluents by 300 tons and became one of the first in Europe to be awarded the Operation Clean Sweep (OCS) certification, aimed at reducing microplastic emissions into water and air.
- **Borger, Texas, US:** As part of a project to optimize production of our Ryton® polyphenylene sulfide (PPS), the plant launched two programs in 2022 to recycle monomer waste and reduce the amount of plastic waste sent to landfill, reintroducing a previously unsuccessful recycling program for dichlorobenzene (DCB) monomer waste. In 2023, the amount of monomer waste generated and amount of landfilled plastic waste was reduced by 88% and 91% respectively, compared to 2021.
- **West Deptford, New Jersey, US:** We implemented a project aimed at reducing the amount of inorganic sludges generated by the plant, achieving a structural reduction of solid waste to landfill of 222 tons in 2023, compared to 2022.
- **Roha, India:** The site diverted sludges from landfill to incineration, enabling energy recovery. The ashes are used to make cement, saving 20 tons of waste per year.

Transforming our industrial sites into star factories

— Our Star Factory program is designed to help us meet increasingly high customer expectations. Through the program, we aim to transform our factories, so that they are best-in-class in all areas. The program is now underway at 19 Syensqo sites. Fifteen joined the program in 2023 and we aim to extend it to our remaining 37 industrial sites before the end of 2024. Star Factory focuses on four main areas:

- **Operational excellence:** implementing best practice and leveraging digital technologies to achieve and maintain best-in-industry excellence.
- **Sustainability:** developing sustainability roadmaps for each of our sites to help reduce their environmental footprint and improve their diversity, equity and inclusion performance.
- **Digital:** using digital technologies to accelerate delivery of digital- and data-enabled value for our customers.
- **People development:** upskilling our manufacturing teams, equipping them with the right capabilities to help them achieve their objectives and act as an incubator for future generations of talents.

One of our main areas of focus is getting our sites to make progress on energy efficiency, energy transition and GHG emissions reduction projects that benefit our businesses and the environment. We have now launched around 2,000 initiatives as part of our Star Factory program and about a quarter are designed to advance our sustainability ambitions. At our Tavaux site, in France, for example, we carried out an energy audit to identify "quick wins" to improve energy performance. By reducing the pressure set point for the water feeding the super pressure pumps for the site's boilers, we reduced CO_2 emissions by 317 tons per year.

IN CONVERSATION WITH

Mohit Jalote, Industrial Director for India and Operations Manager for Syensqo's Roha site in India

When did your site join the Star Factory program and what have you achieved so far?

M.J.— Roha joined the Star Factory program in the second quarter of 2023. Our key achievement so far has been the creation of a strategic roadmap. It provides a comprehensive overview of our site's potential, based on an in-depth analysis of our operations, market dynamics and growth opportunities. Star Factory has allowed us to formulate a visionary roadmap that aligns seamlessly with our ambitious objective of achieving €120 million in sales, with a contribution margin (CM) of 40%, by 2030.

With the help of the Star Factory program, what do you aim to achieve at the site in the long term?

M.J.— Our site's long-term objectives include financial prosperity, operational excellence, market leadership, sustainability and the scalable implementation of successful strategies. To achieve these objectives we will need to adopt digitalization and implement creative solutions that expedite procedures, maximize resource use, take advantage of growth opportunities and stay ahead of industry trends, and incorporate more environmentally-friendly practices into our operations, among other actions. One of the big benefits of the program is being able to share successful strategies with other Syensqo businesses, to drive success across all our sites.

What benefits will this have for customers, local communities and the environment by 2030?

M.J.— Our focus on innovation and quality improvement, and on digital transformation efforts aimed at streamlining processes and making interactions more efficient, will ensure enhanced products and services for customers. Market leadership and strategic growth initiatives will result in an expansion of our product and service offerings, and we will also be able to offer our customers more sustainable options.

We want to ensure Roha is an active and constructive part of local society. Growth will lead to more local employment opportunities, and the new skills and knowledge our team gains through Star Factory will help foster local talent. We also intend to actively engage with our local communities through partnerships, sponsorships and social initiatives.

On top of this, Star Factory will allow us to implement sustainable processes and technologies that will reduce our environmental footprint, by conserving resources and reducing waste. There will be greater potential for the development and promotion of environmentally friendly products, and by optimizing our operations and implementing green technologies we aim to reduce our overall carbon footprint.

ONE PLANET: BETTER LIFE

A long-standing commitment to creating a better life for all

Improving quality of life and well-being for our employees and the communities we serve is in our DNA. Employee and community welfare programs were implemented by our founder, Ernest Solvay, as early as the 1880s, as a way of ensuring that our workforce could perform at its best. Through the better life pillar of our sustainability roadmap, we aim to continue this tradition by creating a safe, fair and inclusive workplace, and acting in a way that benefits society as a whole.

Our better life targets relate to three of the UN Sustainable Development Goals

Goals (baseline 2021)

Safety RIIR[1] Aim for **zero** 2023: **0.28**	Gender parity[2] by 2033 2023: **28%**	Living wage to 100% of workforce by **2026**

1. Reportable Injuries and Illnesses per 200,000 work hours
2. Mid and senior management

FOCUS

Changshu, China: a site that cares

As part of the Star Factory program, Changshu aims to create a site that prioritizes caring for its people, its customers and the planet. Building on existing DEI initiatives, the site has set several goals aimed at reinforcing a work culture that embraces diversity and empowers employees. These include improving gender balance and doubling the presence of women in site management teams, improving disability inclusion and creating a safe and inclusive work environment where everyone feels supported.

"THE INCLUSIVE LEADERSHIP WORKSHOP HELPS EVERYONE TO IDENTIFY AND ELIMINATE BIAS IN OUR DAILY WORK, SO THAT WE CAN INSPIRE AND SUPPORT EACH OTHER BETTER, AND ESTABLISH A MORE EFFICIENT TEAM. AN INCLUSIVE TEAM BENEFITS EACH TEAM MEMBER."

Qian Lu, R&I Lab Manager and inclusive leadership workshop participant

Committed to being a responsible employer

— Through our Better Life at Work program, we offer a range of well-being webinars and workshops, available to all Syensqo employees worldwide. In 2023, these included well-being at work sessions facilitated by certified psychologists. In March and October 2023, we organized two special webinars, focused on understanding menopause in the workplace and on how to tackle burnout in the workplace. All employees and members of their households have access to our Employee Assistance Program, which includes free psychological support, well-being advice, life coaching and mindfulness and we offer flexible working frameworks for all of the countries we operate in.

A strong commitment to ethics and compliance

— Ethical and compliant behavior is essential to how Syensqo does business. In 2023, we published a new section on our corporate website, highlighting our commitment to ethics and compliance, our Code of Business Integrity and our policies, actions and audited data. All our employees undertake compulsory annual training, and we offer a Speak Up service, which employees and third parties can use to safely report or seek assistance if they witness inappropriate or unethical behavior.

Ensuring our employees receive a fair living wage

— In 2023, we joined the UN Global Compact call for action on living wage. This will allow us to ensure that all our employees worldwide receive a fair living wage, which equates to remuneration sufficient for each employee to afford a fair standard of living.

To achieve this, we are partnering with the Fair Wage Network, an independent organization helping us to ensure fair wage practices. The first assessments are currently taking place in China, the US and the UK, which represents about 55% of Syensqo's workforce. We will report annually to the UN Global Compact on our progress.

Our living wage initiative complements our Syensqo Cares program, which provides all our employees with social benefits, including 16 weeks of parental or adoption leave for both parents, regardless of sexual orientation. The program now includes five days per year for employees with unexpected caregiving duties, complementing any provisions in local legislation. We also created a holiday donation bank for employees to use for caregiving purposes.

Our employees can count on the Solidarity Fund to help them and their communities in challenging times. Since 2020, the Fund has donated close to €11 million to help individuals and communities facing hardship. In 2023, it was used to finance emergency efforts following the earthquakes in Turkey, Syria and Morocco and continuing initiatives related to Ukraine. The Fund's impact activity report details its 2023 activities.

The importance of social dialog

— Good social dialogue is vital to business success. Employees' representatives at Syensqo are always informed about strategic decisions and we encourage feedback, because if employees understand our intentions, we are more likely to be able to build trust and increase motivation. This process ensures a high level of transparency, maturity and trust between senior management and employee representatives, and is something that undoubtedly contributed to the success of our separation from Solvay.

Throughout the separation (Po2) project, both the Solvay Global Forum (SGF) and the European Works Council (EWC) consulted closely, through a "Po2 Ad Hoc Committee". It was therefore possible to address representatives' concerns at an early stage and provide responses. This included putting in place support for exiting Transitional Service Agreements (TSAs). We were also able to ensure the new Global Forum of Syensqo (GFS) and EWC were active as soon as the spinoff took place.

Responsible management of PFAS

— In 2023, we reached an agreement with the New Jersey Department of Environmental Protection (NJDEP) to resolve the NJDEP's litigation for the clean up of historical PFAS contamination and to recover Natural Resource Damages associated with our West Deptford site. Under the settlement, Syensqo agreed to investigate, test for and remediate PFAS contamination throughout the area near the site, including contamination for which we believe other sources are responsible. This agreement represents a constructive and timely path toward remediating PFAS in the environment, while allowing us to recover costs from other sources of PFAS. It is Syensqo's latest step in our journey to responsibly manage fluorosurfactant use at our West Deptford site, following elimination of the use of all fluorosurfactants in the US in July 2021.

As we focus on innovation to constantly improve the sustainability of our products and processes, we are also investing in emerging technologies that can destroy fluorosurfactants remaining in the environment. This includes working with several partners at the forefront of biodegradation technologies, including Princeton University and the University of Belgrade, that have the ability to develop organisms or enzymes to destroy PFAS molecules. In addition, we are investing in our own research on the chemical degradation of PFAS through mineralization.

Syensqo has been innovating to find alternatives for the PFAS substances that may trigger concern, which is why our focus has been on phasing out the use of fluorosurfactants. In 2022, Syensqo committed to voluntarily phasing out use of fluorosurfactants from the PFAS family of chemicals by 2026, by investing in new technological innovations that advance our sustainability ambitions. While this transition occurs, we keep investing in state of the art technologies enabling us to reduce our fluorosurfactant emissions by nearly 100% – a level known as technical zero.

In February 2023, the national competent authorities of The Netherlands, Denmark, Germany, Sweden and Norway submitted an EU Restriction proposal of PFAS under the EU REACH Regulation. The proposal, however, is much wider in scope, also covering chemically inert fluoropolymers that are critical to the future development of a sustainable society. Syensqo believes in responsibly making, processing and using fluoropolymers. We therefore advocate for a science-based, targeted regulation of PFAS. A wide ban of the entire family of chemicals would actually hamper the EU's ability to achieve its climate objectives and succeed in its transition to a low-carbon society.

We are actively engaging with relevant stakeholders on this topic and will continue to do so, promoting responsible and science-based management of PFAS.

Engaging with local communities

— Building strong and mutually beneficial relationships with the communities in which our sites are located will allow us to advance initiatives that benefit both people and the planet. Many of our sites operate local engagement programs that allow communities to better understand our activities and ensure that we address any concerns.

- **Fabbriche Aperte Lab, Spinetta Marengo, Italy:** Showcasing the work we do to ensure the safety, health and prosperity of our local communities is particularly important at Spinetta. In 2023, more than 300 members of the local community participated in our Fabbriche Aperte Lab initiative. Facilitated by 100 employee volunteers, this series of five, interactive "Open Lab" events each covered a topic of local interest or concern. The events allowed local people to get a real sense of what the site currently does, generating engagement and trust through open dialogue, and helping people understand the benefits of our work.
- **The Residents' Committee, Oldbury, United Kingdom:** In early 2024, Oldbury celebrated the 160th meeting of its Residents' Committee, which is run by local residents and hosted by the site. The Committee meets every quarter, allowing the site to update the local community on the work it is doing, new developments and community actions. The meetings allow the site to maintain an open dialogue and to get involved in other events. Oldbury distributes communication material to all households within a 1km radius, engages in fundraising and organizes activities showcasing lab experiments or biodiversity initiatives.
- **Chemical Grade 10, Itatiba, Brazil:** Since 2018, Itatiba has participated in an educational program that recognizes the 50 best students in the city's public schools. As part of this program, the top five students in chemistry are recognized by Syensqo as Chemical Grade 10. The site awards the top two students with laptops and the other three with tablets to help them in their studies, and welcomes all 50 students for a plant visit. In 2023, we received special recognition from Itatiba city hall for the site's contributions to local education.
- **Responding to local emergencies, Zhangjiagang, China:** Syensqo's health, safety and environment emergency response plan (HSE ERP) team in Zhangjiagang has participated in responses to local emergencies many times and has been recognized and praised by the local government for its efforts. In 2023, for example, the team participated in rescue work relating to a gasoline leakage, playing a key role in mitigating losses and reducing the impact of accidents.

"AS THE PROGRAM DEVELOPED, I QUICKLY REALIZED THE BENEFITS OF MENTORING APPLY TO BOTH SIDES. SHARING HOW I FELT AT DIFFERENT PHASES OF LIFE HELPED ME TO DISCOVER LESSONS THAT WERE BENEFICIAL FOR ME AND HOPEFULLY PROVIDED THE MENTEES WITH ANOTHER PERSPECTIVE."

Massimo Genoni,
Vice President, Product and Asset Management

Embedding DEI in the way we do business

— Establishing and maintaining a diverse workforce, providing equal career opportunities and making all our employees feel included, respected for who they are and valued for their contributions are key priorities for Syensqo. As a science company, we believe in the power of different ideas, perspectives and experiences to create breakthrough innovations. We prioritize DEI goals that can be measured, helping us identify areas where we have made progress and where we need to improve. We are also ambitious, with targets that cover the full DEI spectrum.

Making an impact

— Our approach builds on the legacy inherited from Solvay, which made DEI an integral part of our company culture. At Syensqo, we have revised our DEI strategy around four pillars with aspirational goals, measurable outcomes and an action plan. Our aim is to be best-in-class and recognized for offering an inclusive environment, equitable opportunities, diverse teams and engagement within our ecosystem. Our approach includes initiatives for leaders, employees and our value chains. We integrated DEI roadmaps into our Star Factory program and created a DEI Lab with our top clients and suppliers. In 2023, we included 10 concrete DEI initiatives in the variable part of our managers' remuneration.

Engaging our leaders

— Over 600 leaders from Solvay and Syensqo have now participated in our Inclusive Leadership Workshop. The workshop gives them the tools and resources they need to recognize unconscious bias, create an environment in which everyone feels valued, respected and included, and establish their own individual buy-in, by better understanding the business case for DEI. Held in a workshop format, it also gives leaders a space to engage in meaningful conversations with their peers, and share experiences and challenges.

In 2023, 19 leaders from Syensqo and Solvay took part in a mentorship program designed for members of our Employee Resource Groups (ERGs). This initiative followed through on one of the commitments included in the DEI pledge signed by Syensqo leaders in 2022: to engage in conversations with employees from under-represented groups and expand understanding of issues that might not directly affect them.

Focusing on our employees

— In partnership with Disability:IN, a nonprofit organization that works with businesses to improve disability inclusion, we started to implement the Disability Equality Index in 2023. This comprehensive benchmarking tool helps us advance Syensqo's disability inclusion practices. In alignment with the Index, we carried out qualitative interviews with various teams, and with volunteer employees willing to discuss their experiences relating to visual and hearing impairments and neurodiversity.

Through our ERGs, we give a platform to under-represented communities within Syensqo, with benefits for all employees. In 2023, for example, our X Factor ERG, which works on initiatives designed to promote, retain and attract women, launched a series of 14 testimonial videos, designed to help people of all genders to recognize their career blind spots, make the most of their talents and inspire them to go after their goals.

We have also succeeded in launching initiatives at shop floor level. Our Star Factory program aims to transform our manufacturing sites into "factories of the future", excelling in all areas. To do this, we need a workforce that is not only skilled, but also motivated and inspired. For this reason, DEI is now an integral part of the Star Factory program.

Collaborating with our customers and partners

— In 2023, Syensqo signed up to Unilever's Living Wage Promise. This specifies that anyone who directly provides goods and services to Unilever must earn at least a living wage. We are now assessing living wage equity within Syensqo and have promised to close any gaps in our own workforce before 2026, underlining our commitment to achieve the United Nations' Sustainable Development Goals.

We are also exploring ways in which we can promote diversity in our value chain. For example, we are now using Amazon Business Marketplace in North America to buy from and support diverse suppliers and we have worked with all of our strategic key account managers to increase their awareness of our DEI program so that they are better able to identify opportunities for more collaboration.

IN CONVERSATION WITH

Louise Collett, Global Forum of Syensqo Coordinator

What was the process involved in setting up the Global Forum of Syensqo?
L.C. — We discussed the new structure of the Global Forum of Syensqo prior to the spinoff. We examined the proposed global footprint of Syensqo and discussed the ratio of employees in different geographical areas, ensuring that seats at the Global Forum are allocated in a way that best represents our colleagues at Syensqo. The Global Forum Agreement established in Solvay was transferred to Syensqo and an endorsement was signed by Syensqo's Chief People Officer. This is when we became the Global Forum of Syensqo. We have held our first meeting and are now in the final stages of filling the vacant seats.
We are a new company and a new global forum but we bring with us knowledge and experience from representatives from the legacy of the Solvay Global Forum. This will be combined with new representatives and an appetite for increased collaboration and dialogue within the new Syensqo.

What are your priorities as the Global Forum Coordinator of Syensqo?
L.C. — Social dialogue at Syensqo is firmly built on the legacy of established social dialogue that existed at Solvay. We benefit from inherited agreements, including our renamed Syensqo Cares employee benefits package, and we will continue to ensure these agreements stay relevant to our workforce.
Another priority is making sure that all our colleagues, no matter where they work in the world, are paid a wage that allows them to ensure a good standard of living, and we will work with Syensqo to implement the living wage commitment by 2026.
It's clear that social dialogue is a key factor in a company's success, but also for the well-being of employees. In today's economy and pace of life, well-being at work and social dialogue go hand in hand. The world around us is changing rapidly, as is every aspect of the working day, as we move toward an even more digital work environment. It is important that Syensqo not only continues the legacy inherited from Solvay, but that it advances social dialogue and the well-being of employees in each country it operates in. I am excited to live our motto of advancing humanity.

Louise Collett was elected as the Coordinator of the new GFS, a global body for employee representation that represents the interests of all Syensqo colleagues worldwide.

Engaging with stakeholders

Advancing our sustainability ambitions involves strengthening bonds with our stakeholders — our customers, employees, investors, suppliers, local communities and the planet (governments and NGOs). We listen to their needs and respond to their feedback, collaborating to improve our collective impact on climate change, nature and quality of life, and support sustainable growth through creating more sustainable and circular solutions.

STAKEHOLDER

ENGAGEMENT AND ACTIONS

Customers

- Ambitious sustainability targets aligned with our growth strategy
- Engagement of major customers on common high materiality aspects (e.g. Sustainable Guar Initiative, seminars on reducing carbon footprint through upcycled surfactants, seminars on APE-free coatings, etc.)
- Direct contact with GBU teams (management, R&I, sales, supply chain)
- Close collaboration between key account managers and strategic customers
- Ratings questionnaires (CDP, EcoVadis)
- Sustainable Portfolio Management profiles
- Partnership with the Ellen MacArthur Foundation
- Product Carbon Footprint
- Renewable Carbon Index (RCI)
- Strong investments promoting sustainability of our products and processes

Employees

- Solidarity Fund to enhance solidarity between employees and regular Pulse surveys to identify areas for improvement regarding employee well-being
- Regular communication between CEO and employees (digital or onsite visits)
- Digital communication with employees
- Regular dialogue between managers and employees
- Social dialogue: labor relations dialogue with employee representative bodies at site, country, European and Group levels
- Annual Citizen Day (32 participating sites - more than 60 activities globally)
- Better Life at Work program
- Employee Assistance Program offering mental health support and additional services to employees and relatives
- Ensuring a living wage for 100% of employees by 2026
- 100% employees covered by collective agreement
- Global Forum of Syensqo: Employee representatives come from the US, Europe, China and India
- An average of 15 hours of training per employee
- Syensqo One Dignity program: six Employee Resource Groups (ERGs), six partnerships with NGOs (e.g. Disability:IN), mentoring programs (e.g. BeFace), a total of 325 women participating in the A Effect program since 2021, a review of website and physical accessibility (Wipro report)

Investors

- Responding to ratings agencies, credit rating agencies, proxy voting agencies
- One Capital Markets Day (CMD) and one post-CMD roadshow
- Six cities visited in Europe and the United States: London, New York, Brussels, Paris, Zurich, Frankfurt
- Five groups of sell-side engagement to “teach” Syensqo’s equity story
- Two conferences attended
- 80 in-person meetings and calls
- 110 investors met
- Proposed total gross dividend of €1.62, subject to AGM approval at the AGM in May 2024

Suppliers

- Supplier key account management
- Supplier commitment to Supplier Code of Business Integrity
- Ecovadis and other third party ESG assessments: 92% of our core suppliers
- Third-party audits through Together for Sustainability (TfS)
- Supplier Engagement Program and Product Carbon Footprint project
- Environmental, Social and Governance (ESG) risk management approach

Local communities

- Engagement at site level through Star Factory project and One Planet initiatives (biodiversity, Stop Office Waste program), developing and managing relationships with local stakeholders
- Partnership with Wildlife Habitat Council
- Annual Citizen Day at Group level. 2023 theme was the Group’s 160th anniversary, focusing on passing on knowledge, know-how and experience, and raising awareness about the Group’s heritage for future generations: 11,200 participations, of which 4,100 were from local communities, and more than 30 sites across the world participated
- Solidarity Fund supported more than 60 projects related to urgent needs (e.g. flooding) in 16 countries and donated €1.9M to several initiatives in Ukraine, as well as in Turkey, Syria and Morocco

Planet
(NGOs and governments)

- Constructive dialogue with public authorities on issues of legitimate interest to Syensqo
- Participation in global and regional trade associations (WBCSD, ICCA, BusinessEurope, CEFIC) and scientific organizations (IUCN, SETAC)
- Climate Impulse partnership
- Sustainability ambition for Syensqo: new ambitious goals defined through the One Planet sustainablility roadmap
- Confirmation of SDGs where Syensqo can have most impact across the value chain: SDGs 13, 14 and 15 on climate, SDGs 12 and 13 on sustainable growth and SDGs 3, 5 and 8 on better life
- Announced plans to reach carbon neutrality by 2040
- DEI partnerships with NGOs (e.g. Disability:IN)
- Roadmap to phase out fluorosurfactants in Italy, having already done so in the US

PERFORMANCE

Performance

1. OVERVIEW OF THE CONSOLIDATED RESULTS

1.1. Financial figures

1.1.1. Key financial figures

		IFRS			Underlying		
In € million	Notes	FY 2023	FY 2022	% YOY	FY 2023	FY 2022	% YOY
Net sales	B1	6,834	7,890	-13.4%	6,834	7,890	-13.4%
Net operating costs, excluding depreciation & amortization	B2	-5,548	-6,169	+10.1%	-5,216	-6,027	+13.5%
EBITDA	B3	1,286	1,720	-25.3%	1,618	1,863	-13.1%
EBITDA margin		-	-	-	23.7%	23.6%	+0.1pp
Depreciation, amortization & impairments	B4	-739	-622	-18.8%	-484	-482	-0.6%
EBIT		547	1,098	-50.2%	1,134	1,381	-17.9%
Net financial charges	B5	-158	-132	-19.6%	-159	-133	-20.1%
Income tax expenses	B6	-192	-2	n.m.	-218	-260	+15.9%
Tax rate	B6	-	-	-	23.0%	21.1%	+1.9pp
Profit/(loss) for the period		197	964	-79.6%	756	989	-23.6%
(Profit)/loss attributable to non-controlling interests		-3	-14	-76.0%	-4	-14	-72.5%
Profit/(loss) attributable to Syensqo shareholders		193	950	-79.6%	752	974	-22.8%
Basic earnings per share (in €)	B19	1.83	8.97	-79.6%	7.10	9.20	-22.8%
Dividend (1)	B20	1.62	-	n.m.	1.62	-	n.m.
Capex (total)	B8	-	-	-	848	642	+32.2%
Cash conversion	B8	-	-	-	47.6%	65.5%	-18.0pp
FCF to Syensqo shareholders	B9	-	-	-	448	577	-22.3%
FCF conversion ratio	B9	-	-	-	28.2%	31.4%	-3.2pp
Net working capital	B10	1,200	1,213	-1.07%	1,200	1,213	-1.07%
Net financial debt (2)	B11	1,584	3,814	-58.5%	1,584	3,814	-58.5%
Underlying leverage ratio	B11	-	-	-	1.0	2.0	-52.2%
ROCE	B13	-	-	-	10.6%	13.7%	-3.1pp
Research & innovation	B14	-	-	-	340	312	+12.4%
Research & innovation as % of sales	B14	-	-	-	5.0%	3.8%	+1.1pp

(1) Recommended dividend for 2023.
(2) Underlying net debt includes the perpetual hybrids bonds, accounted for as equity under IFRS.

1.1.2. Historical key financial data

		As published			
In € million		2020	2021	2022	2023
Income statement data					
Sales	a	5,381	6,032	8,123	7,065
Net sales	b	5,261	5,915	7,890	6,834
Underlying EBITDA	c	1,027	1,282	1,863	1,618
Underlying EBITDA margin	d	19.5%	21.7%	23.6%	23.7%
IFRS EBIT	e	-931	585	1,098	547
Underlying profit for the period	f	260	567	989	756
IFRS profit for the period	g	-1,282	453	964	197
Underlying profit attributable to Syensqo share	h	257	559	974	752
IFRS profit attributable to Syensqo share	i	-1,285	444	950	193
Cash flow data					
Capex	j	372	451	642	848
— of which from continuing operations	k	372	451	642	848
Cash conversion	l = (c-k)/c	63.8%	64.8%	65.5%	47.6%
FCF	m	572	243	577	448
FCF to Syensqo shareholders	n	572	243	577	448
Balance sheet data					
Net working capital	o	760	1,024	1,213	1,200
Net working capital/sales	p = μ(o/a)	14.1%	17.0%	15.2%	18.7%
Underlying net debt(1)	q = r+s	4,201	3,938	3,814	1,584
Perpetual hybrid bonds	r	-	-	-	500
IFRS net debt	s	4,201	3,938	3,814	1,084
IFRS equity	t	3,078	4,333	4,946	7,608
Equity attributable to non-controlling interests	u	13	18	24	42
Perpetual hybrid bonds in equity	v				500
Equity attributable to Syensqo share	w = t-u-v	3,065	4,315	4,922	7,066
Underlying leverage ratio	x = q/c	4.10	3.07	2.05	0.98
Other key data					
Research & innovation	A	241	254	302	340
Research & innovation as % of sales	B = -A/b	4.6%	4.3%	3.8%	5.0%

(1) Underlying net debt includes the perpetual hybrid bonds, accounted for as equity under IFRS.

The table above presents the historical figures of the Group as published at the reference date. These data have not been affected by possible subsequent restatements due to perimeter changes, IFRS/IAS standards evolution, changes in definition of APM, etc.

Over the reference periods, the following main changes have occurred:

2020:

At the end of December 2020, the assets and liabilities related to some businesses have been reclassified as "held for sale" (assets for a total amount of €118 million and liabilities for a total amount of €65 million):

- The commodity amphoterics surfactants activities in Novecare.
- The Process Materials business (part of Composites).

2021:

During 2021, the assets and liabilities related to the following businesses previously classified as "held for sale" were divested:

- The Process Materials business (part of Composite Materials).
- The Novecare amphoterics surfactants activities.
- The Novecare surfactants and antioxidants business in Rasal (India).

These divestments led to a decrease in sales of €133 million in 2021 compared to 2020. There was no material capital gain/loss on these divestments.

On July 1, Syensqo announced the closing of the acquisition, from Bayer, of a seed coating business, with facilities in Méréville, France, and tolling operations in the U.S. and Brazil. This is a natural extension to Syensqo's own AgRHO® family of sustainable seed boosting solutions (part of Novecare) and supports the drive toward more bio-based, sustainable technologies.

1.2. Extra-financial figures

In November 2023, we released our new, more ambitious sustainability targets, structured around three pillars: climate, growth and better life. Through our sustainability ambitions, we aim to drive more environmentally friendly solutions to our customers and make our own operations more sustainable. We also aim to design solutions for a better and more equitable life, for employees and across the value chain.

Climate	2023 vs 2021	2023	2021	2030 target
Scope 1 & Scope 2 GHG emissions (Mt)	20% Structural reduction(a)	1.6 Mt	2.1 Mt(b)	Reduce by 40%
"Focus 5" categories' Scope 3 GHG emissions (Mt)(c, d)	11% Structural reduction(a)	6.1 Mt(c)	7.1 Mt(b, c)	Reduce by 23%(e)
Growth	**2023 vs 2021**	**2023**	**2021**	**2030 target**
Circular sales(f)	+1pp	13%	12%	18%
Better life	**2023 vs 2021**	**2023**	**2021**	**target**
Safety Reportable Injury and Illness rate - RIIR(g)	38% Reduction	0.28	0.45	Aim for zero
% of women in middle & senior management(h)	+4pp	28%	24%(i)	Aim for gender parity by 2033

a) Structural reductions are linked to specific projects and recurring impacts. It excludes lower activity levels.
b) In 2021, Scope 1 & 2 of GHG emissions are at 2.1 Mt at constant scope with +0.1Mt led by change in the reporting scope. In 2021, Scope 3 GHG emissions for "focus five" categories are at 7.1Mt at constant scope +0.4Mt led by change in the reporting scope. Total Scope 3 GHG emissions at 8.4Mt in 2023 and at 8.5Mt in 2021 at constant scope.
c) Syensqo's "Focus 5" categories of Scope 3 GHG emissions are: (1) purchased goods and services (Category 1), which includes impacts of upstream transportation and distribution (Category 4) and waste generated in operations (Category 5); (2) fuel-and-energy-related activities (Category 3); (3) processing of sold products (Category 10); (4) use of sold products (Category 11); and (5) end-of-life treatment of sold products (Category 12).
d) Total Scope 3 greenhouse gas emissions indicator is in the scope of the reasonable assurance report from our independent auditor while Scope 3 "Focus 5" categories greenhouse gas emissions indicator is not in the scope of our independent auditor. A revision of the methodology for categories 3.1 (purchased goods and services), 3.4 (upstream transportation and distribution) and 3.5 (waste generated in operations) by the end of 2024 will address a limitation in accuracy identified in the existing methodology.
e) Reduce by 23% Scope 3 greenhouse gas emissions, as compared to 2021, from its "Focus 5" categories(c).
f) The Syensqo KPI is "share sales of product contributing circular economy." This approach has been reviewed by the Ellen MacArthur Foundation's Circulytics organization. We identified limits in accuracy to this approach as the cumulated mass of all reactants might be higher than the final mass of products for some products (due to evaporation processes, waste and by-product generation). Therefore, for year 2024, we will incrementally adopt the Renewable Carbon Index calculation approach, that will allow us to measure the molar content of renewable carbon from reactants included in the final product over the molar content of total carbon from the final product. This will help us bring the accuracy of renewable content measurement to the highest standard.
g) RIIR: (Reportable Injury and Illness rate): number of reportable injuries or illnesses per 200,000 work hours. Scope: Employees and contractors.
h) % of women in middle/senior management – Management categories are defined on the basis of the Hay Job Evaluation Methodology. Middle and senior management levels refer to the entire active internal workforce having Hay points above 530.
i) Figure published in the supplement to the registration document dated June 29, 2023.

Climate

In November 2023, we unveiled our plans to achieve carbon neutrality for Scope 1 and 2 emissions before 2040 across all businesses. In addition, we announced a target to reduce our greenhouse gas emissions by 40% by 2030, compared to 2021 levels. By the end of 2023, we had already achieved a 20% structural reduction in Scope 1 and 2 emissions, or half of our 2030 target.

Since 2018, Syensqo has launched 47 projects globally to drive our transition to green energy, accelerate electrification and improve processes, all focused on reducing Scope 1 and 2 emissions. By the end of 2023, 73% of our sites were procuring 100% renewable electricity.

In 2023, we also established another new and ambitious goal, targeting a 23% reduction of our Scope 3 greenhouse gas emissions from the "Focus 5"(c) categories by 2030, versus 2021. This target covers more than 73% of Syensqo's total Scope 3 emissions. By the end of 2023, we achieved a 11% structural reduction of "Focus 5" categories' Scope 3 GHG emissions.

Growth

Committed to the transition to a circular economy, Syensqo aims to increase the share of sales enabling circularity for our customers, targeting 18% of total net sales in 2030 (versus 12% of sales in 2021). In 2023, 13% of Syensqo's sales were generated by products that enable circularity, based on renewable raw materials and energy. Syensqo and the Ellen MacArthur Foundation have signed a Strategic Partner agreement for three years, focusing on advancing the circularity and sustainability agenda within the chemical sector. The partnership underscores Syensqo's commitment to actively contribute to the transformation of value chains to circular business models. This partnership will enable the Foundation network to continue relying on Syensqo's input and expertise, while also supporting its efforts to find new solutions to eliminate waste, make products and materials circular, and regenerate nature.

Better Life

The safety and wellbeing of our people is a key priority for Syensqo. In 2023, our reportable injury and illness rate (RIIR) decreased to 0.28 (versus 0.42 in 2022), an improvement of 38%.

During 2023, we also accelerated our progress towards gender parity. The share of women in middle and senior management reached 28%, an improvement of 400 basis points, compared to 2021. Syensqo has committed to reaching 100% employees earning living wage, according to the UN Global Compact definition, by 2026. Our living wage initiative complements the "Syensqo Cares" program, which provides all our employees with social benefits, such as disability leave, healthcare and life insurance as well as 16 weeks of parental or adoption leave for both parents, regardless of sexual orientation.

2. PREPARATION BACKGROUND

2.1. Comparability of results and reconciliation of underlying income statement indicators

In addition to IFRS accounts, Syensqo also presents alternative performance indicators ("underlying") to provide a more consistent and comparable indication of the Group's underlying financial performance and financial position, as well as cash flows. These indicators provide a balanced view of the Group's operations and are considered useful to investors, analysts and credit rating agencies as these measures provide relevant information on the Group's past or future performance, financial position or cash flows. These indicators are generally used in the sector it operates in and therefore serve as a useful aid for investors to compare the Group's performance with its peers. The underlying performance indicators adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds, classified as equity under IFRS but treated as debt in the underlying statements, for impairments and for other elements that would distort the analysis of the Group's underlying performance.

2.2. Alternative performance metric (APM)

Syensqo measures its financial performance using alternative performance metrics, which can be found below. Syensqo believes that these measurements are useful for analyzing and explaining changes and trends in its historical results of operations, as they allow performance to be compared on a consistent basis. Definitions of the different metrics presented here are included in the glossary at the end of this financial report.

2.3. Description of the operational segments

Syensqo is organized into three Operating Segments:

- Materials, consisting of the GBUs Composite Materials and Specialty Polymers. The Materials segment offers a unique portfolio of high-performance polymers and composite technologies used primarily in sustainable mobility applications. Its solutions enable weight reduction and enhance performance while improving CO2 and energy efficiency. Major markets served include next-generation mobility in automotive and aerospace, healthcare and electronics.
- Consumer & Resources offers unique formulation and application expertise through customized specialty formulations for surface chemistry and liquid behavior, maximizing yield and efficiency of the processes they are used in while minimizing the eco-impact. Novecare, Technology Solutions, Aroma, and Oil & Gas focus on specific areas such as resources (improving the extraction yield of metals, minerals and oil), industrial applications (such as coatings), and consumer goods and healthcare (including vanillin and guar for home and personal care).

- Corporate & Business Services includes corporate and other business services, such as research & innovation, cogeneration units dedicated to the Syensqo activities and new business development (NBD).

3. UNDERLYING GROUP FIGURES

Note B1: Net sales

Net sales of €6,834 million in 2023 declined by 13% on a reported basis, or 10% organically, versus a record 2022 performance, driven by lower volumes, particularly in the Consumer & Resources segment. This was partially offset by higher overall pricing, driven by the Materials segment.

Net sales – *in € million*	
FY 2022	7,890
Scope	-40
Forex conversion	-239
Volume & Mix	-845
Price	+68
FY 2023	6,834

SALES BY END-MARKET

2023 sales by end-markets

(in %)	Materials	Consumer & Resources	Syensqo
Automotive	25%	4%	16%
Aerospace	26%	0%	15%
Electronics	16%	1%	10%
Building	3%	9%	5%
Resources & Environment	7%	30%	17%
Consumers goods, Healthcare & HPC	12%	16%	13%
Agro, Feed & Food	3%	19%	10%
Industrial applications	8%	22%	14%
Syensqo	100%	100%	100%

Note B2: Underlying raw materials and energy costs

The overall raw materials expense of the Group amounted to circa €2.3 billion in 2023 (vs. €3.1 billion in 2022). The raw materials expense can be split into several categories: crude oil derivatives for 32%, minerals derivatives for 18% (e.g. glass fiber, phosphorus, sodium hydroxide, etc.), natural gas derivatives circa 4%, biochemicals for 9% (e.g. glycerol, guar, fatty alcohol, ethyl alcohol, etc.) and others for 37% (composites, etc.).

Net energy costs represented about €218 million (vs €367 million in 2022). The distribution per region is as follows: Europe 38%, Asia 31% and Americas 31%. The main energy source expenses are natural gas 35% (45% in 2022 and 35% in 2021), electricity 41% (32% in 2022 and 38% in 2021), and steam hydrogen biomass 23% (22% in 2022 and 26% in 2021).

More information on energy efficiency Is section 4.2 of the Extra-financial chapter.

Note B3: Underlying EBITDA

Underlying EBITDA evolution

Underlying EBITDA – *in € million*	
FY 2022	1,863
Scope	–15
Forex conversion	-53
Materials	+41
Consumer & Resources	-257
Corporate & Business Services	+40
FY 2023	1,618

Underlying EBITDA – *in € million*	
FY 2022	1,863
Scope	–15
Forex conversion	-53
Volume & Mix	-387
Net pricing	+248
Fixed costs	–7
Other	–30
FY 2023	1,618

Underlying EBITDA of €1,618 million in 2023 declined by 13% on a reported basis, or 10% organically, versus a record 2022 performance, driven by lower volumes described above. This was partially offset by positive net pricing, particularly in the Materials segment and, to a lesser extent, in the Consumer & Resources segment. On a full year basis, fixed costs remained broadly stable versus 2022, as inflationary pressures and an increase in operating expenses to support future growth were largely offset by cost saving initiatives. Underlying EBITDA margin of 23.7% in 2023 increased by 10 basis points versus 2022 as higher Materials EBITDA margin was offset by lower Consumer & Resources EBITDA margin.

Note B4: Underlying depreciation and amortization

Amortization, and depreciation and impairment charges were €484 million in 2023, compared to €482 million in 2022.

Note B5: Underlying net financial charges

In € million		FY 2023	FY 2022
Net cost of borrowings		-190	-133
Interest on loans and short-term deposits		81	34
Other gains and losses on net indebtedness		-24	-37
Net cost of borrowings	a	-133	-136
Coupons on perpetual hybrid bonds	b	-1	–
Cost of discounting provisions	c	-25	3
Net financial charges	d = a+b+c	-159	-133

The net cost of borrowings variance is mainly explained by the higher interest rates applicable to the borrowings, loans and internal bank accounts in place with the remaining Solvay Group.

The movement in other gains and losses on net indebtedness is largely attributable to foreign exchange results.

The cost of discounting provisions relates to post-employment benefits (net of the expected return on plan assets) and to environmental provisions; its increase is largely attributable to the evolution of the applicable discount rates.

Note B6: Underlying income taxes

In € million		FY 2023	FY 2022
Profit/(loss) for the period before taxes	a	974	1,248
Earnings from associates and joint ventures	b	25	16
Income taxes	c	-218	-260
Underlying tax rate	d = -c/(a-b)	23.0%	21.1%

The 1.9 percentage point increase is mainly due to the unfavorable mix of taxable profit by country.

Note B7: Capex

(in € million)		FY 2023	FY 2022
Acquisition (-) of tangible assets	a	-762	-522
of which capital expenditures required for the partial demerger and excluded from Free Cash Flow	b	54	-
Acquisition (-) of intangible assets	c	-88	-69
Payment of lease liabilities	d	-53	-51
Capex	e = a+b+c+d	-848	-642
Materials		-557	-400
Consumer & Resources		–217	-190
Corporate & Business Services		–74	-52
Underlying EBITDA	f	1,618	1,863
Materials		1,312	1,290
Consumer & Resources		458	749
Corporate & Business Services		-151	-177
Cash conversion	g = (e+f)f	47.6%	65.5%
Materials		57.5%	69.0%
Chemicals		52.6%	74.6%

Capex in continuing operations was €848 million in 2023, an increase of 32% compared to €642 million in 2022.

Note B8: Free Cash Flow

(in € million)		FY 2023	FY 2022
Cash flow from operating activities	a	1,275	1,336
of which voluntary pension contributions	b	-86	-
of which cash flow related to internal portfolio management and excluded from Free Cash Flow	c	-105	-6
Cash flow from investing activities	d	-1,231	-644
of which change in internal bank accounts with remaining Solvay Group	e	-570	-227
of which capital expenditures required for the partial demerger and excluded from Free Cash Flow	f	-54	-
Acquisition (-) of subsidiaries	g	-2	-
Acquisition (-) of investments – other	h	-14	-3
Loans to associates and non-consolidated companies and related parties	i	172	102
Sale (+) of subsidiaries and investments	j	32	66
Recognition of factored receivables	k	-	-26
Corporate costs after taxes	l	-51	-53
Payment of lease liabilities	m	-53	-51
FCF	n = a-b-c+d-e-f-g-h-i-j+k+l +m	568	682
Net interest received/(paid)	o	-119	-97
Dividends paid to non-controlling interests	p	-8	-8
Capital injection from non-controlling interests	q	7	-
FCF to Syensqo shareholders	r = n+o+p+q	448	577
FCF to Syensqo shareholders from continuing operations (LTM)	s	448	577
Dividends paid to non-controlling interests from continuing operations (LTM)	t	-8	-8
Underlying EBITDA (LTM)	u	1,618	1,863
FCF conversion ratio	v = (s-t)/u	28.2%	31.4%

Free Cash Flow to shareholders reached €448 million in 2023 versus €577 million in 2022, primarily due to lower profitability and higher capital expenditures, partially offset by cash inflows from working capital movements.

Note B9: Net working capital

(in € million)		December 31, 2023	December 31, 2022
Inventories	a	1,244	1,392
Trade receivables	b	907	1,027
Other current receivables	c	384	305
Trade payables	d	-918	-972
Other current liabilities	e	-417	-538
Net working capital	f= a+b+c+d+e	1,200	1,213
Quarterly sales	g	1,601	1,996
Annualized quarterly total sales	h = 4*g	6,404	7,984
Net working capital/sales	I=f/h	18.7%	15.2%

Net working capital over sales was 18.7% in 2023, due to lower sales in the fourth quarter.

Note B10: Underlying net debt

(in € million)		December 31, 2023	December 31, 2022
Non-current financial debt	a	-2,159	-1.851
Current financial debt	b	-154	-4,025
IFRS gross debt	c=a+b	-2,313	-5,877
Underlying gross debt	d=c+h	-2.813	-5,877
Other financial instruments (current + non-current)	e	78	1,818
Cash and cash equivalents	f	1,150	244
Total cash and cash equivalents	g=e+f	1,228	2,062
IFRS net debt	I=c+g	-1,084	-3,814
Perpetual hybrid bonds	h	-500	-
Underlying net debt	j=i+h	-1,584	-3,814
Underlying EBITDA (LTM)	k	1,618	1,863
Underlying leverage ratio	I=-j/k	1.0	2.0

Underlying net financial debt amounted to €1,584 million at the end of 2023, representing a leverage ratio of 1.0x.

Note B11: Provisions

Provisions at the end of 2022 (in € million)	-712
Payments	132
Net new liabilities	-470
Unwinding of provisions	-112
Asset return	56
Additional voluntary pensions contributions	86
Remeasurements	-42
Changes in scope and other	-14
Provisions at the end of 2023	-1,076

Provisions increased by €364 million in 2023 to €1,076 million, primarily driven by an additional €229 million related to PFAS settlement with the New Jersey Department of Environmental Protection (NJDEP). The Company expects to make a cash payment of approximately $180 million related to the settlement during Q2 2024, with the balance paid over a 30-year period.

Note B12: ROCE

(in € million)		2023 As calculated	2022 As calculated
EBIT	a	1,134	1,452
Non-cash accounting impact from amortization and depreciation of purchase price allocation (PPA) from acquisitions	b	-134	-211
Numerator	c = a+b	1,000	1,241
WC industrial	d	1,443	1,323
WC Other	e	-146	-205
Property, plant and equipment	f	3,243	3,035
Intangible assets	g	1,785	1,843
Right-of-use assets	h	199	198
Investments in associates and joint ventures	i	208	205
Other investments	j	8	5
Goodwill	k	2,648	2,624
Denominator	l = d+e+f+g+h+i+j+k	9,388	9,028
ROCE	m = c/l	10.6%	13.7%

ROCE has been defined as one of the key performance metrics to evaluate the strategy. ROCE for 2023 was 10.6% versus 13.7% in 2021 mostly from the higher capital investment.

Note B13: Research & innovation

(in € million)		FY 2023	FY 2022
IFRS research & development costs	a	-339	-312
Grants netted in research & development costs	b	29	30
Depreciation, amortization and impairments included in research & development costs	c	-84	-89
Capex in research & innovation	d	-56	-50
Research & innovation	e = a-b-c+d	-340	-302
Materials		-227	-186
Consumer & Resources		-101	-97
Corporate & Business Services		-12	-19
Net sales	f	6,834	7,890
Materials		4,004	4,078
Consumer & Resources		2,826	3,805
Corporate & Business Services		4	7
Research & innovation as % of sales	g = -e/f	5.0%	3.8%
Materials		5.7%	4.6%
Consumer & Resources		3.6%	2.5%

R&I effort further increased during 2023, compared to 2022.

4. UNDERLYING FIGURES PER SEGMENT

SEGMENT OVERVIEW

(in € million)	FY 2023	FY 2022	% YOY	% organic
Net sales	6,834	7,890	-13.4%	-10.2%
Materials	4,004	4,078	-1.8%	+1.5%
Specialty Polymers	2,936	3,124	-6.0%	-2.6%
Composite Materials	1,069	954	+12.0%	+14.9%
Consumer & Resources	2,826	3,805	-25.7%	-22.7%
Novecare	1,367	1,905	-28.2%	-24.7%
Technology Solutions	687	739	-7.0%	-5.4%
Aroma Performance	347	575	-39.6%	-38.0%
Oil & Gas	424	586	-27.7%	-23.5%
Corporate & Business Services	4	7	-47.1%	-46.0%
EBITDA	1,618	1,863	-13.1%	-10.0%
Materials	1,312	1,290	+1.6%	+3.2%
Consumer & Resources	458	749	-38.9%	-36.0%
Corporate & Business Services	-151	-177	+14.3%	-
EBITDA margin	23.7%	23.6%	+0.1pp	-
Materials	32.8%	31.6%	+1.1pp	-
Consumer & Resources	16.2%	19.7%	-3.5pp	-
Capex in continuing operations	848	642	+32.2%	-
Materials	557	400	+39.3%	-
Consumer & Resources	217	190	+14.2%	-
Corporate & Business Services	74	52	+43.4%	-
Cash conversion	47.6%	65.5%	-18.0pp	-
Materials	57.5%	69.0%	-11.5pp	-
Consumer & Resources	52.6%	74.6%	-22.0pp	-
Research & innovation	340	302	+12.4%	-
Materials	227	186	+21.6%	-
Consumer & Resources	101	97	+4.0%	-
Corporate & Business Services	12	19	-35.2%	-
Research & innovation as % of sales	5.0%	3.8%	+1.1pp	-
Materials	5.7%	4.6%	+1.1pp	-
Consumer & Resources	3.6%	2.5%	+1.0pp	-

Note B14: Materials

(in € million)	FY 2023	FY 2022	% YOY	% organic
Net sales	4,004	4,078	-1.8%	+1.5%
Specialty Polymers	2,936	3,124	-6.0%	-2.6%
Composite Materials	1,069	954	+12.0%	+14.9%
EBITDA	**1,312**	1,290	+1.6%	+3.2%
EBITDA margin	32.8%	31.6%	+1.1pp	-
Capex in continuing operations	557	400	+39.3%	-
Cash conversion	57.5%	69.0%	-11.5pp	-
Research & innovation	227	186	+21.6%	-
Research & innovation as % of sales	5.7%	4.6%	+1.1pp	-

NET SALES BRIDGE

Underlying – *in € million*	
FY 2022	4,078
Scope	-
Forex conversion	-129
Volume & Mix	-152
Price	+208
FY 2023	4,004

Net sales of €4,004 million in 2023 declined by 2% on a reported basis, but increased by 1% organically, versus 2022. On a reported basis, the 2% year-on-year decline was driven by the combination of lower volumes and unfavorable foreign exchange movements, partially offset by higher prices. The decline in volumes was a result of softer demand across most end markets, particularly in Automotive and Construction, partially offset by strong growth in Aerospace and Electronics. Automotive volumes were also impacted by customer destocking.

Specialty Polymers' net sales of €2,936 million in 2023 declined by 6% on a reported basis, or 3% organically, versus a record 2022 as higher prices were offset by lower volumes. Composite Materials net sales of €1,069 million in 2023 increased by 12% on a reported basis, or 15% organically, versus 2022, driven by a combination of higher prices and volume growth. The year-on-year increase in volumes was driven by sustained growth in both commercial aircraft as well as space and defense applications.

Note B15: Consumer & Resources

(in € million)	FY 2023	FY 2022	% YOY	% organic
Net sales	2,826	3,805	-25.7%	-22.7%
Novecare	1,367	1,905	-28.2%	-24.7%
Technology Solutions	687	739	-7.0%	-5.4%
Aroma Performance	347	575	-39.6%	-38.0%
Oil & Gas	424	586	-27.7%	-23.5%
EBITDA	458	749	-38.9%	-36.0%
EBITDA margin	16.2%	19.7%	-3.5pp	-
Capex in continuing operations	217	190	+14.2%	-
Cash conversion	52.6%	74.6%	-22.0pp	-
Research & innovation	101	97	+4.0%	-
Research & innovation as % of sales	3.6%	2.5%	+1.0pp	-

NET SALES BRIDGE

Net sales FY – *in € million*	
FY 2022	3,805
Scope	-40
Forex conversion	-110
Volume & Mix	-692
Price	-138
FY 2023	2,826

Net sales of €2,826 million in 2023 declined by 26% on a reported basis, or 23% organically, versus 2022. On a reported basis, the 26% year-on-year decline was primarily driven by sharply lower volumes in the second half of the year. To a lesser extent, the decline in net sales was also due to lower pricing as well as scope changes and unfavorable foreign exchange movements. The decline in volumes was primarily a result of customer destocking and softer demand across most end markets, particularly in Agro, Feed & Food, Resources & Environment and Construction.

Novecare net sales of €1,367 million in 2023 declined by 28% on a reported basis, or 25% organically, versus 2022. This was primarily driven by lower volumes across all major end markets as a result of softer demand as well as customer destocking, particularly Agro, Feed & Food, Construction and Industrial applications.

Technology Solutions net sales of €687 million in 2023 declined by 7% on a reported basis, or 5% organically, versus 2022, driven by lower demand in the second half of the year, as well as lower volumes from mining due to disruptions at certain mines. This was partially offset by higher year-on-year pricing.

Aroma Performance net sales of €347 million in 2023 declined by 40% on a reported basis, or 38% organically, versus 2022, driven by significantly lower demand in the second half of the year as well as strong competition in the food, flavor and fragrance markets.

Oil & Gas net sales of €424 million in 2023 declined by 28% on a reported basis, or 24% organically, versus 2022, driven by lower drilling activity in the United States, lower natural gas demand, as well as higher competitive pressure.

Note B16: Corporate & Business Services

(in € million)	FY 2023	FY 2022	% YOY	% organic
Net sales	4	7	-47.1%	-46.0%
EBITDA	-151	-177	+14.3%	-
Capex in continuing operations	74	52	+43.4%	-
Research & innovation	12	19	-35.2%	-

BRIDGE

in € million	
FY 2022	7
Scope	–
Forex conversion	–
Volume & Mix	-2
Price	-1
FY 2023	4

Corporate & Business Services reported a loss of €151 million to Syensqo's EBITDA in 2023, a year-on-year reduction of €26 million versus 2022, primarily driven by lower spend related to the separation project and structural cost savings initiatives, partially offset by higher spend on growth platforms.

Reconciliation of underlying and IFRS measures

In addition to IFRS accounts, Syensqo also presents underlying income statement performance indicators to provide a more consistent and comparable indication of Syensqo's economic performance. These figures adjust IFRS figures for the non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions, for the coupons of perpetual hybrid bonds classified as equity under IFRS but treated as debt in the underlying statements, and for other elements to generate a measure that avoids distortion and facilitates the appreciation of performance and comparability of results over time.

EBITDA on an IFRS basis totaled €1,286 million, versus €1,618 million on an underlying basis. The difference of €332 million is explained by the following adjustments to IFRS results, which are done to improve the comparability of underlying results:

- €269 million to adjust for the "Result from portfolio management and major restructuring" (excluding depreciation, amortization and impairment elements), including the costs attributed to Syensqo for the separation of the Solvay Group into two independent, publicly listed companies and other restructuring initiatives.
- €168 million to adjust for the "Result from legacy remediation and major litigations," mainly due to environmental provisions accrued for the settlement agreement with the New Jersey Department of Environmental Protection.
- -€38 million to exclude net gains related to the novation of the CO2 hedges, in the context of the separation from the Solvay Group, deferred in adjustments until the maturity of the economic hedge.
- -€66 million to consider a portion of the Solvay "Corporate costs," based on their relative usage by Syensqo, as they were not included in the IFRS financial statements.

EBIT on an IFRS basis totaled €547 million, versus €1,134 million on an underlying basis. The difference of €587 million is explained by the above-mentioned €332 million adjustments at the EBITDA level and €255 million of "Depreciation, amortization and impairments." The latter consists of:

- €135 million to adjust for the non-cash impact of purchase price allocation (PPA), consisting of amortization charges on intangible assets, which are adjusted in "Research & development costs" for €1 million, and in "Other operating gains & losses" for €134 million.
- €119 million to adjust for the impact of impairment of the CGU Aroma and of other minor non-performing assets in "Results from portfolio management and major restructuring."

Net financial charges on an IFRS basis were -€158 million versus -€159 million on an underlying basis. The €1 million adjustment made to IFRS net financial charges mainly consists of:

- €8 million related to the remeasurement of the long-term incentive plans for which the beneficiaries will receive Solvay shares.
- €2 million related to the impact of decreasing discount rates on environmental provisions.
- -€10 million related to the exclusion of the results from investments at fair value through P&L.

Income taxes on an IFRS basis were -€192 million, versus -€218 million on an underlying basis. The -€26 million adjustment mainly relates to the adjustments of the earnings before taxes described above.

Profit / (loss) attributable to Syensqo shareholders was €193 million on an IFRS basis and €752 million on an underlying basis. The delta of €559 million reflects the above-mentioned adjustments to EBIT, net financial charges and income taxes.

Notes to the figures per share

HISTORICAL KEY SHARE DATA

		2023
Number of shares (in 1,000 shares)		
Issued shares at end of year	a	105,876
Treasury shares at end of year	b	655
Shares held by Solvac	c	32,622
Outstanding shares at the end of the year	d = a-b	105,221
Average outstanding shares (basic calculation)	e	105,835
Average outstanding shares (diluted calculation)	f	106,316
Data per share (in €)		
Equity attributable to Syensqo share	g = .../d [1]	72.31
Underlying profit for the period (basic)	h = .../e [1]	7.10
IFRS profit for the period (basic)	i = .../e [1]	1.83
IFRS profit for the period (diluted)	j = .../f [1]	1.82
Gross dividend [2]	k	1.62
Net dividend [2]	l = k*(1-...%) [4]	1.13
Share price data (in €) [3]		
Highest	m	109.90
Lowest	n	89.52
Average	o = v/u	93.57
At the end of the year	p	94.26
Underlying price/earnings	q = p/h	13.3
IFRS price/earnings	r = p/i	50.7
Gross dividend yield	s = k/p	1.72%
Net dividend yield	t = l/p	1.20%
Stock market data [3]		
Annual volume (in 1,000 shares)	u	6,312
Annual volume (in € million)	v	591
Market capitalization, end of year (in € million)	w = p*d	9,918
Velocity	x = u/a	5.96%
Velocity adjusted for free float	y = u/(a-b-c)	8.69%

(1) The numerator can be found under the same label in the historic key financial data table in section 1 of the Business review.
(2) Recommended 2023 dividend, pending General Shareholders' Meeting on May 23, 2024.
(3) The stock market data are based on all trades registered by Euronext. The data is for the period December 11, 2023, to December 31, 2023.

Note B17: Earnings per share

		FY2023	FY2022
Profit attributable to Syensqo share (in € million)			
Underlying profit for the period	a	752	974
IFRS profit for the period	b	193	950
Number of shares (in 1,000 shares) (1)			
Issued shares at end of year	c	105,876	105,876
Treasury shares at end of year	d	655	–
Outstanding shares at the end of the year	e = c-d	105,221	105,876
Average outstanding shares (basic calculation)	f	105,835	105,876
Average outstanding shares (diluted calculation)	g	106316	105,876
Data per share (in €)			
Underlying profit for the period (basic)	h = a/f	7.10	9.20
Underlying profit for the period (diluted)	i =a/g	7.07	9.20
IFRS profit for the period (basic)	j = b/f	1.83	8.97
IFRS profit/loss for the period (diluted)	k = b/g	1.82	8.97

1) Amount of shares for FY2022 are merely for comparative purposes.

Note B18: Dividend

Total proposed dividend of €1.62 per share, as announced in November 2023, subject to Shareholders' approval during the Annual General Meeting scheduled for May 23, 2024, with payment thereafter. Moreover, in compliance with Belgian tax law, Syensqo SA will exceptionally withhold an amount corresponding to the tax on the 2023 dividend (at 30% or at a reduced rate in application of the applicable tax treaties) paid to the shareholders usually benefitting from an exemption of withholding tax (under article 264/1 of the Belgian Income Tax Code, Article 106 §5 or Article 106 §6 of the Royal Decree implementing the Income Tax Code). The amount will be provisionally retained, not paid to the Belgian Treasury and released by Syensqo SA once the one-year detention is reached. These shareholders or their paying agents are however advised to contact Syensqo Investor Relations department to discuss a potential way forward.

Outlook

For 2024, we expect the overall demand dynamics across our major end markets to reflect the trends we saw towards the end of 2023, with flattish overall volumes. In addition, the end of customer destocking in a number of our end markets has started to prompt a more stable demand outlook since the start of the year. More specifically, and based on our year-to-date performance, we expect our Q1 2024 underlying EBITDA to increase by approximately 20% versus the level achieved in Q4 2023.

Full-year underlying EBITDA is currently estimated to be in the range of €1.4 billion and €1.55 billion. The lower end of range is aligned with current market dynamics and the annualized EBITDA performance we expect to achieve in Q1 2024. The higher end of the range assumes a modest year-on-year volume recovery, predominantly in the second half of the year, subject to the overall macroeconomic and demand environments.

Capital expenditures are expected to be in the range of €600-€650 million as we prioritize our investments based on the outlook for 2024 and take into account the acceleration of overall spend in 2023. Free Cash Flow is estimated to be in the range of €400 million to €500 million, excluding the previously announced c.$180 million PFAS payment to the New Jersey Department of Environmental Protection, which is expected to be made during Q2 2024.

Aligned with the mid-term financial targets provided at our recent Capital Markets Day, the Syensqo team is focused on accelerating value creation by delivering superior revenue growth, margin expansion and increasing returns.

Mid-term Financial Targets

Syensqo's mid-term financial targets, as set at our Capital Markets Day, are as follows:
- Net sales growth: 5% to 7% (2024-2028)
- Underlying EBITDA margin (in %): to mid-20s by 2008
- Return on capital employed: to mid-teens by 2028

GOVERNANCE

Corporate Governance Statement

1. INTRODUCTION

Syensqo SA/NV ("Syensqo" or the "Company") – headquartered in Belgium and listed on Euronext Brussels and Euronext Paris – is committed to upholding global governance best practices and disclosures, emphasizing transparency and promoting a culture of sustainable long-term value creation, in line with our Purpose.

In accordance with Belgian law, Syensqo adheres to the principles and provisions of the 2020 Belgian Corporate Governance Code (the "Belgian Governance Code"), which is based on a "comply or explain" principle. The English, Dutch and French versions of the Belgian Governance Code can be found on the website of the Belgian Corporate Governance Committee.

On December 9, 2023, Syensqo's Board of Directors adopted a Corporate Governance Charter (the "Charter"), which is available on Syensqo's website. It describes the main aspects of Syensqo's approach to corporate governance, including the governance structure and the internal rules of the Board of Directors, the "Executive Leadership Team" (the "ELT") and Committees set up by the Board of Directors.

In addition, Syensqo publishes a Corporate Governance Statement in the Annual Integrated Report, which includes the information required by the Belgian Code of Companies and Associations (hereafter the "Code of Companies and Associations" or the "BCCA") and the Belgian Governance Code. The Corporate Governance Statement includes additional factual information regarding Syensqo's corporate governance practices and relevant modifications to this, together with details on the remuneration of directors and executives, and on relevant events that took place during the preceding financial year.

This section of the Annual Integrated Report constitutes Syensqo's Corporate Governance Statement for the financial year 2023.

Highlights of the Year

2023: Birth of Syensqo

The Company was incorporated on February 27, 2023, as a private limited company (société à responsibilité limitée / besloten vennootschap). On October 16, 2023, the Company converted into a public limited liability company (société anonyme / naamloze vennootschap). On December 8, 2023, the Extraordinary Shareholders Meetings of Syensqo and Solvay SA respectively approved the partial demerger of Solvay whereby the shares and other interests Solvay held in the legal entities operating the so-called "Specialty Businesses," its rights and obligations under the agreements entered into with those legal entities, as well as certain other assets and liabilities were transferred to Syensqo (the "Partial Demerger"). Accordingly, the Partial Demerger became effective at 00:00 am CET during the night of December 8, 2023, to December 9, 2023, at which time the assets and liabilities of Solvay set forth in the Partial Demerger proposal were transferred pursuant to a universal succession regime to Syensqo.

The Company's separation from the Solvay Group aims to accelerate the Company's ability to create value for all our stakeholders. It will further sharpen the Company's focus and offer enhanced capital allocation optionality, which will prioritize profitable growth. This will enable Syensqo to devote its efforts more intensely and effectively to addressing its customers' most pressing needs. Syensqo's strategy is built on four pillars: superior growth, innovation leadership, sustainable solutions and capital discipline.

Syensqo's Governance Structure

The Company opted for a "one tier" governance structure, which it considers the most appropriate for the Group to operate effectively. This means that the Company is managed by a Board of Directors (conseil d'administration/raad van bestuur) empowered to carry out all acts necessary or useful to achieve its Purpose, except those reserved by law or the articles of association to the General Meeting. The Board of Directors has delegated specific management powers to the Executive Officers of the Company, who collectively run the Company, within the framework of an Executive Committee, also named ELT. The respective functions and responsibilities of the Board of Directors and the Executive Leadership Team are clearly defined in the Corporate Governance Charter (available on the Company's website), in accordance with applicable rules.

The composition and functioning of the Board and the ELT are designed to ensure that the right profiles are represented, with the skills and experience deemed necessary to drive Syensqo's business and sustainability strategy.

Board of Directors

Syensqo's Board of Directors promotes good governance practices that create transparent dialogue among the Group's stakeholders. It pursues sustainable value creation by setting the Company's overall strategy, establishing effective, responsible and ethical leadership, and monitoring its performance. To do so, the Board develops an inclusive approach which balances the legitimate interests and expectations of shareholders and those of other stakeholders.

Syensqo's Board of Directors is responsible for maintaining the Group's long-term strategic thinking and for overseeing, challenging and supporting the ELT's implementation of Syensqo's strategy.

The articles of association and the Charter of the Company define the role and mission, functioning, size, composition, training and evaluation of the Board of Directors. The internal rules of the Board of Directors and the Committees are attached to the Charter. The main features can be summarized as follows:

- The Board elects a Chair from among its members, who cannot be the CEO.
- The Board may elect from among its members a Vice-Chair who may or may not be an independent Director. The Vice-Chair shall be a non-independent Director if the Chair is independent.
- The Chair of the Executive Leadership Team must be a Director of the Company and is the CEO.
- The Reference Shareholder may propose the appointment of certain Directors.
- The Board may also appoint on each Specialized Committee one of the Directors appointed upon proposal of the Reference Shareholder, subject to such Director having the appropriate skills and experience to serve in the relevant Committee.
- Certain decisions are subject to a positive vote of the majority of three-quarters (rounded up to the nearest unit) of the votes of the Directors present or represented:
  - Any transaction that would substantially modify the activities of the Company or its Group which are considered to be: transactions involving investment, acquisition, shareholding, divestment or sale, in any form whatsoever, representing an enterprise value of at least €2 billion or generating either sales of at least €2 billion or a contribution to the Group's operating results of at least €250,000,000.
  - Any use of the authorization granted by the Extraordinary Shareholders' Meeting to the Board of Directors to increase the share capital.
- To enhance the overall effectiveness of the Board of Directors by ensuring focus, oversight and monitoring of sensitive areas, the Board of Directors has set up on a permanent basis the following specialized Committees: the Audit and Risk Committee; the Finance Committee; the Remuneration Committee; the Nomination Committee; and the Environmental, Social and Governance (ESG) Committee.

The age limit for membership on the Board of Directors is the Ordinary Shareholders' Meeting following the Director's 75th birthday.

As of December 31, 2023, the Board of Directors is a collegial body composed of 10 members (including the CEO and nine non-executive Directors) and made up of a diverse group of highly experienced Directors, of which six Directors are independent. Six of the 10 Directors, including the CEO, are women. Collectively, the Directors bring the wide set of skills and experience required to develop and oversee the Group's long-term strategy and to ensure efficient decision-making. All 10 Directors were appointed at the Extraordinary Shareholders Meeting of December 8, 2023, for a four-year term, until the end of the Ordinary Shareholders Meeting to be held in May 2027:

- The five following directors had previously served on the Solvay SA's Board of Directors:
  - Rosemary Thorne, Independent Director, Chair of the Board
  - Ilham Kadri, Chief Executive Officer
  - Françoise de Viron, Non-Executive Director, Vice-Chair of the Board*
  - Edouard Janssen, Non-Executive Director*
  - Matti Lievonen, Independent Director
- The five following directors joined Syensqo's Board of Directors:
  - Roeland Baan, Independent Director
  - Nadine Leslie, Independent Director
  - Mary Meaney, Non-Executive Director*
  - Heike van de Kerkhof, Independent Director
  - Julian Waldron, Independent Director

** Directors appointed upon proposal of the Reference Shareholder.*

For more details on the Board of Directors and Board Committees, please refer to section 3 of the Governance chapter.

Executive Leadership Team

The ELT gives shape to the strategy, steers the Group's business portfolio, and protects the Group's interest. It also makes sure everything is in place to achieve our vision to outgrow the market and deliver strong returns through customer-driven innovation. It is in charge of Syensqo's overall performance, enabling us to achieve our long-term value creation goals and meet financial targets.

On December 9, 2023, the Board of Directors appointed the members of the ELT of the Company for a four-year term, as follows:

- Ilham Kadri (Chief Executive Officer and Chair of the ELT)
- Christopher Roger Davis (Chief Financial Officer)
- Marc Chollet (Chief Strategy Officer)
- Hervé Tiberghien (Chief Operations Officer)
- Joëlle Boxus (Chief People Officer)
- Mark Rollinger (Group General Counsel)

Syensqo's Executive Leadership Team brings decades of global experience in advanced materials across multiple industrial sectors. It ensures the Company is set up to deliver the best-in-class science and technologies needed to advance humanity through the energy transition and into a low-carbon future.

For more details on the ELT, please refer to section 3 of the Governance chapter.

2. CAPITAL, SHARES AND SHAREHOLDERS

2.1. Capital

Syensqo's share capital amounts to €1,351,624,292.82 and comprises 105,876,417 issued shares.

2.2. Syensqo shares

Syensqo (SYENS.BE) is listed on Euronext Brussels, which is our primary listing. Syensqo has a secondary listing on Euronext Paris.

Syensqo is included in the BEL20, the main Belgian index. Syensqo is also included in other indices such as the Euronext, BEL, CAC, DJ EURO STOXX, MSCI, FTSE Russel, S&P and Bloomberg.

Syensqo has been officially listed on Euronext Brussels since December 11, 2023, at an opening price of €90. The average share price over the period was €95.86, with a low of €93.50 and a high of €109.90. Syensqo's closing share price on December 29, 2023, was €94.26, which represents an increase of 4.7% compared to the opening price on December 11, 2023.

Average daily trading volume as reported by Euronext was 485,514 shares in 2023, representing approximately €45.4 million exchanged per day. In addition to Euronext, there are other alternative trading venues where investors are able to buy and sell Syensqo shares.

Shareholders

2.2.1. Shareholder structure

As of December 31, 2023, Syensqo's capital was represented by 105,876,417 ordinary shares. As there are no different classes of shares, all Syensqo shares carry the same rights. Each share comes with the right to one vote, following the "one share, one vote" principle.

Syensqo ordinary shares can be held as either:

- Registered shares: shares represented by an entry within Syensqo's share registry, managed by Syensqo's Shareholders Service.
- Dematerialized shares: shares represented by a book entry in the name of the shareholder with a recognized account keeper or a clearing institution.
- Transparency notifications are required by Belgian law and Syensqo's bylaws when an investor crosses the thresholds of 3%, 5%, 7.5% or any multiple of 5% of Syensqo voting rights. Unless otherwise indicated, section 2.3.1 of this Annual Integrated Report refers to theoretical voting rights, taking into account all the shares to which voting rights are attached, even if the exercise of these rights is suspended.
- Solvac gave notice that as of December 11, 2023, it held 32,621,583 Syensqo shares, representing 30.81% of voting rights. This percentage results from the fact that Solvac SA held 30.81% of Solvay SA share capital and voting rights at the time of the partial demerger of Solvay SA.
- Blackrock Inc., an institutional investor, gave notice that as of December 11, 2023, it held 3,481,185 Syensqo shares, representing 3.29% of the voting rights, and 901,384 equivalent financial instruments, representing 0.85% of the voting rights. This amounts to a combined interest in Syensqo of 4.14%.

The remaining shares, comprising approximately 65%, are held by institutional and retail shareholders.

Solvac

Syensqo's largest shareholder is Solvac SA ("Solvac" or the "Reference Shareholder"). Solvac is a public limited liability company established under Belgian law, incorporated in 1983. Its primary asset consists of shares in Solvay SA and shares in Syensqo.

Solvac's shares are traded on Euronext Brussels. It has approximately 14,000 shareholders. Among these, approximately 2,400 individuals are related to the founding families of Solvay and Solvac, which, combined, are reported to hold approximately 77.32% of Solvac shares.

On November 14, 2023, Solvac confirmed its full and unanimous support for Solvay's separation to split the company into two independent listed companies, Solvay SA and Syensqo. A relationship agreement with Solvac has not been considered necessary, given Solvac's stated investment objective and track record of engagement with Solvay since its initial investment in 1983. Syensqo's articles of association do not provide for any specific director nomination rights for Solvac, however Solvay may propose the appointment of certain Directors.

Syensqo Stock Option Management

Syensqo Stock Option Management SRL ("SSOM") is a wholly owned indirect subsidiary of Syensqo. As of December 31, 2023, SSOM owned 655,072 Syensqo shares and 230,939 call options. Those shares and options are held by SSOM on its own account, as part of its strategy to cover the obligations assumed by SSOM regarding stock options granted by Syensqo (or formerly by Solvay) to Group senior executives. The voting rights attached to the Syensqo shares held by SSOM are, as a matter of law, suspended.

Employee Share Purchase Plan

In September 2022, Solvay launched the first Employees Share Purchase Plan initiative strongly supported by the employees' representatives.

More than 3,800 Syensqo employees contributed to the plan (out of the 6,100 participants before the Partial Demerger). In October 2024, they will receive their free and matching Syensqo shares. The number of those free and/or matching shares will be determined based on the 30-day average closing price of Syensqo shares relative to the combined 30-day average closing prices of Syensqo shares and Solvay SA shares. It is expected that Syensqo will implement similar employee-related share purchase programs in the future.

2.3. Relations with investors and analysts

Syensqo maintains an open, ongoing and constructive dialogue with the investment community. Syensqo seeks to provide pertinent and accurate information to ensure understanding of the Company's business and strategy, helping the financial community to make its own informed assessments and judgments. Detailed information on our business activities, strategy and financial performance is available through various regulatory and other publications, such as the Annual Integrated Report, financial reports and press releases, as well as other media, such as webcasts, which are available on our website.

The Investor Relations team maintains a close relationship with investors throughout the year. The CEO and CFO also prioritize interactions with the investment community. Syensqo's teams interact with investors using both digital technologies and face-to-face meetings.

Syensqo adheres to the guidelines issued by the FSMA (Belgian Financial Services and Markets Authority) and complies with the disclosure obligations defined by Belgian law and contained in the Market Abuse Regulation (EU) 596/2014 (MAR).

On November 13, 2023, Syensqo presented its new mid-term financial targets and sustainability commitments at its inaugural Capital Markets Day. Syensqo's incoming senior leadership team, announced on November 3, 2023, committed to accelerating value creation by delivering superior revenue growth, margin expansion and increasing returns. The mid-term financial targets (on an organic basis) are as follows:
- 5% to 7% net sales growth over 2024-2028 (average annual organic sales growth over the period).
- Underlying EBITDA Margin (in %) to mid-20s by 2028.
- Return on Capital Employed to mid-teens by 2028.

Syensqo's One Planet targets represent a commitment to making the world a better place, and act as a driver of revenue growth. Syensqo's specific targets include:
- A 2030 target to reduce by 23% Scope 3 greenhouse gas emissions, as compared to 2021, in its Focus 5 categories both upstream and downstream.
- Carbon neutrality on Scope 1 and 2 GHG emissions by 2040, with -40% Scope 1 and 2 GHG emissions by 2030 compared to 2021.
- Sales enabling the circular economy in total sales to reach 18% in 2030[1].
- Aiming for gender parity across Syensqo's organization by 2033 for mid and senior management.
- Living wage for 100% of Syensqo's own employees by 2026.

On December 8, 2023, at the Extraordinary General Shareholders Meeting of Solvay SA, the separation plan was supported by 99.53% of positive votes, giving official birth to Syensqo.

2.3.1. Interactions with shareholders, Solvac and Syensqo founding families

Committed to maintaining relationships of trust with shareholders and the financial community, Syensqo aims to provide comprehensive, transparent and timely information regarding the Group's vision and strategic ambition, most relevant developments as well as financial performance and targets.

The Company has an Investor Relations Team fully dedicated to providing information and services as well as organizing activities for shareholders, including institutional investors. Every shareholder has access to clear, comprehensive, transparent information, tailored to their individual needs, through a dedicated "investor relations" section on Syensqo's website. Syensqo also engages with retail banks, regularly interacting with their analysts and participating in events dedicated to private investors. The Group also organizes investor conferences and events as well as presentations, visits and roadshows and a Capital Markets Day for investors and analysts. In addition, to maintain a close relationship with its individual shareholders in particular, the Group has had in place a Shareholders Service which responds to all queries and requests for information from shareholders (subject to applicable law and in particular closed periods).

In 2023, during the preparation of the separation of Solvay, the management at that time held regular meetings with Syensqo's major reference shareholder, Solvac.

1 *Reference year 2021. For scope 3, on Focus 5 categories.*

2.3.2. Interactions with sell-side analysts

Syensqo is covered by 19 sell-side analysts who regularly publish research on the Company. The up-to-date list of analysts can be found on Syensqo's investor relations website.

In addition to regular meetings, emails and conversations, Syensqo organizes quarterly conference calls between the senior management and the financial community, following the publication of the Group's results. Although specifically geared toward analysts, these conference calls are accessible live to all investors, and remain available in the form of an on-demand video and transcript on Syensqo's website. The Company also hosts webinars, focused on specific topics to further enhance the financial community's understanding of Syensqo's business units and technologies.

2.3.3. Interactions with institutional investors

Syensqo's dedicated interactions with institutional investors began following its Capital Markets Day event held on November 13, 2023. Subsequent to the event, the CEO and CFO engaged with the financial community in a three-week roadshow in Europe and the United States with both existing and prospective shareholders. In total, the Company met with approximately 130 investors during the roadshows.

The meetings focused on a range of topics, including the short-term demand environment, mid-term growth drivers (revenues, profit, cash, returns), capital allocation and capital structure priorities as well as sustainability targets.

2.3.4. Interactions with stewardship and responsible investment teams at shareholders and ESG research providers, including proxy advisors

At least once a year, the CEO, the CFO, the Group General Counsel, the Chief People Officer, the Chief Sustainability and Government Affairs Officer, and the Head of Investor Relations meet with the stewardship and responsible investment teams of institutional investors and ESG research providers, including proxy advisors. The purpose of this exercise is to provide an update on Syensqo's key ESG targets, as well as our performance. In 2023, topics included:
- The strengthening of Syensqo's climate commitments, restarting the SBTi process as a new independent company.
- The actions and investments made to reinforce responsible site management.
- The phasing out of fluorosurfactants globally.

Syensqo also treats these meetings as an opportunity to understand changes in the methodologies and policies used by these teams, as well as to actively solicit their feedback on how Syensqo can improve ESG practices and disclosures.

3. BOARD OF DIRECTORS AND BOARD COMMITTEES

The Charter defines the role and mission, functioning, size, composition, training and evaluation of the Board. The internal rules of the Board are attached to the Charter and are available on Syensqo's website.

3.1. The Board of Directors

3.1.1. Structure and composition

Syensqo's Board of Directors is a collegial body made up of a diverse group of highly experienced directors. The composition and functioning of the Board are designed to ensure that the right profiles are represented, with the skills and experience deemed necessary to drive Syensqo's business and sustainability strategy. The Board of Directors is empowered to perform all acts necessary or useful for the achievement of the Company's Purpose, except those reserved to the Shareholders Meeting by law or by the articles of association.

As of December 31, 2023, the Board of Directors was composed of 10 directors and had the following attributes:
- The Board is chaired by an independent director.
- The roles of Chair and CEO are separated.
- Nine of the 10 directors are non-executive, representing diverse competencies as highlighted in the table below.
- A Vice-Chair has been appointed.
- Six of the 10 directors are Independent non-executive directors according to article 7:87, §1 of the BCCA and meet the criteria set out in rule 3.5 of the Belgian Corporate Governance Code. In addition, and without prejudice to the application of the criteria set out in the Corporate Governance Code, the Corporate Governance Charter of the Company requires a waiting period of at least one year before the Company can recognize the independence of a director of the Company's reference shareholder, Solvac SA, who would leave the board of directors of Solvac SA to join the Board of Directors. All Independent directors have been recognized as such by the Extraordinary Shareholders Meetings of December 8, 2023.
- Six of the 10 directors, including the CEO, are women.
- Directors represent eight different nationalities.

All 10 directors were newly appointed at the Extraordinary Shareholders Meeting of December 8, 2023, for a four-year term, until the end of the Ordinary Shareholders Meeting to be held in May 2027.

The Board organized one meeting between December 9, 2023, and December 31, 2023. All directors participated in this meeting. The Board also attended an onboarding session on the Partial Demerger, its consequences and the key agreements in place in this respect.

The overall meeting attendance by directors in 2023 was 100%.

✪ Year of first appointment

☑ Presence at Board meetings in 2023

ROSEMARY THORNE

British / **Born in:** 1952
Independent Director
✪ Dec 2023 ☑ 1/1

SYENSQO mandates:
Chair of the Board, Chair of the Finance Committee, Member of the Remuneration and Member of the Nomination Committees
Directorship expiry date: 2027

Diplomas:
Honors Degree in Mathematics and Economics from the University of Warwick, (UK)
Fellow of the Chartered Institute of Management Accountants FCMA and CGMA
Fellow of the Association of Corporate Treasurers FCT

Other roles:
Board Member and Chair of Audit Committee of Merrill Lynch International (UK), a wholly owned subsidiary of Bank of America Corporation

Publicly listed directorships:
None

ILHAM KADRI

French-Moroccan / **Born in:** 1969
Non-Independent Director
✪ Dec 2023 ☑ 1/1

SYENSQO mandates:
Chair of the Executive Committee, Member of the Finance Committee and Member of the ESG Committee
Directorship expiry date: 2027

Diplomas:
PhD in Macromolecular Physics-Chemistry from Louis Pasteur University, Strasbourg, France
Degree in Chemical Engineering from l'Ecole des Hauts Polymères, Strasbourg, France

Publicly listed directorships:
Board Member of A.O. Smith Corporation and L'Oréal SA

FRANÇOISE DE VIRON

Belgian / **Born in:** 1955
Non-Independent Director
✪ Dec 2023 ☑ 1/1

SYENSQO mandates:
Vice-Chair of the Board, Member of the Remuneration Committee, Member of the Nomination Committee and Chair of the ESG Committees
Directorship expiry date: 2027

Diplomas:
PhD in Science (Physics) from the UC Louvain, Belgium
Master in Sociology from the UC Louvain, Belgium
Driving Sustainability from the Board Program, IMD, Switzerland

Other roles:
Professor emeritus at the Faculty of Psychology and Education Sciences and Louvain School of Management (Université Catholique de Louvain, Belgium)

Publicly listed directorships:
None

ROELAND BAAN

Dutch / **Born in:** 1957
Independent Director
✪ Dec 2023 ☑ 1/1

SYENSQO mandates:
Member of the ESG Committee, Member of the Finance Committee and Member of the Audit and Risk Committee
Directorship expiry date: 2027

Diplomas:
Vrije Universiteit Amsterdam Master of Science (MSc.) Economics

Other roles:
President and CEO of Topsoe

Publicly listed directorships:
Chair of Supervisory Board of SBM Offshore NV

EDOUARD JANSSEN

Belgian / **Born in:** 1978
Non-Independent Director
✪ Dec 2023 ☑ 1/1

SYENSQO mandates:
Member of the Audit and Risk Committee and Member of the Finance Committee
Directorship expiry date: 2027

Diplomas:
Master of Science in Finance and Management (2000: Magna cum laude and Prix de Barsy), Solvay Brussels School
MBA, INSEAD, (July 2009, France and Singapore) and INSEAD IDP-C (2022)

Other roles:
Belron, Insead HGIBS, Solvay Brussels School (Vice-Chairman)

Publicly listed directorships:
CFO of D'Ieteren Group, Board Member of Financière de Tubize

NADINE LESLIE

Haiti & US / **Born in:** 1963
Independent Director
✪ Dec 2023 ☑ 1/1

SYENSQO mandates:
Member of the ESG Committee, Member of the Nomination Committee and Member of the Remuneration Committee
Directorship expiry date: 2027

Diplomas:
BS Civil Engineering Faculté des sciences Port-au-Prince Haiti

Other roles:
Board Member of Provident Financial Services Inc. and of its subsidiary Provident Banking, Member of the Board of Trustees at Hackensack Meridian Health network

Publicly listed directorships:
CEO of Middlesex Water Company (US)

MATTI LIEVONEN

Finnish / **Born in:** 1958
Independent Director
Dec 2023 ☑ 1/1

SYENSQO mandates:
Chair of the Remuneration Committee, Member of the Nomination Committee
Directorship expiry date: 2027

Diplomas:
BSc (Eng.), Savonia University of Applied Science, Finland. EMBA, Aalto University, Finland
DSc (Tec.) h.c. Aalto University, Finland

Other roles:
Executive Chairman of EcoCeres,
Member of the Supervisory Board of Wintershall Dea

Publicly listed directorships:
None

MARY MEANEY

French & US / **Born in:** 1972
Non-Independent Director
Dec 2023 ☑ 1/1

SYENSQO mandates:
Member of the ESG Committee

Diplomas:
BA in Public & International Affairs, Princeton University
D.Phil. in politics, Oxford University

Other roles:
Board Member and Member of the Remuneration Committee of Beamery UK

Publicly listed directorships:
Board Member and Member of the Audit Committee of Groupe Bruxelles Lambert (GBL)

HEIKE VAN DE KERKHOF

German / **Born in:** 1962
Independent Director
Dec 2023 ☑ 1/1

SYENSQO mandates:
Chair of the Nomination Committee, Member of the Remuneration Committee and Member of the Audit and Risk Committee
Directorship expiry date: 2027

Diplomas:
BSME University Mönchenglabach, Germany Textile Engineering - MBA European University Genève, Switzerland

Other roles:
CEO and Board Member of Archroma Management GmbH (until end 2023)

Publicly listed directorships:
Independent Board Member, Member of the Audit Committee and Member of the HSE& Sustainability Committees of OCI N.V.

JULIAN WALDRON

French & British / **Born In:** 1964
Independent Director
Dec 2023 ☑ 1/1

SYENSQO mandates:
Chair of the Audit and Risk committee,
Member of the Finance committee
Directorship expiry date: 2027

Diplomas:
Ma (hons) Cambridge university 1986

Other roles:
Chair of the Board of Albéa Group and Executive President of Albéa Tubes
Independent Board Member and Chairman of the Finance, Risk and Investment Committee of Carbon Clean

Publicly listed directorships:
None

3.1.2. Director skills and qualification matrix

Collectively, the members of the Board bring the wide set of skills and experience required to develop and oversee the Group's long-term strategy. This experience has been aggregated in the Director Skills and Qualification Matrix. The Board's skills and experience range from international markets, business strategy and operations, specialty industries, clean technology to risk management, corporate governance, finance and talent management. This Matrix also helps the Nomination Committee, together with the Board, to identify the skills and experience needed to help drive Syensqo's business and sustainability strategy when considering new Board members. Each director's skills and experience are presented in the Director Skills and Qualification Matrix below.

	Chemical / Industrial	Finance / Risk management	Management of large companies	Research & Innovation	Digital / Cyber security	Human resources management	ESG	International experience
Rosemary Thorne	X	X	X			X	X	X
Ilham Kadri	X	X	X	X	X	X	X	X
Françoise de Viron	X			X		X	X	
Roeland Baan	X	X	X	X		X	X	X
Edouard Janssen	X	X			X			X
Nadine Leslie	X	X	X			X	X	X
Matti Lievonen	X	X	X			X	X	X
Mary Meaney			X			X	X	X
Heike van de Kerkhof	X	X	X	X		X	X	X
Julian Waldron	X	X	X		X		X	X

All the Board members are actively engaged on the topic of sustainability, through dedicated Board meetings.

3.1.3. Diversity at Board level

The composition of the Board satisfies the legal requirements applicable in Belgium relating to gender diversity. Furthermore, Syensqo not only aims to ensure the gender diversity of its directors, but also diversity in age, nationality, experience, education and skill set, representing Syensqo customers' footprint – including a Board with eight nationalities, 60% women and one US-based female director. Details of the qualifications and experience of the Board members can be found in sections 3.1.1 and 3.1.2. Syensqo's commitment to diversity at Board level is further evidenced by the criteria for appointment of directors listed in section 5.2.3 of the Charter, which is available on Syensqo's website.

3.1.4. Functioning of the Board of Directors

The Board of Directors held one meeting between December 9, 2023, and December 31, 2023

3. All directors participated (100% of attendance) in this meeting. The whole Board also participated in an onboarding session dedicated to the Partial Demerger, its consequences and the key agreements in place in this respect.

The Company applies a strict policy to prevent conflicts of interest, particularly in the operation of its governing bodies, as described in article 1.9 of the Corporate Governance Charter, and applies in particular articles 7:96 and 7:97 of the BCCA. In 2023, no decision or deliberation required the application of these articles.

3.1.5. Evaluation

In order to improve its effectiveness, the Board of Directors, under the leadership of the Chair of the Board and the Chair of the Nomination Committee, will regularly (and preferably annually) assess its composition, its operation and its interaction with executive management. The members of the Board of Directors will be invited to express their opinions on these various points. In addition, an external consultant is expected to carry out an evaluation every three years. As part of its own evaluation, the Board of Directors will also assess the Audit and Risk Committee, the Finance Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee, as well as their composition and operation. The Board's recommendations on possible improvements will be implemented by each committee.

At the end of each director's term of office, the Nomination Committee will assess that director's attendance at Board or Committee meetings, as well as his or her commitment and constructive participation in discussions and decision-making, in accordance with a pre-established and transparent procedure. In this context, the Nomination Committee will also assess whether the contribution of each director is appropriate to the changing circumstances facing the Company from time to time. On the basis of the results of the Nomination Committee's performance evaluation, the Board of Directors will, where appropriate, propose the appointment of new directors, propose not to reappoint existing directors or take any other action deemed appropriate for the proper functioning of the Board of Directors.

The Board of Directors will regularly review its internal procedures (at least every three years).

3.1.6. Induction and continuous Board training

Information sessions are organized for new directors, aimed at acquainting them with the Group as quickly as possible. The program includes a review of the Group's strategy and activities and of the main challenges in terms of growth, competitiveness and innovation, as well as finance, research & development, human resources management, legal context, corporate governance, compliance and the general organization of operations. These information sessions are open to every director who wishes to participate. Furthermore, visiting industrial or research sites at least once a year is also part of the Board program.

Following the Partial Demerger in December 2023 and the establishment of the Board of Directors, a first onboarding session was organized in December 2023, with a focus on the Partial Demerger, its consequences and the key agreements in place in this respect. An ESG training was also organized in March 2024.

3.2. Board committees

To enhance the overall effectiveness of the Board of Directors by ensuring focus, oversight and monitoring of sensitive areas, the Board of Directors has set up on a permanent basis the following specialized Committees: Audit and Risk Committee, Finance Committee, Remuneration Committee, Nomination Committee and Environmental, Social and Governance (ESG) Committee. The principles governing the composition, role and missions of the committees, as well as their internal rules, are set out in the Charter.

These Committees are advisory in nature. Within their respective areas of responsibility, the Committees make recommendations to the Board of Directors, assure the Board of Directors that certain issues have been adequately addressed and, if necessary, bring specific issues to the attention of the Board of Directors. Except where otherwise provided by law or upon specific delegation by the Board of Directors, the decision-making shall remain the collegial responsibility of the Board of Directors.

The various Committee members are appointed for two-year renewable terms by the Board of Directors, upon prior advice of the Nomination Committee. The Board of Directors aims at appointing a majority of independent members to all its Committees, unless it deems it appropriate to proceed differently from time to time. As of today, all key Committees (Audit and Risk, Nomination and Remuneration Committees) are composed solely of non-executive directors, a majority of whom are independent, and are chaired by independent directors. More importantly, these Committees comprise members who have the experience and skills necessary to ensure they deliver on their mandate.

The Board of Directors may also set up temporary, ad hoc Committees.

Where needed, each Committee has access to independent professional advice, financed by the Company, for all topics pertaining to the competence of such Committee.

	Independent Director	Audit and Risk Committee	Finance Committee	Remuneration Committee	Nomination Committee	ESG Committee
Rosemary Thorne (Chair)	X		X (Chair)	X	X	
Ilham Kadri (CEO)			X			X
Roeland Baan	X	X	X			X
Françoise de Viron (Vice-Chair)				X	X	X (Chair)
Matti Lievonen	X			X (Chair)	X	
Heike Van de Kerkhof	X	X		X	X (Chair)	
Julian Waldron	X	X (Chair)	X			
Edouard Janssen		X	X			
Mary Meaney						X
Nadine Leslie	X			X	X	X

3.2.1. The Audit and Risk Committee

Composition

The Audit and Risk Committee is composed of a minimum of three members. The members of the Audit and Risk Committee are all non-executive directors and at least a majority of them are independent directors. The Chair of the Audit and Risk Committee must be an independent Member.

The members of the Audit and Risk Committee collectively are competent in the area of activities of the Company, as well as in financial management, financial reporting, accounting and audit through their training and experience acquired in the course of their careers (see section 3.1.1. regarding the composition of the Board of Directors). The Corporate Secretary acts as Secretary to the Audit and Risk Committee.

As of December 31, 2023, the Audit and Risk Committee is composed of:
- Julian Waldron, Independent Director, Chair of the Audit and Risk Committee
- Edouard Janssen, Non-Executive Director
- Heike Van de Kerkhof, Independent Director
- Roeland Baan, Independent Director

Duties

The Audit and Risk Committee assists the Board of Directors to ensure in particular the reliable nature of financial information and compliance with relevant laws, regulations and control processes, examining the areas of risk that can potentially have a material effect on the Group's financial situation. The Audit and Risk Committee hears reports from the CFO, the Head of Internal Audit and Risk Management and the Statutory Auditor in charge of the external audit. It also examines the quarterly report by the Group General Counsel on significant ongoing legal disputes. It meets alone with the Statutory Auditor in charge of the external audit whenever it deems such meetings useful.

In addition, the Audit and Risk Committee collaborates as appropriate with other Committees, in particular with the ESG Committee as regards key ESG performance indicators and the Group's extra-financial strategy and performance.

Internal rules relating to the Audit and Risk Committee are set out in the Charter, which is available on Syensqo's website.

Report of activities

Following the establishment of Syensqo's Board of Directors on December 8, 2023, the first meeting of the Audit and Risk Committee took place in January 2024.

3.2.2. The Finance Committee

Duties

The Finance Committee gives an opinion on financial matters, such as the levels and currencies of indebtedness and credit, including in light of interest rate developments and macroeconomic environment, the hedging of foreign-exchange and energy risks, the hedging policy of the long-term incentive plans and the financing of major investments. When called upon, it gives opinions on board policies on the above matters and makes recommendations to the Board of Directors. It also gives an opinion on the financial implications of strategic projects falling within the competence of the Board of Directors.

Internal rules relating to the Finance Committee are set out in the Charter, which is available on Syensqo's website.

Composition

The Finance Committee is composed of a minimum of three members. The Chair of the Board of Directors and the Chair of the ELT are members of the Finance Committee. The Board of Directors aims at appointing an independent member as Chair of the Finance Committee. The members of the Finance Committee are qualified in the fields of corporate finance and accounting through training and experience acquired in the course of their careers (see section 3.1.1. regarding the composition of the Board of Directors). The Corporate Secretary acts as Secretary to the Finance Committee.

As of December 31, 2023, the Finance Committee is composed of:
- Rosemary Thorne, Independent Director, Chair of the Board of Directors and of the Finance Committee
- Julian Waldron, Independent Director
- Edouard Janssen, Non-Executive Director
- Roeland Baan, Independent Director
- Ilham Kadri, Director and Chief Executive Officer.

Report of activities

Following the establishment of Syensqo's Board of Directors on December 8, 2023, the first meeting of the Finance Committee took place in March 2024.

3.2.3. The Remuneration Committee

Duties

The Remuneration Committee performs the duties assigned to it by Article 7:100, § of the BCCA. In particular, without limitation:
- It advises the Board of Directors on the policy and level of remuneration for directors and ELT members, including the CEO.
- It gives its opinion on the Group's principal remuneration policies (including long-term incentive plans).
- It prepares the Remuneration Policy and the annual Remuneration Report.

Composition

The Remuneration Committee is composed of a minimum of three members. A majority of the Remuneration Committee members are independent directors. The Board of Directors aims at appointing an independent Member as Chair of the Remuneration Committee. The Remuneration Committee members are qualified in the field of remuneration policy (see section 3.1.1. regarding the composition of the Board of Directors). The Corporate Secretary acts as Secretary to the Remuneration Committee.

Internal rules relating to the Remuneration Committee are set out in the Charter.

As of December 31, 2023, the Remuneration Committee is composed of:
- Matti Lievonen, Independent Director and Chair of the Remuneration Committee
- Rosemary Thorne, Independent Director and Chair of the Board of Directors
- Françoise de Viron, Non-Executive Director
- Heike Van de Kerkhof, Independent Director
- Nadine Leslie, Independent Director

Report of activities

Following the establishment of Syensqo's Board of Directors on December 8, 2023, the first meeting of the Remuneration Committee took place in February 2024.

3.2.4. The Nomination Committee

Duties

The Nomination Committee's principal role is to make recommendations relating to, and examine proposals in respect of appointments to the Board of Directors and its Committees, and the ELT (including the CEO).

Internal rules relating to the Nomination Committee are set out in the Charter, which is available on Syensqo's website.

Composition

The Nomination Committee is composed of a minimum of three members. A majority of Nomination Committee members are independent directors. The Board of Directors aims at appointing an independent Member as Chair of the Nomination Committee. The Chair of the Board of Directors is a Member of the Nomination Committee. The Corporate Secretary acts as Secretary to the Nomination Committee.

As of December 31, 2023, the Nomination Committee is composed of:
- Heike Van de Kerkhof, Independent Director and Chair of the Nomination Committee
- Nadine Leslie, Independent Director
- Françoise de Viron, Non-Executive Director
- Rosemary Thorne, Independent Director and Chair of the Board of Directors
- Matti Lievonen, Independent Director

Report of activities

Following the establishment of Syensqo's Board of Directors on 8 December 2023, the first meeting of the Nomination Committee took place in February 2024.

3.2.5. The Environmental, Social and Governance (ESG) Committee

Duties

The ESG Committee supports the Board in understanding (i) the expectations of Syensqo's key stakeholders, (ii) the impact of ESG issues on Syensqo's ability to create value, and (iii) ESG trends and associated risks and opportunities. The ESG Committee monitors the Company's overall approach towards ESG matters, ensures this approach is aligned with and integrated in the overall Group strategy and defines in this respect ESG key performance indicators. It also monitors the implementation of the Corporate Sustainability Reporting Directive (CSRD) and other similar laws and regulations. In addition, the ESG Committee collaborates as appropriate with other Committees, such as the Audit and Risk Committee and the Remuneration Committee, with oversight responsibility for executive remuneration, talent management and other shared topics.Internal rules relating to the ESG Committee are set out in the Charter, which is available on Syensqo's website.

Composition

The ESG Committee is composed of a minimum of three members. The Chair of the ESG Committee shall be a member with appropriate skills, training and experience on ESG-related topics. The Corporate Secretary acts as Secretary to the ESG Committee.

As of December 31, 2023, the ESG Committee is composed of:
- Françoise de Viron, Non-Executive Director and Chair of the ESG Committee
- Nadine Leslie, Independent Director
- Roeland Baan, Independent Director
- Mary Meaney, Non-Executive Director
- Ilham Kadri, Director and Chief Executive Officer

Report of activities

Following the establishment of Syensqo's Board of Directors on December 8, 2023, the first meeting of the ESG Committee took place in April 2024.

4. EXECUTIVE LEADERSHIP TEAM (ELT)

Having opted for a "one-tier" governance structure, the Company is run by a Board of Directors empowered to carry out all acts necessary or useful to achieve its Purpose, except those reserved by law or the articles of association to the Shareholders Meeting. The Board of Directors has delegated specific management powers to the Executive Officers of the Company, who act collectively, within the framework of an Executive Committee, also named Executive Leadership Team (ELT).

Syensqo's ELT gives shape to the strategy, steers the Group's business portfolio, and protects the Group's interests. It also makes sure everything is in place to achieve Syensqo's vision to outgrow the market and deliver strong returns through customer-driven innovation. The ELT collectively is in charge of Syensqo's overall performance, enabling Syensqo to achieve our long-term value creation goals and meet financial targets.

ELT members are appointed by the Board of Directors in consultation with the CEO (except for his/her own appointment) upon recommendation of the Nomination Committee, for four-year renewable terms, unless otherwise decided by the Board of Directors.

The role, responsibilities, composition, procedures and evaluation of the ELT are described in detail in the Charter, which is available on Syensqo's website.

Following completion of the Partial Demerger on December 8, 2023, the Board of Directors of Syensqo appointed the following members of the ELT, on December 9, 2023.

The ELT held one onboarding meeting between December 9, 2023, and December 31, 2023. The overall meeting attendance by ELT members in 2023 was 100%.

✪ Year of first appointment ☑ ELT meeting(s) in 2023

ILHAM KADRI

French-Moroccan / **Born in:** 1969
Executive Director
✪ Dec 2023 ☑ 1/1
Term of office ends: 2027

Diplomas and main Syensqo activities::
PhD in Macromolecular Physics-Chemistry from Louis Pasteur University, Strasbourg, France

Degree in Chemical Engineering from l'Ecole des Hauts Polymères, Strasbourg, France

Chair of the Executive Leadership Team and Chief Executive Officer

JOËLLE BOXUS

Belgian / **Born in:** 1971
✪ Dec 2023 ☑ 1/1
Term of office ends: 2027

Diplomas and main Syensqo activities:
Degree in Psychology and Educational Sciences and Master's degree in Applied Economics from Louvain-La-Neuve Belgium

Executive Leadership Team Member and Chief People Officer

MARC CHOLLET

French / **Born in:** 1964
✪ Dec 2023 ☑ 1/1
Term of office ends: 2027

Diplomas and main Syensqo activities:
Engineer in Agronomy from the National Institute of Agronomy Paris-Grignon, Specialization in Business Economics & Marketing Management

Executive Leadership Team Member and Chief Strategy Officer

CHRISTOPHER ROGER DAVIS

South Africa & UK / **Born in:** 1973
✪Dec 2023 ☑ 1/1
Term of office ends: 2027

Diplomas and main Syensqo activities:
Bachelor of Commerce degree and postgraduate diploma from the University of South Africa in Accounting & Auditing and postgraduate diploma in Treasury Management from the University of South Africa

Executive Leadership Team Member and Chief Financial Officer

MARK ROLLINGER

USA / **Born in:** 1969
✪ Dec 2023 ☑ 1/1
Term of office ends: 2027

Diplomas and main Syensqo activities:
Bachelor of Arts from Yale, Doctorate (JD) of Law from Harvard

Executive Leadership Team Member and Group General Counsel

HERVÉ TIBERGHIEN

French / **Born in:** 1964
✪ Dec 2023 ☑ 1/1
Term of office ends: 2027

Diplomas and main Syensqo activities:
Master's in Human Resources from HEC St Louis, Brussels, Belgium

Executive Leadership Team Member and Chief Operations Officer

5. REMUNERATION REPORT

5.1. Introduction from the Chair of the Remuneration Committee

"I am delighted to present the first Remuneration Report for Syensqo, following the completion of the Partial Demerger of Solvay into two companies – Solvay and Syensqo. Key features of the Board members' and Executive Leadership Team's remuneration components were disclosed in the Prospectus published in November 2023. At the Extraordinary Shareholders Meeting on December 8, 2023, shareholders approved the Syensqo Remuneration Policy, which retained the remuneration policy principles applicable before the Partial Demerger. Whilst Syensqo operated for only 23 days in 2023, making this Remuneration Report fairly short, our aim has been to embody transparency in the way Syensqo operates, especially with regard to executive and non-executive director remuneration. Syensqo has already and will continue to take into consideration the broader environment and context when making decisions in respect of the Board and Executive Leadership Teams' renumeration. We will proactively and continuously engage with the key stakeholders, including institutional investors and proxy advisors' to understand how to strengthen its remuneration practices and policies and ensure that Syensqo's approach to remuneration remains aligned with the interests of all stakeholders. Changes to the remuneration policy may be proposed in the coming years in light of Syensqo's strategic ambition and compelling purpose – centered on creating advanced, sustainable solutions that advance humanity. As the Chair of the Remuneration Committee, it will be my focus to ensure that, when changes to the remuneration policy are contemplated, we will proactively seek to gather a wide range of views from stakeholders, including institutional investors and proxy advisors, before bringing the changes for shareholders' approval. Syensqo aims to not only have policies and processes that are compliant with applicable regulatory requirements and consistent with the Belgian Governance Code, but also global best practices."

A new chapter with an experienced Executive Leadership Team

On November 3, 2023, Syensqo announced its future Board members and Executive Leadership Team (ELT) following the Partial Demerger. The ELT was officially appointed on December 9, 2023, with their employment and remuneration terms taking effect from that date.

Ilham Kadri serves as Syensqo's CEO, leading a team with extensive global experience across various sectors. They aim to excel in markets such as batteries, green hydrogen, thermoplastic composites, renewable materials and biotechnology, operating across North America, Asia and Europe.

The Peer Group underwent a thorough review, with the support of external consultants, to align with Syensqo's scope following the Partial Demerger, ensuring competitive pay benchmarks. Remuneration for the ELT reflects the company's scale, international presence, industry, complexity and talent market dynamics

The Remuneration Committee, with the support of independent consultants, will undertake a robust review of remuneration policy in 2024, which will include conducting a comprehensive analysis of market trends, gathering feedback from stakeholders (including institutional investors and proxy advisors), and benchmarking against peer practices. This review is to ensure that every facet of the policy fosters the desired behavior to advance Syensqo's objectives, while aiming to align with the latest market practices and reflecting stakeholder expectations.

Details of the remuneration payable to Board and ELT members are set out on the following pages. Unless otherwise stated, all amounts in this Remuneration Report are presented as gross amounts and in euros.

Workforce rewards and benefits embed our purpose

At Syensqo, our global team of 13,100 employees collaborates to advance science and humanity. We prioritize the well-being of our workforce, especially in uncertain economic times. Offering competitive remuneration and benefits, including initiatives like the Employee Share Program and Syensqo Cares (which includes 16 weeks of parental leave, additional days for caregiving duties, etc.) demonstrates our commitment to employee welfare.

As we enter a new chapter focused on growth and innovation, our approach to supporting and rewarding our employees will evolve to align with our objectives, empowering them to reach their full potential.

5.2. Remuneration of the Board of Directors

Syensqo's directors are remunerated, in line with Syensqo's Remuneration Policy, with fixed emoluments, the common basis of which is set at the Annual Shareholders Meeting. Any additional remuneration to this is decided by the Board in accordance with Article 24 of the articles of association, which states that:

- "Directors shall receive fixed emoluments, the amount and terms of which shall be determined by the General Meeting. The decision of the General Meeting shall stand until otherwise decided.
- "The Board of Directors is authorized to grant fixed emoluments in addition to the emoluments provided for in the preceding paragraph to directors entrusted with special duties distinct from their directorship.
- "The directors responsible for day-to-day management and the members of the Executive Committee are also each entitled to a variable remuneration determined by the Board of Directors on the basis of their individual performance and the consolidated performance of the Syensqo Group."

The Group provides to the Chair of the Board administrative support, an office and the use of the General Secretariat.

The other non-executive directors receive logistical support from the General Secretariat when needed. Syensqo also provides customary insurance policies covering the Board of Directors' activities when they are carrying out their duties.

Board fees are determined after considering the roles and responsibilities of each director, and the practices of companies of a similar size and international complexity. An assessment of market practice is conducted on a regular basis and the fees are disclosed in the remuneration report each year.

5.2.1. Board of Directors individual remuneration

The Extraordinary Shareholders Meeting of December 8, 2023, appointed Board members, set their attendance fees and approved directors' pay to be set as follows, starting as from December 9, 2023:

Board fees by type	Gross amount
Annual gross fixed remuneration	€35,000
Board meeting attendance fee	€4,000
Audit and Risk Committee Chair attendance fee	€6,000
Audit and Risk Committee Member attendance fee	€4,000
Remuneration, Nomination, ESG and Finance Committees Chair attendance fee	€4,000
Remuneration, Nomination, ESG and Finance Committees Member attendance fee	€2,500

Where meetings occur on the same day, only one meeting fee is paid. There are no committee attendance fees for the Chair of the Board, nor the CEO. In accordance with the Remuneration Policy, the annual gross fixed remuneration for the CEO is included in her annual remuneration fees as an ELT member, and the Board meeting attendance fees are paid for the board meetings she attends. For the Chair of the Board, a yearly fixed remuneration of €250,000 gross, paid in monthly installments.

Non-executive directors do not receive any additional remuneration linked to results or other performance criteria. More specifically, non-executive directors are not entitled to annual bonuses, stock options or performance share units, or to any supplemental pension scheme.

Syensqo reimburses directors' travel and expenses for meetings related to their Board and Board Committee functions.

5.2.2. Share ownership guidelines for the Board

Syensqo acknowledges that the Belgian Governance Code recommends that a portion of the remuneration paid to non-executive directors be in shares (Principle 7.6), and that Syensqo's Remuneration Policy does not provide for this. However, the Remuneration Committee considers that the current Remuneration Policy complies with the objectives of Principle 7.6. Indeed, the Share Ownership Guidelines provide that non-executive directors need to hold equivalent to 100% of their gross annual fixed fees in shares. These shares should be held until at least one year after the non-executive director leaves the Board of Directors and, in any case, for at least three years after the shares were acquired. The dividends attached to these shares are paid at the same time as for the other shareholders.

The Remuneration Committee regularly reviews Syensqo's remuneration practices, disclosures and market practices to determine whether the Remuneration Policy currently in practice remains appropriate. Any changes to the Remuneration Policy regarding the Board's remuneration will be submitted to shareholders and only be implemented following shareholder approval.

5.2.3. Amount of remuneration and other benefits granted directly or indirectly to the members of the Board by the Company or by an affiliated company

Gross remuneration and other benefits granted to directors

FOR DIRECTORS FROM DECEMBER 9 TO DECEMBER 31, 2023

in €

	2023						
	Total gross amount including fixed fees	Board fixed remuneration	Board meeting attendance fee	For the role in Finance Committee	For the role in Audit Committee	For the role in Remuneration and Nomination Committee	For the role in ESG Committee
Rosemary Thorne							
Fixed emoluments + attendance fees	6,083	2,083	4,000				
"Article 24" supplement Chair Fees	14,881						
Ilham Kadri	6,083	2,083	4,000				
Françoise de Viron	6,083	2,083	4,000				
Matti Lievonen	6,083	2,083	4,000				
Edouard Janssen	6,083	2,083	4,000				
Julian Waldron	6,083	2,083	4,000				
Heike Van de Kerkhof	6,083	2,083	4,000				
Roeland Baan	6,083	2,083	4,000				
Mary Meaney	6,083	2,083	4,000				
Nadine Leslie	6,083	2,083	4,000				
Total	75,711	20,830	40,000				

5.3. Remuneration of the Executive Leadership Team (ELT)

5.3.1. Syensqo's remuneration philosophy and policy

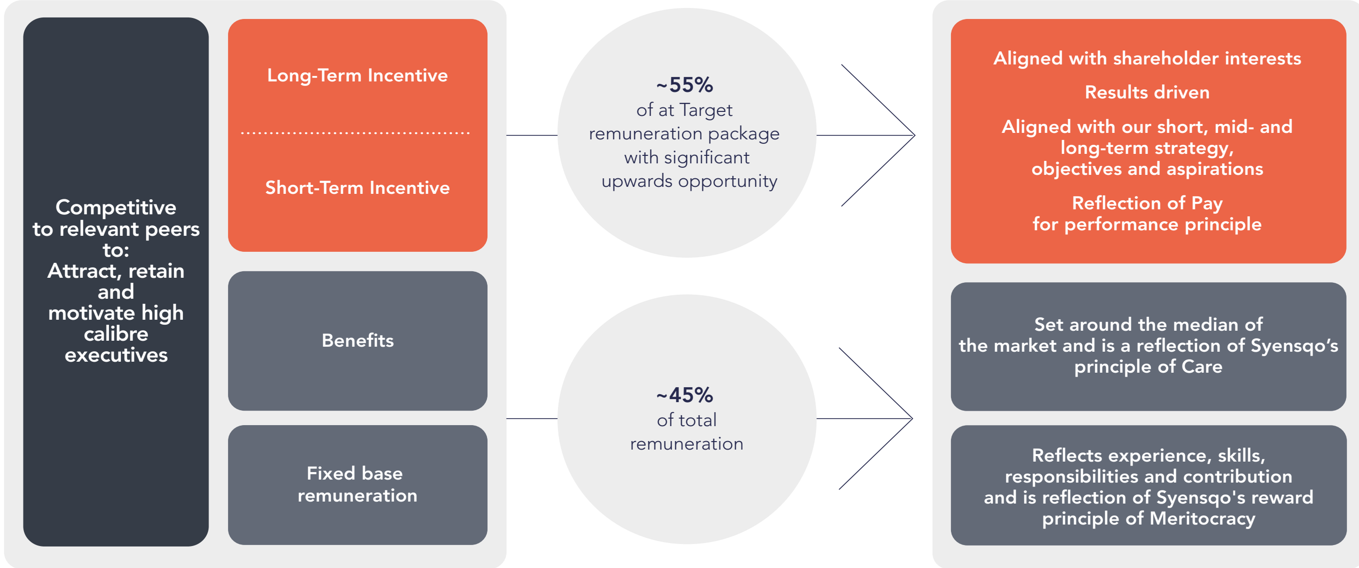
Syensqo's Remuneration Policy aims to ensure that Syensqo's ELT members are rewarded for their experience, responsibilities and individual performance while maximizing returns in a responsible and sustainable way. The strengthened framework looks to attract, motivate and retain the best executive talent in alignment with market trends and shareholders' long-term interests. These important principles are also reflected in the remuneration policies and programs offered to Syensqo employees globally.

The remuneration structure is designed in line with the following principles, which apply both to ELT members and other senior executives:

- Fixed remuneration aims to provide market-aligned cash income, which is regularly reviewed by the Remuneration Committee considering positioning relative to the peer market median, performance, indexation and role changes.
- Short- and long-term variable remuneration is tied to the achievement of strategic objectives, including driving sustainable performance, and recognizes the delivery of excellent results.
- Total remuneration is set at a level that is competitive in the relevant market and sector, in order to attract, retain and motivate the high-caliber talent needed to deliver the Group's strategy and drive business performance.

Remuneration decisions are compliant and equitable, keeping in mind pay levels within the wider workforce, and balance cost and value appropriately.

The following table summarizes the core elements and key principles of Syensqo's Remuneration Policy:



The Remuneration Committee retains discretion to adjust performance outcomes under the Short-Term Incentive (STI) and Long-Term Incentive (LTI) programs based on various factors, including unforeseen circumstances, shareholder experience and other relevant considerations, with explanations provided in the annual remuneration report. Additionally, the Committee may apply discretion to adjust award opportunities, with details as to how discretion was applied to be disclosed in the Remuneration Report for shareholder approval.

5.3.2. Use of market data

In line with the Remuneration Policy, remuneration of the ELT members is benchmarked against that of a relevant peer group.

The peer group reflects Syensqo's strategy and pool for executive talent, while also considering other factors such as: industry, size, geographic presence and complexity. Starting December 9th, 2023, the peer group considered for the ELT is the following:

UCB	Covestro	Akzo Nobel	Croda International Plc
Umicore	Evonik	Clariant	Johnson Matthey Plc
BASF	LANXESS	Givaudan	Brenntag
Wacker Chemie AG	Babcock International Group		

Syensqo aligns the remuneration of its Executive Leadership Team (ELT) with a peer group that mirrors its strategic focus and executive talent pool. This peer group comprises European chemical and industrial firms similar in operational footprint, revenues and headcount.

The Remuneration Committee targets positioning Syensqo's remuneration packages around the market median, considering individual experience and performance. As a result of this review, the like-for-like pay for the positions within the ELT were reduced to reflect the Company's new scope and size. Regular reviews of the peer group composition ensure alignment with Syensqo's strategic direction and changes in the selected companies' ownership or operating models.

5.3.3. Pay mix and remuneration opportunities for ELT members

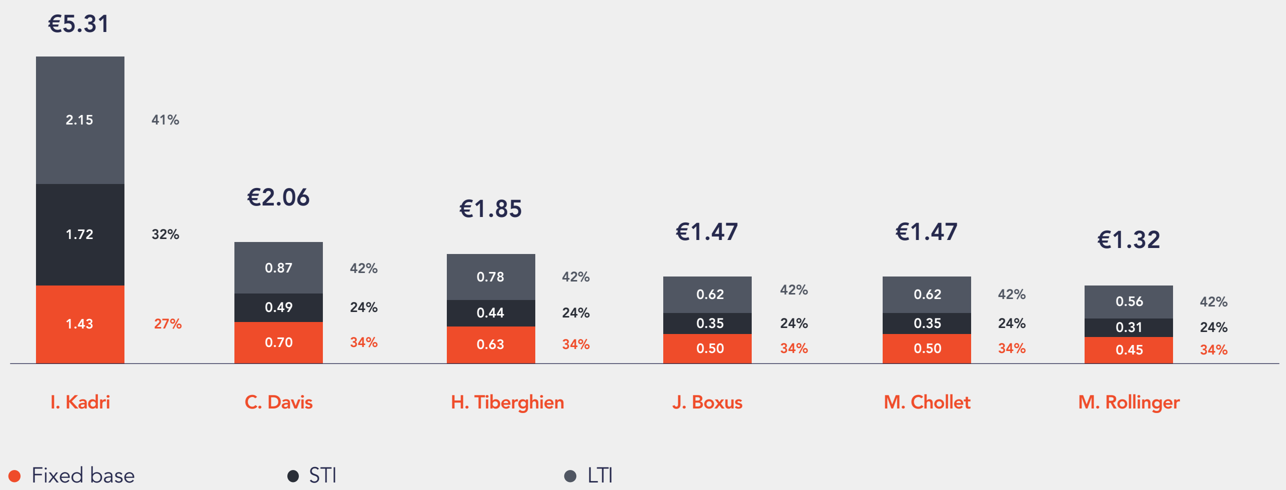
The pay mix of ELT members at the end of the reporting period is outlined below, and displays their Total Direct Remuneration "at target." As shown in the below graphs, the Remuneration Policy is highly geared towards variable remuneration that is subject to meeting pre-determined performance objectives that are aligned with what is communicated to the financial market as well as incorporating our sustainability ambitions.

Overview

The below table covers base remuneration and the standard short-term and long-term incentives granted as part of the Remuneration Policy "at target" for the full year 2023 (in millions of euros). It is worth highlighting that the below tables display the remuneration to which ELT members would have been entitled, at target, for the period from January 1, 2023, until December 31, 2023.

as of December 31, 2023

PAY MIX OF THE ELT MEMBERS
in millions of euros

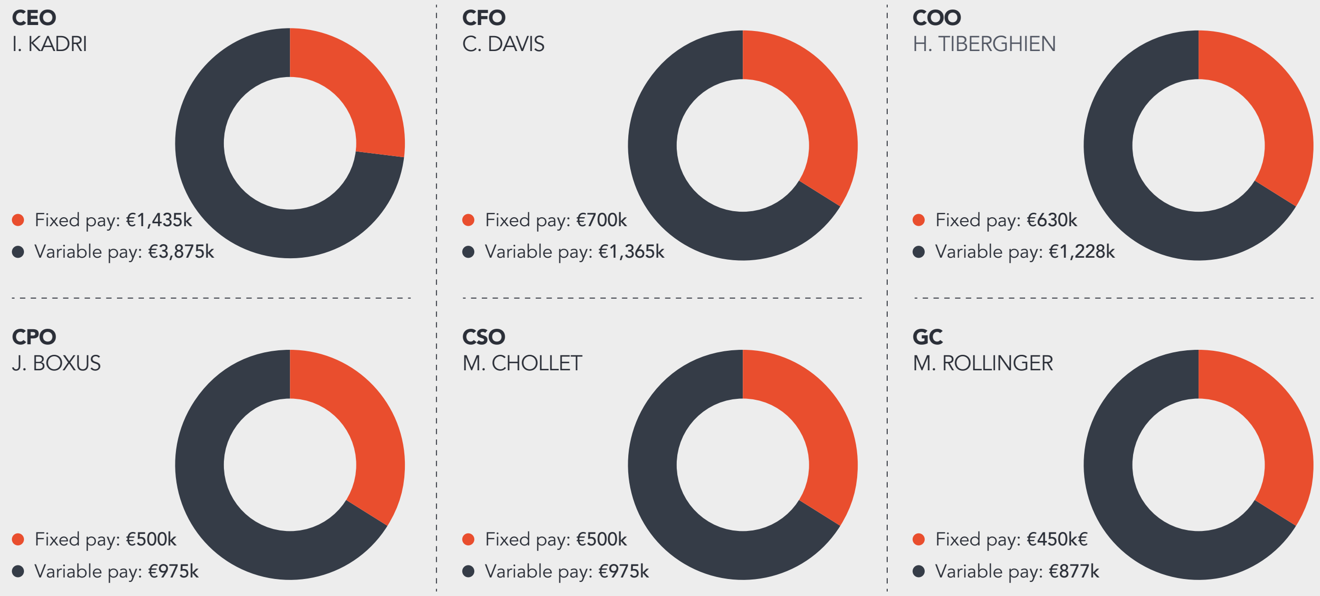


DETAILED TABLE AS OF DECEMBER 31, 2023

in €

			Variable Remuneration as on December 31, 2023				
	Fixed remuneration (on a comparable full year basis)	Value measurement	STI target	LTI target issued as Performance Share Units	LTI target issues as Restricted Share Units	Total LTI value	Total direct remuneration
Ilham Kadri CEO and Chair of the ELT	1,435,200	Amount	1,722,240	1,506,960	645,840	2,152,800	€5,310,240
		% of Salary	120%	105%	45%	150%	Fixed 27% / Variable 73%
Christopher Davis CFO and ELT Member	700,000	Amount	490,000	612,500	262,500	875,000	2,065,000
		% of Salary	70%	87.5%	37.5%	125%	Fixed 34% / Variable 66%
Hervé Tiberghien COO and ELT Member	630,000	Amount	441,000	551,250	236,250	787,500	1,858,500
		% of Salary	70%	87.5%	37.5%	125%	Fixed 34% / Variable 66%
Joëlle Boxus CPO and ELT Member	500,000	Amount	350,000	437,500	187,500	625,000	1,475,000
		% of Salary	70%	87.5%	37.5%	125%	Fixed 34% / Variable 66%
Marc Chollet CSO and ELT Member	500,000	Amount	350,000	437,500	187,500	625,000	1,475,000
		% of Salary	70%	87.5%	37.5%	125%	Fixed 34% / Variable 66%
Mark Rollinger GC and ELT Member	450,000	Amount	315,000	393,750	168,750	562,500	1,327,500
		% of Salary	70%	87.5%	37.5%	125%	Fixed 34% / Variable 66%

PAY MIX OF THE ELT MEMBERS
in millions of euros



5.3.4. Base remuneration and benefits

Fixed base remuneration

Fixed base remuneration reflects the individual's experience, skills, responsibilities and performance. It is reviewed annually and may be adjusted, taking into consideration a number of factors, including:

- Comparable salaries in appropriate comparator groups.
- Changes within the scope of the role.
- Changes in the Group's size and profile.
- Inflation, following legal requirements in different countries.

Fixed base remuneration, which does not include the value of any benefits offered to ELT members, is used to calculate targets for variable remuneration.

Except for CEO Ilham Kadri, whose new fixed base remuneration of €1,500,000 will take effect on January 1, 2024, the Board of Directors does not anticipate revising the base salaries of other ELT members in 2024, as they are already aligned with the market median of the peer group. Given the CEO's pivotal role in steering the Company's success and in alignment with the peer group, inflation rates and increases provided to the general workforce, a salary increase of approximately 5% was made to maintain its competitiveness and recognize leadership contributions.

Details of the fixed base remuneration of the CEO and other ELT members are disclosed in Sections [5.3.2.] and [5.3.4.] of this Annual Integrated Report.

Pension and other benefits

Benefits are not dependent on an individual's performance and are seen as a critical part of Syensqo's remuneration package. Syensqo aims to ensure that the nature and level of these benefits are in line with market practice and what is provided to other executives in the Group.

In accordance with Belgian legal requirements, the CEO, Ilham Kadri, is self-employed and has a separate management agreement with the Company which was transferred from Solvay to Syensqo. This agreement provides for specific provisions with respect to pension contributions, death-in-service and disability benefits.

Some of the ELT members have a separate contractual agreement, giving them self-employed status in Belgium. This includes pension, death-in-service and disability provisions.

Except the CEO, who must be self-employed, the other ELT members are either employees of the Company or self-employed. ELT members who are employees are granted benefits such as a pension plan, death-in-service, disability and healthcare benefits according to the provisions of the plans applicable in their home countries. Self-employed ELT members (other than the CEO) are entitled to the payment of an annual fixed base fee under their contractual agreement with the Company, which will also cover pension contributions, death-in-service, disability and healthcare benefits, as well as certain benefits-in-kind (e.g. company vehicle or car allowance, tax filing assistance).

Syensqo aims to ensure that the nature and level of these other benefits are appropriately aligned with market practice and what is provided to other executives in the Group.

As from December 9, 2023, Hervé Tiberghien (Chief Operations Officer) and Joëlle Boxus (Chief People Officer) have entered into separate management agreements with the Company, giving them self-employed status in Belgium. These agreements include pension, death-in-service and disability provisions.

As the change of status from employee to self-employed under a management agreement requires a change in immigration status, the transition from employee status to self-employed for Christopher Davis (Chief Financial Officer), also based in Belgium, will enter into force in the following months once the required documents are granted from the competent Belgian authorities. In the meantime, Christopher Davis will remain an employee. Marc Chollet (Chief Strategy Officer) and Mark Rollinger (General Counsel), based in France, remain under local employment contract under French law.

5.3.5. Short- and long-term variable pay

5.3.5.1. Short Term Incentive (STI) plan

Maximum award opportunities

As per the Remuneration Policy, the STI target is 120% of fixed base remuneration for the CEO and up to 70% of fixed base remuneration for other ELT members. The minimum payout is 0% and the maximum is 200% of the STI target. The award limit complies with the recommendation of the Corporate Governance Code (2020) that the short-term variable remuneration to the executive management be subject to a cap (Principle 7.10).

These maximum award opportunities will remain for the 2024 financial year.

Malus and clawback

As per the Remuneration Policy, the Remuneration Committee will exercise discretion to activate malus and clawback provisions in exceptional circumstances, such as serious reputational damage, risk management failures, financial errors, misconduct, regulatory breaches, significant losses or deteriorating financial health, with clawback potentially extending up to three years for awards under the Remuneration Policy.

Setting STI performance objectives

Annually, the Board establishes performance objectives for both the Group and the CEO, a process typically conducted during the February Board meeting. The performance objective-setting aims to establish challenging yet achievable targets, incorporating input from various perspectives within the business while ensuring alignment with Syensqo's long-term growth and sustainability goals communicated to the market. Moreover, this process is also mindful of not incentivizing executives to take excessive risks that could jeopardize the company's stability, reputation and long-term sustainability.

Syensqo's strategy for performance objectives tied to Short-Term Incentives (STIs) involves establishing ambitious, growth-focused targets for the "target" award level, while "maximum" awards are reserved for achieving exceptionally high performance levels, ensuring adherence to the principle of pay-for-performance.

In line with market practice, and due to the commercial sensitivity of disclosing short-term targets prospectively, Syensqo discloses the performance objectives set and the performance against them on a retrospective basis.

STI performance objectives

The STI plan provides a cash opportunity that is based solely on the achievement of pre-determined annual financial, non-financial and individual objectives.

The 2024 STI plan will focus on three broad performance categories with the following weightings for all ELT members:
- Financial Objectives (65% of the STI) aims to align with shareholder interests through various criteria, which could include metrics such as free cash flow conversion, alongside other measures focused on enhancing profitability and shareholder value.
- Syensqo One Planet Objectives (15% of the STI), aims to reflect our sustainability initiatives and use them to our strategic advantage by focusing on three areas: Climate and Nature, Sustainable Growth, and Better Life.
- Individual Objectives (20% of the STI): are customized for each ELT member to align with their specific roles and responsibilities within the organization. They may include objectives related to areas such as project milestones, innovation initiatives, leadership development, or any other relevant metrics that measure the ELT member's impact on Syensqo's success. These objectives are predetermined and may be quantitative and/or qualitative. These objectives are defined by the Board for the CEO and then cascaded down to other ELT members by the CEO. The CEO assesses the achievement of individual objectives by the ELT Members, and this assessment is then reviewed and validated by the Board. The individual performance of the CEO is assessed by the Remuneration Committee, and this is then reviewed and validated by the Board. The CEO is absent from the Remuneration Committee and Board during all discussions relating to CEO pay.

In line with market practice, and due to the commercial sensitivity of disclosing short-term targets, Syensqo will disclose targets and the performance against these targets on a retrospective basis only. However, Syensqo will disclose in a separate document, ahead of the Ordinary General Shareholders Meeting, the performance measures and associated weighting of each measure selected under the STI plan to determine the CEO's bonus for the upcoming financial year.

Bonuses are subject to malus and clawback provisions, as foreseen in the Remuneration Policy.

5.3.5.2. Long Term Incentive (LTI)

5.3.5.2.1 Scheme

Purpose and components of the long-term variable remuneration

Syensqo aims to incentivize its ELT members by implementing a Long Term Incentive (LTI), wherein a substantial portion of equity awards is contingent upon performance criteria aligned with the Company's communicated strategy. This approach fosters alignment with shareholder interests, promoting accountability and driving long-term value creation through strategic execution and performance excellence.

Syensqo uses two equity vehicles to incentivize its ELT members. The first is through Performance-based Share Units (PSUs), which vest by meeting pre-defined long-term financial and non-financial objectives over a three-year performance period to promote a focus on long-term enterprise value growth and sustainability. The second equity vehicle used is Restricted Stock Units (RSUs), which vest over three years and aim to align ELT members' interests with that of shareholders and foster the retention of key personnel.

As per the Remuneration Policy, LTI grants for ELT members will continue to be offered, as follows for the 2024 financial year:
70% of the annual grant value will be offered in the form of Performance-based Share Units (PSU).
30% of the annual grant value will be offered in the form of Restricted Share Units (RSU).

LTI award opportunity for ELT members

The annual grant value is determined as a percentage of fixed base remuneration for all ELT members.

The CEO has a LTI grant target of 150% of fixed-base remuneration. For all other ELT members, the grant target value is up to 125% of the fixed base remuneration. Outcomes range from zero if the minimum targets are not met, to a maximum of 150% of target if all plan objectives are achieved.

For the 2024 financial year, the maximum award opportunities will remain in place. The actual annual grant value, within the limits of the Remuneration Policy as explained above, will be determined and approved by the Board.

Performance Share Units and Restricted Share Units

— PSUs

As per the Remuneration Policy, the PSUs determine 70% of the annual LTI grant, which vest three years from the date of grant, subject to the achievement of the pre-set performance objectives. The opportunity varies from a minimum of zero, if the minimum target is not met, to a maximum payout of 150%, if the maximum target is achieved.

Performance objectives are distributed across Financial (60% to 80% of the award) and One Planet (20% to 40% of the award) categories, with targets and their respective weights established to align with the Group's mid- and long-term strategy. In addition, for the vesting of the PSUs, a performance measure compares the relative performance of the Group to the TSR performance of the Stoxx 600 index, ensuring a clear focus within the ELT to create shareholder value. Where the PSU result is above zero, the TSR measure can decrease the PSU outcome by 25% of the PSU result when the TSR is in the lower quartile of the Stoxx 600 index, and increase the PSU result by 25% when the TSR is in the top quartile of the Stoxx 600 index.

No PSUs were granted by Syensqo for the 2023 financial year; however, Syensqo will disclose in a separate document, ahead of the Ordinary General Shareholders Meeting, the performance measures and associated weighting of each measure selected under the LTI plan to determine the vesting of PSUs granted in 2024.

The Board assesses the achievement of the targets set, based as a rule on the audited results of the Group. Every year, the Board determines the budget available for distribution and the total volume of PSUs available is subsequently allocated to the eligible population.

PSUs feature employment or presence conditions, and dividends accrue solely on vested awards, paid out at the conclusion of the performance period.

— RSUs

The remaining portion of the LTI grant is in RSUs (30% of the LTI), where executives receive shares that vest after three years. RSUs feature employment or presence conditions, and dividends accrue solely on vested awards, paid out at the conclusion of the three-year vesting period.

— Clawback provisions relating to LTI

Syensqo has the right to claim reimbursement of any amounts paid in accordance with the PSU/RSU plans, from any participant, during a period of three years from the date of the payment, on the basis of erroneous results that were subsequently adjusted or corrected.

5.3.5.2.2 Adjustments to the outstanding SOP, PSU and RSU plans in the context of the Partial Demerger

As part of the Partial Demerger, Solvay contributed to Syensqo its rights and obligations under its outstanding incentive plans, in each case to the extent the beneficiaries of such plans (including members of the ELT before the Partial Demerger date) were employed by Solvay and transferred to Syensqo or one of its affiliates following completion of the Partial Demerger.

Several ELT members participated in one or more of the following components of Solvay SA's long term incentive plans: stock option plan (granted until 2021), stock options granted in 2022 in the context of the Partial Demerger, performance-based share unit plan and restricted share unit plan. As of December 2023, the following plans remain outstanding: the 2021 PSU plan, the 2022 PSU and RSU plan, and the 2023 PSU and RSU plan.

In the context of the Partial Demerger, most outstanding long term incentive plans of the Group were adjusted by the Board of Directors, upon the advice of the Remuneration Committee, to take into account the impact of the Partial Demerger, as follows:

The 2018-2021 SOPs were adjusted to allow the beneficiaries to receive, for each outstanding stock option giving the right to acquire one Solvay share, the right to acquire one Syensqo share (in addition to the right to acquire one Solvay share). The initial exercise price of the stock options was split between both the Solvay share and the Syensqo share, based, as a rule, on the closing prices of the Solvay share (€20.62) and of the Syensqo share (€98.93) on the first trading day following the Partial Demerger date (December 11, 2023).

The 2021 cash-settled PSU plan was adjusted so that (i) the performance for the 2023 financial year would be assessed based on the data available as of the time of the Partial Demerger and (ii) the payout would be determined based on the average of the last 10 closing prices of the Solvay share for the period ended on November 30, 2023 (from November 17, 2023, until November 30, 2023, inclusive). Payout will occur in June 2024 in accordance with the original plan rules.

The 2022 PSU plan was adjusted to allow the relevant beneficiaries to receive, for each 2022 PSU held entitling them to receive one Solvay share, one PSU entitling them to receive one Syensqo share (in addition to the 2022 PSU entitling them to receive one Solvay share they already held). In addition, the Board of Directors decided that (i) the performance for year 2024 would be extrapolated from the performance for the years 2022 and 2023, and (ii) the vesting multiplier dependent on Solvay's performance against the median of total shareholders' return of the Stoxx 600 Index peer group (TSR) would be measured on the basis of the average closing prices of the Solvay share over the three-month period ended on November 30, 2023. The vesting period and conditions remain unchanged.

The terms of the 2022 RSU plan were adjusted to allow the relevant beneficiaries to receive, for each RSU held entitling them to receive one Solvay share, one RSU entitling them to receive one Syensqo share (in addition to the RSU entitling them to receive one Solvay share they already held

The 2023 PSU plan was adjusted so that the number of PSUs held at the time of the Partial Demerger by participants who would be transferred to Syensqo or any of its affiliates following the Partial Demerger date, would be multiplied by a factor determined based on the average closing prices of the Syensqo share relative to the combined average closing prices of the Solvay share and the Syensqo share over the 30 trading days starting immediately following the completion of the Partial Demerger. In addition, the performance conditions linked to the 2024 and 2025 performance years are being adjusted to reflect the strategy of Syensqo and the impact of the Partial Demerger. The vesting period and conditions remain unchanged.

The 2023 RSU plan was adjusted so that the number of RSUs held at the time of the Partial Demerger by participants who would be transferred to Syensqo or any of its affiliates following completion of the Partial Demerger date, would be multiplied by a factor determined based on average closing prices of the Syensqo share relative to the combined average closing prices of the Solvay share and the Syensqo share over the 30 trading days starting immediately following the completion of the Partial Demerger.

As part of the Partial Demerger, Solvay contributed to Syensqo its rights and obligations under its outstanding incentive plans (including the 2022 stock option grant), in each case to the extent the beneficiaries of such plans (including members of the ELT before the Partial Demerger Date) are employed by Syensqo or one of its affiliates following completion of the Partial Demerger. Specific adjustments were made to the 2023 PSU and RSU plans for such beneficiaries.

Stock options (SOP)

The historical Stock Option Plan (SOP) under Solvay in place before the Partial Demerger was replaced by the PSU and RSU plans detailed above. However, as of December 31, 2023, stock options remained outstanding under the 2016, 2017, 2018, 2019, 2020 and 2021 SOPs, and the rules thereof are reiterated below.

Under Belgian law, unlike most other jurisdictions, taxes on stock options are due at the time of grant. Solvay, like other Belgian companies, had therefore set no additional performance criteria for determining the vesting of stock options. The options have a vesting period of three full calendar years – meaning that options will vest on the first day of the fourth year after the grant year – followed by a four-year exercise period.

When they were granted, the SOPs gave each beneficiary the right to buy shares at a strike price corresponding to the fair market value of the shares upon grant. Every year, the Board determined the volume of stock options available for distribution, based on an assessment of the economic fair value at grant, using the Black Scholes valuation formula. The total volume of options available was subsequently allocated to the eligible population.

Features:

- Options are granted at the money (or fair market) value
- They become exercisable for the first time three full calendar years after they are granted
- They have a maximum term of eight years
- They are not transferable *inter vivos*
- The plan includes a bad leaver clause

The outstanding SOPs were adjusted in the context of the Partial Demerger with a view to safeguard the interests of the beneficiaries. Such adjustments are described in Section [5.3.5.2.2] "Adjustments to the outstanding SOP, PSU and RSU plans."

In addition, SOPs also remain outstanding under the 2022 SOP that was set up in the context of the Partial Demerger, the features of which are as follows:

- Stock options were subject to performance conditions – implementation of separation and value creation – and would have been forfeited in full if the Partial Demerger had not occurred by 2025.
- The combined share prices of Solvay and Syensqo following completion of the Partial Demerger had to be above €100 for at least 15 trading days in total (not required to be consecutive days), for the options to become exercisable from January 1, 2026, and deliver value. If this criterion had not been met, the award would have lapsed.
- The options may be exercised by beneficiaries between January 1, 2026, and December 31, 2027, inclusive, providing presence and performance criteria are met.
- Taxes were paid at the time of the grant in Belgium and cannot be recouped if the options do not vest or upon voluntary departure, demonstrating executives' commitment and belief in the success of the Partial Demerger and value creation for both companies.
- The exercise price of each option is €84.34, which was the fair market value of one Solvay share at the time of the grant (August 2022).
- Each stock option entitles its holder to acquire one Solvay share and one Syensqo share against payment of the exercise price ("basket" options).
- Stock options were determined as a multiple of annual base salary in a range between 50% and 200%, depending on the Board's view of how critical the role of the beneficiary was for project Po2.

The 2022 SOP plan was not adjusted in the context of the Partial Demerger. Accordingly, the 2022 stock options remain "basket" options entitling their holders to acquire one Solvay share and one Syensqo against payment of the exercise price.

Stock options, PSUs and RSUs held on December 31, 2023, by the ELT members

The table below shows the evolution of outstanding balances of stock options issued to ELT members and the balance of the Syensqo stock options held by the ELT members as of December 31, 2023.

As part of the Partial Demerger and as described in section [5.3.5.2.2] "Adjustments to the outstanding SOP, PSU and RSU plans," the SOPs, PSUs and RSUs were adjusted in the context of the Partial Demerger and the outstanding SOPs, PSUs and RSUs were transferred from Solvay to Syensqo on December 8, 2023. Therefore, Syensqo ELT members who have been transferred from Solvay to Syensqo hold SOPs and/or PSUs and RSUs as part of the LTI plans adjustments validated by Solvay's Board and described above.

STOCK OPTIONS – BALANCE ON 31/12/2023

Name	SOP	Balance on 9/12/2023	Granted between 9/12/2023 and 31/12/2023	Exercised between 9/12/2023 and 31/12/2023	Expired between 9/12/2023 and 31/12/2023	Vested	Non-vested	Balance on 31/12/2023
Kadri, Ilham	Solvay (segregated options) (1)	**93,617**				**56,632**	**36,985**	**93,617**
	Syensqo (segregated options) (1)	**93,617**				**56,632**	**36,985**	**93,617**
	Basket options (2)	**129,418**					**129,418**	**129,418**
Tiberghien, Herve	Solvay (segregated options) (1)	27,135				16,415	10,720	27,135
	Syensqo (segregated options (1)	27,135				16,415	10,720	27,135
	Basket options (2)	23,355					23,355	23,355
Chollet, Marc	Solvay (segregated options) (1)	41,536				34,675	6,861	41,536
	Syensqo (segregated options (1)	41,536				34,675	6,861	41,536
	Basket options (2)	22,399					22,399	22,399
Total	Solvay (segregated options) (1)	162,288				107,722	54,566	162,288
	Syensqo (segregated options (1)	162,288				107,722	54,566	162,288
	Basket options (2)	175,172				0	175,172	175,172

(1) Options granted under the historical SOPs reflecting the adjustments described above ("Adjustments to the outstanding SOP, PSU and RSU plans in the context of the Partial Demerger") and which, accordingly, entitle their holder to acquire a Solvay share or a Syensqo share against the payment of separate exercise prices.
(2) Options granted under the 2022 Po2 SOP and which, accordingly, entitle their holder to a Solvay share and a Syensqo share against the payment of a single exercise price

None of the other ELT members hold any stock options as of December 31, 2023.

SHARES PLAN (PSU AND RSU)

Name	Numbers of shares	Balance on 31/12/2023	Vested	Non-vested
Kadri, Ilham	PSU 2021 (phantom shares)	11,640	11,640	
	RSU 2022 (restricted shares) – Solvay (1)	26,550		26,550
	RSU 2022 (restricted shares) – Syensqo (1)	26,550		26,550
	PSU 2023 (performance shares) (2)	26,049		26,049
	RSU 2023 (restricted shares) (2)	11,164		11,164
Tiberghien, Herve	PSU 2021 (phantom shares)	2,616	2,616	
	RSU 2022 (restricted shares) – Solvay (1)	6,303		6,303
	RSU 2022 (restricted shares) – Syensqo (1)	6,303		6,303
	PSU 2023 (performance shares) (2)	5,522		5,522
	RSU 2023 (restricted shares) (2)	2,367		2,367
Chollet, Marc	PSU 2021 (phantom shares)	1,674	1,674	
	RSU 2022 (restricted shares) – Solvay (1)	5,836		5,836
	RSU 2022 (restricted shares) – Syensqo (1)	5,836		5,836
	PSU 2023 (performance shares) (2)	4,900		4,900
	RSU 2023 (restricted shares) (2)	2,100		2,100
Joëlle Boxus	RSU 2022 (restricted shares) – Solvay (1)	1,595		1,595
	RSU 2022 (restricted shares) – Syensqo (1)	1,595		1,595
	PSU 2023 (performance shares) (2)	2,851		2,851
	RSU 2023 (restricted shares) (2)	2,496		2,496
Christopher Davis	PSU 2023 (performance shares) (2)	4,186		4,186
	RSU 2023 (restricted shares) (2)	1,795		1,795
Mark Rollinger	PSU 2023 (performance shares) (2)	2,851		2,851
	RSU 2023 (restricted shares) (2)	4,086		4,086
Total	PSU 2021 (phantom shares)	15,930	15,930	
	RSU 2022 (restricted shares) – Solvay (1)	40,284		40,284
	RSU 2022 (restricted shares) – Syensqo (1)	40,284		40,284
	PSU 2023 (performance shares) (2)	46,359		46,359
	RSU 2023 (restricted shares) (2)	24,008		24,008

(1) RSUs granted under the 2022 RSU plan reflecting the adjustments described above ("Adjustments to the outstanding SOP, PSU and RSU plans in the context of the Partial Demerger") and which, accordingly, entitle their holder to receive either a Solvay share or a Syensqo share.
(2) PSUs and RSUs granted under the 2023 PSU and RSU plans reflecting the adjustments described above ("Adjustments to the outstanding SOP, and PSU and RSU plans in the context of the Partial Demerger") and which were, accordingly, multiplied by a factor determined based on the average closing prices of the Solvay share relative to the combined average closing prices of the Solvay share and the Syensqo share over the 30 trading days starting immediately following the completion of the Partial Demerger.

Share ownership guidelines

To align executives' interests with those of shareholders, a requirement to build and maintain a shareholding in Syensqo equivalent to 150% of fixed base remuneration for the CEO and 100% of fixed base remuneration for other ELT members is included in the Remuneration Policy. This shareholding should normally be built up over a period not exceeding five years. This is in compliance with the recommendation of the Belgian Governance Code (Principle 7.9).

Any shares acquired to meet this requirement should be held until at least one year after the ELT member leaves the Group and, in any case, for at least three years after the shares were acquired.

ELT members are building their shareholding to meet these Share Ownership Guidelines.

5.3.6. Amount of remuneration paid and other benefits granted directly or indirectly to the CEO and other ELT members

According to the Remuneration Policy and based on the Board of Directors' assessment of the performance of the Group and our executives in 2023 from December 9 to December 31, the remuneration of the CEO and other ELT members was as follows:

5.3.6.1 ELT members from December 9, 2023, to December 31, 2023

in €

Name, Position	Fixed remuneration/ Base salary from 9/12/2023 to 31/12/2023 (1)	Variable remuneration			Benefits			
		Annual variable pay based on 2023 paid in 2024 (2) For the time spent under Syensqo ELT	The value of vested equity based remuneration 2023 (3)	Total direct remuneration	Extraordinary items	Pension	Other (4)	Total remuneration
Ilham Kadri, CEO & Chair of the ELT	85,429	134,534		219,963	-	82,720	19,623	322,306
Christopher Davis, CFO & ELT member	35,980	31,988		67,968	-	18,226	13,165	94,404
Hervé Tiberghien, COO & ELT member	37,500	29,742		67,242	-	16,404	8,210	91,856
Joëlle Boxus CPO & ELT member	29,762	22,849		52,611	-	13,019	7,082	72,712
Marc Chollet CSO & ELT member	29,762	24,008		53,770	-	11,656	782	66,208
Mark Rollinger, GC & ELT member	26,786	20,564		47,350	-	6,441	782	54,573

(1) Remuneration from December 9 to December 31, 2023, as ELT members for Syensqo.
(2) Annual variable pay based on 2023 performance and paid in 2024 for the time related to their ELT mandate from December 9 to December 31, 2023. For Ilham Kadri, Hervé Tiberghien and Marc Chollet the amounts have been prorated (for 23 out of 365 days) of the full year 2023 STI disclosed in Solvay's 2023 Integrated Annual Report. For Joëlle Boxus, Christopher Davis and Mark Rollinger the amounts have been prorated (for 23 days out of 365 days) of their 2023 STI.
(3) PSU 2020-2022 have been paid in June 2023 for those who were entitled and the amount for the ELT members transferred from Solvay to Syensqo is reflected in Solvay's 2023 Integrated Annual Report.
(4) Long-term benefits (e.g. death-in-service, disability and medical benefits) and benefits in kind (e.g. company vehicle, education, expatriation package expenses).

COMPARATIVE INFORMATION ON THE EVOLUTION OF REMUNERATION AND COMPANY PERFORMANCE

We will start reporting on this item in the next year, considering the start date of the ELT of Syensqo.

5.4. Statements of compliance of remuneration for Chair and ELT members

This report has been prepared by the Remuneration Committee.

The remuneration packages of Ilham Kadri, the Chair of the ELT (and CEO) and the other ELT members, are in compliance with Article 7:91 of the BCCA, which provides that, in the absence of statutory provisions to the contrary or express approval by the Annual Shareholders' Meeting, at least 25% of the variable remuneration shall be linked to predetermined performance criteria that are objectively measurable over a period of at least two years, and at least another 25% should be based on predetermined performance criteria that are objectively measurable over a period of at least three years.

The remuneration packages are set by the Board, based on recommendations from the Remuneration Committee. These remuneration packages are also compliant with the Belgian Governance Code.

Variable remuneration consisted of an annual incentive based on the performance achieved relative to the Group's economic and sustainable development performance objectives, and on the performance of the individual as measured against a set of pre-determined individual objectives.

ELT members, including the CEO, will receive, as from 2024, PSUs and RSUs in the form of shares.

The expenses of the ELT members, including those of its Chair (the CEO), are governed by the same rules that apply to all senior management staff, namely the justification of all business expenses, item by item. Private expenses are not reimbursed. In the case of mixed business and private expenses, such as cars, a proportionate rule is applied in the same way as to all management staff in the same position.

According to Belgian Law, any material changes to our Remuneration Policy need to be submitted to shareholders for approval before implementation.

5.5. Key provisions of Executive Leadership Team members' contractual relationships with the Company and/or an affiliated company, including provisions relating to remuneration in the event of early departure

ELT members, including the Chair (CEO), have directorships in Group subsidiaries as a function of their responsibilities. Where such directorships are compensated, they are included in the amounts given above, regardless of whether the position is deemed to be salaried or undertaken on a self-employed basis under local legislation.

ELT members have been appointed under a self-employed status and have a management agreement as of Belgian law, except Marc Chollet, Mark Rollinger and Christopher Davis, who are employed under employment contracts (subject to French law for the first two and Belgian law for the third).

The management contract of Ilham Kadri, CEO (previously with Solvay), has been contributed to Syensqo as part of the Partial Demerger of Solvay.

In the event of a decision to terminate Ilham Kadri's contract, she will be eligible for a contractual indemnity of 18 months of her fixed and variable remuneration and all other benefits granted. A non-competition period of 12 months applies, with payment of an indemnity equivalent to six months of remuneration computed on the same basis as the termination indemnity, unless the parties agree to waive the application of the clause.

In the event that Ilham Kadri resigns, she must give Syensqo a notice period of six months and she is subject to the non-competition clause described above, unless the parties agree to waive the application of the clause.

In the event of a change in control of Syensqo or a major restructuring of Syensqo, Ilham Kadri may ask that her contract be terminated, with the same conditions as in the case of termination by Syensqo, no later than 90 days following such a request.

The contractual indemnities of 18 months and six months have been approved by the Annual Shareholders' Meeting of Solvay on May 10, 2022, which approved the Remuneration Policy of Solvay, in compliance with Article 7:92 of the Belgian Companies and Associations Code.

In the event of the termination of the contract of an ELT member, or if their mandate is not renewed at the end of a four-year period, they will be eligible for a contractual indemnity equal to the annual fixed fees and the short-term variable fees at target for a period of six months for a seniority of less than one year and 12 months for a seniority of more than one year within Syensqo at the time of the termination. Their management contracts provide for a non-competition period of 12 months after termination, with an indemnity that equals 50% of the remuneration for the non-competition period (if Syensqo does not waive the application of the clause). This indemnity, if due by the Company, is included in the termination indemnity, from which it shall be deducted. This excludes members with high seniority, where the local legislation surpasses this provision, in which event local legislation will prevail.

The notice period for the ELT members is 4.5 months and are subject to the non-competition clause described above, unless Syensqo waives the application of the clause.

A non-competition period of 12 months after termination applies to Marc Chollet , with an indemnity that equals to the higher of (i) 50% of his gross remuneration (including fixed remuneration, non-fixed remuneration and benefits) and (ii) 70% of the gross fixed remuneration, unless Syensqo waives the application of the clause.The above report is aligned with Belgian Governance Code requirements. Except for the CEO (whose contract has been contributed to Syensqo and whose contract's key provisions are mentioned in and aligned with the Remuneration Policy), the terms and conditions of the other ELT members' contracts are in deviation from the Remuneration Policy of Syensqo insofar as contractual termination indemnities apply to ELT members with a management contract, and non-competition indemnities in excess of the legal minimum requirements are foreseen in their contracts. The terms and conditions of the ELT members' contracts aim to align with market practices.

6. MAIN CHARACTERISTICS OF RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

6.1. Roles and responsibilities

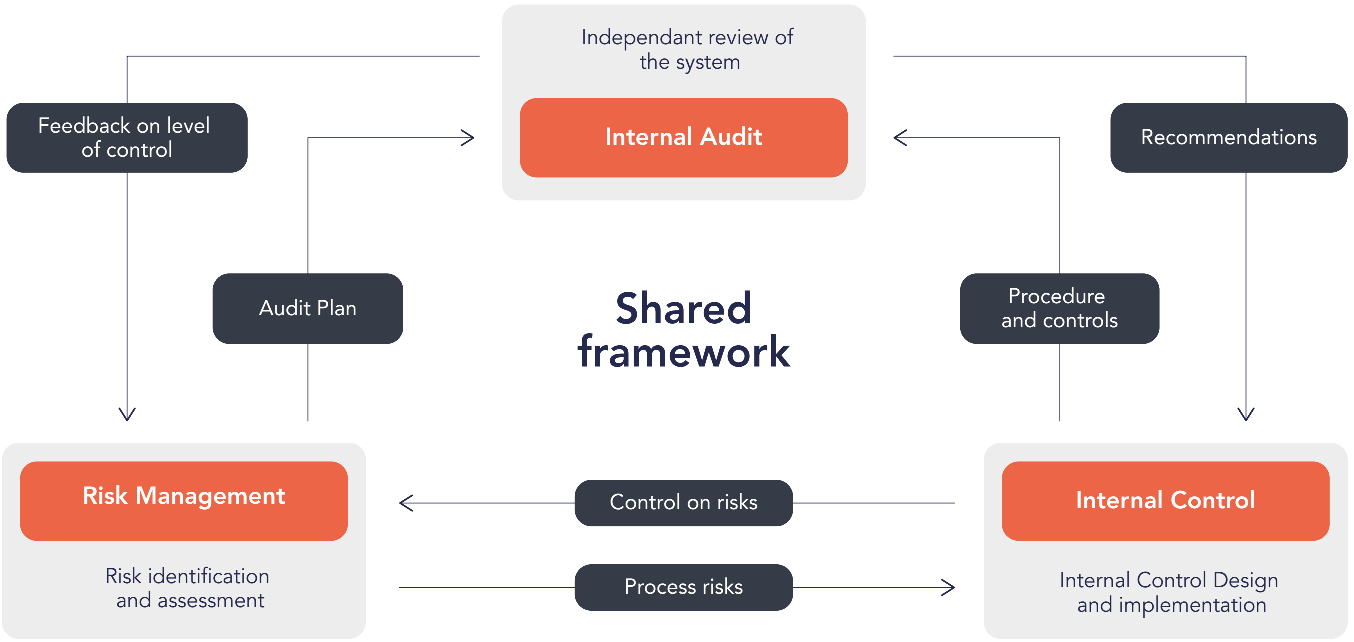
Syensqo's governance and organizational structure for risk management adhere to the "three lines of defense model" as depicted in the table below:

Board of Directors / Audit and Risk Committee		
Executive Leadership Team		
First Line of Defense	Second Line of Defense	Third Line of Defense
- Risk and control owners, own risks and controls aligned with their area of operational responsibility - Global Business Service - Functions - Group Business Units	- Risk Management, Compliance and other monitoring and oversight functions	- Internal Audit

Syensqo's leaders and managers, as the first line of defense, are accountable for ensuring the adequacy of the risk management and internal control framework in their respective Global Business Units (GBUs) and functions.

The Internal Audit and Risk Management department organizes internal audit, internal control and risk management activities in a global assurance function to strengthen the efficiency and effectiveness of the risk management and internal control systems.

The Risk Management and the Corporate Internal Control team, as part of the second line of defense, provide advice and ensure that leaders address the challenges at stake. It is in charge of setting up and maintaining a comprehensive and consistent system for risk management and internal control across the Group, which is independently reviewed by the Internal Audit team – the third line of defense.



The extent to which Syensqo is willing to take risks in pursuit of its business strategy and its objective to create shareholder value is defined by a number of qualitative and quantitative expressions of risk appetite, operated through the risk management system.

Syensqo has set up an internal control system with the aim of ensuring that:
- Current laws and regulations are respected.
- Policies and objectives set by general management are implemented.
- Financial and extra-financial information is accurate.
- Internal processes are efficient and effective, particularly those contributing to the protection of Syensqo's assets.

The five components of the internal control system and the role of internal audit as an independent assurance provider are described below.

6.2. The control environment

The control environment, at the core of the internal control system, reflects the tone at the top, fosters awareness and promotes compliant behavior among all employees. Its diverse components establish a clear structure of principles, rules, roles and responsibilities, while demonstrating general management's commitment to compliance.
- The Code of Business Integrity, available on our website, serves as a reference for underlying policies and procedures. Employees regularly receive training on the code. More information can be found in the chapter on Corporate Governance and the Extra-financial section of this report.
- To facilitate reporting onpotential Code of Business Integrity violations, an Ethics Hotline managed by a third party is available for employees who cannot approach their managers or the compliance organization, or who prefer to remain anonymous. More information can be found in the Extra-financial section of this report.

6.3. The risk assessment process

The risk management process takes into account the organization's strategic objectives and is structured into the following phases:
- Risk analysis (identification and evaluation), risk assessment and decision on how to manage critical risks.
- Implementation of mitigation plans with risk owners accountable for delivery.
- Monitoring of risk mitigation plans for adequacy and effectiveness.

Our approach to designing internal controls for major processes includes a risk assessment step defining which key control objectives to tackle. This is the case for processes at subsidiary, Global Business Services, GBU or corporate level, leading to the production of reliable financial reporting.

The Board meets once a year to discuss the major risks facing the Group. During the year, the Audit and Risk Committee systematically reviews progress and regularly invites the relevant leaders and risk owners to provide overviews of their risk assessments and progress on mitigating actions. In accordance with the defined Group risks, topics such as industrial safety, physical security, cybersecurity, ESG-related subjects, or ethics and compliance matters are addressed.

More information on enterprise risk management, including a description of the Group's main risks and the actions taken to avoid or mitigate them, can be found in the Risk Management section of this report.

6.4. Control activities

Built on the existing framework, Syensqo uses a systematic approach to designing and implementing control activities for the most relevant Syensqo processes. Internal control governance has been established under the CFO's sponsorship.

Controls are designed and described by the process owners, based on a risk analysis, with the support of the Corporate Internal Control team. The descriptions of the controls are used as a reference for the internal control assessment and roll-out across the Group.

At each level of the Group, Control Owners are responsible for the control execution.

Part of Syensqo's internal controls is operated by Solvay, under the Transition Services Agreement entered into between Solvay SA and Syensqo in the framework of the Partial Demerger ("TSA"). For those controls, Solvay is expected to operate the controls in accordance with the standards and framework set by Solvay and Syensqo. For those controls, Syensqo's Internal Control team receives assurance over the effectiveness of the internal controls from Solvay's Internal Audit & Risk Management function, as specified in the Separation Agreement. In accordance with the Separation Agreement entered into between Solvay SA and Syensqo in the framework of the Partial Demerger, Syensqo's Internal Audit team is granted the authority to carry out independent internal audits, evaluating the adherence to and effectiveness of the services outlined in the TSA. Furthermore, additional internal controls are set, when appropriate, to ensure the delivery of the services under the TSA.

Control activities, policies and procedures, are defined for the major financial processes and an online Financial Reporting Guide explains how the IFRS rules should be applied throughout the Group.

A process is in place to ensure that financial elements are consolidated monthly and analyzed at every level of responsibility in the Company, including Global Business Services, the finance director of the entity, Group accounting and reporting, and the Executive Leadership Team. Elements are analyzed using various methods, such as a variance analysis, plausibility and consistency checks, ratio analysis and comparison with forecasts.

In addition to the monthly reporting analysis prepared by the Group Controlling teams, the Executive Leadership Team thoroughly reviews GBU performance every quarter in the context of business forecast reviews.

6.5. Internal control monitoring

The Corporate Internal Control team oversees and defines a framework to ensure monitoring of the effectiveness of internal controls within the organization. The Internal Audit team conducts periodic reviews of key controls and high-risk processes and verifies compliance with established policies and procedures.

The Audit and Risk Committee is in charge of monitoring the effectiveness of internal control systems. It supervises the work of internal audit and risk management relating to financial, operational and compliance monitoring. It also verifies that audit recommendations are properly implemented. The role and responsibilities of the Audit and Risk Committee are detailed in the Corporate Governance Charter. For additional information on the work of internal audit see section 6.7 below.

The Ethics and Compliance department coordinates investigations of potential Code of Business Integrity infringements.

6.6. Information and communication

Effective communication channels of internal control responsibilities and relevant information are implemented throughout the Company. Regular updates, meetings and documentation ensures critical information is disseminated in a timely and transparent manner across departments.

A large majority of Group operations are supported by a small number of integrated Enterprise Resource Planning (ERP) systems, with financial consolidation being supported by a dedicated tool.

All financial reporting procedures and internal controls ensure that all material information disclosed by Syensqo to our investors, creditors and regulators is accurate, transparent and timely, and that it fairly represents the Group's most relevant developments, financial fundamentals and performance.

6.7. Internal Audit

The Internal Audit team provides risk-based, independent and objective assurance to enhance and protect the organization's overall value. It uses a systematic and methodological approach to evaluate and improve the effectiveness of governance, risk management and internal control processes and procedures, helping the organization accomplish its objectives.

The team performs internal audit assignments across the entire Group on the basis of its Audit Charter and the risk-based annual internal audit plan approved by the Audit and Risk Committee. The audit plan takes into consideration internal and external data, risk factors and benchmarks. It includes both entity-level audits and transversal, Group-wide assignments to address the Group's main risks, which are identified as part of the enterprise risk management process. Based on a risk assessment, all Group operations are inspected by internal audit on a rotation basis.

The assignments are scoped, planned and defined on the basis of a risk analysis, with the internal audit work focusing on the areas perceived as having the highest risks. Internal audit recommendations are implemented by management. The implementation status is monitored by the Internal Audit team and reported to management and the Audit and Risk Committee on a regular basis.

In 2023, as part of the 2023 Internal Audit plan approved for Solvay SA, the Internal Audit team conducted 22 audit assignments, in which Syensqo's scope of operations was covered. These audits were performed across all of Syensqo relating to the effective management of Group risks, efficiency of operations and internal controls, as well as to governance and compliance. Its areas of focus included ESG, compliance, safety of operations, information and physical security and Group transformation.

The Head of Internal Audit and Risk Management reports to the Chief Financial Officer and maintains reporting relationships with the Chair of the Audit and Risk Committee and the CEO. The Head of Internal Audit & Risk Management attends all Audit and Risk Committee meetings and periodically presents an activity report summarizing internal audits performed, the follow-up of recommendations and the annual audit program. At each meeting, the Head of Internal Audit & Risk Management has a private session, in the absence of management, with the Audit and Risk Committee. The Head of Internal Audit & Risk Management has direct access at all times to the Chair of the Audit and Risk Committee and the CEO.

7. EXTERNAL AUDIT

The audit of the Company's financial situation, financial statements, extra-financial statements and the conformity of these statements – and the entries to be recorded in the financial statements in accordance with the BCCA and the bylaws – are entrusted to one or more auditors. These are appointed at the Shareholders' Meeting and chosen from among the members, either natural or legal persons, of the Belgian Institute of Company Auditors.

The responsibilities and powers of the auditor(s) are set by law.

The Shareholders' Meeting sets the number of auditors and their emoluments in accordance with the law. Auditors are also entitled to reimbursement of their travel expenses for auditing the Company's sites and administrative offices.

The Shareholders' Meeting may also appoint one or more alternate auditors. Auditors are appointed for three-year renewable terms, which cannot be revoked by the Shareholders' Meeting without good reason.

The Audit and Risk Committee assesses the effectiveness, independence and objectivity of the external auditor with regard to the:
- content, quality and insights provided in key external auditor plans and reports, in particular those summarizing audit work performed on risks identified by the Company
- engagement with the external auditor during committee meetings
- robustness of the external auditor in their handling of key accounting principles
- provision of non-audit services

For the year ending December 31, 2023, professional services were performed by Ernst and Young Réviseurs d'Entreprises SRL, duly incorporated and validly existing under the laws of Belgium, whose registered office is at Kouterveldstraat 7B 001, 1831 Diegem, Belgium, registered in the register of legal entities of Brussels under business registration number 0446.334.711 and their respective affiliates. The yearly 2023 audit fees for Syensqo SA were set at €1.4 million. They include the audit of the statutory and consolidated accounts of Syensqo SA. Additional audit fees for Syensqo affiliates in 2023 amount to € 1.9 million. Supplementary non-audit fees € 0.06 million were engaged in 2023 by Syensqo SA and affiliates.

The Ernst and Young mandate has started at the date of the constitution of Syensqo on 27th February 2023 and is the company's statutory auditor for a period of three years, ending after the Ordinary Shareholders' meeting of 2026, which will be called upon to approve the accounts for the year 2025. The Non Audit Services Policy has been approved during the first Audit and Risk Committee of 2024.

8. DEVIATION FROM THE BELGIAN GOVERNANCE CODE

The Company deviates from Rule 7.6 of the Belgian Corporate Governance Code which recommends that a portion of the remuneration paid to non-executive directors be in shares. The Company considers however that its remuneration practices remain relevant and comply with the spirit of Rule 7.6 because non-executive directors are required to hold a number of Company shares equivalent to 100% of their gross annual fixed board fees. These shares should be held until at least one year after the non-executive director leaves the Board of Directors and, in any case, for at least three years after the shares were acquired.

For further details, please see Section 5.

9. ITEMS TO BE DISCLOSED PURSUANT TO ARTICLE 34 OF THE BELGIAN ROYAL DECREE OF NOVEMBER 14, 2007

Article 34 of the Royal Decree of November 14, 2007, on the obligations of issuers of financial instruments admitted to trading on a regulated market (hereinafter the "Royal Decree"), requires them to enumerate and, if appropriate, comment in a management report on the following elements where their nature is such that they may have an impact in the event of a takeover bid.

9.1. Capital structure

As of December 31, 2023, the capital of the Company amounted to €1,351,624,292.82, represented by 105,876,417 ordinary shares with no designated par value, fully paid up.

All Syensqo shares are entitled to the same rights. There are no different classes of shares.

9.2. Transfer of shares and shareholders' arrangements

Syensqo's articles of association do not contain any restriction on the transfer of shares.

The Company has been informed that certain individual shareholders who hold shares directly in Syensqo may decide to consult one another when questions of particular strategic importance are submitted by the Board of Directors to the Shareholders' Meeting. Each of these shareholders, however, remains free to vote as he or she chooses. None of these individuals, either individually or in concert with others, reaches the initial 3% transparency notification threshold. Syensqo is not aware of the existence of a concert between its shareholders.

9.3. Holders of securities with special control rights

There are no such securities.

9.4. Control mechanism of any employee share scheme where the control rights are not exercised directly by the employees

There is no employee share scheme with such a mechanism.

9.5. Restrictions on the exercise of voting rights

Each Syensqo share entitles holders to exercise one vote at Shareholders' Meetings.

Article 10 of the Company's articles of association provides that the exercise of voting rights and other rights attached to shares that are jointly owned, or of which the usufruct and bare ownership rights have been separated or are pledged, are suspended pending the appointment of a single representative to exercise the rights attached to the shares.

The voting rights attached to the shares in Syensqo held by Syensqo Stock Option Management, a wholly owned indirect subsidiary of the Company, are, as a matter of law, suspended.

9.6. Appointment, renewal, resignation and dismissal of directors

The articles of association of the Company provide that the Company is to be managed by a Board of Directors composed of no less than five members, their number being determined by the Shareholders' Meeting (Article 12). Directors are, in principle, appointed by the Shareholders Meeting for four years, and may be reappointed.

The Board of Directors submits directors' appointments, renewals, resignations or dismissals to the Ordinary Shareholders Meeting for approval. It also invites such Shareholders' Meetings to vote on the independence of the directors fulfilling the related criteria, having first sought the advice of the Nomination Committee, whose mission is to define and assess the profile of any new candidate using its criteria for appointment and for specific competences.

The Ordinary Shareholders' Meeting decides on proposals made by the Board of Directors on this matter by a simple majority.

If a directorship becomes vacant during a term of office, the Board of Directors may co-opt a new director, subject to ratification at the next Shareholders' Meeting.

9.7. Amendment of Syensqo's articles of association

Amendments to the Company's articles of association must be submitted as a resolution to the Shareholders' Meeting, at which at least 50% of the share capital of Syensqo must be present or represented. In principle, amendments must be passed by a 75% majority of the votes cast.

If the attendance quorum is not met at the first Extraordinary Shareholders' Meeting, a second Shareholders' Meeting may be convened and will take a decision without any attendance quorum requirement.

For certain other matters, such as amendment of the Purpose of the Company, higher voting majorities may apply.

9.8. Powers of the Board of Directors

9.8.1. Powers of the Board of Directors

The Board of Directors is the highest governing body of the Company.
- It is entrusted with all the powers that are not reserved, by articles of association, to the Shareholders' Meeting.
- The Board of Directors has kept responsibility for certain key areas and has delegated the remainder of its powers to an Executive Leadership Team (further detailed in the Charter).

In all matters for which it has exclusive responsibility, the Board of Directors works in close cooperation with the Executive Leadership Team, which, in particular, is responsible for preparing most of the proposals for decisions made by the Board of Directors.

9.8.2. The Board's authorizations to issue and buy back shares and increase the capital

Following the Extraordinary Shareholders' Meeting of December 8, 2023, the Board of Directors is authorized to acquire or pledge Syensqo shares at a unit price which may not be less than one euro (€1.00) and which may not be more than 10% higher than the highest price on the last 20 trading days prior to the transaction. The Company must also comply with the price limits set out in Articles 7:215 and following of the BCCA and Articles 8:2 and following of the Royal Decree implementing the BCCA. This authorization extends to the acquisition or pledging of shares in the Company by one of its direct and, insofar as necessary, indirect subsidiaries, as well as by any person acting in his or her own name but on behalf of these companies. The nominal value of the shares acquired, including those previously acquired by the Company and held in its portfolio and those acquired by a direct subsidiary within the meaning of Article 7:221, par. 1 of the BCCA, may not exceed 10% of the subscribed capital. This authorization is valid for five years from February 2, 2024.

The Board of Directors is also authorized to acquire or pledge shares in the Company, where such acquisition is necessary to avoid serious and imminent harm to the Company, including in the event of a public takeover bid for the Company's shares. This authorization is valid for two years from February 2, 2024.

The Board of Directors is authorized to sell Syensqo shares, subject to compliance with the applicable legal requirements, to one or more specific persons other than staff members. This authorization extends to the disposal of shares in the Company by one of its direct and, insofar as necessary, indirect subsidiaries, as well as by any person acting in his or her own name but on behalf of these companies. The Board of Directors is also authorized to dispose of shares in the Company, in accordance with the conditions set out in Articles 7:215 and following of the BCCA, when such disposal is necessary to avoid serious and imminent harm to the Company, including in the event of a public takeover bid for the Company's shares. This authorization extends to the disposal of shares in the Company by one of its direct and, insofar as necessary, indirect subsidiaries, as well as by any person acting in his or her own name but on behalf of these companies. This authorization is valid for two years as from February 2, 2024.

Following the same Extraordinary Shareholders' Meeting, the Board of Directors is authorized to increase the capital of the Company by a maximum amount of €135,000,000. This authorization is valid for a duration of five years, as from February 2, 2024. The Board of Directors may limit or cancel shareholders' preferential rights. This option includes the limitation or elimination of shareholders' preferential rights in favor of one or more specific persons other than employees of the Company or its subsidiaries. Any decision to use the authorization given to the Board of Directors to increase the capital requires a majority of three quarters of the votes (rounded up to the nearest whole number) of the directors present or represented on the Board.

The Board of Directors is further authorized to increase the Company's capital (including, where applicable, with limitation or cancellation of the shareholders' preferential rights) in the event of a public takeover bid for the securities issued by the Company, subject to the conditions and within the limits set out above and in Article 7:202 of the BCCA. This authorization is valid provided that the notification by the Financial Services and Markets Authority that it has received notice of a public takeover bid for the Company is received within two years as of December 8, 2023. Capital increases carried out by the Board of Directors under this authorization will be deducted from the remaining amount of the authorized capital.

9.9. Significant agreements or securities that may be impacted by a change of control of the Company

The Extraordinary Shareholders' Meeting of November 13, 2023, approved the change of control provisions set out in:
- The Separation Agreement (article 4.2) entered into between the Company and Solvay SA, governing certain matters relating to the separation of the Solvay Group and prior reorganization transactions, and the relationship of Syensqo, Solvay SA and their respective affiliates as from the effective date of the Partial Demerger, and implementing certain additional arrangements relating thereto, including certain cross-indemnification undertakings related to environmental liabilities.
- The U.S. Tax Matters Agreement (article 3.02) entered into between the Company and Solvay SA, Essential Holding America LLC and Solvay Holding, Inc., governing the respective rights, responsibilities and obligations of Syensqo and Solvay SA with respect to certain U.S. tax matters, including with respect to U.S. tax liabilities (including, generally, responsibility and potential indemnification obligations for U.S. taxes attributable to each company's business and taxes and losses arising, under certain circumstances, in connection with the intragroup spin-off of certain U.S. entities and the Partial Demerger, U.S. tax attributes, U.S. tax contests and U.S. tax returns.

9.10. Agreements between the Company and its directors or employees providing for remuneration if directors resign or are good leavers, or in the case of a public takeover bid

Not applicable to the non-executive directors. The key provisions of the ELT Members' contractual relationships with the Company and/or an affiliated company are described in section 5.5 of the Remuneration Report.

RISK MANAGEMENT

Risk Management

In a context of elevated global economic and geopolitical uncertainty, and heightened sensitivity and expectations related to climate change and sustainability, we believe that effectively monitoring and managing risks is crucial for Syensqo success.

Our risk management approach focuses on the main critical and emerging risks that could significantly impact Syensqo's ability to achieve its strategic objectives. The evolution of our risk management system is an ongoing process, characterized by performance monitoring and the enhancement of our processes and data to ensure effective risk management.

1. RISK MANAGEMENT PROCESS

At Syensqo, anticipating, measuring, mitigating and monitoring risks is as important as the process to identify and capture opportunities. The extensive risk-related processes and provisions that we apply from the Board of Directors to front-line workers and to supply chain partners and customers demonstrates this. These processes are outlined below.

1.1. Risk analysis and decision on how to manage critical risks

We analyze risks in three steps. First, we establish their level of priority for Syensqo, which means categorizing them as "main risks" (most critical), "emerging risks" or "other risks". Second, we identify in which area the risk would have the most impact: the environment, people, economic or reputation. Third, we classify risks according to their time horizon: short term (up to one year); medium term (more than one year and less than five); and/or long term (more than five years).

In accordance with the Task Force on Climate-related Financial Disclosures (TCFD) and the EU Taxonomy frameworks, we also assess and categorize our main risks as "Environmental (E)", "Social (S)", or "Governance (G)", where applicable.

1.2. Risk management in action

Syensqo's Enterprise Risk Management methodology, inspired by the Committee of Sponsoring Organizations (COSO) principles, requires our Global Business Units (GBUs) and Functions – and the Group as a whole – to prioritize risks, develop and deliver on mitigation plans, continually scan the environment to assess whether risks and exposures are changing and test whether priorities and plans remain appropriate. This process is closely followed by the Corporate Risk Management team through systematic assessments enabling us to monitor decisions and measure actions and progress.

The process we use is regularly adjusted in order to constantly improve the identification and classification of risks. In 2023, the Corporate Risk Management team continued to work with the Sustainable Development team to align our risk analysis with the Corporate Sustainability Reporting Directive (CSRD).

Critical risks for the Group are closely and systematically monitored by the Group Risk Committee, which ensures that these risks are assessed for materiality and are adequately addressed. The Committee is composed of the Executive Leadership Team (ELT), establishing a direct link between the Group's strategy and the risk management process, the Chief Technology & Innovation Officer, the Chief Sustainability Officer, and the Head of Investor Relations. Group Risk Committee meetings are facilitated by the Head of Internal Audit and Risk Management.

Business and Function leaders integrate risk management into decision making to support delivery of objectives

Leaders of GBUs and Functions are responsible for identifying, monitoring and managing the key risks in their areas. Risk management is embedded in the day-to-day operations of each entity and operational managers are expected to anticipate and react rapidly when circumstances change.

Group risks are overseen at Executive Leadership Team level

Group-level risks are managed and monitored throughout the various levels within the Syensqo organization, starting with the top management. Senior management participates in the identification of risks and their treatment and response. The Group Risk Committee contributes to identifying and assessing risks as well as appointing Risk Sponsors, who are members of the Executive Leadership Team. Board Members provide independent input, contributing with their broad expertise. Additional input is provided by the Corporate Risk Management team, which scans external sources, such as the World Economic Forum Global Risks report, the Risk in Focus report from the ECIIA1, the AXA Future Risks Report or the Economist Intelligence Unit Risk Outlook, for relevant information. This input is reviewed and validated by the ELT once a year, but more frequent updates are prepared and reviewed when necessary.

1. *European Confederation of Institutes of Internal Auditing*

The Audit Committee meets with the CEO, CFO, Head of Internal Audit & Risk Management and all other members of the Board once a year to discuss the major risks facing the Group. During the year, the Audit Committee reviews progress and regularly invites the relevant leaders and Risk Owners to provide overviews of their risk assessments and progress on mitigating actions.

RISK MANAGEMENT PROCESS

	Risk analysis and decision	Implementation	Monitoring
Board	Gather input through dedicated sessions on Group risks	–	· Annual Group risk assessment and update
Audit Committee	Gather input through dedicated sessions on Group risks	–	· Assess effectiveness of risk management · Periodic presentation by Risk Owners · Periodic review (minimum twice per year) and assessment of Group risks (minimum annually)
Senior Management	Define risks at business and function levels	· Risk Coordinators appointed at Group Business Units and Function level · Mitigation plan developed with Risk Owners accountable for delivery · Regular progress update (minimum annually)	
Executive Leadership Team (ELT)	Provide input on Group risks establishing a direct link between the Group strategy and the risk management process	· ELT members appointed Risk Sponsors · Oversee risk mitigation progress and ensure adequate resources · Ad-hoc risk sessions and Group risk assessments twice a year	
Group Risk Committee	Decide and validates Group risks	Nominates ELT Risk Sponsors	· Monitors the level of control of Group risks (effectiveness of mitigation plans)

Internal control

Internal control is a key aspect of risk management. The Corporate Governance chapter of this report provides a detailed description of Syensqo's risk management and internal control system (see chapter 6).

1.3. Crisis preparedness

There is a network within the Group to ensure crisis preparedness. Members of this network perform tasks and implement programs in order to ensure that their business units and Functions are prepared for specific crisis situations. These programs include crisis simulations, media training for potential spokespersons, maintenance of key databases, and analysis of relevant internal and external events.

2. SYENSQO'S MAIN & EMERGING RISKS

The Group Risk Committee assesses the impact of risks and the level of control for Group risks. To assess impact, we use a four-level scale: low, medium, high or very high.

Impact	Low	Medium	High	Very high
Economic	Less than €10 million	€10 million to €50 million	€50 million to €100 million	€100 million or larger
Injury to people	Nuisance (noise, smoke, odor)	One or multiple first aid injuries or shelter-in-place	One irreversible injury or multiple reversible injuries	One or multiple fatalities or multiple irreversible injuries
Reputation	-	· Local news headlines · Low activity in social media · Moderate to strong reaction from local stakeholders	· National news headlines · Strong activity in social media · Strong reaction from stakeholders	· International news headlines · Significant activity in social media · Severe reaction from all stakeholders
Environment	Non-reportable operating permit limits exceeded	· Damages limited to the immediate vicinity of the site · Minor impact on plants or animals around the site	· Reversible damages off-site · Major impact on plants or animals around the site	· Long-term damages off-site (>ten years)

Level of control

The Group Risk Committee assesses the level of control over these risks based on Corporate Risk Management team recommendation and by considering whether:

- Key actions and controls are identified
- Effectiveness of key actions and controls is assessed
- The level of control is adequate and proportionate to the risk
- Mitigation actions, which are deemed appropriate, are implemented

Syensqo's Main & Emerging Risks

To determine how critical a risk is, we combine the two ratings described above (impact and level of control).

Criticality	ESG	Risk	Time horizon	Trends of level of control (after mitigation)	Corresponding Materiality SASB Topics
++ Very High	S	Security	Short	Stable	· Critical incident risk management · Community relations · Data security
	E	Environmental impact and controversies	Short to long	Stable	· Air quality · Water and wastewater · Waste management · Hazardous materials
	G,S	Compliance and business integrity	Short to medium	Stable	· Management of the legal and regulatory framework · Competitive behavior · Business ethics · Product quality and safety · Product design & lifecycle management
	E,S	Operations safety	Short	Stable	· Critical incident risk management · Employee health and safety
	G	Spin-off Transformation Risk	Short to medium	New Risk	· Data security · Management of the legal and regulatory framework · Competitive behavior
+ High	E	Climate change	Short to long	Stable	· Greenhouse gas emissions · Physical impacts of climate change
Emerging Risks	N/A	Geopolitical impacts	Short to medium	Not applicable	-
	N/A	Digital disruption, new technology and generative artificial intelligence	Medium to long	Not applicable	-

Short term < 1 year < Medium term < 5 years < Long term
Emerging risks are newly developing or changing risks that may cause a potential significant impact to the Group. These risks are undergoing a detailed review to ensure that proper mitigation strategies are defined and implemented.

The risks relevant to Syensqo, and the Group's risk-reduction actions, are listed below. The mitigation efforts described do not guarantee that risks will not materialize or impact the Group, but they show how we proactively manage our exposure to risk.

2.1. Security

MAIN RISK
RISK HORIZON: SHORT TERM
TREND: STABLE

2.1.1. Risk description

Certain security threats can have negative consequences for our business. These include terrorism, crime, violence, vandalism, theft and cyberattacks, which may impact employees or other stakeholders, sites, assets, operations and/or critical information.

Syensqo is exposed to physical security risks because it has 33 high-risk operations (high Seveso level, process safety management (PSM) covered). A number of our products, if mishandled, can cause severe damage. For more information on this, see the Extra-financial statements section of the report: 5.4 hazardous materials.

We also have sites located in countries where security concerns are rated high by SOS International. Seventy (70) industrial, and twenty (20) administrative and R&I sites have undergone a Security Vulnerability Self-Assessment (SVSA) and only one R&I site and one Industrial site has been assessed as having the highest level of security risk – Level 1 – since the previous SVSA. The site SVSA is completed by each site once in every three years or after a major security incident or system break-down.

Syensqo's exposure to cyber risk, as for most major companies, stems from our extensive use of information and communication technologies and the gradually increasing automation level of our sites. Like most multinationals, Syensqo experiences cyber incidents and actively responds to those incidents to limit the impact. The Syensqo management team is not aware of any incident that would have significant consequences for our financial statements or our business.

2.1.2. Prevention and mitigation actions

Syensqo has an intelligence-driven and risk-based security approach to protecting sites, operations, information, and people.

The Head of Facilities & Group Security, reporting to the Chief Operations Officer (COO) coordinates all the physical security activities related to the security of people, sites and operations. The COO is directly reporting to the CEO.

The Chief Information Security Officer (CISO), reporting to the Chief Information Officer (CIO), coordinates all digital-related information security activities. The CIO is directly reporting to the CEO.

Three governance bodies lead the security risk management effort:
- the Security Board, chaired by the CEO, provides strategic direction for the Group's security risk mitigation;
- the Cyber Security Leadership Committee, chaired by the CISO, oversees all cyber security activities and provides budget and priority recommendations to the Security Board;
- a Security Coordination Working Group runs a security threat monitoring program and an optimized security program for the Group.

Cyber security program

The three governance bodies leading the security risk management effort also supervise our cyber security program, which includes:
- the use of assessments conducted by external experts;
- the use of penetration tests and internal phishing simulations;
- substantial training for all Syensqo Business Services and Digital Technology (DT) professionals, and mandatory cyber security training for all employees;
- the regular publication of cybersecurity tips to increase employee awareness;
- several significant improvements in security posture were achieved by deploying enhanced security technology across the network. This includes controls such as endpoint detection and response, multi-factor authentication, immutable back-ups, a stronger demilitarized zone (DMZ), improvement of the security identity and the improvement of the Security Operation Center (SOC).

A significant cyber attack could negatively impact Syensqo in many ways, including people, operations and results, as well as know-how and intellectual property. We will therefore continue to solidify our cyber defenses so that we are able to manage the evolving cyber threat landscape.

Insurance

Syensqo is insured against the potential financial impact of a cyber attack. This insurance covers damage to assets, business interruption, ransomware and third party liability in case of loss of third party confidential information.

2.1.3. Main events in 2023

- Launch of the Syensqo Cyber Security Risk Management Program - a comprehensive program to capture, assess, prioritize, manage and monitor cyber security risks within the Group. This includes a formalized process that assigns accountability and provides risk mitigation measures and reporting;
- A comprehensive IT Acceptable Use and Security policy was issued with an e-security training module deployed to train employees and contractors. This training is available in 16 languages and is mandatory for employees and contractors;
- A Cyber Third Party Risk Management program was defined and designed for IT vendors, with the full rollout of the program expected in 2024;
- The Specialty Polymers business unit achieved the automotive TISAX certification for the Research & Innovation Centers of Aubervilliers and Alpharetta sites, reflecting our cyber security capabilities.

2.2. Environmental impacts

MAIN RISK
RISK HORIZON: SHORT, MEDIUM AND LONG TERM
TREND: STABLE

2.2.1. Risk description

Syensqo's activities impact the environment through:
- our use of raw materials based on fossil or non-renewable resources and our consumption of energy;
- our access to scarce resources, including water;
- our management of waste and emissions to air and water;

Syensqo manages or remediates historical soil contamination at all sites for which we are responsible, including divested or discontinued operations, ensuring continuous compliance with the applicable environmental legislation. More information can be found in the Extra-financial section of the Annual Integrated Report.

These impacts on the environment, in turn, create the following risks:
- challenges and expenses related to meeting increasingly strict regulatory standards and changing customer expectations, standards and purchasing decisions;
- changes in investor sentiment and preferences as a result of the changing investor environment;
- impact on our ability to recruit employees due to negative public perceptions of environmental issues.

2.2.2. Prevention and mitigation actions

An established Environment SteerCo meets regularly and addresses all environmental topics, including remediation, operations and potential risks. Prevention and mitigation activities include:
- monitoring and management of sites with a history of soil contamination by a dedicated expert team. We follow about 160 locations across the world;
- rolling out a risk characterization approach for relevant sites;
- regulatory monitoring to proactively assess and address upcoming changes in legislation;
- a Group strategy for managing chemicals of concern is to develop alternatives with a reduced human and environmental impact or to phase them out completely. For example, Syensqo developed a next generation, more sustainable range of very specialized fluoropolymers, without the use of fluorosurfactants, while keeping the unique properties of these products, as required for special applications. This innovation allowed Syensqo to successfully discontinue the use of fluorosurfactants in the United States in July 2021 and will allow the Group to manufacture nearly 100% of its fluoropolymers without the use of fluorosurfactants by 2026. (See the Extra-financial chapter of the report: 5.4 Hazardous materials)

To mitigate environmental risks, the following minimum requirements have been established:
- the discharge of substances, wastewater and atmospheric emissions from our plants must meet all applicable emission limit values and environmental quality standards where relevant;
- waste must be disposed of using appropriate and sustainable technologies with qualified companies;
- Sites are required to assess their emissions of hazardous substances and implement actions to reduce and/or eliminate these emissions.

We have also implemented a comprehensive program to reduce workplace chemical exposure using:
- chemical risk assessments and risk-based medical surveillance, using both qualitative and quantitative methodologies;
- human biomonitoring, when warranted;
- improving and adapting working conditions;
- promoting general physical and mental health; and
- setting more conservative in-house exposure limits for critical substances.

We regularly monitor changes to the regulations that could impact emission permits for manufacturing sites. One example of this is the requirement of sites to have a regulatory watch program which identifies changes to regulations that could impact their site. We use our Sustainable Portfolio Management (SPM) tool to help identify substances with a reduced environmental impact that will continue to meet our customers' needs. We revise our materiality analysis on a yearly basis to align it with evolving stakeholder expectations, including environmental impacts.

Syensqo is insured, within the limits of the policy and its exclusions, for unknown gradual pollution, and sudden and accidental pollution. Coverage includes defense costs, clean-up costs and third-party liability.

2.2.3. Main actions in 2023

The Syensqo One Planet Ambition was released on November 13, 2023 during the Syensqo Capital Markets Day where the key targets were announced. During 2023, the following sustainability initiatives have been incorporated:

- identify substances of concern (SOC), develop alternatives and implement abatement solutions with a focus on 20 priority group of substances;
- deliver our carbon neutrality ambition with 47 energy transition projects aimed at reducing scope 1&2 GHG emissions by -1.7Mt;
- progress on a pipeline of industrial waste recovery projects to reduce our industrial waste;
- systematically collect fines and settlements received at our sites with quarterly reporting to the ELT;
- approve sustainable investment projects using a One Planet profile review;
- identify and launch R&I projects to address potential risks;
- reduce our pressure on biodiversity by reducing our impact on climate change, terrestrial acidification, water eutrophication and marine ecotoxicity in our operations and upstream in our value chain;
- identify sites most at risk of drought and draft roadmaps for the priority sites;
- Star Factory roadmaps addressing GHG, water, waste, pollutants emissions and biodiversity initiatives have been developed for an additional 15 Syensqo sites in 2023; and
- detailed annual reporting of environmental emissions (air and water) and environmental events resulting in a regulatory non-compliance.

More information can be found in the Extra-financial statements chapter of the report: 3.1 Syensqo One Planet Ambition 4.4. Air quality, 4.6. Water and wastewater, 4.5. Waste

2.3. Compliance and business integrity

MAIN RISK
RISK HORIZON: SHORT TO MEDIUM TERM
TREND: STABLE

2.3.1. Risk description

Compliance and Business Integrity:

Syensqo has zero tolerance for violations of its Compliance and Business Integrity policy. Syensqo's activities require that the following risk categories - among others - be considered in relation to compliance and business integrity:

- failure to comply with governmental laws and regulations in jurisdictions in which Syensqo operates.
- failure to comply with Syensqo's Code of Business Integrity, including:
  - intentional misconduct;
  - corruption, misappropriation;
  - by-passing corporate controls, and fraud;
  - human rights violations;
  - failure to implement good governance in a joint venture.

Products and Regulated Markets:

Failure to comply with chemical product usage standards, such as:

- inappropriate use of a Syensqo product by Syensqo personnel or customers, which can lead to adverse health and environmental impacts, property damage and resulting litigation;
- production of faulty products, which can result in exposure to liability for injury, health impairment and damage, or product recalls. Product liability risk is generally higher for products used in medical devices, healthcare, food contact and feed applications, and sensitive applications in general;
- Failure to comply with chemical and market regulations in countries where a product is sold. There are many regulatory activities worldwide; in particular, we are closely monitoring the upcoming European Union Chemical Strategy for Sustainability (CSS) regulatory framework and the EU PFAS restriction proposal, including its possible impact on our business and operations and potential opportunities stemming from it. The US administration is also developing a stricter regulatory framework for chemicals; and continued enforcement activities are expected, especially around compliance monitoring for specific substances.

2.3.2. Prevention and mitigation actions

Compliance and Business Integrity:

Our Code of Business Integrity includes a wide range of topics, among which those listed above. It applies to all employees and majority-owned joint venture partners. Our Supplier Code of Business Integrity applies to suppliers.

We introduced training courses which all employees are required to attend and to obtain the knowledge check approval. We require that all employees certify through an annual acknowledgement integrated in the Code of Business Integrity training that they have read and understood the Code, that they are in compliance with its requirements and that they have nothing to report. We have increased awareness about specific behavioral risks through training courses and consistent communication. These include:

- a culture of business integrity;
- anti-bribery and anti-corruption;
- antitrust and competition law;
- confidential and proprietary information;
- conflict of interest;
- reporting non-compliance with human rights in business policy;
- use of a gifts and entertainment tracking system;
- use of third-party reporting hotlines and a Group-wide "Speak Up" program to report non-compliance, speaking up, listening up and non-retaliation;
- sanctions and export control;
- data protection and privacy.

Before entering into a business relationship, our suppliers are required to sign our Supplier Code of Business Integrity and commit to its principles.

In addition, we are increasing our oversight on third parties and suppliers in the field of human rights, anti-bribery and corruption and environmental breaches through proactive screening. Human rights has been integrated in our Ethics Helpline as a matter type and is also open to the employees of our suppliers.

Additional assurance over the deployment of the Syensqo ethical policies and procedures, including the Code of Business Integrity, is obtained through Internal Audits which are conducted at selected Group entities, as part of the internal audit plan.

Products and Regulated Markets:

Our customers are informed about hazards of our products and handling advice through Safety Data Sheets (SDS).

- Syensqo SDS process ensures harmonized content by implementing a common worldwide SAP system for the Group. This SAP system has been implemented across the company.
- SDS are constantly maintained for all products and are distributed worldwide to all customers, in compliance with local regulations and in the local language. The Product Stewardship team ensures that SDS are revised at least once every three years or when needed for all products the Group sells. Information on regulated markets is provided to customers by the Product Stewardship team through relevant certificates.

Additionally, 3 control processes are implemented:

- An in-house Product Stewardship Management System (PSMS) based on the US Product Safety Code is in place;
- A Product Safety Management Process (PSMP) methodology has been developed, aiming at identifying and prioritizing risks related to products marketed by Syensqo;
- The Product Stewardship team performs an annual inventory of Substances of Very High Concern (SVHC) — defined by Syensqo — in the products they sell by business. A risk assessment and analysis of any available safer alternatives is being performed for each SVHC identified in the inventory (cf. the Extra-financial statements section 5.4 Hazardous materials). The framework of this process includes the identification of some SVHCs for defined uses that can be progressively phased out.

Recall procedures are developed and deployed as prescribed by the product stewardship programs. Insurance reduces the financial impact of a product liability risk, including for first-party and third-party product recalls.

2.3.3. Main actions in 2023

Compliance and Business Integrity:

We continue to invest in our Speak Up program to raise awareness and ensure people can raise concerns when they notice a potential breach of regulation, our policies or our Code of Business Integrity. We adapted our system and procedures to integrate the new EU Whistleblowing directive, and drafted a new global Speak Up policy. Fraud was added as a new topic to our Ethics Helpline. Specific training modules for managers increased their awareness on the role they play in protecting our culture of integrity and how to listen and act on concerns raised by employees.

We developed a new external website for Ethics & Compliance that was launched in 2023, ensuring that information about our program, the Code of Business Integrity, the Supplier Code of Business Integrity, our compliance policies as well as our Ethics Helpline are available and easily accessible to employees and externals. This increases awareness around Syensqo's culture of integrity and the detection, identification and addressing of potential issues and risks. It also ensures that third parties and other stakeholders can access our Ethics Helpline easily. Concerns or potential breaches that relate to our supply chain can now be reported by any third party, including by the employees of our suppliers. We have 21 matter types, including Human Rights and Environmental violations. Reported incidents are investigated and preventive and corrective actions implemented when required.

In 2023, we also conducted an internal audit exclusively focused on ESG matters where we reviewed the commitment of our suppliers to our Supplier Code of Business Integrity and also conducted a Compliance Audit on business integrity, bribery & corruption and travel and expenses in APAC. Additionally, as part of the work performed by Internal Audit during its reviews of the group operations, compliance aspects such as the deployment of Code of Business Integrity and the Anti-Bribery & Anti-Corruption policy are also reviewed.

We developed an ESG risk management approach for our supply chain. It provides a systematic approach for identifying risks and assessing their severity in our value chains, and triggers a risk mitigation action plan. In 2023, we increased our efforts and screened our suppliers to identify the Human Rights risks based on an internal analysis by country and value chain and on an analysis with an external provider based on adverse media. This allowed us to categorize our suppliers in a high, medium and low risk cluster. Ensuring compliance with social and environmental standards, including respect for human rights, in our supplier network is important to us.

A dedicated expert competition law team is in place to provide training on specific topics and ad hoc legal advice on the subject. We upgraded our Antitrust Toolkit available to all employees to reflect the latest legal developments and provide employees with practical guidelines to address recurrent questions.

Products and Regulated Markets:

The Syensqo Product Safety Management Process (PSMP) identifies risks relating to products marketed by Syensqo. In 2023, all Syensqo sensitive applications have been covered.

Analysis of Safer Alternatives have been conducted in 2023 to replace Substances of Very High Concern in our products wherever possible (See Extra-financial chapter of the report: 5.4 Hazardous materials).

2.4. Operations safety

MAIN RISK
RISK HORIZON: SHORT TERM
TREND: STABLE

2.4.1. Risk description

The safety of our people is a priority for Syensqo, as is specified in our One Planet sustainability roadmap. A major accident – whether occupational, process or transport related – that is linked to our internal or outsourced activities may cause human, environmental or asset damages, lead to significant exposure or cause injuries or fatalities. Syensqo's industrial sites, like most industrial operations, carry out high-pressure and high-temperature processes. We also use chemical substances that have risks associated with their chemical composition.

For more information about Syensqo's management approach, see the Extra-financial chapter of the report: 6.1 Employee Health and Safety, 6.6 Critical incident risk management (process safety), 5.4 Hazardous materials.

We have identified four major operational risks:
- an occupational safety incident which results in a fatality or irreversible (life-altering) injury;
- a severe process safety incident which results in fatalities, irreversible injuries, environmental harm, and/or loss of physical assets;
- chronic exposure to occupational agents – chemical, physical, biological or psychological – known to cause work-related disease;
- a severe transport accident in connection with hazardous chemical transportation which results in irreversible injuries, fatalities or environmental damages.

2.4.2. Prevention and mitigation actions

Syensqo has a set of health, safety and the environment (HSE) Minimum Requirements to create a shared understanding and approach to mitigating major risks. As part of this approach, we also introduced a new way of working, including a more collaborative and supportive approach to HSE across the Group.

Our HSE strategy is based on the following four levers:
- Culture: promoting a culture of safety for all employees and contractors;
- Continuous improvement: utilizing networking, best practice sharing, common methods and tools, Syensqo HSE Minimum Requirements, external monitoring and benchmarking to improve our HSE performance. Sites are audited on Group HSE procedures at least once every five years;
- Competency: ensuring all employees have the right level of knowledge and skills to put in place the HSE Minimum Requirements, starting with those working in key positions;
- Compliance: detecting and mitigating regulatory and non-regulatory compliance issues, with a focus on priority risks, both in our operations and commercialized products.

Occupational safety

Syensqo has consistently prioritized occupational safety. Our efforts to create a safety culture where all employees work together and care for one another are based on:
- Syensqo's HSE Excellence Plan, which involves and engages all Syensqo employees. It includes activities such as Safety Days, Leadership Safety Visits, Behavior-Based Safety programs, Safety Dialogues and Safety Culture training.
- The Syensqo HSE Minimum Requirements for the Syensqo Life Saving Rules (SLSR);
- The Creating Safety program for leadership teams, aimed at changing mindsets and behavior;
- A monthly review of occupational safety results by the relevant GBUs and at the Executive Leadership Team level.

Industrial hygiene and occupational health

Syensqo has implemented a comprehensive approach to reducing risks in the workplace. Our approach includes:
- risk assessments and risk-based medical surveillance, using both qualitative and quantitative methodologies, with a focus on chemicals;
- pandemic preparedness and mitigation plans;
- Bio Safety Planning in our research labs;
- human biomonitoring, when warranted;
- improving and adapting working conditions;
- deployment of a well-being at work program;
- promoting general physical and mental health;
- setting more conservative in-house exposure limits for critical substances.

Process safety management

Syensqo has created and uses a Process Safety Management System. Among other things, this system includes:
- a preventative risk-based approach founded on systematic Process Hazard Analyses (PHA), and the identification of critical scenarios for which mitigation action must be implemented in a committed time frame;
- management of changes (MOC);
- a team of process safety experts trained to apply the PHA methodologies.

Transport safety

We have put in place a number of tools and procedures that allow us to identify and take action to mitigate transport-related risks. These include:
- qualification standards for carriers of dangerous goods;
- enhanced training where appropriate;
- implementation of safety procedures and guidelines;
- collection and sharing of lessons learned;
- providing emergency response hotlines worldwide and in many languages.

2.4.3. Main actions in 2023

Occupational safety

- Continued awareness campaign of Syensqo Life Saving Rules at site level.
- Continuing deployment of Safety Culture programs (training and sharing). For example, training to avoid complacency and overconfidence has been completed this year.
- Systematic tracking and analysis of High Severity Potential (HSPo) events. These events, as well as other types of significant incidents in process or transport safety, are subject to a root cause analysis.

More information can be found in the Extra-financial statements section of the report: 3.3. Health, safety and environment management.

Industrial hygiene

We continued to roll-out SOCRATES (Syensqo Occupational Risk Assessment Tool for Employees). This tool:
- provides easy access to industrial hygiene (IH) methods, tools and databases;
- enables consistent documentation of IH assessments;
- enhances the traceability of potential exposure throughout a person's working life;
- will be linked to the Safety Datasheet system to ensure the most recent information on chemical hazards is available.

More information can be found in the Extra-financial statements chapter of the report: 3.3. Health, safety and environmental management

Process safety

- Process Hazard Analyses carried out for 99% of all units, on all sites, within the last five years (Group requirement). All detected high-risk situations are treated within one year, with any extensions having to be duly authorized.
- Investigation of a selection of Process Safety Incidents and lessons learned shared with all sites.
- Initiated review of select Process Hazard Analysis in 2023 to evaluate proper application of mitigation actions.

More information can be found in the Extra-financial statements chapter of the report: 6.6. Critical incident risk management.

Transport safety

- Continuous improvement of our Group processes on Qualification of Logistics Service Providers (LSPs) for Dangerous Goods, including tolling and storage operations. Significant progresses are:
  - Vetting process prioritized according to LSPs risk category
  - List in SAP of the vetted and non-vetted LSPs with warning message in SAP when selecting non-vetted LSP
  - Monitoring of Vetted LSP compliance scorecard by GBU
- Continued application of a global Transport Emergency Response covering Level 1, Level 2 and Level 3 in all countries
- Continued development of expertise in Transport Safety through the following activities:
  - Global Transport Safety Network.
  - Feedback on transport accidents.
  - Regular training of people involved in the transportation of dangerous goods.

More information can be found in the Extra-financial statements chapter of the report: 6.6. Critical incident risk management

Occupational health

- Syensqo has a team of Occupational physicians who monitor health events globally in order to prepare for any pandemic related issues whether global in nature or within select regions of the world.
- Syensqo has deployed a global program for mental health and well-being at work:
  - Quarterly pulse surveys to help us understand the psychological climate at Syensqo.
  - Training on resilience offered to all employees.
  - Training for managers on "Leading on well-being mindset".
  - Stress management training facilitated by internal trainers.
- Communication campaigns on Health Promotion.
- Inclusion of health and well-being in the site Health and Safety Days.

More information can be found in the Extra-financial statements chapter of the report: 6.1 Employees health and safety

2.5. Climate change

MAIN RISK
RISK HORIZON: SHORT, MEDIUM AND LONG TERM
TREND: STABLE

2.5.1. Risk description

Climate change is a priority for Syensqo and it presents both risks and opportunities for the Group. The Group strategy to address climate-related risks, as defined by the Task Force on Climate-related Financial Disclosures, could be ineffective and damage the environment, the lives of current and later generations, and Syensqo's reputation. This, in turn, could cause business losses and difficulties in attracting long-term investors. The possible risks to Syensqo that we have identified are as follows:

Transition risks:

Syensqo's raw materials, which include petrochemicals, and our end markets, which include markets sensitive to the climate and energy transition like automotive, aerospace, consumer goods and agro markets, mean that we are exposed to risks and opportunities as part of the climate change transition. This transition risk includes the following:

- Policies and legal context: regulations and actions to limit GHG emissions, such as increasing carbon taxes, barring internal combustion engines, mandating the use of certain fuel types and tightening environmental standards;
- Technology: unsuccessful investment in new, lower-emission technologies;
- Markets: failure to adapt to changing customer behavior;
- Financial: inability to cope with the influence of climate change on investors' and lenders' decisions;
- Changed climate: failing to adequately anticipate the impact of upcoming changes on industrial operations and in the value chain or the tightening of environmental standards;
- Reputation: negative stakeholder attitudes caused by failing to address stakeholder climate change concerns effectively.

Physical risks:

- Sites in water scarcity regions
- Sites in flood and convective storm zones

More information can be found in the extra-financial section 3.8. Climate risks analysis

Prevention and mitigation actions

- Syensqo is progressing towards the 2030 objective to reduce Scope 1 and 2 greenhouse gas (GHG) emissions by 40% from the 2021 base year. This trajectory is at an annual pace aligned with 1.5°C and preparing for Syensqo's ambition to reach carbon neutrality for our operations (i.e. Scope 1 and 2) by 2040. The company will seek revalidation of its targets by the Science Based Targets Initiative (SBTi) in 2024.
- Syensqo is also progressing towards the 2030 target to reduce Scope 3 GHG emissions by 23% from the "focus five" categories both upstream and downstream in the value chain, representing over 75% of the total Scope 3. Syensqo's "focus five" categories of Scope 3 GHG emissions are (1) purchased goods and services (Category 1), which include impacts of upstream transportation and distribution (Category 4) and waste generated in operations (Category 5), (2) fuel-and energy-related activities (Category 3), (3) processing of sold products (Category 10), (4) use of sold products (Category 11) and (5) end-of-life treatment of sold products (Category 12).
- Assessment of potential climate change impacts on our operations due to flooding, water scarcity, hurricanes, and other environmental events through the application of best-in-class models and collaboration with external experts (more information on this can be found in Extra-financial section 3.8: Climate risks analysis).
- As part of the Star Factory program, energy transition roadmaps were created and managed for each site covered.
- A team of energy transition experts in Syensqo's Industrial Function supports roadmapping for each site and the development of projects worldwide, taking into account the specifics of each site's local energy market.
- Using the internal carbon price policy under which a €100 per metric ton CO_2eq price is applied to all Scope 1 and 2 greenhouse gas emissions and serves as an input cost into all CAPEX investment decisions, irrespective of prevailing market prices and using our Sustainable Portfolio Management tool (SPM) to assess all capital investment decisions worldwide.
- Alignment of R&I projects with market expectations and assessment of operations exposure relating to the environment using an SPM lens.
- Linking the long-term incentives of senior executives to our achievements in reducing greenhouse gas emissions.

2.5.2. Main actions in 2023

Transition risks:

A revision of Syensqo's transition risks scenario analysis aiming at understanding and assessing climate-related transition risks and opportunities was completed in 2023. Two scenarios were considered with two time horizons 2030 and 2050: a 1.5°C scenario with the IEA Net Zero Emissions Scenario 2021 and a 3°C scenario corresponding to "business as usual" with the IEA Stated Policy Scenario 2021.

Main conclusions of the scenario analysis include:

- An overall favorable growth outlook and a well-balanced portfolio for the 3 business units included in the scenario analysis.
- Specialty Polymers and Composite Materials business units are resilient to cost increases. Focusing on increasing production capacities for the Specialty Polymers business should be prioritized in a 1.5°C world. Novecare faces risk for the part of its supply chain starting from palm oil and other vegetable oil alternatives that are GHG emission and water intensive. Suppliers should be engaged to reduce Scope 3 emissions and GHG intensity in the supply chain should be monitored.

More information can be found in the Extra-financial section 3.8. Climate risks analysis

Syensqo's SPM tool classifies a sustainable solution as a product in a given application that makes a significant climate change contribution to the customer's performance while also demonstrating a lower carbon impact in its production phase. In 2023, sales from "climate solutions" reached €1.2 billion. For more details about SPM, see section 5.1 Product design and life cycle management and the SPM guide.

Examples of actions decided upon in 2023 to manage the risks and opportunities identified by the Transition risks scenario analysis include:

— Opportunity seizing:
In November 2023, Syensqo confirmed its plans to build a new battery-grade PVDF facility in Augusta, Georgia. The new operations will provide material for more than 5 million EV batteries per year at full capacity and create hundreds of jobs throughout the value chain. Syensqo and Orbia have signed their joint venture agreement for this project. The partnership secures the supply by Orbia of needed materials for Syensqo to manufacture its suspension-grade polyvinylidene fluoride (PVDF) production, which is used as a lithium-ion binder and separator coating in electric vehicle batteries. Syensqo will bring its process technology and global market know-how to this venture.

— Mitigation actions:
Engaging on the GHG intensity of the supply chain: we have aligned with Syensqo's suppliers on the product carbon footprint data of purchased raw materials for over 40% of Syensqo's related impact (Scope 3 category 1), as a first step to engagement with strategic suppliers to cut the carbon footprint of their supplies to Syensqo.

Syensqo's announcement in October 2023 of rolling out a new product carbon footprint digital tool, starting with Novecare. The information allows our business teams, our suppliers and customers to identify areas in which emissions can be reduced, and regularly track progress.

Physical risks:

A new climate physical risks scenario analysis was performed in 2023 with a leading audit, tax and consulting services company's tool, in line with the TCFD updated recommendations for scenario analysis. Two scenarios were considered and projected to 3 time horizons (2030, 2050, and 2100): >4°C of global warming (corresponding with the IPCC's RCP 8.5 and SSP-5.85) and 3°C of global warming (corresponding with the IPCC's RCP 4.5 and SSP-2.45), corresponding to a "business as usual" reference scenario. The 1.5C climate physical risk scenario analysis was not performed due to its inherent lower impact.

Main conclusions of the 2023 physical risks scenario analysis include:

- Overall risk levels are moderate for the sites selected in both scenarios by 2050. The Changshu site is the most financially impacted. Asset damage is up to 2x annual maintenance costs in total. Business interruption in absolute terms is generally lower than asset damage.
- Difference between the 3°C and 4°C scenarios is marginal for the sites assessed.
- Convective storm and flood might cause the highest absolute damage across all sites until 2090. The strongest increases are caused by heatwaves, with a solid acceleration by 2050, and droughts, with a solid acceleration after 2050. Sea level rise is a risk for the Changshu site and has a moderate increase over time. Tropical cyclone and wildfire do not pose a significant financial impact at any location.

The current risk linked to floods and hurricanes is assessed annually with our property insurers. This exercise identifies sites in risk areas with a maximum foreseeable loss greater than €10 million. Three Syensqo sites are located in high frequency (1% chance per year) flood areas, with a loss expectancy range of €14-30 million. Eight Syensqo sites are located in low frequency (0.2% chance per year) flood areas, with a loss expectancy range of €11-198 million. Two sites are located in a wind exposed area, with a loss expectancy of €10-40 million. Syensqo has a damage insurance program in place to cover catastrophic risks, while covering smaller losses through self-insurance.

Sites in areas of water scarcity have been identified, and the risks have been assessed based on their water consumption and maximum foreseeable loss. Fifteen Syensqo sites are located in areas subject to hydric stress, of which three have been identified as having a high business impact. The highest annual business interruption value is €83 million.

More information can be found in the Extra-financial section 3.8. Climate risks analysis

2.6. Spin-off transformation-related risks

MAIN RISK
RISK HORIZON: SHORT TO MEDIUM TERM

2.6.1. Risk description and mitigation actions

Following the separation from Solvay SA, Syensqo is exposed to significant risks related to the dependency on Solvay SA for services provided under the Transition Service Agreement (TSA) and to risks related to the impacts which may arise if Syensqo fails to comply with pre spin-off commitments.

Should Solvay SA not maintain the level of services throughout the duration of the TSA, it could cause significant disruptions to Syensqo processes and operations, namely in regards to the IT infrastructure and systems. Additionally, as the TSA has a maximum duration of 24 months, if Syensqo fails to implement and execute adequate TSA exit strategies and is unable to replace the services Solvay SA is providing, this could cause significant disruptions to processes and operations.

Additionally, there may be significant impacts if Syensqo fails to respect its pre-spinoff commitments, namely in respect to the tax-free treatment of the Partial Demerger for US federal income tax purposes.

Syensqo is actively working to define and implement the Group strategy to mitigate these risks with the following key measures taken:

- TSA dependency & TSA exit strategy
  - A formal TSA governance has been designed to secure an effective TSA delivery which includes the creation of a strategic steering Committee, who meets regularly and includes the COO and the Chief Information Officers of Syensqo and Solvay SA.
  - A Functional Steering Committee has been created to take high level TSA related decisions.
  - TSA Managers were appointed and responsible for the entire TSA portfolios across all contractual aspects.
  - Creation of a Head of Transformation position and TSA Director, reporting to the COO, who monitors and coordinates several transformation initiatives for the successful implementation of TSA exit strategies.
- Compliance with pre-spin-off commitments
  - Briefing of Executives and Board Members on key boundary conditions designated to ensure awareness and lead adherence to boundary conditions.
  - Implementation of a close monitoring of entanglements, liabilities allocation and ruling decisions, with formal rules disseminated through the organization.

2.7. Geopolitical impacts

EMERGING RISK
RISK HORIZON: SHORT TO MEDIUM TERM

2.7.1. Risk description and mitigation actions

Geopolitical tensions can cause trade wars, supply chain constraints and/or regulatory deadlocks, leading to an inability to trade or to operate across the three key regions, impacting financial results, and potentially leading to fines and/or litigations. In a broader sense, it also impacts the way the Group manages its IP, people, and IT systems.

Although risk is reduced by balancing the Group's activities across the major regions of the world, geopolitical considerations can have a significant impact on the Group. Several actions were taken in 2023 to address those risks and will continue to be implemented through 2024:

- The Group exposure to the Russian market was significantly reduced in 2023 by selling its 50% stake in the RusVinyl joint venture to its joint venture partner Sibur.
- An assessment of the geopolitical risk was globally performed in 2023 as well as deep dives on prioritized projects for further risk exposure assessment. For the risks considered more significant, scenarios assessments were performed to simulate the impact of certain geopolitical events on the business operations.
- Throughout 2024 the risk assessment will be further developed through an assessment framework, which integrates a broad range of impacts such as supply chain, IP, industrial, and people, to ensure that key geopolitical risks are prioritized with a comprehensive strategic plan. This will involve different Group departments and intelligence-gathering to ensure a holistic approach to stay abreast of geopolitical developments affecting key markets.

2.8. New technology, digital disruption and generative artificial intelligence (AI)

EMERGING RISK
RISK HORIZON: MEDIUM TO LONG TERM

2.8.1. Risk description and mitigation actions

New technology and generative artificial intelligence (AI) present both opportunities and risks for organizations such as Syensqo. Technological advancements, such as generative AI, can be viewed as a digital disruption that if not correctly understood and effectively applied, could lead to existing or new emerging competitors outpacing Syensqo's innovation speed. Generative AI also accelerates the risk and likelihood of cyber attacks and could lead to misinformation, which may negatively impact Syensqo's reputation.

Syensqo is increasing its investment in generative AI by building an agile generative AI platform for the long-term success of the company. At the same time, the Group is investing in several pilot projects that leverage its data capabilities to capture short term opportunities while developing the right Responsible AI, security and compliance frameworks.

A comprehensive strategy, including a broad range of the Group's operations and innovation, is being designed to ensure a holistic approach to capture the opportunities from the new technologies and generative AI while mitigating the risk of being outpaced by competitors.

3. OTHER RISKS

3.1. Market and growth – strategic risk

RISK HORIZON: MEDIUM TO LONG TERM

3.1.1. Risk description

This risk relates to Syensqo's exposure to external events and evolving market dynamics when developing and executing our strategy, including the challenge of timely identification of changes in market trends. Additionally, there is the inherent risk of making strategic errors, exemplified by potential shortcomings in innovation choices, new business developments, or major projects.

3.1.2. Prevention and mitigation actions

- Systematic and formal analysis of current and anticipated markets as well as strategic reviews with respect to investments and innovation project ramp-ups.
- Regular performance review of strategy deployment.
- Development of long-term GDP+ growth markets and building on sustainable development opportunities, particularly in the mobility, home and personal care, healthcare, resources and environment, electrical and electronics, and agro, feed and food markets.
- Development of customized, mission-critical solutions with Syensqo key accounts.
- Adaptation of our operations to new energy and CO_2 markets.
- Disposal of businesses that are not in line with the envisioned strategy.
- Target acquisitions that will enable or accelerate our strategy.

3.2. Supply chain and manufacturing reliability risk

RISK HORIZON: SHORT TERM

3.2.1. Risk description

There are several risks relating to raw materials, energy, materials and equipment for construction and maintenance, suppliers, production, storage units, and inbound and outbound transportation. These include:

- Inability of suppliers to deliver contracted volumes or capacities in line with required specifications, due to force majeure, for example, or because the supplier has insufficient access to Logistic Service Provider capacities.
- Insufficient contracting of volumes or capacities, from both a volume and delivery timing perspective, to fulfill our demand.
- Delayed delivery of volumes or capacities.

3.2.2. Prevention and mitigation actions

In order to ensure manufacturing reliability, we:

- Ensure our production units are distributed across the world.
- Use Process Safety Management.
- Define equipment and materials as critical elements to be ordered ahead for projects and maintenance.
- Regular performance reviews with our key suppliers.
- Established the Group property loss prevention program, which focuses on the prevention and mitigation of damage to assets and loss of profit due to fire, explosion, accidental chemical release and other adverse events, like natural catastrophes.

To mitigate risks in our supply chain we:

- Use third party corporate social responsibility assessments and adhere to the Group Supplier Code of Business Integrity.
- Deployed a live risk monitoring tool providing direct alerts to any events impacting our critical raw materials suppliers.
- Improved our Sales & Operations Planning processes to help us anticipate demand, both in terms of volume and timing.
- Improved diversity and quality of service providers and shipping channels.
- Established a central Supply Chain function, with a plan to upgrade processes, tools and build control towers for risk mitigation.
- Maintain contingency plans for the most critical suppliers.

3.2.3. Main actions in 2023

2023 has seen more stability in the supply chains across the globe, due to increase in stocking of raw materials, increase in logistics capacity, as well as progressively softening demand since Q1. The key risks across the industry have been more linked to the geopolitical situation, as well as the latest challenges in the Panama Canal and Red Sea attacks impacting global shipping through these routes.

The organization has raised its agility and resilience through better planning of the value chain, better sourcing of services and capacity, and more diversity in channels of distribution, however it remains exposed to global challenges linked to shipping capacities and regional crises. There is an increased maturity and integration in the Group Sales & Operations Planning processes, with upgraded demand and inventory management. Additional work is planned in 2024 and beyond, to harmonize processes, upgrade ways of working and invest in digital to support resilience and response levels end-to-end, as well as support sustainability decisions.

More information can be found in the Extra-financial chapter of the report: 3.5. Supply Chain and Procurement

3.3. Financial risk

RISK HORIZON: SHORT TO MEDIUM TERM

3.3.1. Risk description

We face various types of financial risk. These include:

- Liquidity risk (see note F33 in the consolidated financial statements, Financial instruments and financial risk management).
- Foreign exchange risk (see note F33 in the consolidated financial statements, Financial instruments and financial risk management).
- Interest-rate risk (see note F33 in the consolidated financial statements, Financial instruments and financial risk management).
- Counterparty risk (see note F33 in the consolidated financial statements, Financial instruments and financial risk management).
- Pension obligation risk (see note F32.A. Provisions for employee benefits).
- Tax litigation risk (see note F32.B. Provisions other for employee benefits).

3.3.2. Prevention and mitigation actions

A prudent financial profile and conservative financial discipline

Investment Grade status: the Group is rated Baa1/P2 (stable outlook) by Moody's and BBB+/A2 (stable outlook) by Standard & Poor's as of the 2023 closing.

Syensqo promotes transparency of information and engages in regular discussions with leading credit rating agencies.

Strong liquidity reserves

As of the end of 2023, the Group has €1.2 billion in cash and cash equivalents (other current financial instruments), as well as €1.6 billion of committed credit facilities with key international banking partners. They were all undrawn at the end of 2023. The Group has access to a Belgian Treasury Bill program for €1 billion unused at the end of 2023.

In the context of the liability management executed prior to the Partial Demerger, Syensqo has also secured a bridge to bond of €1.4 billion fully drawn and hedged (as disclosed in the note F34: Financial indebtedness).

Currency hedging policy

Syensqo monitors the foreign exchange market closely and takes hedging measures to:

- Limit the fluctuation of the Group's forecasted gross margin caused by currency volatility for material exposures.
- Mitigate the foreign exchange transactional risk at Group level by limiting the profit and loss impact of rate fluctuations between the time of invoicing and the time of cash settlement.

Interest rate hedging policy

The Group locks in the majority of its net indebtedness at fixed interest rates. Syensqo monitors the interest rate market closely and enters into interest rate swaps whenever they are deemed appropriate.

Energy and CO_2 hedging policy

A portion of Syensqo's sales are directly indexed with energy prices, protecting the Group from fluctuations. In addition to this, Syensqo also hedges gas and electricity energy prices. This policy includes multi-year hedging transactions. The Group's net exposure to carbon pricing is managed through hedging transactions spanning the time horizon of the European Union Emissions Trading Systems.

Monitoring of Group counterparties' ratings

For our treasury activities, Syensqo works with banking institutions of high creditworthiness (investment grade, selected based on major rating systems) and minimizes the concentration of risk by limiting our exposure to each of these banks to a predefined threshold. We regularly monitor trends in Credit Default Swaps to assess changes in bank creditworthiness and take rapid action if required.

For our commercial activities, Syensqo's external customer risk and cash collection is monitored by a professional network of credit managers and cash collectors located in the Group's various operating regions and countries. Their controls are supported by a set of detailed procedures and managed through Corporate and GBU Credit Committees. These loss mitigation measures have led, over the past few years, to a record low rate of customer defaults.

Pension governance and pension plan optimization

Syensqo engages proactively and constructively with trustees and stakeholders to ensure that funding, liability management and investment policies are appropriate, in line with best practice and in full compliance with domestic regulatory expectations and laws.

In terms of pension plan optimization, we reduce the Group's exposure to defined-benefit plans either by converting existing plans into pension plans with a lower risk profile for future services or closing them to new entrants.

For each of the main Group pension plans, which represent over 90% of the Group's gross or net pension obligations, Asset Liability Management analyses are performed usually once every three years to identify and manage corresponding risks.

Control processes for tax regulation compliance and transfer pricing policies

Our control processes for tax regulation compliance involve monitoring procedures and systems, which we carry out thorough internal reviews and audits performed by reputable external consultants.

Our transfer pricing policies and procedures are aimed at setting arm's length prices for the transactions between Syensqo entities based upon the OECD Guidelines and meeting the requirements of the tax authorities. Those policies and prices are annually prepared and checked. Where and when appropriate, the group may enter into Advance Pricing Agreements with Tax authorities to ensure upfront clarity and eliminate uncertainty.

Syensqo's Tax department pays close attention to the correct interpretation and application of new tax rules. This ensures compliance with applicable rules and regulations and avoids tax and future litigation risks.

3.3.3. Main actions in 2023

- Successful treasury management and rating assignment (BBB+/Baa1 stable) in the context of the Partial Demerger;
- Transfer of the 2027 senior bonds (€500 million), and the 2025 hybrid bond (€500 million). The 2025 Cytec Industries senior bonds ($163 million) benefit from a counter guarantee from Syensqo to cover Solvay's obligations under its guarantee to the Cytec bonds;
- Secured funding (€1.4 billion bridge to bond) and liquidity reserves (€1.6 billion of revolving credit facilities);
- Adhoc interest rate hedging in the context of the liability management (EUR and USD collars matching the bridge to bond drawdowns and for future USD refinancing).

3.4. IT risk

RISK HORIZON: SHORT, MEDIUM AND LONG TERM

3.4.1. Risk description

Our IT risk relates to an inability to:

- Ensure the continuity of information technology services to business;
- Provide our businesses with new and sustainable capabilities while deploying Syensqo's digital technology ambition under our operating model;
- Deploy the cybersecurity program.

3.4.2. Prevention and mitigation actions

- Close monitoring of major transformation initiatives including 'Security by Design' in the projects and security risk exception process.
- Significant investment in the field of information security, together with close monitoring of the deployment of our cybersecurity roadmap (see also Security section).
- Close monitoring of security and performance indicators.
- Close monitoring of workforce and talent management.
- Globally, close monitoring of IT/Digital Technology risks:
  - Digital Technology Risks were reassessed in 2023;
  - A Digital Technology risk coordinator has been appointed;
  - Digital Technology Risks are monitored on a monthly basis together with the DT Leadership team.
- Annual IT audit program to ensure compliance with group security policies.

Litigation

As a result of the diverse nature of its activities, and the geographic footprint of its operations, Syensqo is exposed to legal risks, particularly in the areas of product liability, contractual relations, antitrust laws, patent disputes, tax assessments and HSE matters. In this context, litigation is a normal recurring feature of Syensqo's operating business, both to protect against claims, some of which we believe to be without merit, and to defend the rights and interests of the Group.

Ongoing legal proceedings involving the Syensqo Group that are currently considered to potentially involve significant risks are outlined below. The legal proceedings described below do not constitute an exhaustive list.

The proceedings summarized below represent the material matters pending against Syensqo regardless of the merits of the claims and the strengths of Syensqo's defenses. There can be no assurance regarding the outcome of any proceeding described below; Syensqo will continue to vigorously defend itself based on the merits of its defenses while opportunistically seeking consensual resolution in appropriate cases.

For certain cases, we have created reserves or provisions in accordance with appropriate accounting governing rules and policies, to cover financial risk and defense costs (see the section "Provisions for litigation to the consolidated financial statements" in this report). We do not ordinarily disclose the extent to which provisions are made in relation to individual proceedings, because this would be prejudicial to our interests. In addition, we maximize all available insurance coverage. Adverse outcomes of material contested matters, individually or in the aggregate, could exceed the amounts of applicable provisions or insurance coverage and have a material adverse effect on the revenues and earnings of the Group.

HSE-related proceedings

- PFAS: In 2023, a Syensqo subsidiary in the US was a defendant in 36 separate lawsuits relating to its use of per- and polyfluoroalkyl substances (PFAS). Of these, 15 reached material resolution in 2023 and are expected to be dismissed in 2024.
- In June 2023, we reached a settlement with the New Jersey Department of Environmental Protection (NJDEP), for the lawsuit seeking natural resource damages and environmental cleanup of PFAS pollution allegedly caused by a single operating facility of the subsidiary in New Jersey. This settlement is memorialized in a Judicial Consent Order (JCO), which obtained court approval on March 1, 2024, and became final and binding.

For the remaining 21 cases: Two claims are brought by State governments, Michigan and Illinois, seeking natural resource damages and other relief. Eighteen are filed by individuals living near the New Jersey facility, seeking personal injury damages. One is filed by a municipality in the area of a customer's manufacturing plant. Three of these 21 cases involve allegations related to products sold by the company to its customers, claiming the customers' use contaminated the environment.

- Spinetta site: preliminary criminal investigations by the Public Prosecutor's Office of the Criminal Court of Alessandria, Italy into the alleged crime of culpable environmental disaster against two Syensqo managers and Solvay Specialty Polymers Italy SpA were closed in December 2022. After one year of pre-trial technical assessments, the Public Prosecutor's Office decided to send the case for trial. The case is pending before the Judge of the Preliminary Hearing, to assess whether this decision is robust from an evidentiary standpoint.
- Spinetta site: three administrative appeals are pending before the Piedmont Regional Administrative Court concerning aspects connected with the site's Integrated Environmental Authorisation ("AIA"), in particular to manufacture and use cC6O4 ("AIA extension"). These three administrative appeals, involving on the one side Solvay Specialty Polymers Italy and on the other side the Province of Alessandria, the Municipality of Alessandria, ARPA and Legambiente (all challenging the legal validity of the AIA extension) were all discussed at a hearing on 10 January 2024. The court's decision is expected within the first half of 2024.
- Bussi site: administrative cases are pending in relation to the identification of the alleged polluter of the Bussi, Italy industrial site (which we sold in 2016) and of the Tirino River. These cases were started in 2020 and 2022 by Edison (as former owner), which was recognized by the competent administrative authorities as the "sole and exclusive polluter" of both the site and the river.

EXTRA-FINANCIAL STATEMENTS

Extra-financial statements

1. OVERVIEW OF THE CONSOLIDATED EXTRA-FINANCIAL STATEMENTS

R: reasonable assurance

L: limited assurance

Mt: million metric tons

Mm³: million cubic meters

PJ: petajoules

CLIMATE AND NATURE

		Units	2023	2022
	Greenhouse gas emissions			
R	Scope 1	Mt CO_2 eq.	1.3	1.4
R	Scope 2 – gross market-based	Mt CO_2 eq.	0.3	0.4
R	Total Scope 1+2	Mt CO_2 eq.	1.6	1.8
R	Scope 3	Mt CO_2 eq.	8.4	8.7
	Total scopes 1+2+3	Mt CO_2 eq.	10.0	10.5
	Biodiversity			
R	Species potentially affected	Number	33	32
	Energy			
	Primary energy purchased for consumption (1)	PJ	17.6	18.6
	Secondary energy purchased for consumption (2)	PJ	9.5	10.4
	Energy sold (3)	PJ	6.7	6.8
L	Energy consumption (1)+(2)-(3)	PJ	20.4	22.2
R	Solid fuels	PJ	0	0
L	Renewable energy consumption	PJ	3.7	3.5
	Water			
R	Total freshwater withdrawal	Mm³	77.7	86.9
	Freshwater withdrawal in water-stressed areas	Mm³	2.6	
L	Chemical oxygen demand – COD	metric tons O_2	2,072	2,588[(1)]
	Waste			
R	Non-hazardous industrial waste	1,000 tons	49.4	52.6
R	Hazardous industrial waste	1,000 tons	41.3	46.0
R	Total industrial waste	1,000 tons	90.7	98.6
R	Non-hazardous industrial waste not treated in a sustainable way	1,000 tons	26.9	29.7
R	Hazardous industrial waste not treated in a sustainable way	1,000 tons	8.2	10.2
R	Total industrial waste not treated in a sustainable way	1,000 tons	35.1	39.9
	Air emissions			
L	Nitrogen oxides – NOx	metric tons	613	638
L	Sulfur oxides – SOx	metric tons	1,029	940
L	Non-methane volatile organic compounds – NMVOC	metric tons	1,406	1,521
L	Ozone-depleting substances (ODS)	metric tons eq. CFC-11	3.29	4.52[(1)]

(1) For 2022, chemical oxygen demand and ozone-depleting substances figures have been restated due to a reporting error.

SUSTAINABLE GROWTH

		Units	2023	2022	2022 Restated
	Product design and life cycle management				
	Revenue breakdown by Sustainable Portfolio Management (SPM) categories				
R	Solutions	%	60	64	59
	Potentials	%	7	9	8
	Transitions	%	9	10	10
	Challenges	%	12	6	13
R	Not evaluated	%	12	12	11
	SPM solutions: sales by main impact category				
	Climate	€ billion	1.2	1.3	
	Resources	€ billion	3.5	4.2	
	Better life	€ billion	1.5	2.1	
	Total solutions net sales	€ billion	4.1	5	
	Circular economy				
L	Sales of products contributing to the circular economy	%	13	12	
	Hazardous materials				
L	All Syensqo-Substance of very high concern (SVHC) present in marketed products	number	100	77	
	Analysis of safer alternatives required	number	43	68	
L	Percentage of completion of analysis of safer alternatives for marketed products	%	67	57	
	Of which effective replacement achieved	%	13	6	

BETTER LIFE

		Units	2023	2022
	Employee health and safety			
R	Reportable Injury and Illness Rate (RIIR) employees and contractors	per 200,000 hours	0.28	0.42(2)
R	Lost Time Injury and Illness Rate (LTIIR) employees and contractors	per 200,000 hours	0.09	0.18
R	Fatal accidents – employees and contractors	number	0	1
	Diversity and inclusion			
R	Women in senior and middle management	%	28	25
R	Women in Syensqo's workforce	%	24	23
R	Total headcount	number	13,102	12,619
L	Coverage by collective agreements	%	100	100
	Critical incident risk management			
L	Process safety incidents (medium, high or catastrophic) with environmental consequences (medium, high or catastrophic)	number	16	17
L	Process safety incident rate	Medium or higher severity incidents per 200,000 hours worked	0.68	0.74

(2) 2022 RIIR – Employee and contractors is different to the value published in "supplement of the registration document of Syensqo in November 2023" due to changes for the 2022 headcount figures and in the rules of split between Syensqo and the "new" Solvay Group as explained in section 2.2 Reporting scope and boudaries.

2. BASIS OF PREPARATION

2.1. Reporting frameworks

The main reporting frameworks used to prepare the Annual Integrated Report are:

- Global Reporting Initiative (GRI): the GRI standards are one of the references for Syensqo's sustainability reporting; the latest edition of the standards is used, including the new GRI-1 and GRI-2 universal standards.
- 2014/95/EU: Syensqo uses the GRI Standards to comply with Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information. The Directive was transposed into Belgian law in September 2017.
- EU Taxonomy: an estimate of eligible activities as defined by the EU Taxonomy in the delegated act of April 2021 is presented in 5.2. EU taxonomy reporting.
- Task Force on Climate-Related Financial Disclosures (TCFD): Syensqo reports on our alignment with the 11 recommendations of the TCFD.
- Responsible Care®: Syensqo is a signatory to the International Council of Chemical Associations' (ICCA) Responsible Care Global Charter®.
- Integrated Reporting Framework: Syensqo adheres to the principles and content elements of integrated reporting, as described in the "International Framework" published by the IFRS Foundation.
- Sustainability Accounting Standards Board (SASB): Syensqo aligns our materiality analysis with the SASB approach to prepare the SASB Materiality Map™. For more details, see the Materiality Analysis section of this chapter.
- United Nations Sustainable Development Goals: Syensqo has identified the 10 Sustainable Development Goals on which it can have the most impact, through its operations or across its value chain, in line with the materiality analysis.
- World Business Council for Sustainable Development (WBCSD): Syensqo's report aligns where possible with the WBCSD ESG Disclosure Handbook guidance in terms of process and content selection.

Syensqo is working on the implementation of the Corporate Sustainability Reporting Directive (CSRD) and we are preparing to comply with the European Sustainability Reporting Standards (ESRS).

2.2. Reporting scope and boundaries

GRI DISCLOSURES 2-2 2-3 2-4 2-7

Throughout this document, references to historical activities of Syensqo are in fact references to the activities of the relevant business units of Solvay that have been contributed to Syensqo (the "Specialty Perimeter") as part of the Partial Demerger, as defined and described in more detail in the financial statements (see page 236) and Syensqo's Registration Document dated June 29, 2023.

Unless stated otherwise, the environmental and social reporting boundaries are consistent with the financial reporting scope and boundaries, as described in the "List of companies included in the consolidation scope" in the financial statements. In other words, in line with the approach described in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, consolidation of sustainability indicators includes fully consolidated companies and companies in proportional consolidation. Apart from exceptions listed below, companies with proportional consolidation are consolidated in line with their consolidation rate, and companies consolidated by applying the in-equity method of accounting are excluded.

More specifically, indicators linked to operations (greenhouse gas emissions, energy, air, water, waste and critical incident risk management) cover only production and research & innovation sites where Syensqo has operational control or exercises joint control that qualify as joint operation.

Despite being treated as an equity method company in Syensqo's financial statement, Spinetta's power plant has been consolidated at 100% for extra-financial KPIs linked to operations, as per contractual agreements. For similar reasons, the non-consolidated waste treatment companies operating at the Saint-Fons and Spinetta plant have been integrated into the waste, water and wastewater indicators.

As an exception to the above rules, air, water, waste, occupational safety, process safety and management of legal ethics indicators for the Zhenjiang company, which is fully integrated into Syensqo but in which Solvay has a minority share, have been split based on actual emissions by Syensqo and Solvay workshops.

Employee health and safety indicators encompass all sites at which Syensqo has operational control, regardless of the site's company consolidation method. The data is calculated on a monthly basis.

Critical incident risk management indicators encompass all industrial functions and sites at which Syensqo has operational control, regardless of the site's company consolidation method. The data is calculated on a monthly basis.

The other "Better Life" social indicators include all Syensqo employees, regardless of the employee's company consolidation method, who have an employment contract with Syensqo and are classified as active, as they have a position in the organizational chart on the December 31, 2023.

Collective agreements cover all Syensqo employees in companies in which Syensqo has a majority stake.

Syensqo uses the "rolling base year" approach described in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard to calculate target achievements.

Unless stated otherwise, past years have not been restated for extra-financial indicators, with the major exception of Solvay-Syensqo impact, where 2022 and 2023 data have been split with Syensqo scope and boundaries. Other exceptions are documented in the KPI section.

Before the December 2023 spin-off, Solvay Group included the Syensqo perimeter. Therefore, indicators related to the pre spin-off period have been split between Syensqo and the "new" Solvay Group, based on the following simplified approach inspired by the approach used for the combined financial statements:

- Each business unit was allocated 100% to either Solvay or Syensqo.
- Corporate and shared research and innovation services were allocated 100% to Syensqo, except for the Paulinia site, allocated to Solvay, where the site information is available.
- The Digital Technology function and Shared Business Services were allocated 100% to Solvay. These Solvay teams are engaged in the Transition Service Agreement with Syensqo.
- The remainder, consisting mainly of Corporate and Business Services perimeters not covered above, or elements that were not tracked by a business unit, was allocated 39.55% to Solvay and 60.45% to Syensqo. This allocation rule was also applied for Citizen Day participation.

These rules may cause a rounding error on indicators without decimals, such as for instance the Speak Up program or the number of accidents: the actual indicator before the split may differ by one unit from the consolidation of Solvay and Syensqo split indicators.

There are two exceptions to the above rules:

- For sites shared between Solvay and Syensqo: In 2023, the results of the indicators of both Tavaux and Zhenjiang plants have been split based on workshop allocation, for air, waste, wastewater, occupational and process safety.
- For occupational and process safety indicators: Corporate and shared functions incidents have been fully allocated to the Solvay perimeter between January 1 and June 30.

Administrative sites that are part of greenhouse gas emissions and energy reporting are split as follows: Watford site and Brussels campus in Neder-Over-Heembeek are included in the Solvay perimeter; Aubervilliers, Saint-Fons research and innovation center, Bristol and Butte sites are allocated to Syensqo.

2022 Solvay Group headcounts have been restated from 22,047 to 21,998 (i.e. -49 headcounts), due to retroactive employee data changes performed in 2023 (inactive headcounts departure, new hires, terminations). This 49 headcounts gap has been allocated to Syensqo (60.45%, i.e. -30 headcounts) and the new Solvay (39.55%, i.e. -19 headcounts).

2.3. Materiality analysis

GRI DISCLOSURES: 3-1 3-2

Syensqo adopts sustainability priorities based on a materiality analysis. This approach identifies economic, environmental and social aspects that can impact Syensqo, or on which Syensqo has the most impact, positive or negative.

Syensqo uses three external references for our materiality analysis:
- Global Reporting Initiative (GRI) for the materiality analysis process.
- SASB Standards (now part of IFRS Foundation) for the list of aspects and for prioritization criteria.
- European Union Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) for the definition of double materiality.

2.3.1. Materiality table

Category	Not material topics for reporting purposes	Material topics for reporting purposes
Governance	Customer privacy Selling practices and product labeling Systemic risk management	Management of the legal, ethics and regulatory framework Data security
Climate and nature	Energy	Greenhouse gas emissions Physical impacts of climate change Biodiversity Air quality Water and wastewater Waste
Sustainable growth	Supply chain and procurement Materials sourcing and efficiency Access and affordability Customer welfare	Product design and life cycle management Hazardous materials Product quality and safety
Better life	Recruitment, development and retention	Employee health and safety Labor practices Employee engagement, diversity and inclusion Corporate citizenship Critical incident risk management

Syensqo's list of material topics is linked to the 2021 SASB Materiality Map® topics list as described in the 2.7 Sustainability Accounting Standards Board (SASB).

2.3.2. Basis – Legacy materiality analysis process

In Solvay, the Sustainable Development Function coordinates materiality analysis with an internal network of Sustainability Champions in the Global Business Units and functions. Experts in each corporate function review the analysis of each aspect, paying particular attention to ensuring consistency with the Group's risk analysis. These assessments are then reviewed and validated by the relevant business leadership teams, which is a critical step in ensuring that business priorities and decisions appropriately reflect sustainability matters.

Identification of aspects	Use of the SASB list of sustainability-related risks and opportunities as presented on the SASB Standards website.
Prioritization of aspects	Use of the SASB Materiality Map prioritization criteria: - Evidence of interest, for stakeholders, including evidence of potential impacts. - Evidence of financial impact, actual or potential: sales, profit, return or risk profile. - Forward-looking adjustment. The network of Sustainability Champions and internal experts for each high materiality aspect was involved in the prioritization analysis. In addition to the SASB prioritization criteria, an additional focus on external impacts has been included in the assessment since 2019. In 2023 the alignment with enterprise risk analysis was added, as a first step to comply with the Corporate Sustainability Reporting Directive definition of double materiality: if a risk has been identified as a Group main risk, as described in the Risk Management chapter of this report, the corresponding sustainability topics are considered material.
Validation	Review of the analysis by the Executive Committee and the Global Business Unit and Corporate Function leaders. The review includes verifying consistency with the analysis of the Group's main risks, and a comparison with the Value Reporting Foundation – SASB Materiality Finder for the chemical sector.
Review	A review led by the Sustainable Development Function takes place annually, based on feedback from stakeholders and experts. The findings inform and contribute to the prioritization review in the next reporting cycle.
Stakeholder inclusiveness and sustainability context	Indirectly taken into account through: - The exhaustive list of aspects in the SASB's Materiality Map. - The "evidence of interest criteria," which includes the analysis of documents from representatives of stakeholder groups, with emphasis on written evidence. - Identification of the main impacts.
Report	The high materiality aspects were included in the annual report, with assurance from corporate auditors.

2.3.3. Materiality analysis process in 2023

In the context of the recent spin-off and the upcoming EU regulations on ESG reporting, Syensqo's 2023 materiality analysis should be seen as an intermediate step to pave the way for a more in-depth double materiality assessment in line with the new Corporate Sustainability Reporting Directive (CSRD), which will be published in our 2024 Annual Integrated Report.

Given this context, Solvay's 2022 materiality map served as a basis for Syensqo's 2023 materiality map, since it already includes the main material impacts relating to Syensqo as a Solvay spin-off. The Sustainable Development team consequently engaged internal subject matter experts to review Solvay's 2022 materiality map based on Syensqo's new scope of activities and Syensqo's perception of the severity of the impacts. The materiality analysis was further improved by:
- Alignment with the CSRD double materiality definition and, in particular, better alignment with Syensqo's risks analysis, as described in the Risk Management chapter of this report. Only Syensqo's Main Risks (and not Emerging Risks) are considered in the materiality analysis. This led to an increasing focus on potential sustainability-related risks in addition to existing Environmental, Social and Governance (ESG) impacts. However, potential sustainability-related opportunities for Syensqo have not yet been fully taken into account.
- Stricter alignment with the "SASB list of sustainability-related risks and opportunities," as presented on the SASB Standards website.

As per the definition of materiality, the main Enterprise Risk Management (ERM) risks (see page130 – Risk Management: 2. Syensqo's main & emerging risks) with an ESG component may automatically trigger financial materiality on the corresponding sustainability topics:

Syensqo's main risks	Corresponding materiality SASB topics
Compliance and business integrity	Management of the legal and regulatory framework, competitive behavior, business ethics, product quality and safety, product design and life cycle management.
Security (physical and cyber)	Critical incident risk management, community relations, data security.
Operations safety	Employee hexalth and safety, critical incident risk management.
Climate change	Greenhouse gas emissions, physical impacts of climate change.
Environmental impacts and controversies	Air quality, water and wastewater, waste management, hazardous materials.
Spin-off transformation risk	Data security, management of the legal and regulatory framework, competitive behavior.

The following topics have been added to the 2023 materiality table to take into account Syensqo's main risks:
- "Data security" has been identified as material, as it is part of one of Syensqo's main risks (security – physical and cyber).
- "Physical impacts of climate change" has been identified as material, as it is part of one of Syensqo's main risks (climate change).
- "Product quality and safety" has been identified as material, as it is part of one of Syensqo's main risks (compliance and business integrity).

The analysis was presented and validated by Syensqo's Executive Leadership Team in February 2024.

As Syensqo needs to comply with the Corporate Sustainability Reporting Directive (CSRD) for our 2024 Annual Integrated Report, we are in the process of executing a new Syensqo double materiality process, based on the European Sustainability Reporting Standards (ESRS) and the European Financial Reporting Advisory Group's (EFRAG) implementation guidance for the materiality assessment. In 2023, we kicked-off this new process by organizing internal expert workshops to identify the list of potential material sustainability matters and impacts, risks and opportunities (IROs), to draft the list of external stakeholders, and to work on the assessment criteria. We will continue our work in 2024, with activities such as assessment of the identified potential IROs and extensive external stakeholder engagement.

2.3.4. Why is it material?

The tables below summarize Syensqo's assessment of materiality aspects for each topic.

When Syensqo's internal subject matter experts reviewed the indications of impacts on people and the environment, our own operations served as the main source of impacts. This does not mean that Syensqo is limiting our efforts on ESG impacts to our own operations. Syensqo has policies, processes and actions in place for certain highly material value chains in regard to social and/or environmental impacts, but the entire value chain is not yet a structural part of our impact assessment. In the framework of the CSRD, however, we will be evolving towards a structural approach, starting from our entire value chain to map our impacts.

GOVERNANCE

SASB topic	Evidence of financial impact on Syensqo	Indication of potential impact on people and the environment	Material topics for reporting purposes	Reference
Business ethics	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 3.2 Management of the legal, ethics and regulatory framework
Competitive behavior	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 3.2 Management of the legal, ethics and regulatory framework
Data security	Link to Syensqo's main risks		Yes	Risk management: 2. Syensqo's main & emerging risks
Management of the legal and regulatory environment	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 3.2 Management of the legal, ethics and regulatory framework
Business model resilience			Covered under "Product design and life cycle management"	Extra-financial statements: 5.1 Product design and life cycle management

CLIMATE AND NATURE

SASB topic	Evidence of financial impact on Syensqo	Indication of potential impacts on people and the environment	Material for reporting purposes	Reference
Ecological impacts (Biodiversity)		Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Extra-financial statements: 4.3 Biodiversity
GHG emissions	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 3.8 Climate risk analysis 4.1 Greenhouse gas emissions
Physical impacts of climate change	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 3.8 Climate risk analysis 4.1 Greenhouse gas emissions
Air quality	Link to as Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 4.4 Air quality
Waste management (including hazardous wastes)	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 4.5 Waste
Water and wastewater management	Link to Syensqo's main risks	Convincing indication of: - significant interest - and/or significant stakeholder controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 4.6 Water and wastewater

SUSTAINABLE GROWTH

SASB topic	Evidence of financial impact on Syensqo	Indication of potential impacts on people and the environment	Material for reporting purposes	Reference
Product design and life cycle management (including Business Model Resilience)	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 5.1 Product design and life cycle management
Customer welfare			Covered under "Product quality and safety"	
Hazardous materials management (with product safety)	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 5.4 Hazardous materials
Product quality and safety	Link to Syensqo's main risks		Yes	Risk management: 2. Syensqo's main & emerging risks

BETTER LIFE

SASB topic	Evidence of financial impact on Syensqo	Indication of potential impacts on people and the environment	Material for reporting purposes	Reference
Community relations	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 6.5 Corporate citizenship
Critical incident risk management (process safety)	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 6.6 Critical incident risk management
Employee engagement, diversity and inclusion		Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Extra-financial statements: 6.2 Employee engagement and well-being 6.3 Diversity and inclusion
Labor practices		Convincing indication of: - significant stakeholder interest - and/or controversies - and/or potential positive and/or negative impact	Yes	Extra-financial statements: 6.2 Employee engagement and well-being 6.3 Diversity and inclusion
Employee health and safety	Link to Syensqo's main risks	Convincing indication of: - significant stakeholder interest - and/or significant controversies - and/or potential positive and/or negative impact	Yes	Extra-financial statements: 6.1 Employee health and safety Risk management: 2. Syensqo's main & emerging risks

2.4. Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) developed voluntary, consistent, climate-related financial risk disclosures, which can be used by companies to provide information to investors, lenders, insurers and other stakeholders.

The Task Force structured its recommendations around four themes that represent key aspects of how organizations operate: governance; strategy; risk management; and metrics and targets. This section addresses the disclosures, with links to the relevant sections of the Annual Integrated Report and provides a self-assessment of Syensqo's level of alignment with the TCFD recommendations.

TCFD recommendation	Implementation	Reference
GOVERNANCE Disclose the organization's governance around climate-related risks and opportunities		
a. Describe the board's oversight of climate-related risks and opportunities	The Charter of Corporate Governance describes how the Board of Directors manages sustainability-related topics and is available on the Syensqo website. The Board devotes at least one meeting per year to an update on trends in global sustainable development issues, including climate change risks and opportunities. During this meeting, the evolution of the Group's approach to sustainable development is presented to the Board of Directors and notably the following elements: - The evolution of worldwide issues in terms of sustainable development and on their impact on Syensqo. - The main strengths and weaknesses of the Group, identified by the self-assessment and the evaluation made by financial and extra-financial rating agencies. - The priority societal and environmental targets of the Group and the performance achieved by the Group with respect to such priority targets. In particular, the Board of Directors seeks to take into account in its decision process the impact of the strategic choices on the financial, societal and environmental indicators that the Group has defined as being its main targets. The Board of Directors has set up a permanent Committee, the Environmental, Social and Governance (ESG) Committee, which supports the Board in understanding: (i) the expectations of Syensqo's key stakeholders; (ii) the impact of ESG issues on Syensqo's ability to create value; and (iii) ESG trends and associated risks and opportunities. The ESG Committee monitors the Company's overall approach to ESG matters, and ensures this approach is aligned with and integrated in the overall Group strategy and defines in this respect ESG key performance indicators. The ESG Committee performs periodic reviews, at least annually, of the Group's ESG policies, progress and effectiveness, taking into account: a) relevant risk and opportunity mapping; b) new sustainability developments and their impact on the Group; c) the Group's current sustainability performance, main strengths and challenges; and d) future priorities, opportunities and challenges in this respect. The results of such a review must be presented to the Board of Directors, including the following: environmental topics, including climate-related risk mitigation, legacy environmental risks and potential future exposures; and regulatory developments, particularly in the chemicals sector; social topics including the health, welfare and careers of its employees, contractors, suppliers and the broader communities in which the Group operates; governance topics, including oversight of the integration of the ESG commitments in Syensqo's business activities, related internal and external reporting and effectiveness of engagement with stakeholders on ESG-related matters. In addition, the ESG Committee collaborate as appropriate with other Committees, such as the Audit & Risk Committee as regards key ESG performance indicators and the Group's extra-financial strategy and performance or the Compensation Committee, with oversight responsibility for executive compensation, talent management, compliance and other shared topics.	Corporate governance statement
b. Describe management's role in assessing and managing climate-related risks and opportunities	A climate change risk sponsor has been appointed at Executive Leadership Committee level. The risk sponsor is in charge of ensuring that climate-related aspects are adequately considered in the Group's strategy and operations. In addition, the risk sponsor nominates the risk owner – a senior manager – who is accountable for managing the risk and for the implementation of the risk mitigation strategies	Risk management: 1. Risk management process

STRATEGY		
a. Describe the climate-related risks and opportunities the company has identified over the short, medium and long term	Long-term horizon assumptions are presented in the description of megatrends in the "Accelerating innovation" section of this Annual Integrated Report. Medium-term assumptions (in the coming five years) are explained in the description of Syensqo's main markets. Short-term assumptions (one year) are presented in the Group's outlook. The presentation of the Group's main risks includes timescales (short-, medium- or long-term horizons). Quantification of impacts is not disclosed.	Advancing humanity: 2. Accelerating innovation Performance: 7. Outlook Risk management: 2. Syensqo's main & emerging risks
b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Climate-related risks and opportunities were assessed in 2023. On transition risks, a new climate transition scenario analysis was performed, in line with the TCFD's updated recommendation for scenario analysis. Two scenarios were considered: the 2021 International Energy Agency "Stated Policies Scenario" and the "Net Zero Emissions by 2050" scenario. In 2023, Syensqo performed a qualitative and quantitative climate-related physical risk analysis. Two scenarios were considered: the >4°C of global warming scenario (corresponding with the IPCC's RCP 8.5 and SSP-5.85) and 3°C of global warming (corresponding with the IPCC's RCP 4.5 and SSP-2.45). *IPCC: The Intergovernmental Panel on Climate Change In addition, acute physical climate risks linked to droughts, hurricanes and earthquakes are assessed annually with our insurers. Chronic physical climate risks focus on water scarcity: sites in areas of water scarcity have been identified, and the risks have been assessed based on their water consumption and maximum foreseeable loss.	Risk management: 2. Syensqo's main & emerging risks Extra-financial statements: 3.8 Climate risks analysis
c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Syensqo's climate transition risk scenario performed in 2023 is in line with the TCFD's 2020 guidance. The result of this analysis is described in a new section of this Annual Integrated Report. In 2023, a scenario analysis focusing on physical climate risks was performed. Syensqo performed a qualitative and quantitative climate-related physical risk analysis. Two scenarios were considered: the >4°C of global warming scenario (corresponding with the IPCC's RCP 8.5 and SSP-5.85) and 3°C of global warming (corresponding with the IPCC's RCP 4.5 and SSP-2.45). *IPCC: The Intergovernmental Panel on Climate Change	Extra-financial statements: 3.8 Climate risks analysis
RISK MANAGEMENT		
a. Describe the organization's processes for identifying and assessing climate-related risks	The risk management process, the main risks and the process used to rank them are described in the "Risk management" chapter.	Risk management
b. Describe the organization's processes for managing climate-related risks	Analysis of value chain sustainability-related risks and opportunities is carried out using the Sustainable Portfolio Management methodology for each product in each application or market and includes climate change transition risks. "Greenhouse gas emissions" (GHG) have been identified as a priority in the Group's materiality analysis. "Climate transition risks" and "Physical impacts of climate change" have been identified as part of the Group's main risks. Links between main risks and high materiality issues are part of the materiality analysis process.	Extra-financial statements: 2.3. Materiality analysis 5.1. Product design and life cycle management 3.8 Climate risks analysis Risk management: 2. Syensqo's main & emerging risks
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Use of the Sustainable Portfolio Management tool is a requirement in key Group processes and, in particular, in the assessment of capital expenditure projects, research and innovation projects, and acquisition and divestiture projects.	Extra-financial statements: 5.1. Product design and life cycle management 3.8 Climate risks analysis

METRICS AND TARGETS		
a. Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process	The strategic objectives used to drive sustainable value creation are described in Syensqo's scorecard. They have been reviewed in line with Syensqo's One Planet sustainability ambition, published in November 2023.	Advancing humanity: 1. Introducing Syensqo
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Greenhouse gas emissions, energy consumption and Sustainable Portfolio Management metrics and targets are reported in the "Extra-financial statements" chapter. Syensqo has a 2030 objective to reduce Scope 1 and 2 greenhouse gas emissions by 40%, as compared to 2021 and to reach carbon neutrality on Scope 1 and 2 GHG emissions by 2040. Syensqo has set a 2030 target to reduce by 23% Scope 3 greenhouse gas emissions from its "Focus 5" categories both upstream and downstream in the value chain, which represent more than 73% of our total Scope 3.	Extra-financial statements: 4.1 Greenhouse gas emissions 5.1. Product design and life cycle management
c. Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets	Scope 1, 2 and 3 greenhouse gas emissions are fully reported and audited. The scope of emissions reporting is consistent with financial reporting.	Extra-financial statements: 4.1 Greenhouse gas emissions

2.5. United Nations Sustainable Development Goals

Since February 2024, Syensqo is signatory of the UN Global Compact.

In 2015, the United Nations established a set of goals to end poverty, protect the planet and ensure prosperity for all. Each of these 17 Sustainable Development Goals (SDGs) includes specific targets to be achieved by 2030. Achieving the SDGs requires efforts by governments, the private sector, civil society, communities and individuals.

The United Nations framework was primarily designed for member states to commit and report on their progress, and the contributions of businesses were difficult to define. Syensqo – at that time Solvay – co-chaired a World Business Council for Sustainable Development (WBCSD) project to work this out.

Sustainable Development Goals on which we could have a material impact, positive or negative, and/or for which our sustainable solutions could enable further progress are integrated into our materiality analysis.

Syensqo's main areas of impact can be grouped into three categories: climate and nature, sustainable growth and better life. The corresponding list of SDGs on which Syensqo can have the most impact, positive or negative, through our operations and products, and/or for which Syensqo can enable progress via sustainable solutions, is as follows:

- Climate and Nature includes the Group's energy consumption and greenhouse gas emissions, and other emissions or effluents that put pressure on biodiversity, and the Group's raw material consumption, water consumption, effluents, emissions and waste generation.
- Sustainable growth includes the Group's management of hazardous materials, product safety and the life cycles and end-of-life management of products.
- Better life includes the Group's management of people, processes and social dialogue initiatives.

Syensqo discloses impact indicators for the SDGs in the corresponding sections of the Annual Integrated Report:

United Nations Sustainable Development Goals	Reference
SDG 3: Good health and well-being	Extra-financial statements: 4.4. Air quality 4.5. Waste 4.6. Water and wastewater 5.4. Hazardous materials 6.1. Employee health and safety 6.2. Employee engagement and well-being 6.6. Critical incident risk management
SDG 5: Gender equality	Extra-financial statements: 6.3. Diversity and inclusion 6.5. Corporate citizenship
SDG 6: Clean water and sanitation	Extra-financial statements: 4.5. Waste 4.6. Water and wastewater
SDG 7: Affordable and clean energy	Extra-financial statements: 4.2. Energy
SDG 8: Decent work and economic growth	Extra-financial statements: 6.2. Employee engagement and well-being 6.3. Diversity and inclusion 6.4. Recruitment, development and retention
SDG 12: Responsible consumption and production	Extra-financial statements: 4.5. Waste 4.6. Water and wastewater 5.1. Product design and life cycle management 5.3. Circular economy 5.4. Hazardous materials 6.6. Critical incident risk management
SDG 13: Climate action	Extra-financial statements: 4.1. Greenhouse gas emissions 4.2. Energy 4.3. Biodiversity 5.1. Product design and life cycle management 5.3. Circular Economy
SDG 14: Life below water	Extra-financial statements: 4.1. Greenhouse gas emissions 4.3. Biodiversity 4.5. Waste 4.6. Water and wastewater
SDG 15: Life on land	Extra-financial statements: 4.1. Greenhouse gas emissions 4.3. Biodiversity 4.4. Air quality 4.5. Waste 4.6. Water and wastewater 5.4. Hazardous materials
SDG 17: Partnership for the goals	Extra-financial statements: 3.6. Main partnerships 6.5. Corporate citizenship

2.6. Sustainability Accounting Standards Board (SASB)

Syensqo bases our materiality analysis on the SASB Materiality Map® list of material aspects. In some cases, aspects have been rephrased to fit the vocabulary commonly used in the chemical industry, or combined differently.

Syensqo list of material topics	2021 SASB Materiality Map® topics list
Management of the legal, ethics and regulatory framework	Business ethics, competitive behavior, human rights, management of the legal and regulatory framework
Material sourcing and efficiency	Materials sourcing and efficiency
Supply chain and procurement	Supply chain management
Systemic risk management	Systemic risk management
Physical impacts of climate change	Physical impacts of climate change
Greenhouse gas emissions	GHG emissions
Energy	Energy management
Biodiversity	Ecological impacts
Product design and life cycle management	Product design and life cycle management, business model resilience
Air quality	Air quality
Water and wastewater	Water and wastewater management
Waste	Waste management (hazardous waste)
Employee health and safety	Employee health and safety
Labor practices	Labor practices, employee engagement
Employee engagement, diversity and inclusion	Employee engagement, diversity and inclusion
Corporate citizenship	Community relations
Hazardous materials	Hazardous materials management, product safety
Data security	Data security
Critical incident risk management	Critical incident risk management
Customer welfare	Customer welfare
Selling practices and product labeling	Selling practices and product labeling
Product quality and safety	Product quality and safety
Access and affordability	Access and affordability
Customer privacy	Customer privacy

The following SASB Materiality Map® topics are not part of the Syensqo list of material aspects: customer privacy, data security, access and affordability, selling practices and product labeling, and customer welfare.

Syensqo discloses most of the sustainability disclosure topics and accounting metrics listed in the SASB Chemicals Sustainability Accounting Standard.

Topic	SASB – Chemicals disclosure topics	Reference
Greenhouse gas emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Extra-financial statements: 4.1 Greenhouse gas emissions
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets and an analysis of performance against those targets	Extra-financial statements: 4.1 Greenhouse gas emissions
Air quality	Air emissions of the following pollutants: (1) NOX (excluding N2O), (2) SOX, (3) volatile organic compounds (VOCs), (4) hazardous air pollutants (HAPs)	Extra-financial statements: 4.4. Air quality Hazardous air pollutants not disclosed
Energy management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable energy, (4) total self-generated energy	Extra-financial statements: 4.2. Energy
Water management	(1) Total water withdrawn, (2) total water consumed, (3) percentage of each in regions with high or extremely high baseline water stress	Extra-financial statements: 4.6. Water and wastewater
	Number of incidents of non-compliance associated with water quality permits, standards and regulations	Extra-financial statements: 6.6. Critical incident risk management
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Extra-financial statements: 4.6. Water and wastewater
Hazardous waste management	Amount of hazardous waste generated, percentage recycled	Extra-financial statements: 4.5. Waste
Community relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	Extra-financial statements: 6.5. Corporate citizenship
Workforce health and safety	(1) Total recordable incident rate (TRIR), (2) fatality rate for (a) direct employees and (b) contract employees	Extra-financial statements: 6.1. Employee health and safety
	Description of efforts to assess, monitor and reduce exposure of employees and contract workers to long-term (chronic) health risks	Extra-financial statements: 6.1. Employee health and safety
Product design for use-phase efficiency	Revenue from products designed for use-phase resource efficiency	Extra-financial statements: 5.1. Product design and life cycle management
Safety and environmental stewardship of chemicals	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	Extra-financial statements: 5.4. Hazardous materials
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	Extra-financial statements: 5.4. Hazardous materials
Genetically modified organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	Not disclosed
Management of the legal and regulatory environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	Extra-financial statements: 3.7. Membership in associations
Operational safety, emergency preparedness and response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR) and Process Safety Incident Severity Rate (PSISR)	Extra-financial statements: 6.6. Critical incident risk management
	Number of transport incidents	Extra-financial statements: 6.6. Critical incident risk management
Activity metric	Production by reportable segment	Syensqo cannot share information that can be considered competitively sensitive for antitrust compliance reasons.

3. GOVERNANCE

3.1. Syensqo One Planet Ambition

GRI DISCLOSURES 2-24

3.1.1. Definition

The Syensqo One Planet Ambition is the Syensqo Group's sustainability framework. It addresses Syensqo's main impacts on climate and nature, sustainable growth and better life. The Group's targets are grouped per impact category.

3.1.2. Management approach

Within Syensqo, the CEO and the Executive Leadership Team (ELT) are responsible for the management of Syensqo and the implementation of Syensqo's strategy, including on sustainability-related matters. In particular, the CEO and the ELT oversee the proper organization and functioning of Syensqo, and provide oversight for Syensqo activities, in particular the introduction of a process for identification, management and control of the principal risks, including sustainability-related risks.

Two sustainability-related steering committees meet every quarter. The first one, dedicated to environmental topics (climate and nature), is led by the Chief Operations Officer, who is a member of the ELT. The second is dedicated to social topics and is led by the Chief People Officer, who is also a member of the ELT. These steering committees involve the Chief Sustainability Officer, the GBU presidents, and several heads of function and key experts within Syensqo. They are in charge of structuring the Group's approach to environmental and social topics, speeding up processes, addressing resources, risks and opportunities, and tracking performance

The Syensqo One Planet Ambition was released on November 13, 2023, during Syensqo Capital Markets Day. Each Global Business Unit (GBU) president is accountable for the progress of Syensqo One Planet targets in their business, and delegates the coordination of the roadmap to a senior executive in their leadership team. A network of Sustainability Champions and correspondents ensures that the ambition is deployed in all Syensqo GBUs, corporate functions and sites. They are responsible for cascading information throughout their entity regarding any changes to the strategy and objectives, ensuring necessary training is organized and developing an annual and multi-year roadmap to meet final objectives. They are also responsible for implementing the roadmap in their entity, though the leaders of every entity assume ultimate responsibility for performance, taking into account that progress relative to targets impacts the variable remuneration of all senior staff in the entity.

Definitions, management approach, indicators and targets, and main actions specific to each topic are described in the corresponding sections of the extra-financial statements.

In order to further improve employees' awareness on sustainability from top management to the shop floor, a sustainability e-learning program is available to all Syensqo employees. It comprises four modules: climate; nature; sustainable business; and social aspects of sustainability. The modules are available in seven different languages, allowing us to reach as many employees as possible, and are part of the onboarding process for all new employees. The modules also encourage employees to provide their ideas, feedback and concerns on sustainability matters.

3.1.3. Indicators and targets

Syensqo One Planet is our roadmap for a sustainable future that provides shared value for all. Structured around the three major impact categories of climate and nature, sustainable growth and better life, it sets out the following main targets compared to the 2021 baseline:

Climate and nature

Accelerated decarbonization:
- Carbon neutrality (Scope 1 and 2) by 2040.
- Reduction of Scope 1 and 2 GHG emissions by 40% by 2030.
- 23% reduction in Scope 3 GHG emissions from "Focus 5" (see definition page 182) categories upstream and downstream in the value chain by 2030.

Growth

Sales of products contributing to circular economy in total sales to reach 18% in 2030.

Better life

- Safety: Towards Zero RIIR.
- Diversity: Towards gender parity in 10 years.
- Living wage: 100% of employees by 2026.

3.2. Management of the legal, ethics and regulatory framework

GRI DISCLOSURES 2-26 2-27 3-3 205-2 205-3 406-1 415-1

Management of the legal, ethics and regulatory framework encompasses business ethics, namely human rights, anti-corruption and non-discrimination, and anti-competitive behavior.

3.2.1. Commitments and policies

Code of Business Integrity

Syensqo's Code of Business Integrity and the policies and procedures adopted to enhance good governance apply to all employees, wherever they are located. In addition:

- Third parties are expected to act within the framework of the Code of Business Integrity.
- All core suppliers must confirm that they adhere to the principles set out in the Supplier Code of Business Integrity.
- Majority-owned joint ventures are held to the Code of Business Integrity, or to a separate code adopted based on similar principles.

The Code of Business Integrity is available on Syensqo's external website.

Anti-Bribery and Anti-Corruption Policy and Policy on Gifts and Entertainment

Syensqo's Code of Business Integrity expressly states that the Group prohibits bribery in any form. Syensqo and our employees do not use gifts or entertainment to gain competitive advantage. Facilitation payments are not permitted by Syensqo, and disguising gifts or entertainment as charitable donations is also a violation of the Code of Business Integrity.

The Code is supported by more detailed policies, such as the Anti-Corruption Policy and a Policy on Gifts, Entertainment, Charitable Donations, and Sponsorship.

The Group employs an internal tracking system to record gifts and entertainment that exceed the acceptable reasonable value indicated in the Policy, as well as charitable donations and sponsorship with charitable purpose, and requires managerial approval for accepting or giving them. Prior approval and analysis by Syensqo's Ethics and Compliance Department is also required when a gift or entertainment is to be offered to a government official, as well as for charitable donations exceeding a defined threshold, ensuring adherence to the policy and compliance with the law. The policy supports Syensqo's commitment to conducting business honestly and ethically aligned with the Syensqo Code of Business Integrity and the Syensqo Anti-Bribery and Anti-Corruption Policy. The use of the Gift and Entertainment Tracking System ("GETS") is part of Syensqo's internal audit review process.

An audit on anti-bribery and anti-corruption was conducted in 2023 in the Asia Pacific region, and preventive and corrective actions were implemented.

Human Rights in Business Policy

Syensqo's Human Rights in Business Policy, published on our website, sets out our commitment to respecting human rights and acting with due diligence to avoid any infringement of human rights or any adverse impact on, or abuses of, such rights. The policy emphasizes Syensqo's commitments to our stakeholders, namely our employees and business partners, the communities and environment in which we operate, and children. This policy, as well as Syensqo's Conflict Minerals Policy, are currently being updated to reflect Syensqo's commitment to the evolving regulatory standards. Human rights topics are followed up on by the Business Ethics Board and the ESG Board.

Human rights due diligence and risk assessment

The main focus of human rights risk assessments at Syensqo sites is our business partners, namely suppliers and contractors identified according to the risk associated with the country they operate in. Six human rights dimensions are considered: child labor; forced labor; trafficking in persons; human development; freedom of association; and collective bargaining. This assessment is used by Syensqo's internal auditors to identify priorities for their work on the subject.

To assess human rights risks and impacts across our upstream value chains, Syensqo developed an ESG risk management approach for our supply chain. This provides a systematic approach for identifying risks and assessing their severity in more than 60 upstream value chains. Based on the results of this exercise, Syensqo has subscribed to a third-party risk management platform for adverse media screening in order to monitor and identify risks and impacts related to different matters, such as modern slavery and human rights, including forced labor and child labor, anti-bribery and corruption, and environmental, social and governance topics. This provides transparency across our value chains, supporting Syensqo in identifying high-risk suppliers, and developing risk mitigation action and remediation plans.

In addition, the Internal Audit team carries out assessments to determine if our sites have established policies and processes for addressing impacts on value chain workers. This includes evaluating engagement, decision-making, remediation of negative impacts, and the presence of channels for workers to report concerns. The assessment also covers planned actions and the percentage of suppliers committed to the Supplier Code of Business Integrity.

In 2023, a dedicated internal audit on ESG matters was conducted that included human rights.

A multidisciplinary task force, including Ethics and Compliance, Procurement, Human Resources, Sustainability and Risk teams has also been established to increase oversight of human rights in our own operations and value chain.

Any suspected breach of our Human Rights Policy can be reported through our Ethics Helpline and our Compliance Team. Human rights is a separate matter type in our Helpline and is accessible to all our employees and third parties, including our suppliers. The Ethics Helpline is accessible through our external and internal websites. Cases are investigated and remedial actions are taken as appropriate.

In 2024, we will send a questionnaire on human rights to our high-risk suppliers in order to increase due diligence and to have a better view on our supply chain and be able to establish a gap analysis and remedy.

Competition Law Policy

Syensqo aims to conduct business ethically and not enter into any business arrangements that eliminate or distort competition. Syensqo develops and maintains a culture of compliance to keep the company and our people on the right side of the law. Syensqo has a formal Competition Law Policy that stresses the importance of strict adherence to all competition laws. It has been approved by Syensqo's Executive Leadership Team and is published on Syensqo's intranet, to which all our employees have access. Any violation of this policy may result in disciplinary action, subject to, and in conformity with, applicable laws.

Implementation of the Competition Law Policy

Syensqo has put in place a Competition Law Compliance Program with a zero-tolerance approach to competition law infringements. As part of our Competition Law Compliance Program, we provide a competition law toolkit on the Syensqo intranet that includes up-to-date guidelines on specific areas of competition law, including guidance on dealing with competitors, dawn raids, information exchange in mergers and acquisitions transactions, swaps, price announcements and vertical relationships. To minimize cartel risks, Syensqo has put in place a computer-based system that tracks all contacts relevant employees have with competitors through a procedure based on managerial approval.

3.2.2. Resources and responsibilities

At Syensqo, the Ethics and Compliance Team operates under the leadership of the Chief Compliance Officer, who reports to the General Counsel. It consists of Regional Compliance Officers, who are located in the regions in which the Group operates, and compliance experts, who are responsible for areas such as data protection or trade compliance. This department is responsible for fostering Syensqo's culture of integrity, overseeing the implementation of Syensqo's Ethics and Compliance Program, Code of Business Integrity, Supplier Code of Business Integrity and compliance policies, providing guidance to the company, and investigating, either alone or with the assistance of other departments, all reports that are brought to its attention. The Chief Compliance Officer chairs the Business Ethics Board and reports annually to the Audit Committee of Syensqo's Board of Directors on ethics and compliance matters, and on trends and data related to the Speak Up Program, in accordance with confidentiality standards.

Syensqo has a dedicated team of legal experts for competition law within the General Counsel Function. They are responsible for implementing the Competition Law Compliance Program and are in charge of providing competition law advice and guidance, as well as deploying effective and regular communication and training on subjects related to competition law.

3.2.3. Grievance mechanisms

Syensqo has a well-embedded Speak Up program that encourages employees and other stakeholders to reach out whenever they suspect a breach of our Code of Business Integrity, our policies, our values or the law. There are also various internal channels through which employees and third parties are encouraged to report suspected violations or concerns. These include line management, Ethics and Compliance, the General Counsel Function, Internal Audit, Human Resources and employees' representatives. Syensqo has a Speak Up policy which is part of the Speak Up program and which takes into account the EU Whistleblowing Directive.

The Group-wide Speak Up program is overseen by the Audit Committee of the Board of Directors. An external, third-party helpline, active 24 hours a day, 365 days a year, allows employees to ask questions, raise concerns or file reports. The helpline is open to internal and external parties, available in 19 languages covering Syensqo locations. The helpline can be found in the ethics and compliance section of Syensqo's internal and external websites, and is easily accessible.

Cases that are reported through the Speak Up program are investigated as required. Disciplinary actions, corrective and preventive measures and process improvements are implemented when necessary.

The following chart shows the types of reports made using Syensqo's Speak Up program from January to December 2023.

Syensqo's Speak Up program

In line with paragraph 2.2 ("Reporting scope and boundaries"), we applied distribution keys to allocate the Speak Up program reports between Solvay and Syensqo. When this split resulted in decimal numbers, the KPIs were adjusted to whole numbers to be displayed in the report. This rounding caused negligible distortions between totals and breakdowns in the tables below.

Reports in progress relating to business functions not allocated to either Solvay or Syensqo were not split according to the distribution key for Speak Up program reports outlined in paragraph 2.2 ("Reporting scope and boundaries"), but attributed to the company actually managing the report after the separation.

Number of reports	2023	2022
Misconduct or inappropriate behavior	28	17
Discrimination	7	15
Harassment including retaliation	27	17
Previously: Discrimination including harassment and retaliation		
Conflict of interest	18	7
Computer, email, internet use and social media	3	2
Previously: Computer, email, internet		
Environmental, health or safety	11	10
Previously: Environmental, health or safety law		
Accounting, auditing matters, finance and banking	5	3
Previously: Accounting or auditing		
Bribery/Corruption	4	6
Antitrust/Competition	0	1
Previously: Anti-bribery		
Confidentiality and misappropriation	3	3
Previously: Confidentiality/Misappropriation		
Data privacy	3	4
International trade/Trade compliance	1	1
Previously: International trade compliance		
Substance abuse	3	0
Embezzlement, theft, robbery	4	4
Previously: Theft		
Violence or threat	4	2
HR matters	26	30
Diversity, equity and inclusion	7	4
Human rights violations	1	0
New category: Fraud	0	0
Other	7	10
Total	162	137

Through the Speak Up program, any concerns relating to a breach are followed-up on and investigated as appropriate by Ethics and Compliance. In keeping with our commitment to transparency, the Ethics Helpline is used to report progress on investigations and give feedback to those concerned, as appropriate. The Ethics Helpline is easily accessible through Syensqo's website, a toll free number or a QR-Code, and is available to employees and third parties.

A communication campaign was also launched to increase awareness about speaking up and raising concerns without fear of retaliation when people notice a potential breach of our Code of Business Integrity. Speak Up was also part of the annual mandatory training for all our employees, in order to raise awareness that speaking up applies to the full spectrum of topics referenced in the Code of Business Integrity. This has led to a continuous increase in reported incidents, as reflected in the overview, improving our ability to detect, identify and address breaches. The increase in reported incidents does not imply that there were more incidents or issues in 2023 than before, but shows that employees report concerns or potential breaches, enabling our Ethics & Compliance team to investigate and address them. A new topic, fraud, has now also been added to our Ethics Helpline.

The Board's Audit Committee oversees the Speak Up program and reviews the effectiveness of the process and the outcomes.

In 2023:
- 162 cases opened:
  - 23 cases still in progress.
  - 165 cases resolved. These include:
    - 58 substantiated cases
    - 70 unsubstantiated cases
    - 12 insufficient information
    - 9 misdirected
    - 17 transferred (previously: referred)
    - 0 frivolous

Definitions:
- Substantiated: the allegation, or at least one of the allegations, are considered founded.
- Unsubstantiated: none of the allegations are considered founded.
- Insufficient information: when insufficient information has been provided and/or Ethics and Compliance has been unable to collect sufficient information to conclude whether an allegation is substantiated or unsubstantiated.
- Misdirected: a case has been reported to Ethics and Compliance but does not fall under Ethics and Compliance's scope.
- Transferred (previously: referred): a case has been reported to Ethics and Compliance but needs to be addressed by another department.
- Frivolous: when a reported case lacks sense or significance.

RESOLVED CASES

	Cleared of involvement	Discipline	Final written/legal warning letter	No action necessary	Performance Improvement Plan	Policy/Process review
Substantiated	0	0	4	3	1	13
Unsubstantiated	0	0	0	47	0	9

	Resignation in lieu of termination	Reassignment/ Transfer	Suspension w/o pay	Termination	Training/ Coaching required	Verbal feedback/ Warning	Written feedback/ Warning
Substantiated	5	6	1	10	7	7	2
Unsubstantiated	0	0	0	0	10	4	0

3.2.4. Communication and training

Syensqo's Code of Business Integrity

Mandatory Code of Business Integrity training, both in person and web-based, is organized for all employees to ensure a strong culture of integrity at Syensqo, and to understand and address behavioral risks, such as bribery and corruption, conflict of interest and harassment, sanctions, export control, data protection, and gifts and charitable donations. As part of this training, employees are also trained on the Speak Up culture and Ethics Helpline. Specific training modules are tailored to leadership, including Listening Up. In the period 2022-2023, 99.6% of the target population was trained on the Code of Business Integrity, which is available in 19 languages. To complete the training, employees must certify that they are in compliance with the Code of Business Integrity, understand their role in protecting a culture of integrity and are aware that they can report any violations using the available channels and Ethics Helpline. Internal Audit regularly reviews the implementation and completion rate of training modules as part of their audit engagement and responsibilities.

Competition Law and Antitrust

Syensqo has a concrete Competition Law Compliance Action Plan, designed to mitigate the specific risks the Group has identified in this field of law. It has been in force since 2003 and is updated yearly. In 2023, it covered e-learnings on competition law in general, on competitive intelligence gathering, and on the use of the computerized tracking system of meetings with competitors mentioned above. We also organized ad hoc training for specific high-risk target populations. The participation rate of the relevant training campaign in 2023 was above 95%.

Anti-bribery and anti-corruption

Anti-bribery and anti-corruption web-based training is carried out on a two-year cycle for a pre-identified target population, which includes all employees grade S15 and above. The most recent online training course, available in 16 languages, took place in 2023 and 91% of the target population was trained. The training will be rolled out again in 2025.

Public policy

Syensqo pursues constructive dialogue with governmental and political stakeholders, both to ensure and improve our license to operate and as part of our commitment to developing sustainable solutions with partners. This exchange helps us understand societal trends and anticipate legislative and regulatory expectations and developments, as well as to advocate for and communicate views that support Syensqo's interests. These include:

- Promoting sustainable solutions that address climate change and facilitate the energy transition: Syensqo supports the UN Paris Climate Agreement and contributes to implementing it. We therefore argue for the development of a clear and predictable legislative framework that promotes sustainable growth while maintaining industry competitiveness and ensuring a balanced transition to a low-carbon economy.
- Competitiveness: Syensqo advocates for a regulatory system that fosters entrepreneurship and industrial innovation by safeguarding or improving competitiveness, and that creates highly skilled jobs worldwide.
- Environmental and chemical policy: Syensqo collaborates with trade associations, public authorities and other stakeholders to develop science- and risk-based regulations and standards that promote a more sustainable industry and products.
- Promoting global trade: as an international company, Syensqo recognizes the importance of free trade based on a multilateral and rules-based trading system. Reducing trade barriers is essential for economic growth and thus for industrial activity.
- Geopolitical assessment: Syensqo assesses the geopolitical situation in order to better understand the potential impact, in relation to trade, logistics, investments and security, on our businesses.

Syensqo's Government Affairs and Country Management Function is responsible for coordinating relations with government and political officials. In line with Syensqo's Code of Business Integrity, and with the aim of ensuring the most favorable business environment, the Government Affairs and Country Management team works to foster long-term partnerships with public authorities and other relevant stakeholders. They do this by building a transparent and constructive dialogue that supports company strategy.

In our relations with government officials, we commit ourselves to responsible, honest and transparent action, based on our values and principles. We are committed to ensuring that our dialogue and advocacy complies with our Code of Business Integrity, and the rules and principles set out in our policies. Employees involved in relations with government officials have to take mandatory training on business integrity, competition law, and antitrust and anti-corruption. In addition, we welcome initiatives for greater transparency in the area of interest representation and are listed as a company in the Lobby and Transparency registers of the European Commission, the United States, France and Germany.

Syensqo's public policy activities include participation in industry and trade associations, as outlined in section 3.7., Membership of associations. We aim to conduct political relations and advocacy with our own staff resources, meaning that relevant contacts and meetings between Syensqo and political stakeholders are made and held by Syensqo representatives in person, and not by agency or partner staff acting on behalf of Syensqo.

The Group does not take part in political party activities, nor do we make corporate donations to political parties or candidates, as indicated in the Group's Policy on Gifts, Entertainment, Charitable Donations and Sponsorship. We engage in constructive debate with public authorities on subjects of legitimate interest to Syensqo, where necessary, but only those employees specifically authorized to do so may carry out such activities.

Syensqo respects the freedom of our employees to make their own political decisions. Any personal participation or involvement by an employee in the political process must be done on an individual basis, on the employee's own time and at the employee's personal expense.

Ethics and compliance website

In 2023, Syensqo launched an ethics and compliance section on our website. The pages provide information on our ethics and compliance program, including its four-pillar structure and alignment with our Core Beliefs. It ensures that the Code of Business Integrity, the Supplier Code of Business Integrity and other ethics and compliance policies are easily accessible, and provides information on the Ethics Helpline, as well as the link for employees and externals to access the third-party helpline through which questions, concerns or reports can be registered.

3.2.5. Animal testing

Syensqo provides innovative products for a wide variety of uses and a large number of users. The Group must have a proper understanding of the hazards posed by our products in order to carry out our activities and protect users, the general public, Syensqo personnel and the environment. With society continually pushing for new, better and safer chemicals and plastics, there is growing demand from both regulatory authorities and the public for product risk and hazard assessments. These require testing, both with and without the use of animals.

Testing

To comply with new and existing chemical regulations, or to further consolidate safety data, Syensqo commissioned animal tests in 2023. Syensqo avoids animal testing whenever possible, but in cases in which animal testing is required we commit to conducting studies that treat animals humanely, giving them the best care possible, and using all animals responsibly, with great regard for their welfare. In compliance with European cosmetic regulations, Syensqo does not perform specific testing solely to support cosmetic uses.

Substance-based testing for multiple applications

Syensqo carries out tests required for all regulations and applications relating to a given substance just once, unless specifically requested by any authority worldwide. We avoid the need for new studies by actively advocating for the reuse of data from studies conducted within a given framework, such as REACH, for other registration systems.

Ethical compliance

Syensqo's policy, outlined in the Syensqo Animal Care and Use Procedure, is to apply the "3R principles" – Replacement, Reduction and Refinement – in each case, and to comply with all applicable regulations. All of our studies comply with international standards, such as Organization for Economic Cooperation and Development (OECD) guidelines. Regulatory studies are almost exclusively performed by laboratories accredited by the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC). This worldwide organization sets quality standards for testing laboratories and ensures responsible and humane treatment of laboratory animals.

Once a study is underway, Syensqo staff monitor the execution and quality of the studies and maintain a continuous qualification and evaluation program for the laboratories. A dedicated Syensqo corporate committee reviewed the animal testing activities commissioned by Syensqo during 2023, verifying conformity with the principles and mandatory elements of Syensqo's Animal Care and Use Procedure.

VERTEBRATE ANIMAL TESTS COMMISSIONED BY SYENSQO IN 2023

	Number of studies	Number of vertebrates (*)
Registration obligations (e.g. EU, China, Korea, US)	24	4,490
Additional product safety questions (toxicity, classification)	5	227
Total	29	4,717

(*) Includes all animals, including control animals not being exposed to test substances and used as reference.

Regulatory testing

In 2023, 95% of the vertebrate animals (representing 83% of the animal studies) were used to address mandatory requirements from authorities. The remaining 5% were used to address additional product safety questions. In total, 4,717 vertebrate animals (56% rats, 23% rabbits, 15% fish, 3% guinea pigs and 3% mice) were used. Syensqo did not commission any studies on dogs, cats, pigs or non-human primates. Most vertebrate animals (83%) were used in tests required by the EU REACH Regulation, and these studies will also be valid for demonstrating compliance with chemical regulations elsewhere in the world. The number of vertebrate animals used in 2023 was five times greater than in 2022, whereas the number of studies on vertebrate animals was only slightly increased (29 in 2023 and 24 in 2022). The increase in the number of animals is mostly due to the reprotoxicity studies that were completed in 2023.

Drivers for the future

While studies are needed for regulatory and scientific purposes, Syensqo continues to strengthen its capabilities and understanding of alternative methodologies that do not involve vertebrate animals.

However, the higher tier animal studies requested by authorities, which required the largest number of animals in 2023, will remain the major driver for animal tests in the near future. A significantly higher number of these regulatory studies is already ongoing, and it is therefore expected that the number of animals in 2024 will increase in comparison to 2023.

Advances in the implementation of non-animal methods and alternative hazard identification strategies are crucial to achieving a reduction in animal use for hazard assessment. The new information requirements under EU REACH, which are expected in 2025, will drive the trend for the future. We are also looking forward to the European Commission roadmap toward phasing out animal testing for chemical safety assessments, which is expected at the beginning of 2026 at the latest, and we appreciate the European Chemical Agency's (ECHA) efforts to contribute to the introduction and regulatory acceptance of New Approach Methods (NAMs).

3.3. Health, safety and environment management

GRI DISCLOSURE 2-25
SDG 3, 6, 7, 12, 14, 15

3.3.1. Definition

Syensqo's health, safety and environment (HSE) management system requirements are aligned with HSE ISO standards and our Responsible Care Policy.

Through our Responsible Care Policy, we commit to safeguarding people and the environment, by continuously improving our environmental, health and safety performance, the security of our facilities, processes and technologies, and chemical product safety and stewardship throughout the supply chain. This reflects Syensqo's position as a signatory to the ICCA's Responsible Care Global Charter®.

3.3.2. Management approach

Syensqo's HSE strategy relies on the following:

- An approved HSE management system, which is implemented at every industrial (manufacturing and research and innovation) site. This includes a Responsible Care Policy and a set of risk-based procedures that apply to all areas, including health monitoring, industrial hygiene, occupational safety, process safety, transport safety and environment and product safety. For each domain, a network is organized at Group level to ensure implementation of the procedures, compliance with regulations and sharing of good practice.
- A Product Safety Management System (PSMS), applied in every Global Business Unit.
- A safety culture approach, which ensures people's safety, health and well-being. It relies on a safety leadership style, where managers act as mentors and demonstrate genuine care for all.
- A reporting process used to evaluate performance, analyze events and define short- and long-term improvement plans.

Industrial sites

Each industrial site:

- Implements at least one approved health, safety and/or environment management system, in compliance with Syensqo's Responsible Care Policy.
- Sets up a dedicated, systematic regulatory watch mechanism.
- Undergoes a compliance audit conducted by an internal or external third party at least once every five years, addressing both regulatory and internal requirements.
- Addresses all identified risks, areas for improvement and gaps in compliance.

Environmental rehabilitation

Syensqo's Health, Safety, Environment and Sustainability (HSES) Department is responsible for managing the environmental liabilities resulting from the Group's industrial and mining activities. HSES helps the sites and GBUs manage their environmental legacy, whether historical or recent, providing them with technical expertise and cash management through environmental provisions. Where the local regulations allow it, a risk-based approach is used to define management actions. For our operational sites, HSES collaborates with the local HSE team. Our closed sites are managed directly by the HSES team on behalf of the relevant GBU. HSES is also responsible and accountable for managing Group environmental provisions.

3.3.3. Indicators

Approved HSE management systems at sites

Of our 74 sites, 92% have at least one management system in place that has been audited by a third party, or a party external to the site, in the past five years. Many sites have been certified with multiple HSE Management Systems. Sites with fewer than 10 people, or that are not under Syensqo's operational control, are excluded.

Twenty-eight of our sites are certified by ISO 45001, 17 by the American Chemistry Council's Responsible Care Management System (ACC RCMS), 15 by ACC RC 14001 and 34 by ISO 14001. Twenty-one of our sites have another approved management system in place:

- The Responsible Care Program by Asociación Nacional de la Industria Química (ANIQ) in Mexico.
- The Responsible Care Program by Associação Brasileira da Indústria Química (ABIQUIM) in Brazil.
- The Occupational Safety and Health management system (GB/T 33000-2016) in China.
- The Occupational Safety and Health Administration Voluntary Protection Programs (OSHA VPP management system) in the US.
- Syensqo internal R&I HSE Management System (audited by persons external to the site).

At six of our sites, we plan to implement a management system by the end of 2024.

Regulatory Watch

Syensqo has installed a systematic process for monitoring regulation in all domains – health and safety, process safety, environment and transport safety – at 93% of our sites.

3.4. Research and innovation

3.4.1. Definition

Syensqo research and innovation (R&I) is the Group's engine for delivering highly differentiated and valuable innovations that address major human challenges associated with resource scarcity, climate change and quality of life. Syensqo aims to build a better future by developing innovative, profitable and sustainable solutions that turn science and chemistry into business and create value for the Group, our shareholders, our customers and all other stakeholders.

3.4.2. Management approach

Syensqo's research and innovation is organized around three key pillars, inspired by our sustainable growth strategy:

- Based on the existing operating businesses, which define their own innovation portfolio to develop and grow their business.
- Based on strategic growth axes, which have been defined by the Group and are areas in which the Group specifically aims to grow. This involves structuring research and development within specific teams, known as platforms, and regrouping all the capabilities required to succeed, such as business, R&I, industrial and product stewardship, under these platforms. The Group currently has four strategic innovation initiatives: thermoplastic composite materials, battery materials, materials to support the green hydrogen economy, and biotechnologies. Each platform is managed by a platform president who reports directly to Syensqo's Chief Technology and Innovation Officer (CTIO).
- Prospective research to prepare future growth avenues for the Group. This is particularly important as a specialty company, as it is necessary to reinvent the businesses regularly. As part of this we operate venture capital activities, including direct investment in startups, investment in funds and partnerships with startups. We also operate a network of academic laboratories to explore possible new technologies of interest for Syensqo in the future, and we look at new business models for the future, taking into consideration the evolution of our customers' demands, as well as market trends for the future.

Syensqo's sustainable growth strategy also implies that all projects and innovation activities need to be driven toward creating a more sustainable world. from their conception, all research topics need to be aligned with sustainability criteria and our 2030 sustainability agenda.

Group innovation is led by a Chief Technology and Innovation Officer (CTIO), who reports directly to the CEO. Platforms, as well as prospective research, and intellectual asset management and corporate R&I functions, report directly to the CTIO. Each GBU has an R&I director, who drives the research of the GBU and reports to the GBU president. The CTIO coordinates the activities of the GBUs, ensuring that overall Group research is perfectly aligned with the Group's growth strategy.

Indicators

		2023	2022
Expected revenue from sustainable solutions	%	85	85
R&I effort	€ million	343	304
R&I staff	FTE	1,950	1,830
First patent filings	Number	125	123
New sales ratio	%	20.7	20.1

3.4.3. Key achievements

Syensqo works with customers and partners to develop sustainable solutions by addressing the key drivers that will shape our future and focusing on the world's sustainability needs. We also believe in the importance of working with academia, and with other companies or startups, to identify new solutions. In total, the Group currently manages more than 150 collaborative innovation projects.

Our main achievements in R&I in 2023 are outlined below.

Important growth in sales of new products.

New product sales increased from 20.1% in 2022 to 20.7% in 2023. This increase was driven mainly by volumes of new products, resulting from the redeployment of resources on growth projects. New products are those introduced less than five years ago.

A significant increase in the value of the portfolio

The increase in the value of our portfolio was driven by our first three strategic growth platforms moving key projects into the pilot phase and sharing significant volumes of samples with customers. These growth platforms focus on batteries, green hydrogen and thermoplastic composites.

Significant progress in our strategic growth initiatives (Platforms)

Important steps were taken to advance our battery materials platform, with the inauguration of two new pilots at our La Rochelle plant in France, one focused on solid state batteries, and the other on new sodium ion battery technology. We also launched a pilot focused on new solvent technology for high voltage electrolytes. These new technologies should start impacting businesses as soon as 2025.

Research and innovation for our green hydrogen platform focused on enabling both the dramatically accelerating volume demand growth and the diversification of market technologies for the sustainable production, storage and conversion of green H_2. Syensqo has been involved in designing new collaboratively funded projects that are structuring the value chains for green H_2 market technologies.

To consolidate its industrial infrastructure, the thermoplastic composites platform brought a new world-class unidirectional tape plant fully on stream at our plant in Piedmont, South Carolina, and completed an expansion project at our Anaheim site in California. These industrial assets in the US and our MSAC customer engagement center in Brussels put Syensqo in a strong position to support the fast growing aerospace and energy markets, as well as numerous other opportunities in several different segments. We also broadened our portfolio of unidirectional tapes, with the addition of tapes based on PPS, PPA and BioPA.

These three Group strategic initiatives are well on track to deliver an additional €3 billion in growth for the Group by 2030.

Investing in and developing our new strategic growth initiative focused on renewable materials and biotechnology

Our renewable materials and biotechnology platform was launched in May 2022. It takes a holistic approach to innovation in the bio-space, focusing on increasing the use of more renewable and sustainable raw materials, fostering the use of biotechnology combined with chemistry and accelerating our transition toward biodegradable-by-design solutions in non-durable chemicals, like surfactants or water-soluble polymers.

In April 2023, we announced a multi-year strategic collaboration with Ginkgo Bioworks, which is building the world's leading platform for cell programming and biosecurity. The partnership aims to unlock the power of synthetic biology to create more sustainable and environmentally friendly chemicals and materials. This will also expand our R&I footprint in the US, provide access to new talents and establish a growth base for synthetic biology in one of the most important biotech hubs in the world, accelerating Syensqo's biotechnology development plan. In addition to acquiring the Ginkgo lab, Syensqo is investing in the construction of a world class, multipurpose microbiology lab at our site in Lyon, France. Expected to be operational by late 2024, this lab will increase our biodegradability and toxicity testing capabilities. Our renewable materials and biotechnology platform represents a €1.5 billion market opportunity by 2030, coming from businesses associated with renewable resources, biotechnology and biodegradable solutions, paving the way for Syensqo to develop safer chemicals and more environmentally friendly solutions, and enhance circularity.

Reinventing sustainability of our essential products

R&I, sustainability and circularity are at the heart of Syensqo's innovation, through the developmentof new products and solutions. This engagement is illustrated by the following examples:

- Safer and powerful solvent solutions for crop protection formulations.
- Our ECHO portfolio, engineered with bio-based, recycled and mass balance certified raw materials, which delivers performance equivalent to conventional materials while offering a lower carbon footprint.
- Development and commercialization of mass balance polymers, such as Udel® PSU and Radel® PPSU, or containing recycled polymers such as Omnix® ReCycle HPPA, or recycled carbon fibers, such as Ixef®, Amodel® and Ketaspire®.

A significant increase in our capabilities in different domains

- Continuous investment in the digitization of our research tools, including automation and robotics, data management and simulation and artificial intelligence.
- Global investment in application development laboratories to help our customers accelerate innovation in alignment with megatrends. For example, new laboratory capabilities in Asia include the creation of application laboratories for green hydrogen in Shanghai and Seoul, and the extension of battery capabilities in Seoul. In Europe, new pilot projects for organic chemistry and polymer synthesis have been built in Lyon.
- Global reinforcement of our research and innovation workforce, adding more than 120 scientists in various fields to support our growth initiatives.

Reinforcement of our open innovation worldwide

Our open innovation allows us to monitor and drive technological breakthroughs. We do this by:

- Reinforcing our collaboration with academia worldwide. We continue to be heavily involved in high-level scientific collaborations with top universities globally. These collaborations range from direct contracts to longer-term partnerships. In 2022, we reinforced our partnership with the National Institute of Advanced Industrial Science and Technology, Tsukuba (AIST) through a scientist exchange agreement. We also reinforced our partnership in China with East China University of Science and Technology (ECUST). Our strong involvement in science for the future can be seen in our award of the Solvay Prize to Katalin Karikó, who is one of the inventors of mRNA vaccine technology, and by the Nobel Prize awarded to Carolyn Bertozzi, who received the Solvay Prize in 2020.
- Expanding our customer relationships and innovation activities through Syensqo Ventures, to include partnerships with entrepreneurial startups that are targeting high growth opportunities in line with our areas of technology and market leadership. These partnerships help to develop a portfolio of highly differentiated and valuable innovations that address major human challenges associated with resource scarcity, climate change and quality of life. In 2023, Syensqo Ventures initiated new partnerships focused on megatrends such as electrification (Tau group), lightweighting (iCOMAT), sustainability (Compact Membrane Systems), and natural and bio-based solutions (Genesis Consortium). The new partnerships in 2023 bring Syensqo Ventures' total ongoing portfolio to 25 startup and venture fund relationships.

3.5. Supply chain and procurement

GRI DISCLOSURES 308-1 308-2 407-1 414-1

3.5.1. Definition

Our supply chain organization comprises about 1,000 people. Most of them are located in the GBUs, where they are in charge of planning, customer care, logistics operations and improvement projects. In addition to this, a small Supply Chain Excellence team has been set up to lead transformation in the areas of planning, order-to-cash, performance management and data management under the leadership of the global head of supply chain. We have programs in place to foster continuous improvement in the value chain performance of our GBUs, while also contributing positively to cost and cash management, as well as fulfillment at the service of customers.

Our procurement organization consists of about 280 people, working in our Corporate Procurement team. Their mission is to source products and services leveraging scale and expertise, and to secure sustainable value creation and supply security to support Syensqo's growth and innovation, as well as our sustainability ambition.

3.5.2. Management approach

Syensqo integrates our Corporate Social Responsibility (CSR) principles and Syensqo One Planet ambition into our procurement processes and strategies, in order to create sustainable business value in collaboration with our suppliers.

Procurement strategy

Procurement resources and capabilities are shared across an international network of category and sourcing managers, and individuals responsible for site procurement, all of whom follow a common way of working known as the Syensqo global procurement process.

Our procurement strategies are defined by category experts in collaboration with the GBUs and functions. These strategies are then executed and deployed at global, regional or local level, depending on the category specifics and suppliers' market structure. Our strategies include ESG elements and criteria.

Located in Procurement Excellence, the newly appointed Sustainability, Growth and Innovation team, plays a key role in enabling Syensqo's innovation and sustainability roadmaps. With the objective of decarbonizing our supply chain while increasing the share of renewable and recycled sourcing, the team supports the development of low-carbon breakthrough technologies that require alternative renewable feedstocks and the redesigning of products by using lower emissions raw material.

Core suppliers

Syensqo applies supplier segmentation in order to identify key suppliers, which we refer to as core suppliers. This approach enables Syensqo to focus on managing performance, mitigating supply risk and improving relationships, while also forming the basis for collaboration and stimulating innovation.

Core suppliers are required to perform specific actions, such as carrying out a supplier evaluation survey, or a mandatory third-party sustainability assessment. We have identified 255 suppliers as core suppliers. They account for 35% of Syensqo's spend, and 92% of them are currently covered by a third party sustainability assessment.

Key account managers are appointed for some of our core suppliers, allowing us to generate additional value and mitigate risk through strategic relationships.

Supplier engagement

A Supplier Engagement Program is in place, with the aim of achieving common sustainability ambitions with our suppliers, to create shared value for all. Collecting Product Carbon Footprint (PCF) data from our raw materials suppliers that emit the most GHG emissions was at the heart of our engagement program in 2023. We have collected over 260 PCFs from more than 45 suppliers, who together account for 40% of our upstream Scope 3 raw materials greenhouse gas emissions.

To make further progress in reaching our Scope 3 GHG emissions target, we called on our top raw materials suppliers to share their climate strategy and decarbonization actions. To date, more than 15 suppliers have collaborated with us on this, and we exchange information on a regular basis to gain a broader view on how their plans and the projects they undertake impact the business lines they supply us.

Together for Sustainability initiative

Syensqo is a member of Together for Sustainability (TfS), a global procurement-driven initiative that improves the sustainability performance of chemical companies and their suppliers.

The TfS program is based on the UN Global Compact and Responsible Care® principles. To foster sustainable and resilient chemical supply chains, TfS's core offer includes assessments and audits that measure suppliers' performance in key areas, such as environmental, labor and human rights, and ethical and sustainable procurement. TfS assessments are carried out by the initiative's key partner EcoVadis, a global service provider specialized in sustainability performance assessments. For audits, TfS cooperates with a TfS-approved audit company.

In 2022, TfS made significant progress in addressing the challenges of climate change and improving the sustainable supply chain knowledge of the chemical industry. This included addressing Scope 3 greenhouse gas emissions. Members of TfS created the first Product Carbon Footprint (PCF) Guidelines to enable chemical companies and their suppliers to share and develop high-quality carbon footprint data. Syensqo used these PCF Guidelines to develop our own PCF software, which is currently at the pilot stage.

In 2023, Syensqo went a step further in using the tools provided by TfS. TfS offers a PCF data sharing solution which is currently being piloted. The pilot will run until the first quarter of 2024. Syensqo called on our top suppliers to collect and share the product carbon footprint of the raw materials they supply as part of the pilot phase. The PCF data sharing solution will facilitate large-scale exchange of PCF data and play a vital role in driving the decarbonization of the industry.

TfS also has an extensive capability building and training program, which includes the TfS Academy. Launched in 2022, the TfS Academy is the capability-building hub for TfS members and their procurement team, as well as for suppliers. With over 390 courses in 11 languages by the end of 2023, the Academy enables stakeholders to learn about the most pertinent and trending sustainability procurement topics. Syensqo's procurement team participates in this TfS Academy.

ESG risk in the supply chain

To tackle human rights and environmental impacts across our value chains, we have developed an ESG risk management approach for our supply chain. The aim is to comply with the existing and upcoming ESG regulations, especially on environment and human rights. This requires corporate governance practices to better integrate risk management and risk mitigation in their processes. Our policy for ESG Risk Management provides a systematic approach for risk identification and risk severity assessment of more than 62 upstream value chains and their operating countries, and triggers risk mitigation action plans. Thanks to our due diligence process, 11 suppliers conducted a TfS audit in 2023 and 1,100 suppliers performed an EcoVadis assessment.

In addition to our internal risk management framework, we also use a third-party risk management tool, called Ethixbase, to carry out screening for adverse media screening on:
- Environmental social and governance
- Anti-bribery and corruption
- Human rights and modern slavery

About 5,000 of our suppliers considered as high and medium risk have been screened though the Ethixbase platform.

Supplier Code of Business Integrity

Our Supplier Code of Business Integrity is integral to the implementation of our Responsible Procurement Policy. It is fully aligned with Syensqo's Code of Business Integrity and inspired by the UN Global Compact principles and Responsible Care® practices.

All written procurement contracts must refer to the Supplier Code of Business Integrity or an acceptable alternative. Suppliers or partners are invited to report any breach of Syensqo's ethical policies or Supplier Code of Business Integrity through the Syensqo Ethics Helpline. Every report will be carefully reviewed by the Ethics and Compliance team, who review the case and conduct an investigation as appropriate.

Syensqo is concerned that the trade in tantalum, tin, tungsten and gold, and the metals known as 3TGs that are refined from such minerals and mined in certain conflict-affected and high-risk regions, such as the Democratic Republic of the Congo and neighboring countries, may be contributing to human rights abuses. We are continually working to improve our awareness of 3TGs included in products, components and materials supplied to Syensqo.

We continue to work to verify the integrity of our sourcing, and to support the actions of governments, our customers and suppliers in achieving this Syensqo Ethics Helpline aim globally. If our suppliers fail to meet our expectations in this regard, we will take these factors into consideration when making future business and sourcing decisions.

Our supply chain due diligence processes were audited both internally and externally by one of our major customers.

3.5.3. Indicators

EcoVadis assessment

During the year, a total of 1,100 Syensqo suppliers were assessed through EcoVadis, including 221 of our core suppliers.

Supplier diversity

In 2023, Syensqo performed an analysis to assess the diversity status of its supplier database in North America. It revealed that 2.3% of Syensqo suppliers based in the United States are diversity-certified by Coupa, a third party screening database.

Raw materials

As a large chemical manufacturer, Syensqo uses raw materials from a range of suppliers and sources: the overall volume purchased in 2023 was over 1.22 million metric tons.

NON-BIOSOURCED AND BIOSOURCED RAW MATERIALS – MATERIAL PURCHASED

		2023	2022
Mineral products	1,000 metric tons	275	309
Biochemical products	1,000 metric tons	111	124
Natural gas	1,000 metric tons	140	158
Petrochemical	1,000 metric tons	336	431
Other raw materials	1,000 metric tons	69	68
Total	1,000 metric tons	931	1,090

3.6. Main partnerships

SDG 17

IndustriALL Global Union

Building on 20 years of strong industrial relations between IndustriALL and Solvay, Solvay signed an improved Global Framework Agreement (GFA) on March 31, 2022. As part of Solvay, Syensqo was covered by this agreement in 2023. The content of the agreement was strengthened in several important areas, including:
- Telework rights
- C190
- EU due diligence and UN binding treaty – supply chain oversight
- Just transition
- Conflict resolution
- Maintaining the agreement following the split of the company
- Workers' rights in health and safety
- Skills transfer
- Battery supply chain
- US Taskforce Agreement renewed for the duration of the GFA

The four-year agreement includes serious commitments on due diligence along the supply chain. Taking note of the different international standards on this issue, the agreement establishes a new working group of workers and management to investigate supplier respect for core labor rights and seek remediation where problems are found. We commit to suspend contracts with suppliers that fail to remedy human rights and environmental abuses following warnings.

Syensqo remains committed to the values of the Global Framework Agreement and will sign a similar agreement with IndustriALL in the first quarter of 2024.

Ellen MacArthur Foundation

Syensqo, through Solvay, has been engaged with the Ellen MacArthur Foundation since 2018 to share and learn, to accelerate our transition to a circular economy, and to engage with them to promote our leadership in the transition.

Syensqo and the Ellen MacArthur Foundation have signed a Strategic Partner agreement for three years, focusing on advancing the circularity and sustainability agenda within the chemical sector. The partnership underscores Syensqo's commitment to actively contribute to the transformation of value chains to circular business models. As a continuation of the existing partnership with Solvay before the spin-off of Syensqo in December 2023, this renewed partnership will enable the Foundation network to continue relying on Syensqo's input and expertise, while also supporting its efforts to find new solutions to eliminate waste, make products and materials circular, and regenerate nature.

Wildlife Habitat Council

Syensqo joined the Wildlife Habitat Council (WHC) in 2023. This international NGO works with businesses to encourage, promote and certify biodiversity conservation to enhance its nature ambitions. The partnership helps us to better focus our efforts on biodiversity and identify areas for improvement, both at our sites and in collaboration with our customers.

WHC is the only international conservation NGO focused exclusively on the private sector and is a leader in taking bold action for biodiversity conservation through partnerships and education. WHC provides a framework for voluntary conservation action on a wide variety of corporate lands, promoting a collaborative and comprehensive approach to conservation activities around the world.

Membership in the WHC helps us to implement conservation projects that are locally relevant, practical and adaptable to any regulatory requirements, but which don't conflict with operations. As part of our partnership, we work to mainstream biodiversity across sectors, in collaboration with our partners and sites, taking concrete actions to protect species and habitats, and deliver impact through biodiversity restoration and enhancement at a local level.

World Alliance for Efficient Solutions (Bertrand Piccard)

Syensqo has taken over from Solvay and is a member of the World Alliance for Efficient Solutions, created by Solar Impulse founder Bertrand Piccard to promote efficient technologies, processes and systems that help improve the quality of life on earth. Alliance members consist of startups, companies, institutions and organizations.

The strong partnership has enabled Syensqo to work together with the Solar Impulse Foundation (SIF) to develop sustainable solutions to fight climate change. The SIF's objective was to identify, select and label "1,000 solutions to change the world," helping to fight climate change and improve the quality of life on earth.

The Alliance surpassed its target with more than "1,500 solutions to change the world" in 2023 and committed to going further. Among these solutions are six Syensqo products, all aligned with key megatrends that will contribute to a more sustainable world, such as clean mobility, lightweighting, electrification and resource efficiency.

R&I partnerships

Syensqo has set up Joint Research Units with the National Scientific Research Center (CNRS) and universities in Bordeaux, France, focused on microfluidics, high throughput screening, digital and artificial intelligence, and in Shanghai, China, focused on organic chemistry, catalysis, carbon cycling and sustainability. Other long-term partnerships established with École Polytechnique Fédérale de Lausanne (EPFL) and the National Institute of Advanced Industrial Science and Technology, Tsukuba (AIST), have delivered very significant results on modeling and machine learning. A series of more recent collaborations have also been launched on topics related to energy generation and storage, bio-based chemistry, advanced polymers and formulations, with institutions such as the University of Chicago, Edinburgh University and Politecnico di Milano.

3.7. Membership in associations

GRI DISCLOSURES 2-28

The Group maintains a dialogue with stakeholders and is a member of several associations at global, regional and national levels. Trade associations adopt policy positions as close as possible to a consensus. Member companies can still express disagreement in a number of ways, including internal discussion within working groups or public stances that differ from those of the trade associations.

Each membership in trade and industry associations should be aligned with our business strategy and our company interests – the association should support Syensqo's business and company interests, and should be in alignment with Syensqo's public policy interests. We review our memberships on a regular basis, to check whether positions taken by associations are still aligned with Syensqo's interests

Senior Syensqo representatives sit on the steering boards of many of the associations we are a member of. We also participate in working groups and policy coordination groups. The major association memberships in the regions and countries where Syensqo is present are listed below.

3.7.1. International Council of Chemical Associations

Syensqo CEO, Ilham Kadri, is a member of the Board of Directors. Through Responsible Care®, which is an essential part of the ICCA's contribution to the Strategic Approach to International Chemicals Management (SAICM), global chemical manufacturers commit to pursuing safe chemical management and performance excellence worldwide. Syensqo is a signatory of the Responsible Care® Global Charter.

3.7.2. European Chemical Industry Council

The European Chemical Industry Council (Cefic) is the forum and the voice of the chemical industry in Europe. Syensqo CEO Ilham Kadri is vice-president and member of the Cefic Board ExCom. The association facilitates dialogue that allows the industry to share its technical expertise with policymakers and other stakeholders. Syensqo experts provide input on energy, industrial, environmental and research policy, as well as on issues relating to product stewardship. Syensqo representatives also work with the different Cefic sector groups on specific issues related to individual substances or groups of substances. In addition, we play an active role within Cefic in leading a proactive industry response to the need for a more innovative and sustainable chemical industry. Syensqo also participated on behalf of Cefic in the EU Commission high-level roundtable, an active stakeholder platform with business representatives, NGOs and academics, on the implementation of the EU Chemicals Strategy for Sustainability.

3.7.3. France Chimie

France Chimie represents chemical sector companies in France in front of public authorities at national, European and international level. The association integrates 12 regional federations, representing 1,300 companies nationwide, and provides expertise and support relating to technical, economic and fiscal legislation, and social and labor affairs. Syensqo representatives contribute to all key commissions. This includes those concerning competitiveness; energy and logistics, which focuses on the decarbonization subsidy plan; and HSE. In 2023, Syensqo, through Solvay, actively supported France Chimie positions to further decarbonize the chemical industry and promote the use of renewable energy sources.

3.7.4. Federchimica

Federchimica is the Italian chemical industry association. Federchimica facilitates dialogue with regional and national policymakers and government bodies, by sharing technical expertise and knowledge with policymakers and other stakeholders. Syensqo experts participating in Federchimica provide input on energy, industrial, environmental and research policy, as well as issues relating to product stewardship.

3.7.5. American Chemistry Council

The American Chemistry Council (ACC) represents a diverse set of companies engaged in the chemistry business. Syensqo sits on the Executive Committee, as well as on several Board-level committees that contribute to setting the association's strategy. Syensqo representatives contribute their expertise to the ACC's work on transportation, energy, environment, sustainability, chemical management, process safety, trade and product stewardship issues. Syensqo experts also provide technical input for activities that focus on product-related issues relevant for Syensqo businesses, such as advanced materials and sustainable technologies. In 2023, Syensqo, through Solvay, actively supported the development and implementation of the ACC Sustainability Principles. The chemical industry is committed to creating a cleaner, safer and more sustainable future, and has a vitally important role to play in the critical areas of addressing climate change, improving air and water quality, and the circularity of our products. Syensqo's portfolio, which spans the key sustainability megatrends of the future, is well positioned to accelerate progress toward these goals.

3.7.6. Indian Chemical Council

The Indian Chemical Council (ICC) is the leading industry body representing all segments of the Indian chemical industry. Syensqo sits on the Executive Council of the ICC. The ICC monitors and helps frame industry-specific government legislation, formally interacts with the relevant authorities on policies and regulatory matters, and is recognized as the official voice of the Indian chemical industry. It also provides a forum for dialogue and debate within the chemical industry, channeling and reinforcing the industry's endeavors to boost development in India. The ICC promotes the Responsible Care® initiative and encourages safety, research and development, energy conservation and quality consciousness within the industry by organizing workshops and seminars and presenting annual awards recognizing excellence and outstanding contributions to the chemical industry.

3.7.7. China Petroleum and Chemical Industry Federation

The China Petroleum and Chemical Industry Federation (CPCIF) is a comprehensive national industry organization and the official representative of the Chinese chemical industry in the International Chemical Industry Association (ICCA). The CPCIF promotes the interests of the industry, while also serving as a bridge between businesses and the government in China. Syensqo is a member of the Multinationals (MNC) sub-committee of the CPCIF, which represents nearly 70 multinational companies in China. We are a founding member of this committee, which was set up in 2013. Key interests of the committee include, but are not limited to, industrial policies, regulatory demands, chemical management, carbon trade, sustainability and innovation. In 2023, Syensqo, through Solvay, actively promoted low-carbon practices in the association's Carbon Working Group. We also contributed expertise to the CPCIF to prepare input on the central government's National Development and Reform Commission, aimed at developing China's carbon system in line with international standards.

3.7.8. Association of International Chemical Manufacturers

The Association of International Chemical Manufacturers (AICM) represents nearly 70 major multinational companies in the Chinese chemical industry active in the manufacture, transportation, distribution and disposal of chemicals. Together with other leading international chemical players in China, Syensqo helps promote Responsible Care® and other globally recognized chemical management principles among all stakeholders, advocates for cost-effective, science- and risk-based policies with policymakers, and strengthens the contributions made by the chemical industry to the economy. In 2023, Syensqo actively promoted the rational implementation of environmental protection and safety administration regulations in AICM, with a focus on achieving clarification on the industry development balance while respecting the spirit of the Yangtze River Protection Law. Syensqo co-facilitated the sustainable development panel together with AICM at the Chemical Industry Park Forum.

3.7.9. BusinessEurope

BusinessEurope is the leading European business trade association. Its direct members are national business federations, but selected companies may participate in BusinessEurope through the Advisory and Support Group (ASG). BusinessEurope and its members campaign on the issues that most influence the business performance and growth of European companies, in Europe and globally. Syensqo provides input through participation in working groups dealing with energy, environment and research, as well as trade policy. Syensqo's position on climate is more ambitious than the federation position.

3.7.10. European Round Table of Industrialists

The European Round Table of Industrialists (ERT) is a forum that brings together around 50 CEOs of European companies. Syensqo CEO Ilham Kadri is a member of the Steering Committee of the ERT. Among its activities, the ERT advocates for policies that improve European competitiveness, growth and employment. In particular, Syensqo actively participates in the working groups dealing with energy, trade, competitiveness and innovation, jobs and skills, and finance, as well as competition policies. In 2023, Syensqo, through Solvay, focused in particular on promoting the human skills agenda, supporting the creation of new jobs through the transition to a more sustainable economy.

3.7.11. RECHARGE

RECHARGE is the leading voice of the advanced rechargeable and lithium batteries value chain in Europe. RECHARGE promotes advanced rechargeable batteries as a core technology that will contribute to a more sustainable and circular Europe. RECHARGE also advocates to ensure a level playing field internationally that provides continued market access for new and existing rechargeable battery products. Syensqo contributes to the association and strengthens its value chain approach.

3.7.12. SEMI

SEMI is the global voice of semiconductor manufacturers. SEMI advocates for a free and open global marketplace, leads workforce development efforts, connects members to new business opportunities in high-growth markets, nurtures pre-competitive collaboration, and helps accelerate innovation. Syensqo contributes to the association and strengthens its value chain approach.

3.7.13. Hydrogen Europe

Hydrogen Europe is the leading organization representing European-based companies and stakeholders committed to moving toward a (circular) carbon-neutral economy. Their vision is to propel global carbon neutrality by accelerating the European hydrogen industry. Syensqo contributes to the association and strengthens its value chain approach.

3.7.14. World Business Council for Sustainable Development

The World Business Council for Sustainable Development (WBCSD) is a CEO-led organization of over 225 leading businesses working together to accelerate the transition to a sustainable world. Syensqo – and Solvay before – has been an active member since 2010, and Syensqo CEO Ilham Kadri is personally engaged, serving as chair of the WBCSD Executive Committee since 2022 and until the end of 2025. She is the first woman chair in the 30-year history of the WBCSD. Syensqo plays an active role in WBCSD Imperatives, Pathways and Education programs:

- CFO Network and Redefining Value Program: Redefining Value helps companies measure and manage risk, gain competitive advantage and seize new opportunities by understanding ESG information. By building collaborations and developing tools, guidance, case studies, engagement and education opportunities to help companies incorporate ESG performance and accountabilities into mainstream business and finance systems, the ultimate goal is to improve decision-making and external disclosure, eventually transforming the financial system so that it rewards the most sustainable companies.
- Circular Product and Materials Pathway: The future of business is circular, and there's no room for waste in it. The WBCSD's circular economy program brings circularity into the heart of business leadership and practice. It builds a critical mass of engagement within and across businesses and value chains to spur the circular economy to deliver and scale the solutions needed to build a sustainable world.
- Climate Imperative: The Paris Agreement, national policies and business strategies have sent a decisive and global signal that the start of the transition to a thriving, clean economy is inevitable, irreversible and irresistible. The WBCSD Climate Imperative facilitates interaction on cutting-edge climate and energy topics between WBCSD members, their peers and stakeholders as they address critical industry issues and share best practice and solutions.
- Equity Action: Our current society is characterized by a range of dynamic shifts and evolutions. We are faced with a world that is polarizing, a world that presents risks and opportunities in the way we work, a world that is on the move and a world in which people are living beyond their means. The WBCSD flagship initiative, the Business Commission to Tackle Inequality (BCTI), is co-chaired by Syensqo CEO Ilham Kadri and sets the foundations for a cross-sectoral and multi-stakeholder coalition of organizations and their leaders to address inequality at the heart of the business agenda for sustainable growth.
- Education: the WBCSD places strong emphasis on the need for education on sustainable development and business, with regard to sustainable development. This is needed to provide a deeper understanding of the opportunities and challenges, the role of business, and to share learning about business solutions. The WBCSD partners with leading universities such as Yale University, ESADE Business School and INSEAD to support leading educational programs and tools. Seventeen Syensqo – and previously Solvay – leaders and managers have taken part in the Leadership and LEAP education programs, which last six months or more.

3.8. Climate risks analysis

In 2023, Syensqo completed the revision of its scenario analysis started in 2022 to understand and assess climate change risks and opportunities, for both transition risks and physical risks. The objective is to obtain a climate risk and opportunity heatmap, with financial impact and the identification of risk hotspots based on the latest International Energy Agency (IEA) emission scenarios and IPCC scenarios. This study provides results and insights to integrate into Syensqo's risk management practices and strategy.

3.8.1. Scope of the scenario analysis:

3.8.2. Transition risks:

- Focusing on the three most meaningfully exposed business units, based on total emissions (Scope 1, 2 and 3) and exposure to climate sensitive markets, like automotive, aerospace, consumer goods and agro markets: Specialty Polymers, Composite Materials and Novecare. These three GBUs represent 52% of Syensqo's 2022 sales.
- Two International Energy Agency (IEA) scenarios: 1.5°C scenario (IEA Net Zero Emissions Scenario 2021) and 3°C scenario (IEA Stated Policy Scenario 2021). These two scenarios were selected to include one 1.5°C scenario and one "business as usual" scenario. IEA was selected for the combination of quantitative and qualitative assumptions.
- Two time horizons: 2030 and 2050.
- Using a tool for climate scenario analyses provided by a leading audit, tax and consulting services company, which adds an external perspective to our analyses and challenges Syensqo's assumptions.
- Quantitative assumptions of price and cost changes, volume changes and adaptation potential (cost pass-through) were taken from the consultant's models. This included price trajectories up to 2050 for oil, coal, gas, CO_2, electricity and energy usage in transport, in our own operations and upstream, by regions, as presented in the IEA scenarios.
- Analysis of the market dynamics and identification of the essential characteristics of individual sites was based on the consultant and Syensqo sector and climate expertise, considering products sold in main markets, namely automotive, aerospace, consumer goods, agro feed and food, industrial applications, resources and environment, electronics and buildings.
- The analysis considered procurement impact, own operations impact and customer impact, to assess the financial impact on each global business unit. The main results of the scenario analysis are published in Syensqo's Annual Integrated Report.
- Own operations countries: all countries in which Syensqo has a site.
- Procurement countries: top 25 by procurement amount (in euros) and headquarter country.
- Market countries: top 25 by revenue (Syensqo's sales in euros).

Physical risks

- Focusing on six Syensqo sites based on most exposed contribution margin: Augusta (GA), Marietta (OH) and Greenville (SC) in the US, Tavaux in France, Spinetta Marengo in Italy, and Changshu in China.
- Two scenarios:
  - >4°C of global warming (corresponding with the IPCC's RCP 8.5 and SSP-5.85).
  - 3°C of global warming (corresponding with the IPCC's RCP 4.5 and SSP-2.45), corresponding to a "business as usual" reference scenario.
- Three time horizons: 2030, 2050 and 2100.
- Using a tool for climate scenario analyses provided by a leading audit, tax and consulting services company, which adds an external perspective to our analyses and challenges Syensqo's assumptions.
- Quantitative assumptions of the frequency of climate hazards and of vulnerability to a hazard at a given location were taken from the consultant's model, based on Jupiter ClimateScore™ Global and UCL EM-DAT. Financial impacts were calculated from asset damage and business interruption and averaged over 20 years, spanning before and after the milestone selected.

As stated by the Task Force on Climate-related Financial Disclosures in their Guidance on Scenario Analysis for Non-Financial Companies (2020), "scenario analysis helps companies in making strategic and risk management decisions under complex and uncertain conditions such as climate change. It allows a company to understand the risks and uncertainties it may face under different hypothetical futures and how those conditions may affect its performance, thus contributing to the development of greater strategy resilience and flexibility". Actual results or future events may differ materially from those expressed or implied by such analysis.

3.8.3. Transition risks and opportunities

Main conclusions of the scenario analysis

- In total, market dynamics cause sales of the three businesses to grow by 70%, to €7.6 billion by 2050, in each scenario, 1.5°C and 3°C. An important parameter is the assumption of a cap on growth in battery applications in the 1.5°C scenario. The specialty polymers business has the most significant growth opportunities in a 1.5°C world, with demand increasing in most consumer segments, while the composite materials business has more opportunities in a 3°C world, and faces the risk of a reduction of short-haul flights in a 1.5°C world. Novecare growth is similar in both scenarios, with demand per market responding differently to each scenario, contributing to an overall balanced outcome.
- Resilience to cost increases is high in the specialty polymers business and composite materials. Novecare faces risk for the part of its supply chain starting from palm oil and other vegetable oil alternatives that are CO_2 emissions and water intensive. Focusing on increasing production capacities for the specialty polymers business should be prioritized in a 1.5°C world.
- Suppliers should be engaged to reduce Scope 3 emissions, and CO_2 intensity in the supply chain should be monitored. Shifting the Novecare supply chain to sustainable vegetable oil alternatives is expensive, but it may result in a reputation boost for Syensqo and decrease costs for these alternatives in the long run.

Examples of actions decided upon in 2022 and 2023 to manage the risks and opportunities identified by the scenario analysis include:

Opportunity seizing:

- Solvay (now Syensqo) and Orbia's announcement in November 2022 of the creation of a joint venture in North America to supply critical materials to the battery market. The joint venture will create the largest PVDF production facility for battery materials in the region. The total investment is estimated at around $850 million, partially funded by a grant from the US Department of Energy totaling $178 million.
- In November 2023, Syensqo confirmed plans to build a new battery-grade PVDF facility in Augusta, Georgia. The new operations will provide material for more than 5 million electric vehicle (EV) batteries per year at full capacity and create hundreds of jobs throughout the value chain. Syensqo and Orbia have signed their joint venture agreement for this project. The partnership secures Orbia's supply of needed materials for Syensqo to manufacture our suspension-grade polyvinylidene fluoride (PVDF) production, which is used as a lithium-ion binder and separator coating in electric vehicle batteries. Syensqo will bring its process technology and global market know-how to this venture.

Resilience:

- Engaging on the CO_2 intensity of the supply chain, we have aligned with Syensqo's suppliers on the product carbon footprint data of purchased raw materials for over 40% of Syensqo's Scope 3.1 raw materials' greenhouse gas emissions' upstream impact, as a first step to resolve engagement with strategic suppliers to cut the carbon footprint of their supplies to Syensqo.
- Syensqo's announcement in October 2023 that we are rolling out a new product carbon footprint digital tool, starting with our Novecare business: this information allows our business teams, our suppliers and customers to identify areas in which emissions can be reduced, and regularly track progress.

Product and market related risks

Our Sustainable Portfolio Management (SPM) global and systematic assessment helps alert our businesses to sustainability market signals, relating in particular to climate risks and opportunities, to anticipate their impact and develop the right answers in a timely manner. SPM is a robust, fact-based, future-oriented compass that allows us to take a snapshot of products' sustainability risks and opportunities in their business environment.

SPM informs us about the contribution Syensqo's products make to sustainability along the value chain, considering both:

- Their environmental manufacturing footprint and the associated risks and opportunities – vertical axis – with a quantitative assessment using 21 impact indicators.
- How their applications bring benefits or face challenges from a holistic market perspective – horizontal axis – with a qualitative assessment of social and environmental topics covering four main themes, namely health and safety, climate change, resources and opinion leaders.

Climate change is one of the focus areas for SPM assessment. This involves identifying if a product in a given application contributes to a climate change benefit or challenge. Product-Application Combinations (PACs) that lead to benefits are identified as "climate solutions," while those that pose challenges are considered "climate challenges."

Syensqo's Sustainable Portfolio Management tool classifies a sustainable solution as a product in a given application that makes a significant climate change contribution to the customer's performance while also demonstrating a lower carbon impact in its production phase. In 2023, sales from "climate solutions" reached €1.2 billion.

The SPM methodology is also used to identify eligible enabling activities, requested under the Taxonomy's Delegated Act 2021. For more details about Taxonomy reporting, see section 5.1., "Product design and life cycle management" in the section EU Taxonomy Reporting.

SPM is a key tool for enabling Syensqo to integrate the sustainability dimension into strategic and operational decision making in key business processes, such as strategy, research and innovation, investment, marketing and sales, and mergers and acquisitions. We also apply the SPM tool to strategic projects, using the same logic as for our portfolio, to make sure that these projects are heading toward business solutions that support growth and value creation. This makes SPM a key tool for Syensqo to identify if an investment, or a strategic or innovation project can be considered a climate transition opportunity for Syensqo.

3.8.4. Physical risks

Main conclusions of the scenario analysis

- Overall risk levels are moderate for the sites selected in both scenarios by 2050. The Changshu site is the most financially impacted. Asset damage is up to two times annual maintenance costs in total. Business interruption in absolute terms is generally lower than asset damage.
- The difference between the 3°C and 4°C scenarios is marginal for the sites assessed.
- Convective storms and floods might cause the highest absolute damage across all sites up to 2090. The strongest increases are caused by heat waves, with a solid acceleration by 2050, and droughts, with a solid acceleration after 2050. Rising sea levels is a risk for the Changshu site, which has a moderate increase over time. Tropical cyclones and wildfires do not pose a significant financial impact across all locations.

Syensqo is developing a forward-looking add-on based on IPCC-based models to complement our current assessments of climate-related physical risks and manage the risks identified by the scenario analysis.

Acute

Syensqo sites in areas currently exposed to natural hazards, with loss expectancy, calculated by our insurers, of higher than €10 million (physical damage and contribution margin loss):

- 3 Syensqo sites in 100-year frequency (1% chance per year) flood areas, with a loss expectancy range of €14-30 million: Marietta, US; Orange, US; Winona, US.
- 8 Syensqo sites in 500-year frequency (0.2% chance per year) flood areas, with a loss expectancy range of €11-198 million: Willow Island, US; Lock Haven, US; Pasadena, US; Marietta, US; Winona, US; Anaheim, US; Orange Texas, US; and Changsu, China.
- 2 Syensqo sites in a wind exposed area, with a loss expectancy range of €10-40 million: Orange, US and Baton Rouge, US.
- Syensqo has a damage insurance program in place to cover catastrophic risks, and covers smaller losses through self-insurance.
- The freeze risk materialized during the 2021 Texas deep freeze event, which impacted 12 Syensqo sites and led to €10 million in total losses.
- The risk is continually assessed throughout the year, with the support of Syensqo's property insurer FM Global and reinsurers, like Swiss Re, based on their proprietary flood modeling. Each site with reported insured values greater than €50 million is visited by FM Global loss prevention engineers and benchmarked with FM Global's resilience index, which takes into account inherent risks and completion of any loss prevention recommendations.
- Based on FM Global's benchmarking, Syensqo Corporate Insurance and Prevention proposed an action plan to the Executive Leadership Team to improve risks. The goal was set that all sites should reach a minimum of 75% on the Resilience Index by 2025. As of October 2023, Syensqo's average resilience index is 68%.

Chronic

Chronic physical risks are a substantive risk category for Syensqo. They are considered as relevant and are included in Syensqo's climate-related risk assessment.

We have a systematic classification process to help us integrate ESG risks, including climate-related risks, into our Enterprise Risk Management methodology, by establishing a catalog of ESG risk categories. In this catalog, climate-related risks are listed according to the TCFD classification. Water stress is a well identified chronic physical risk linked to climate change for Syensqo.

Using the screening method from the Water Risk Filter (WRF) of WWF, we have identified 15 Syensqo production sites located in areas subject to high or very high hydric stress, of which three have been identified as having a high potential business impact. The highest contribution margin value for any of these sites is €83 million.

Together, these 15 sites, which represent 23% of our production facilities, withdraw 2.6 million cubic meters of freshwater, out of a total of 77.4 million cubic meters withdrawn by all Syensqo's production sites. This amounts to 3.4% of the Group's freshwater withdrawal.

LOCAL RISK ASSESSMENT

The sites pinpointed by the WRF screening tool have been prioritized (from P0 high to P3 low) through dialogues with the plants based on local considerations and the results of a fact-based questionnaire. Thirteen sites are in the highest priority classes, P0 and P1. For seven sites, risk mitigation plans have already been developed. Plans for the remaining sites will be developed during 2024 and 2025. The sites where urgent actions will be taken are Melle and Clamecy in France, Atequiza in Mexico and Borger in the US.

4. CLIMATE AND NATURE

4.1. Greenhouse gas emissions

4.1.1. Definitions

GRI DISCLOSURES 3-3 305-1 305-2 305-3 305-4 305-5
SDG 13 14 15

Syensqo uses the following references to address greenhouse gas emissions:

- The Guidance for Accounting and Reporting Corporate Greenhouse Gas Emissions (GHG) in the Chemical Sector Value Chain, published by the World Business Council for Sustainable Development.
- The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.
- The Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard. Global warming potentials are taken from the reference table used in the current version of the European Regulation on the fluorinated greenhouse gases (Regulation (EU) No 517/2014), meaning the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (AR5).

To better reflect our sustainability policy, we decided to use the market-based method to calculate CO_2 emissions associated with purchased electricity (Scope 2). To comply with Global Reporting Initiative requirements, we apply the following criteria, listed in decreasing order of priority, when selecting the CO_2 emission factor of each electricity supply contract:

- Energy attribute certificates: emission factors resulting from specific instruments, such as green energy certificates.
- Contract-based: the emission factor obtained from contract agreements on specific sources for which there is no emission of specific attributes.
- Supplier or utility emission rates: the emission factor disclosed as a result of the supplier's retail mix.
- Residual mix: if a residual mix is unavailable, grid-average emission factors are used as a proxy.

Location-based: if none of the above factors are available, we use the national emission factor published by national authorities or the International Energy Agency. Based on a World Resources Institute (WRI) recommendation, Emissions and Generation Resource Integrated Database (eGRID) emission factors published by the United States Environmental Protection Agency are used for the US, instead of the state emission factor. Similarly, grid emission factors published by the Ministry of Ecology and Environment are used for China, instead of the state emission factors.

4.1.2. Management approach

Syensqo has a 2030 objective to reduce Scope 1 and 2 greenhouse gas emissions by 40%, as compared to 2021, and to reach carbon neutrality on Scope 1 and 2 GHG emissions by 2040. Syensqo has also set a 2030 target to reduce by 23% Scope 3 greenhouse gas emissions, as compared to 2021, from its "Focus 5" categories both upstream and downstream in the value chain, which represents over 73% of the total Scope 3 emissions. Syensqo's "Focus 5" categories of Scope 3 GHG emissions are: (1) purchased goods and services (Category 1), which includes impacts of upstream transportation and distribution (Category 4), and waste generated in operations (Category 5); (2) fuel- and energy-related activities (Category 3); (3) processing of sold products (Category 10); (4) use of sold products (Category 11); and (5) end-of-life treatment of sold products (Category 12).

To achieve our targets, we are taking a range of different actions:

- In our plants: this includes transforming our energy mix and investing in clean technologies. We are developing a growing pipeline of energy transition opportunities within our Star Factory program, through collaborations between a dedicated team of experts in energy transition and operational teams at our industrial sites. For greenhouse gas emissions not related to energy, a task force with strong technical support continues to optimize the impact of the clean technologies recently developed. In addition, Syensqo applies an internal carbon price of €100 per metric ton of CO_2 to all greenhouse gas emissions in our capital investment decisions worldwide.
- With our suppliers: we are engaging to align on the carbon footprint data of the purchased raw materials and to develop options to reduce their Scope 3 impact.
- We are rolling out a new product carbon footprint digital tool, aligned with ISO 14067 and the Product Carbon Footprint Guideline for the Chemical Industry issued by Together for Sustainability (TfS). The information allows our business teams, our suppliers and customers to identify areas in which emissions can be reduced, and regularly track progress.

An externally verified greenhouse gas emissions reporting system, and responses to rating agencies such as the Carbon Disclosure Project, help the Group align our efforts with the magnitude of the greenhouse gas challenges we face.

4.1.3. Indicators

Syensqo's target is to reduce greenhouse gas emissions by 40% by 2030, compared to the 2021 baseline.

GREENHOUSE GAS EMISSIONS – TARGET ACHIEVEMENT

Total greenhouse gas emissions (Scope 1 and 2) in 2023	Mt CO_2eq	1.6
Total greenhouse gas emissions (Scope 1 and 2) in 2022 – as published	Mt CO_2eq	1.8
Total greenhouse gas emissions (Scope 1 and 2) in 2021 – as published	Mt CO_2eq	2.0
Variation due to changes in reporting scope (structural changes)	Mt CO_2eq	0.1
Variation due to changes in methodology or improvements in data accuracy	Mt CO_2eq	0.0
Emissions increase or reduction at constant scope year on year	Mt CO_2eq	-0.2
Cumulative emissions increase or reduction since 2021 at constant scope	Mt CO_2eq	-0.5
Percentage increase or reduction since 2021 at constant scope (reference 2021: Mt CO_2eq)	%	-25%

In 2023, emissions of other GHGs decreased by 0.2 Mt CO_2eq compared to 2022, as a result of our projects at our Spinetta site in Italy. A lower activity led to a decrease of 0.1 Mt CO_2eq.

A change in the reporting scope took place, with the integration of all emissions in the joint venture in Zhenjiang, China, and at our Tavaux site in France in the reporting scope for 2023. This led to an increase of 0.1 Mt CO_2eq on Scope 1 and 2 market based, mainly on Scope 2 in 2022. Emissions related to business partner activities at the two sites were not included in 2022.

The cumulative emissions reductions since 2021 at constant scope is 0.5 Mt CO_2eq. This is in line with our target for 2030.

GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2)

	Units	2023	2022	2021
Direct and indirect CO_2 emissions (Scope 1 and 2)	Mt CO_2	1.3	1.4	1.7
Other greenhouse gas emissions according to Kyoto Protocol (Scope 1)	Mt CO_2eq	0.3	0.4	0.3
Total greenhouse gas emissions according to Kyoto Protocol	Mt CO_2eq	1.6	1.8	2.0
Other greenhouse gas/CO_2 emissions not according to Kyoto Protocol (Scope 1)	Mt CO_2eq	<0.1	0.1	0.0

DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1)

	Units	2023	2022	2021
Methane – CH_4	Mt CO_2eq	0.0	0.0	0.0
Nitrous oxide – N_2O	Mt CO_2eq	0.0	0.0	0.0
Sulfur hexafluoride – SF_6	Mt CO_2eq	0.0	0.0	0.0
Hydrofluorocarbons – HFCs	Mt CO_2eq	0.1	0.0	0.0
Perfluorocarbons – PFCs	Mt CO_2eq	0.2	0.3	0.3
Nitrogen trifluoride – NF_3	Mt CO_2eq	0.0	0.0	0.0
Total other greenhouse gas emissions	Mt CO_2eq	0.3	0.4	0.3
Carbon dioxide – CO_2	Mt CO_2	1.0	1.0	1.1
Total direct emissions	Mt CO_2eq	1.2	1.5	1.4

Within Syensqo's perimeter, our main greenhouse gas other than CO_2 is CF_4 in Spinetta. We have been working for several years to reduce these CF_4 emissions.

INDIRECT CO_2 EMISSIONS (SCOPE 2)

	Units	2023	2022	2021
Gross market based				
Electricity purchased for consumption	Mt CO_2	0.0	0.1	0.2
Steam purchased for consumption	Mt CO_2	0.3	0.4	0.4
Total indirect CO_2 – Gross market-based	Mt CO_2	0.3	0.4	0.6
Gross location based				
Electricity purchased for consumption	Mt CO_2	0.4	0.4	0.4
Steam purchased for consumption	Mt CO_2	0.3	0.4	0.4
Total indirect CO_2 – Gross location based	Mt CO_2	0.7	0.8	0.8

Since implementing the market-based method, we carry out a detailed review of emissions factors for purchased electricity at all of our sites every year.

Greenhouse gas emissions Scope 3

Scope 3 greenhouse gas emissions are estimated as follows:

Note:

As required by the GHG Protocol Technical Guidance for calculating Scope 3 emissions (v1.0), we provide below a description of our specific methodologies used to calculate each Scope 3 emission category.

Emissions reported herein under category 3.1 (purchased goods and services) include emissions from categories 3.4 (upstream transportation and distribution) and 3.5 (waste generated in operations). They are calculated by the difference between, on one hand, cradle-to-gate emissions of our products (including manufacturing) and, on the other hand, Scope 1, Scope 2 and emissions from category 3 (fuel and energy-related activities), which is not aligned with industry practices and is not a methodology explicitly mentioned in the Technical Guidance. We have identified a limit in the accuracy of the methodology with the reconciliation between energy bills of materials in life cycle assessments and energy in Scope 1 and 2 emissions which affects the categories of emissions Scope 3.1, Scope 3.4 and Scope 3.5 (purchased goods and services; upstream transportation; distribution and waste generated in operations). The revision of the methodology for the three categories by end of 2024 builds upon progress of the Product Carbon Footprint project in 2023 and will include their direct determination (based on raw materials quantities purchased x emission factor), address the identified limitation in accuracy, disaggregate emissions in the inventory for these categories and increase the use of suppliers' specific emission factors

Category

3.1. Purchased goods and services: we carry out a cradle-to-gate Life Cycle Analysis (LCA) for most of our products, representing 93% of our total sales. The calculated greenhouse gas emissions are extrapolated to reach the totality of our purchases. They include all emissions related to raw material extraction and precursor processing, indirect emissions from energy use for these operations, and transport between suppliers and to our plants.

3.2. Capital goods: we have used the emission factors of the WBCSD Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain, assuming that capital goods are a mix of concrete and steel.

3.3. Fuel- and energy-related activities not included in Scope 1 or Scope 2: they represent GHG emissions that occur during the extraction and transport of energy.

3.4. Upstream transportation and distribution: this is included in category 1 (see above), purchased goods and services.

3.5. Waste generated in operations: this is included in category 1 (see above).

3.6. Business travel: business travel undertaken by Syensqo employees is recorded by our travel agency and monitored by our purchasing department. For air and rail travel, travel mileage is recorded. This covers more than 95% of our air and rail travel. The calculated greenhouse gas emissions are extrapolated to represent the totality of our travel. For each transportation mode, mileage is converted into CO_2 equivalent using emission factors from ecoInvent.

3.7. Employee commuting: the estimation is based on an assumption that all employees commute every day in an average diesel or petrol car, except on homeworking days.

3.8. Upstream leased assets: this is not applicable as we have no upstream leased assets.

3.9. Downstream transportation and distribution: greenhouse gas emission during transportation of our products from our plants to our customers are reported and monitored by our supply chain excellence department. Emissions factors from the European Chemical Industry Council (Cefic) are used to calculate total emissions.

3.10. Processing of sold products.

3.11. Use of sold products.

3.12. End-of-life treatment of sold products: the computation principles for these three categories are the same. The emissions due to product processing and transformation by third parties subsequent to sale by Syensqo are calculated according to product chemical composition and expected chemical reactions likely to generate emissions during the transformation, the usage and end-of-life of our products.

3.13. Downstream leased assets: this is not applicable as Syensqo has no leased assets.

3.14. Franchises: this is not applicable as Syensqo has no franchises.

3.15. Investments: Scope 1 and 2 emissions from non-consolidated entities (that are not consolidated in Syensqo's Scope 1 and 2) are reported according to Syensqo's financial interest in these entities, to ensure consistency with our financial statements.

In 2023, a change in methodology has taken place for emissions reported in category 3.1, which includes emissions in categories 3.4 and 3.5, by excluding emissions related to energy sales to third parties from the Scope 1, Scope 2 and Scope 3.3, thereby aligning with the boundary for cradle-to-gate LCA emissions of products. It has induced +0.4 MT CO_2eq.

"Focus 5" categories include purchased goods and services (category 3.1), fuel- and energy-related activities (category 3.3), processing of sold products (category 3.10), end-of-life of sold products (category 3.11) and end-of-life treatment of sold products (category 3.12).

OTHER INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 3)

	Units	2023	2022	2021
Purchased goods and services	Mt CO_2eq	4	3.8	3.2
Capital goods	Mt CO_2eq	2.1	1.6	1
Fuel- and energy-related activities	Mt CO_2eq	0.3	0.3	0.3
Upstream transportation and distribution	Mt CO_2eq			
Waste generated in operations	Mt CO_2eq			
Business travel	Mt CO_2eq	0.003	0.003	0.001
Employee commuting	Mt CO_2eq	0.02	0.02	0.016
Upstream leased assets	Mt CO_2eq			
Downstream transportation and distribution	Mt CO_2eq	0.1	0.3	0.3
Processing of sold products	Mt CO_2eq	0.3	0.5	0.002
Use of sold products	Mt CO_2eq	0.001	0.002	0.0001
End-of-life treatment of sold products	Mt CO_2eq	1.6	2.2	3.2
Downstream leased assets	Mt CO_2eq			
Franchises	Mt CO_2eq			
Investments	Mt CO_2eq	0	0	0
Sub-total Scope 3 "Focus 5" categories	Mt CO_2eq	6.1	6.8	6.8
Total Scope 3 emissions	Mt CO_2eq	8.4	8.7	8.1
Variation due to changes in methodology or improvements in data accuracy	Mt CO_2eq	0.4		
Sub-total Scope 3 "Focus 5" categories variation at constant scope since 2021	Mt CO_2eq	-1.0		

Total Scope 3 greenhouse gas emissions indicator is in the scope of the reasonable assurance report from our independent auditor while Scope 3 "Focus 5" categories greenhouse gas emissions indicator is not in the scope of our independent auditor.

In 2023, total Scope 3 emissions reduced by 0.3 Mt CO_2eq. In particular, emissions from purchased goods and services increased by 0.4 Mt CO_2eq from a change of methodology and reduced by 0.2 Mt CO_2eq from activity. Emissions from end-of-life treatment of sold products reduced by 0.4 Mt CO_2eq from the phase-out of an impacting product and reduced by 0.2 Mt CO_2eq from activity.

The cumulative emissions reductions for the "Focus 5" categories since 2021 at constant scope is 1.0 Mt CO_2eq. This is in line with our target for 2030.

4.1.4. Key achievements

In 2023, 73% of our sites in Scope 1 and 2 have 100% of their electricity supplied from renewable sources.

At our Hengchang plant in China, a mechanical vapor recompression unit was commissioned and a coal-to-gas fuel switch was co-orchestrated with the steam supplier.

At our Spinetta site in Italy, new add-ons were made to the innovative clean technology developed in-house and commissioned in 2019 and have led to a new decrease of 0.1 Mt CO_2eq in CF_4 emissions in 2023

4.2. Energy

GRI DISCLOSURES 3-3 302-1 302-2 302-3 302-4
SDG 7 13

4.2.1. Definitions

The different components of Syensqo's energy consumption are converted into primary energy sources as follows:

- Fuels, using the net calorific values.
- Steam purchased, taking into account the boiler efficiency reference value for the type of fuel used to generate the steam, for example 90% efficiency based on the net calorific value for natural gas.
- Electricity purchased, assuming an average efficiency of 39.5% for all types of power production, except for nuclear power (33%), hydro (100%), solar (100%) and wind (100%), based on net calorific value (source: International Energy Agency – IEA).

4.2.2. Management approach

Syensqo industrial activities generally have a relatively low energy content as a percentage of the sales price, as is the case for fluorinated polymers, for example.

The Group considers it particularly important to swiftly transition our energy consumption toward zero- or low-carbon sources, in conjunction with energy efficiency and without compromising competitiveness or supply security. We have therefore implemented the following strategic initiatives and practices:
- Star Factory program, to create and manage energy transition roadmaps for each site covered.
- Team of energy transition experts in Syensqo's Industrial function to support the creation of roadmaps for each site and the development of projects worldwide, taking into account the specifics of each site's local energy market.
- Technological leadership in processes and high-performance industrial operations to minimize energy consumption.
- Diversification and flexible use of the different types and sources of primary energy.
- Periodic review of the condition of industrial sites' energy assets and connections.
- Strategic supply coverage, with long-term partnerships and medium- to long-term contracts, and price-hedging protection mechanisms when needed.

In 2023, Star Factory reached 75% coverage of Syensqo's total energy consumption.

4.2.3. Indicators

PRIMARY ENERGY PURCHASE FOR CONSUMPTION FROM NON-RENEWABLE AND RENEWABLE SOURCES

	Units	2023	2022
Solid fuels	PJ	0	0
Liquid fuels	PJ	0.1	0.1
Gaseous fuels	PJ	17.0	18.1
Total non-renewable energy sources	PJ	17.1	18.1
Renewable energy sources	PJ	0.6	0.5
Primary energy purchased for consumption	PJ	17.6	18.6

For 2022 and 2023, the total is different than the sum due to round ups.

Primary energy consumption decreased by 6%. This decrease is linked to lower activity levels.

SECONDARY ENERGY PURCHASED FOR CONSUMPTION

	Units	2023	2022
Electricity	PJ	5.5	5.7
Heating	PJ	0	0
Cooling	PJ	0	0
Steam	PJ	4.0	4.8
Total	PJ	9.5	10.4

For 2022, the total is different than the sum due to round ups.

The decrease of secondary energy purchased for consumption in 2023 from 2022 is due to lower activity.

ENERGY SOLD

	Units	2023	2022
Electricity	PJ	2.3	2.1
Heating	PJ	0	0
Cooling	PJ	0	0
Steam	PJ	4.4	4.7
Total	PJ	6.7	6.8

In 2023 our sales of energy decreased slightly compared to 2022.

TOTAL RENEWABLE ENERGY

	Units	2023	2022
Energy produced from renewable energy sources	PJ	0.5	0.5
Renewable electricity purchased	PJ	2.8	2.6
Renewable steam purchased	PJ	0.4	0.4
Renewable electricity sold	PJ	0	0
Total renewable energy consumption	PJ	3.7	3.5

In 2023, 50% of the electricity purchased and consumed on our sites worldwide was from renewable sources such as solar and wind. In the US and China, the ratio was 100%.

4.2.4. Key achievements

In 2023, we increased our consumption of biogas to 145 GWh and 18% of the energy consumed is from renewable energy sources.

4.3. Biodiversity

GRI DISCLOSURE 3-3 304-1 304-2 304-3 304-4
SDG 13, 14, 15

4.3.1. Definitions

To assess the sensitivity of Syensqo sites toward biodiversity, we use two international reference tools that help us understand and assess biodiversity-related risks at Syensqo's operational locations:
- The Integrated Biodiversity Assessment Tool (IBAT), a web-based map and reporting tool developed by the IBAT Alliance (BirdLife International, Conservation International), the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and the International Union for Conservation of Nature (IUCN). The IBAT tools provide integrated access to three of the world's most authoritative global biodiversity datasets:
  - The World Database on Protected Areas (WDPA). The IUCN defines a Protected Area as a "clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values."
  - Key Biodiversity Areas (KBAs), which are sites recognized as significantly contributing to the global persistence of biodiversity in terrestrial, freshwater and marine ecosystems.
  - The IUCN Red List of Threatened Species. Vulnerable, endangered and critically endangered species are considered to potentially be on the path to global extinction.
- The Worldwide Fund for Nature (WWF) Biodiversity Risk Filter, a web-based tool covering physical and reputational biodiversity-related risks that may affect our operational sites. These risks are evaluated through databases that provide 33 different indicators covering several aspects of biodiversity. A final score is then calculated for each location, ranging from zero (very low risk) to five (very high risk).
- Calculation of the Syensqo Group's pressure on biodiversity is performed along the value chain, from cradle-to-gate (from resource extraction to the factory gate, before it is transported to the consumer). This is a global approach based on a Life Cycle Impact Assessment (LCIA) methodology. This method translates emissions and resource extractions into a limited number of environmental impact scores, through what are known as characterization factors. This results in the following "midpoint impact categories": global warming potential; water use; freshwater ecotoxicity; freshwater eutrophication; photochemical oxidation; terrestrial acidification; terrestrial ecotoxicity; marine ecotoxicity; and land use.

The potential damage to nature is then calculated by midpoint-to-endpoint factors using the ReCiPe 2016 method. Damage to freshwater, marine and terrestrial species refers to the aggregated local loss of species over space and time.

4.3.2. Management approach

Local biodiversity

We screened 83 sites with both the IBAT and WWF tools to assess their biodiversity risks. On the basis of the results of these analyses, and considering other criteria, such as climate change, environmental impact and strategic dimensions, we prioritized 17 sites for which to develop biodiversity roadmaps. The first step in the development of each site's roadmap is to identify a vision for the site based on the long-term goals we want to achieve. The second step is to identify all possible actions that would support nature conservation and the restoration of biodiversity. This involves identifying all of the stakeholders involved in each action, such as employees, local communities, nature conservation associations and universities, as well as defining a timeline, indicators and a budget to complete each action. The final step is to prioritize the actions, planification and governance allocation.

Local assessment of biodiversity-related risks related to Syensqo's operations is fully integrated into the Star Factory program. Through Star Factory, sites are developing a biodiversity roadmap as part of the sustainability workstream of the program.

Syensqo joined the Wildlife Habitat Council (WHC), an international NGO that works with businesses to encourage, promote and certify biodiversity conservation, to enhance our nature ambitions. The partnership helps us to better focus our efforts on biodiversity and identify areas for improvement, both at our sites and in collaboration with local stakeholders. As a leading international nature conservation NGO, the WHC has supported Syensqo in developing and implementing concrete actions to protect species and habitats that are locally relevant, practical and deliver impact through biodiversity restoration and enhancement at a local level.

Global biodiversity

Using the environmental profiles of our products, and looking at their life cycle from raw materials to the gate of our manufacturing sites, we were able to identify the areas of our portfolio that put the most pressure on biodiversity. We found that greenhouse gas emissions, freshwater eutrophication, marine ecotoxicity and soil acidification represent more than 85% of the drivers affecting biodiversity.

4.3.3. Indicators

Local biodiversity

Assessing 83 sites for biodiversity risks using the IBAT and WWF tools revealed that:

- 44 of the 83 sites (52%) were within 5km of a protected area.
- 16 of the 83 sites (19%) were within 5km of a Key Biodiversity Area.
- More than 6,000 vulnerable, endangered and critically endangered species are potentially present within 50km of our sites.

IBAT AND WWF RESULTS FOR 17 PRIORITY SITES

Site	Number of protected areas within 5km	Number of Key Biodiversity Areas within 5km	Number of endangered species within 50km	WWF biodiversity-related risk score
Augusta, GA	2	1	36	5
Bangpoo	0	1	203	4
Baton Rouge	1	0	26	3.5
Changshu	0	0	104	4.5
Clamecy	2	0	46	4.5
Mount Pleasant, TN	0	0	62	4.5
Oestringen	16	1	87	4.5
Oldbury	8	0	44	4.5
Panoli	0	0	128	2.5
Piedmont, SC	1	1	38	4.5
Roha	0	0	158	5
Saint Fons Spécialités	0	0	69	3.5
Spinetta Marengo	0	0	67	3.5
Tavaux	4	1	74	4.5
West Deptford, NJ	5	0	90	2.5
Willow Island, WV	1	0	34	4
Zhangjiagang	0	0	105	4.5

Global biodiversity

GLOBAL PRESSURE ON BIODIVERSITY

	Units	2023	2022
Species potentially affected (*)	Number	33	32
Of which:			
Global warming potential	%	41	46
Marine ecotoxicity	%	22	19
Eutrophication	%	15	14
Acidification	%	9	11
Land use	%	9	5
Other (water, terrestrial ecotox, etc.)	%	4	4

(*) calculated on the volume of sales
For 2022, the sum differs from 100% due to round ups.

The increase in the impact observed in 2023 is mainly explained by the upgrade of the life cycle assessment methods and databases, as well as refinement of the model for palm oil (sourcing of raw materials). Overall, Syensqo's pressure on biodiversity increased slightly, with 33 potentially affected species in 2023 despite lower production volumes. Syensqo is willing to work on the improvement of our biodiversity assessment method in 2024.

4.3.4. Key achievements

We have developed local biodiversity roadmaps at 15 sites and have started implementing them at seven of these sites.

Number of roadmaps developed	Number of roadmaps under implementation
15	7

Several types of nature conservation and restoration projects have been carried out: the planting of trees or other vegetation; the creation of a garden; the installation of insect hotels, hives, bird nests and other similar projects; and the removal of invasive species. These projects have been performed by site employees with the support of local experts to account for local specificities. Several sites have also organized biodiversity awareness sessions for their employees.

Syensqo will continue to develop and implement local biodiversity initiatives.

4.4. Air quality

GRI DISCLOSURES 3-3 305-6 305-7
SDG 3 15

4.4.1. Definitions

Nitrogen oxide (NOx) emissions, conventionally expressed as nitrogen dioxide (NO_2), comprise the emissions of nitrogen monoxide (NO) and nitrogen dioxide (NO_2). NOx is reported due to its impact on acidification. NOx emissions from Syensqo's operations result mainly from the combustion of natural gas into gas-fired boilers and CHP (Combined Heat Power) units. Emissions of nitrous oxide (N_2O) are excluded from this definition, as they have no impact on acidification. The impact of our N_2O emissions is taken into account when assessing Syensqo's contribution to climate change.

Sulfur oxide (SOx) emissions, conventionally expressed as sulfur dioxide (SO_2), comprise the emissions of sulfur dioxide (SO_2) and sulfur trioxide (SO_3).

Non-methane volatile organic compounds (NMVOCs) emissions, expressed in metric tons per year, are the summed emissions of all VOCs (Volatile Organic Compounds) other than methane. According to the EU Solvent Directive 1999/13/EC, VOCs are compounds with a standard boiling point below or equal to 250°C.

Ozone-depleting substances (ODS) are expressed as their summed CFC-11 equivalent, which is defined as the metric tons of ODSs weighted by their Ozone Depletion Potential (ODP).

4.4.2. Management approach

Air quality is managed through the health, safety and environment management systems deployed by our sites, in line with their regulatory requirements. Sites report on at least the substances they are allowed to emit according to their exploitation permit. Syensqo works in close cooperation with local stakeholders to improve air quality at local and regional levels.

4.4.3. Indicators

ABSOLUTE AIR EMISSIONS

	Units	2023	2022
Nitrogen oxides – NOx	Metric tons	613	638
Sulfur oxides – SOx	Metric tons	1,029	940
Non-methane volatile organic compounds – NMVOC	Metric tons	1,406	1,521
Ozone-depleting substances – ODS	Metric tons eq. CFC-11	3.29	4.52(1)

(1) For 2022, figures for ozone-depleting substances have been restated due to a reporting error.

The 2023 emissions of nitrogen oxides decreased by 25 Mt or 3.9% compared to 2022. No major reason could be detected as the global change is the resultant effect of many positive and negative changes on our plants.

Sulfur oxides emissions have increased by 89 Mt or 9.5%. This increase is almost entirely due to higher emissions on our Atequiza (Mexico) site, where the off-gases from the production of a sulfur-containing compound are flared. A project for the valorization of the sulfur containing off-gas has been defined and will be implemented in 2028-2030.

Compared to 2022, the NMVOC emissions have dropped by 115 Mt or 7.6%. This result is mainly explained by lower production rates compared to 2022, although positive achievements were obtained by our Spinetta site in Italy, due to the further abatement of CF_4 emissions (-19 t) and lower fugitive emissions (-8 t) from its Algofren plant, through an improved leak detection and repair LDAR program. Other decreases and increases were due to the lower production volumes – for example at Saint-Fons, France – or higher production volumes – for example at Panoli, India.

The 2022 ODS value for Syensqo had to be restated from 5.94 to 4.52 teq CFC-11. This change is entirely due to a reporting error made by our site at Orange (US, Texas) on its CFC-113 emissions.

Compared to the restated 2022 value, the emissions from ozone depleting substances have further decreased by 1.23 teq CFC-11 or 27%, from which 0.31 teq CFC-11 came from lower fugitive R22 emissions from Spinetta, due to a more efficient LDAR program.

4.5. Waste

GRI DISCLOSURES 3-3
306-1 306-2 306-3 306-4 306-5 416-1
SDG 3 6 12 14 15

4.5.1. Definitions

Industrial waste is defined as the waste resulting from our regular manufacturing and research activities. It does not include domestic waste or waste from demolition or construction projects. Syensqo has no mining waste.

All our waste volumes are expressed as dry matter. For EU sites, hazardous industrial waste (HIW) is defined according to Appendix III of the Waste Framework Directive (2008/98/EC). For non-EU countries, classification follows local legislation. Non-sustainably treated waste comprises waste that is landfilled or incinerated without energy recovery.

In 2023, our internal waste reporting rules were simplified for European and North American sites. Incineration with energy recovery applies de facto to all waste streams leaving our facilities with the R1 (Europe) or H050 (North America) labels. The manifests provided by the waste management companies are used as evidence. For all other countries, it is still required that the waste stream has a minimum lower calorific value of 11.6 MJ/kg, and that the incinerator is equipped with an energy recovery system, such as a boiler, or that the material is used in an industrial furnace, such as a cement plant, as a supplemental fuel.

4.5.2. Management approach

For industrial waste, and hazardous industrial waste in particular, Syensqo's focus is on switching to more sustainable disposal methods that avoid landfill or incineration without energy recovery and therefore promote material or thermal recovery. For non-hazardous, mostly mineral, waste, Syensqo is launching material recovery initiatives aligned with our ambition to contribute to the circular economy.

4.5.3. Indicators

WASTE PRODUCTION

	Units	2023	2022
Non-hazardous industrial waste (NHIW)	1,000 tons*	49.4	52.6
Hazardous industrial waste (HIW)	1,000 tons*	41.3	46.0
Total industrial waste	1,000 tons*	90.7	98.6
Hazardous industrial waste not treated in a sustainable way	1,000 tons*	8.2	10.2
Non-hazardous industrial waste not treated in a sustainable way	1,000 tons*	26.9	29.7
Total industrial waste not treated in a sustainable way (NSIW)	1,000 tons*	35.1	39.9

** Metric tons of dry waste.*

The amount of non-hazardous industrial Waste (NHIW) decreased by 3.2 kt or 6.1% compared to 2022. For NHIW, the decrease at Group level is due to reductions at several sites (Baton Rouge, Changsu, Melle, Mt. Pleasant and Marietta), which are more than off-setting the increases at Winona, West Deptford and Greenville.

Hazardous Industrial Waste (HIW) has decreased by 4.7 kt or 10.2% compared to 2022. For HIW, the global decrease is the resultant effect of significant reductions at several sites (Willow Island, Tavaux, Saint-Fons, Ospiate, Spinetta, Zhenjiang Songl and Zhangjiagang Feixiang) which are more than off-setting the increases in our sites Panoli and Atequiza.

The value of our non-sustainable industrial waste (NSIW) indicator, on which we have a target, has dropped by 4.8 kt or 12%. This decrease is partly due to the unfavorable economic context, although some initiatives at site level have led to significant and structural improvements.

For instance, in Borger (US), two programs have been launched in 2022 to recycle monomer waste and reduce the amount of plastic waste sent to landfill. In 2023, the amount of monomer waste generated, and the amount of landfilled plastic waste have been reduced by 88% and 91%, respectively, compared to 2021.

In West Deptford (US), a project has been implemented aiming at reducing the amount of inorganic sludges generated by the process. As a result the project did deliver a structural reduction of solid waste to landfill by 222t in 2023 compared to 2022.

Our facility in Tavaux (France) was able to reduce the amount of suspended solids in its effluents by 300t/year, which are currently sent for settling into external basins.

4.6. Water and wastewater

GRI DISCLOSURES 3-3 303-01 303-02 303-03 303-4 303-5
SDG 3 6 12 14 15

4.6.1. Definitions

Water management encompasses the management of water flows and water quality, from extraction from the natural environment to restitution in the same or another part of the environment.

Freshwater withdrawal, measured in millions of cubic meters per year, is the amount of incoming freshwater purchased from third parties, such as drinking water from the public network, or pumped by Syensqo from freshwater systems, such as rivers and lakes, and from groundwater sources, such as aquifers. Water pumped by Syensqo but resold to third parties is included in our freshwater withdrawal.

Freshwater consumption, also expressed in millions of cubic meters per year, is calculated as the sum of losses of different kinds (evaporative, non-evaporative, sales of end product, disposal of waste streams).

Areas subject to hydric stress are identified using the screening tool made available by the WWF, known as the Water Risk Filter.

Chemical oxygen demand (COD), expressed as metric tons of oxygen, is the amount of oxygen-reducing substances, mainly dissolved organic matter, discharged into aqueous receivers. In addition to nitrogen and phosphorus species, COD also contributes to aquatic eutrophication.

4.6.2. Management approach

Syensqo has a company-wide approach to water that includes limiting freshwater withdrawal and consumption, particularly in locations subject to hydric stress, and ensuring that the water quality remains good in bodies of water in which effluents are discharged, so that the impact on downstream users and natural biota is minimized. Specifically, we focus on reducing the impact of freshwater withdrawal and chemical oxygen demand releases.

The water balance of the Group for 2023 is shown in the table below.

Water input from (Mm^3)		Water discharge to (Mm^3)	
Surface water (freshwater)	12.7	Surface water (freshwater)	27.2
Surface water (non-freshwater)	0.0	Surface water (non-freshwater)	0.04
Groundwater (freshwater)	45.6	Groundwater (freshwater)	0.0
Groundwater (non-freshwater)	4.1	Groundwater (non-freshwater)	0.43
Sea water	0.0	Sea water	0.04
Third party (freshwater)	19.4	Third party (freshwater)	12.4
Third party (non-freshwater)	3.5	Third party (non-freshwater)	43.4
Other sources (miscellaneous)	4.7	Losses (total)	5.8
TOTAL	90.0	TOTAL	89.3

4.6.3. Indicators

FRESHWATER WITHDRAWAL

	Units	2023	2022
Freshwater withdrawal	Million cubic meters	77.7	86.9
Total water withdrawal[a]	Million cubic meters	90.0	101.1
Water used for process[b]	Million cubic meters	26.6	20.6
Water used for cooling (once-through)	Million cubic meters	48.8	65.4
Water used for cooling (closed-loop)[c]	Million cubic meters	344	218
Water used for other uses (including domestic)	Million cubic meters	3.7	4.0
Water in transit (not used)	Million cubic meters	7.5	6.9

(a) Sum of freshwater / non-freshwater and including water purchased from third parties.
(b) Process water is defined as water needed for our production processes, excluding cooling water.
(c) Water turning around in semi-open cooling water systems.

The freshwater withdrawal from the Group was 77.7 million cubic meters, from which 10.2 million cubic meters was sold to other companies. Compared to 2022, the freshwater withdrawal decreased by 9.2 million cubic meters or 11%. The biggest reductions took place on our sites of Saint-Fons Spécialités in France (4.4 million cubic meters) and Spinetta in Italy (3.5 million cubic meters). In Saint-Fons, the decrease is due to significantly lower production volumes. In Spinetta, the improvement comes from better management of its wells and the closing of the Plastomers production unit.

Our water reduction projects have also contributed to further reducing our freshwater withdrawal. In our Tavaux site in France, a structural reduction of 0.46 million cubic meters was achieved by cooling loop optimizations at the energy and PVDF units. In Feixiang (China) an improvement of 0.1 million cubic meters was obtained through the recycling of process water from different workshops, which is reused as make-up water for cooling towers.

The table below shows the number and percentage of sites located in areas subject to hydric stress and gives the freshwater withdrawal and freshwater consumption for these in 2023 compared to the areas not subject to hydric stress.

2023	Units	Areas subject to water stress*	Areas not subject to water stress	All areas
Production sites*	Number	15	51	66
Freshwater withdrawal	Million cubic meters	2.6	75.1	77.7
Freshwater consumption	Million cubic meters	0.90	4.88	5.78

(*) For 2023, the sites in areas subject to hydric stress have been determined using the Water Risk Filter tool (WRF). Only sites with a scarcity index (BRC1) above three have been taken into account. All research & innovation centers have been excluded from this assessment. This screening model provides potential risks which are only based on the site's location.

The results from the WRF tool have been completed by a local assessment (through a survey and discussions with the sites) in order to determine the sites which are really facing a hydric stress situation and for which mitigation plans have to be developed.

EMISSIONS TO WATER

	Units	2023	2022
Chemical oxygen demand (COD)	metric tons O_2	2,072	2,588[1]

(1) For 2022, the chemical oxygen demand figure has been restated due to a reporting error.

The 2022 COD value for Syensqo had to be restated from 2,669 metric tons O_2 to 2,588 metric tons O_2. This change was due to a calculation error made by our site of Changsu (China). At the level of Syensqo, the environmental pressure due to our chemical oxygen demand (COD) releases decreased by 516 metric tons of O_2 (20%). The biggest part of this improvement (293 metric tons of O_2) comes from the site of Willow Island (USA), where the WWTP displayed an improved efficiency facing a different product mix compared to 2022.

5. SUSTAINABLE GROWTH

5.1. Product design and life cycle management

GRI DISCLOSURE 3-3 416-1
SDG 12, 13

5.1.1. Definitions

Syensqo's Sustainable Portfolio Management focuses on sustainable business solutions. The SPM methodology is designed to boost Syensqo's business performance and deliver higher growth, by letting decision makers know how our products contribute to sustainability in relation to two factors:

- The environmental footprint related to their production and associated risks and opportunities, based on cradle-to-gate Life Cycle Assessments (from resource extraction to the factory gate, before it is transported to the consumer).
- How their applications create benefits or challenges from a market perspective, based on a qualitative assessment using a cradle-to-cradle scope.

Life Cycle Assessment (LCA) is a tool for compiling inputs and outputs, along with an evaluation of the potential environmental impacts of a product system throughout its life cycle. LCA methodologies follow international standards, namely ISO 14040, ISO 14044 and ISO 14046 norms.

A sustainable solution is defined by Syensqo's Sustainable Portfolio Management tool as a product in a given application that makes a greater social and environmental contribution to the customer's performance and, at the same time, demonstrates a lower environmental impact in its production phase.

5.1.2. Management approach

SPM assessments are performed every year in order to capture the most recent signals from the market and cover more than 80% of Group revenue. The Sustainable Portfolio Management tool is widely adopted by Syensqo's Global Business Units and Functions to integrate sustainability into their key processes:

- The Sustainable Portfolio Management profile is an integral part of strategic discussions between Global Business Units and the Executive Leadership Committee.
- The SPM tool is used to evaluate merger and acquisition projects, to determine whether an investment is feasible in light of Sustainable Portfolio targets.
- Investment decisions (capital expenditure above €7 million and acquisitions) made by the Executive Leadership Committee or the Board of Directors include a sustainability aspect that involves an exhaustive SPM analysis of the potential investment.
- All research and innovation projects are evaluated using SPM.
- SPM is used in marketing and sales to engage customers on fact-based sustainability topics, such as climate change action, renewable energy, recycling and air quality, with the goal of differentiating and creating value for Syensqo and the customer.

The SPM tool is consistent with the Product Sustainability Assessment (PSA) guidance provided by the WBCSD, a framework developed by leading chemical companies regrouping a broadening community of practices from all sectors.

Syensqo's Life Cycle Assessments are managed by a dedicated corporate team with direct links to all business units and services. Having a dedicated LCA team makes it possible to maintain a high level of staff competency and coordinate updates of the main methodologies used, based on best practice. Core LCA activity is based on recognized tools, software and databases, and we also have our own database, specific to Syensqo's business and innovation segments, in material science or battery development, for instance.

The LCA team is also called upon to support business activity concerning customer relations, by sharing environmental and LCA data on products to enhance understanding and environmental impact assessments along the value chain, from cradle to grave or recycling. Examples include the automotive sector, the construction sector and Product Carbon Footprint declarations for our customers.

Taking part in world class Life Cycle Assessment platforms

To maintain a high level of LCA expertise, we participate in the following collaborative platforms:

- International Reference Centre for the Life Cycle Assessment and Sustainable Transition: Syensqo is an industrial partner of CIRAIG, ensuring access to high level research and expertise on Life Cycle Assessment methodologies.
- Association Chimie du Végétal (ACDV): Syensqo is a member of this association in France focused on the use of bio-sourced materials in chemistry.
- SCORELCA: this association was created in March 2012 to promote collaboration between industrial, institutional and scientific actors, and to foster positive developments in environmental quantification methods, particularly in Life Cycle Assessments, to be shared and recognized at European and international levels.
- World Business Council for Sustainable Development (WBCSD): Syensqo takes part in Life Cycle Assessment projects and Product Carbon Footprint working groups organized by the WBCSD.
- SETAC: Syensqo is member of the SETAC LCA steering committee, an incubator for developing life cycle assessment to advance the science, practice and application of LCAs to reduce resource consumption and environmental burdens associated with products, packaging, processes or activities.

5.1.3. Indicators

In 2023, extensive cradle-to-gate Life Cycle Assessments were performed for 92.6% of our products, by sales share, placed on the market. Syensqo's LCA team manages a product database representing more than 1,100 different chemicals and materials, which is continuously updated to include the most recent industrial or innovation data. Following the spin-off from Solvay, Syensqo will continue to shift our portfolio toward opportunities that grow our sustainable solutions.

REVENUE BREAKDOWN BY SPM HEAT MAP CATEGORIES

	Units	2023	2022 restated	2022
Solutions	%	60	59	64
Potentials	%	7	8	9
Transitions	%	9	10	10
Challenges	%	12	13	6
Not evaluated	%	12	11	12

Figures are rounded up to the %.

Climate urgency materializes in all sectors and in the automotive market the transition from internal combustion engine (ICE) vehicles to battery electric vehicles (BEV) is accelerating quickly. Several governments have committed to phasing out sales of new ICE passenger cars by 2030-2035 and some major car manufacturers have committed to shift to zero-emission vehicles by 2030.

In order to take these clear ESG market signals into account, applications specifically related to internal combustion engines for passenger cars have been reclassified as Challenges, from 2023. This reclassification led to a decrease of 5% in Solutions. This decrease is partly compensated by stronger operational performance and sales to battery electric vehicle applications. Overall, the proportion of sales from sustainable solutions reduced by more than three percentage points between 2022 and 2023.

In order to clearly separate the impact of ESG market signals (i.e. a decrease of more than 5% in Solutions) from the yearly growth in sustainable solutions sales (i.e. an increase of almost 2% in Solutions), 2022 revenue breakdown was restated based on the 2023 SPM heat map categorization of applications.

SPM SOLUTIONS: SALES BY MAIN IMPACT CATEGORY

	Units	2023	2022
Climate	€ billion	1.2	1.3
Resources	€ billion	3.5	4.2
Better life	€ billion	1.5	2.1
Total Solutions net sales	€ billion	4.1	5

The total Solutions net sales figure is inferior to the sum of impact categories because products may have multiple impacts. For example, composite materials used in planes make the plane lighter, allowing lower greenhouse gas emissions (climate impact), but they also increase the plane's lifespan (resources impact).

EXTERNAL VALIDATION

Arthur D. Little (ADL), our partner in developing and improving our SPM methodology, has performed an in-depth verification of our market alignment assessment results. In 2023, ADL screened every Product Application Combination in the database and 50 PACs were selected for deeper review, covering approximately 16% of Syensqo's global sales.

Discussions with Arthur D. Little revealed that we reached the same conclusion for 33 PACs out of the sample of 50, representing an agreement rate of 66%. For seven PACs (14%), Arthur D. Little came to a more negative conclusion than Syensqo. For four PACs (8%), Arthur D. Little reached a more positive conclusion than Syensqo. For six PACs (12%), Arthur D. Little did not reach a final conclusion. For these six fluoropolymer-related PACs, Arthur D. Little identified market signals suggesting that Syensqo should conduct a deep dive analysis, as results are inconclusive at application level.

5.2. EU taxonomy reporting

The EU taxonomy (2020/852) is a classification system, establishing a list of environmentally sustainable economic activities. It is intended to play an important role in helping the EU scale up sustainable investment and implement the European Green Deal. The EU taxonomy would provide companies, investors and policymakers with appropriate definitions under which economic activities can be considered environmentally sustainable. In order to be taxonomy-eligible, an economic activity must contribute substantially to at least one of the six environmental objectives – climate mitigation, climate adaptation, water, circular economy, pollution prevention and biodiversity – and do no significant harm to the others.

In order to be taxonomy-aligned, an economic activity needs first to be eligible as described above, and then fulfill the following criteria:

- The economic activity must make a substantial contribution to one or more of the climate and environmental objectives relevant to that activity.
- The activity should do no significant harm to the other remaining objectives.
- The activity should fulfill the minimum social safeguard standards based on OECD and UN guidelines.

Our calculation of the share of 2023 Syensqo sales eligible for and aligned with the EU taxonomy is based on our best interpretation of the EU taxonomy texts, including the 2023 version of the Technical Annex of the Taxonomy Report.

Figures reported for plastics in primary form correspond to our Specialty Polymers business. Syensqo's portfolio of Specialty Polymers is described on the Syensqo website.

Enabling economic activities, as referred to in Article 10(1), point (i), of Regulation (EU) 2020/852, do not substantially contribute to climate change mitigation on their own. Such activities play a crucial role in the decarbonization of the economy by directly enabling other activities to be carried out at a low carbon level of environmental performance.

We identified eligible enabling activities using our Sustainable Portfolio Management methodology, taking into account product and application combinations identified as "climate solutions," as described above. This enables us to avoid double counting, as double counting is neutralized in the Sustainable Portfolio Management reporting of Solutions for each impact category, as described above. Possible double counting between transition activities and enabling activities are detailed in the table.

Some of our activities, such as polymer membranes in batteries, may be eligible both as transitional and enabling activities. To avoid double-counting we count them only once in the total of eligible activities.

The basis on which the turnover, capital expenditure and operating expenditure were calculated is explained in the Financial Statements chapter of this report, note F1: revenue and segment information. Sales include revenues from non-core activities.

Capital expenditures and operating expenditures corresponding to enabling activities are not yet available. The eligible share of investments depends on the estimation of the corresponding eligible share of future sales. The allocation rules chosen mean that we estimate that 1% of turnover required 1% of capital expenditure and 1% of operational expenditure.

We also believe that the share of Group capital expenditure dedicated to research and innovation should be considered as eligible as it aims to improve our product portfolio to become more sustainable. This means that our total eligible capital expenditures is the sum of eligible capital expenditures from our transition activities and the estimation of capital expenditures from eligible enabling activities. Similarly, the total eligible operating expenses is calculated as the sum of eligible operational expenditure from transition activities, the operational expenditures estimated for enabling activities and the amount dedicated to the operational expenditures spent on research and development.

Regarding reporting on our aligned activities, our only manufacturing activity eligible as "transition activities" is polymers, and is not considered aligned for its turnover as it does not meet the technical criteria. The activities eligible as "enabling activities" were also not considered for their turnover as we cannot demonstrate that they fulfill the "do no significant harm" criteria for water, biodiversity, circular economy or pollution. About the calculation of the share of capital expenditures aligned with the EU taxonomy, we consider the capital expenditures spent by the Group on research and innovation.

Following a similar reasoning, the calculation of operational expenditures aligned with the EU taxonomy mainly considers the share of operational expenditures spent on research and development.

Activities	NACE codes	2023 share of sales	2023 share of capital expenditures	2023 share of operational expenditures
Eligible as transitional activities				
Manufacture of plastics in primary forms	C.20.1.6	41.6%	57.4%	33.9%
Total eligible as transitional activities		41.6%	57.4%	33.9%
Eligible as enabling activities				
3.4. Manufacture of batteries	C27.2	3.3%	3.3%	3.3%
Total of eligible activities		41.6%	57.4%	33.9%
Aligned as transitional activities				
Manufacture of plastics in primary forms	C.20.1.6	0%	1.9%	NA
Total aligned as transitional activities		0%	1.9%	NA
Aligned as R&I activities				
Research & innovation		0%	1.4%	2.1%
Total of aligned activities as R&I activities		0%	1.9%	2.1%
Total of aligned activities		0%	1.9%	2.1%

NA: not available. Work is ongoing to adapt databases to be able to extract capital expenditures and operational expenditures corresponding to selected projects, and to allocate the share of the capital expenditures of each project that corresponds with eligibility criteria for enabling activities.

EU TAXONOMY INDICATORS: 2023 TURNOVER

Economic activities	NACE codes	Turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water & marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Minimum safeguards	Proportion of taxonomy aligned turnover
		Million €	In %	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	In %
A. TAXONOMY LISTED ACTIVITIES											
A.1 Eligible as transitional activities											
Manufacture of plastics in primary forms	C.20.1.6	2,936	41.6	Yes	Yes	Insufficient data	Insufficient data	Insufficient data	Insufficient data	Yes	0
Total eligible as transitional activities											
A.2 Eligible activities as enabling activities											
3.4. Manufacture of batteries	C27.2	234	3.3	Yes	Yes	Insufficient data	Insufficient data	Insufficient data	Insufficient data	Yes	0
Sum A.1 + A.2		2,936	41.6	Yes	Yes	Insufficient data	Insufficient data	Insufficient data	Insufficient data	Yes	0
B. TAXONOMY NON-ELIGIBLE ACTIVITIES											
Turnover from non-eligible activities		4,129	58.4								
Total		**7,065**	**100**								

EU TAXONOMY INDICATORS: 2023 CAPITAL EXPENDITURES

Economic activities	NACE codes	Capital expenditures	Proportion of capital expenditures	Climate change mitigation	Climate change adaptation	Water & marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Minimum safeguards	Proportion of taxonomy aligned capital expenditures
		Million €	In %	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data	in %
A. TAXONOMY LISTED ACTIVITIES											
A.1 Eligible as transitional activities											
Manufacture of plastics in primary forms	C.20.1.6	487	57.4	Yes	Yes	Insufficient data	Insufficient data	Insufficient data	Insufficient data	Yes	0
Research & innovation		16	1.9								1.9
Total eligible as transitional activities											
A.2 Eligible activities as enabling activities											
3.4. Manufacture of batteries	C27.2	234*	3.3	Yes	Yes	Insufficient data	Insufficient data	Insufficient data	Insufficient data	Yes	0
Sum A.1 + A.2		**487**	**57.4**								**1.9**
B. TAXONOMY NON-ELIGIBLE ACTIVITIES											
Capital expenditures from non-eligible activities		361	42.6								
Total		**848**	**100**								

EU TAXONOMY INDICATORS: 2023 OPERATIONAL EXPENDITURES

Economic activities	NACE codes	Operational expenditures	Proportion of Operational expenditures	Climate change mitigation	Climate change adaptation	Water & marine resources		Circular economy	Pollution	Biodiversity & ecosystems	Circular economy Y/N	Minimum safeguards	Proportion of taxonomy aligned operational expenditures
		Million €	In %	Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data		Yes/No/ Insufficient data	Yes/No/ Insufficient data	Yes/No/ Insufficient data		Yes/No/ Insufficient data	In %
A. TAXONOMY LISTED ACTIVITIES													
A.1 Eligible as transitional activities													
Manufacture of plastics in primary forms	C.20.1.6	1,779	33.9	Yes	Yes	Insufficient data		Insufficient data	Insufficient data	Insufficient data		Yes	0
Research & innovation		110	2.1										2.1
Total eligible as transitional activities													
A.2 Eligible activities as enabling activities													
3.4. Manufacture of batteries	C27.2	234*	3.3	Yes	Yes	Insufficient data		Insufficient data	Insufficient data	Insufficient data		Yes	0
Sum A.1 + A.2		1,779	33.9										2.1
B. TAXONOMY NON-ELIGIBLE ACTIVITIES													
Operational expenditures from non-eligible activities		3,471	66.1										
TOTAL		5,250	100										

** Manufacture of batteries turnover*

5.3. Circular economy

SDG 12, 13

5.3.1. Definitions

Circular economy is a new approach to business that aims to decouple economic growth from consumption of natural resources. Syensqo's Circular Economy Business Solution Program is underpinned by a transition to renewable energy sources. It is based on three principles:

- Designing products that increase the longevity of reusable materials.
- Shifting our product portfolio to bio-based feedstocks, recycled-based feedstock and CO_2-captured-based feedstock.
- Retaining the value of the products and materials currently in use by enabling product recycling (process additives and technology) or recyclability by design.
- We use the following definitions:
- Products enabling increased durability: products designed to increase the longevity and durability of other products further down in the value chain in such a way that encourages longer use than the industry standard and at scale, without compromising circularity at the end of the product's functional life.
- Renewable resources: materials that are continually replenished at a rate equal to or greater than the rate of depletion.
- Renewable energy: energy produced from renewable resources, namely solar, wind, hydroelectric power, biomass or geothermal. Energy provided by technological waste, such as solid recovered fuels, is not considered. Sales of energy to third parties are not included.
- Products enabling recycling: products designed to increase the recycling yield, with regard to quality and quantity.

The measurement of products based on recycled or renewable materials and renewable energy is weighted by applying a factor of 85% to renewable materials and 15% to renewable energy, according to the average manufacturing cost weight. A similar approach has been defined at the research and innovation level to monitor the contribution of innovation projects to Syensqo's circularity ambition.

5.3.2. Management approach

As a company committed to the transition to a circular economy, we aim to increase by 50% our percentage of sales of products contributing to the circular economy, reaching 18% in 2030 (from 12% in 2021).

We define sales of products contributing to the circular economy as revenues generated with products and solutions that meet the following specific requirements:

- Designed to increase the lifespan of end-products, in such a way that encourages longer use than the industry standard in practice and at scale, for example design with durable material choices, and in such a way that does not compromise circular treatment at the end of functional life.
- Made of bio-based, recycled-based and CO_2-captured carbon based raw materials, or produced with renewable energy.
- Innovative with regard to the recycling of materials in closed and open loops, and business models: designed to increase the recycling yield (quantity and quality) of the customer's products.

The transformation of Syensqo into a more circular economy model is embedded in our business strategy. We are working individually, with customers, suppliers and partners to identify opportunities where the Group can leverage our capabilities and contribution.

Syensqo is the Chemical Strategic Partner of the Ellen MacArthur Foundation, contributing to accelerating the transition toward a circular economy. Chemistry, as a science and an industry, is a tremendously relevant and powerful enabler of material transformation and reuse.

Indicators

We monitor our progress in sales of products contributing to the circular economy in accordance with the three principles of Syensqo's circular business solutions, outlined above.

	Units	2023	2022	2021
Sales of products contributing to circular economy (% group sales)	%	13	12	12
Sales of products based on recycled or bio-based resources or produced with renewable energy	%	8	8	7
Sales of products increasing longevity	%	4	5	5
Sales of products enabling recycling	%	0	0	0

For this purpose:

The Syensqo One Planet KPI "Share of sales products contributing to the circularity economy" is calculated by adding:

- Sales of products increasing durability in the use phase downstream in the value chain.
- Sales of products based on recycled or renewable materials (85%) and renewable energy (15%).
- Sales of products enabling recycling at the end of life downstream in the value chain.

Potential double counting is avoided by considering the above mentioned order of priority.

Syensqo notably measures final products' circularity based on their renewable content. As of now, we calculate the renewable content using the mass of renewable reactants (as shown in our bills of materials) over the mass of the final product. This approach has been reviewed by Ellen MacArthur Foundation's Circulytics team and has been applied consistently over the years. We identified limits in accuracy to this approach as the cumulated mass of all reactants might be higher than the final mass of products for some products (due to evaporation processes, waste and by-product generation). Therefore, for year 2024, we will incrementally adopt the Renewable Carbon Index calculation approach, that will allow us to measure the molar content of renewable carbon from reactants included in the final product over the molar content of total carbon from the final product. This will help us bring the accuracy of renewable content measurement to the highest standard.

Syensqo, through its collaboration with WBCSD is also part of the Global Circularity Protocol that aims to establish by 2026 a harmonized framework to measure, manage and disclose circularity performance.

5.3.3. Key achievements

In 2023 we continue to advance our transformation to enable a circular economy.

In April of 2023 the Biomatech platform, focused on renewable material and biotechnology, signed a strategic partnership with Ginkgo Bioworks for the development of new biopolymers, strengthening our position in biotechnology and ability to meet our customers' needs in this field.

We launched our ECHO line of products offering a diverse range of circular materials. The portfolio offers new mass balance grades, Udel® PSU, ReCycle MB and Radel® PPSU being the first sulfone compliant materials certified under the widely recognized International Sustainability and Carbon Certification PLUS (ISCC PLUS) scheme of accreditation. These products provide the same level of performance to the electronics and automotive markets with an increased circular and renewable content.

The Naternal™ product line was launched, our new brand of bio-based biodegradable polymers for biodegradable-by-design hair and skin care solutions.

Also launched in 2023 was the UP range of circular mass balance solutions that utilize upcycled circular raw materials. A key example of this is Merataine CBS UP, which utilizes raw materials derived from wood waste and methanol from carbon capture. Contributing to circularity and providing lower carbon footprint products to our customers.

5.4. Hazardous materials

GRI DISCLOSURES 2-23 3-3 403-7 416-1
SDG 3 12 14 15

5.4.1. Definitions

Product stewardship means managing risks throughout a product's entire life cycle, from the design stage to end of life. Risks include the possibility of injury or impact on health for a third party, or damage to third party property arising from the misuse of Syensqo products in a customer's plant or use in an application for which the product is not designed. Risk management is particularly important for products used in sensitive applications like healthcare, food and feed applications.

5.4.2. Management approach

Syensqo's Responsible Care policy requires the Group to:

- Maintain a comprehensive understanding of each product's hazards, risks and impacts related to all life cycle steps and intended applications.
- Manage product knowledge so as to comply with local requirements on product information, while ensuring worldwide consistency.
- Keep records of all necessary and required product safety information to ensure availability throughout the full life cycle, beyond the commercialization period.
- Send standardized product safety data sheets to customers alongside the first delivery and when required by local regulations. This key information is consistently maintained and distributed worldwide for all products to all customers, in compliance with local regulations and in the local languages.

In line with our Responsible Care commitment, we are constantly improving our knowledge of how Syensqo products are used and the associated risks. The extensive knowledge this represents allows Syensqo to characterize and manage risks related to product handling and to prioritize mitigation actions related to potential inappropriate use. The management of Safety Data Sheets reflects this commitment to ensuring the information on hazards associated with our products is readily available to our employees and customers.

Syensqo ensures that our product portfolio complies with all the relevant regional and national chemical regulations, such as REACH (Registration, Evaluation, Authorization and Restriction of Chemical Substances) in the European Union, UK REACH in the United Kingdom, K-REACH in South Korea, KKDIK in Turkey, MEE 12 in China and TSCA in the United States.

In addition, Syensqo has a strategy to decrease the use of Substances of Very High Concern (SVHC) in marketed products and more broadly throughout the entire value chain. We consider the SVHCs on the EU REACH authorization list (annex XIV) and EU REACH candidate list, but we also go beyond this by including several lists coming from other countries (e.g. POP Stockholm Convention or Harmful Substances Prohibited from Manufacturing – ISHA, Korea), following an internal process in our operations worldwide. Specifically, we have set up our own reference list of SVHCs, the Syensqo-SVHC and Substance Requiring Attention (SRA). This was established in 2015 and includes three categories:

- Black list Syensqo-SVHCs: already undergoing a regulatory phase out process with a known deadline in at least one country or zone, or a restriction for uses relevant to Syensqo.
- Red list Syensqo-SVHCs: currently included in regulatory lists of substances that could enter into a process of special authorization or restriction in the medium term.
- Yellow list S-SRAs: substances requiring specific attention, such as substances under scrutiny by authorities, NGOs, scientists and industries due to their known hazardous properties or potential effects.

Risk studies and Analysis of Safer Alternatives (ASA) for red and black Syensqo-SVHCs placed on the market are underway, and substances are replaced with safer alternatives where feasible.

New ASA covering newly identified listed SVHC should be performed within one year. All current Analysis of Safer Alternatives should be reviewed every three years. We intend to be 100% aligned with these objectives within three years.

5.4.3. Indicators

Safety data sheets

Syensqo currently places over 10,425 products on the market and produces safety data sheets (SDS) in 41 languages, as well as specific SDS for 63 countries. Product Stewardship programs give adequate information and technical assistance to customers, ensuring a good understanding of products and how to safely use and handle them. Each of our Global Business Units are responsible for ensuring that SDS are revised at least once every three years, or every time it is needed. Syensqo manages product information centrally and as legislation continues to evolve the Group learns more about the conditions under which products are used, so as to record and assess any associated risks.

To make sure that customers are receiving new and updated Safety Data Sheets, and to limit the quantity of paper printed, Syensqo uses an automatic system to send SDS by email. In 2023, this automated shipping function was activated for 100% of Syensqo sales. This automatic delivery of the SDS was successful for 97.4% of shipments, where SDS were available for the delivery country and the customer's email address was also available. When errors occurred, SDS were emailed manually.

Product registration

REACH is an advanced European framework regulation requiring companies to have detailed knowledge of substances, their hazards and risks during use. This knowledge must be collected and organized into reliable and systematic safety information that includes all uses and risks incurred along the value chain. Syensqo fully complies with the extensive REACH requirements for product registrations. We have registered 600 dossiers and are lead or sole registrant for 195 substances.

Regular updates of dossiers are performed according to REACH obligations, either as new information becomes available or at the request of the European Chemical Agency (ECHA). In accordance with the Cefic Action Plan program, we are also committed to improving the quality of REACH dossiers. In 2023, we updated 91 dossiers.

In addition, Syensqo continues to adapt to new product regulations in many countries, notably to cope with emerging, REACH-like regulations in non-European countries. More specifically we have:

- Registered 13 dossiers in 2019 and 23 in 2021 in the framework of Korean REACH, and identified 13 potential lead dossiers for the next registration deadline in 2024.
- Reported 435 potential substances or polymers to be registered in the framework of KKDIK Reach Turkey by the appropriate deadline, which was modified by the MoEUCC according to specific tonnage bands. So far, we have registered 34 dossiers.
- Successfully completed by the end of 2023 134 active grandfathering registrations, eight registrations, 10 inquiries, one PPORD and 1,700 Downstream User Import Notifications (DUIN) within the relevant regulatory deadlines, including four new registrations in 2023 in the UK-REACH framework.
- Submitted one simplified registration in 2023 in the new Chinese MEE order N°12 framework.
- Submitted two Prior Manufacturing Notices in the US in 2023.

Safer alternatives for marketed products: SVHC according to the EU REACH legislation

Syensqo is closely monitoring the SVHC on the EU REACH Candidate list and EU REACH Authorization list (annex XIV) by identifying all marketed products containing a concentration above 0.1% of those substances, sold not only in the EU but worldwide.

	Units	2023[1a]	2022[1b]
SVHCs EU-REACH[1] contained in marketed products above 0.1% on a worldwide scope	Number	38	30
Analysis of safer alternatives required[2]	Number	18	34
Of which completed	%	56	68
Of which effective replacement achieved	%	11	9

(1) According to the EU REACH authorization list (annex XIV – latest version, April 12, 2022) and EU REACH Candidate list (dated January 17, 2023).
(1a) The period covered is April 2022 to March 2023.
(1b)The period covered is June 2021 to May 2022.
(2) Analysis of Safer Alternatives for potential substitution for an SVHC. A substance may be present in more than one product. ASA are required for any newly identified SVHC within one year or if they were carried out more than three years ago. This new scope takes into account the revision process. We intend to be 100% aligned with these objectives within three years.

In 2023, 10 ASA have been performed or reviewed:

- Two led to effective replacement, either through SVHC substitution or reduction below the required threshold, or through stopping production.
- Four are ongoing, meaning that an alternative has been identified and discussed with customers for implementation. For example:
  - NMP: substitution has been performed through the creation of a new product proposed to customers, but customers are not willing to switch for the moment.
- Four have resulted in no available alternatives, either because no substitute is available, or because an alternative has not been requested due to the application in the final product.

Safer alternatives for marketed products: beyond legislative requirements

We go beyond what is required by regulation, screening our own broader internal reference list of substances of Very High Concern (S-SVHCs, as described above) for our products marketed worldwide.

	Units	2023[1a]	2022[1b]
All Syensqo-SVHCs[1] contained in marketed products above 0.1% on a worldwide scope	Number	100	77
Analysis of safer alternatives required[2]	Number	43	68
Of which completed	%	67	57
Of which effective replacement achieved	%	12	6

(1) According to the black and red Syensqo-SVHC lists. Red and Black list Syensqo-SVHCs have been reviewed to exclude PFAS that do not comply with Syensqo SVHC definition (CMR, ED, PBT, vPvB, PMT, vPvM, respiratory sensitizer). 2022 figures have been restated in accordance with this new definition.
(1a) The period covered is April 2022 to March 2023.
(1b) The period covered is June 2021 to May 2022.
(2) Analysis of Safer Alternatives for potential substitution for an SVHC. A substance may be present in more than one product. ASA are required for any newly identified SVHC within one year or if they have been done more than three years ago. This new scope allows us to take into account the revision process. We intend to be 100% aligned with these objectives within three years.

In 2023, 29 ASA were performed or reviewed:

- Five led to effective replacement, either through SVHC substitution or reduction below required threshold, or through stopping production.
- 10 are ongoing, meaning that an alternative has been identified and implementation has been discussed with customers.
- 14 resulted in no available alternatives, either because no substitute is available, or because an alternative has not been requested due to the application in the final product.

Syensqo's commitment to phase out substances of very high concern

Syensqo's target is to phase out all substances of very high concern present in marketed products at a quantity of more than 0.1% by 2030, whenever feasible.

Moreover, Syensqo has been innovating to find alternatives for the PFAS substances that may trigger concern, which is why our focus has been on phasing out the use of fluorosurfactants. We have already phased out fluorosurfactants from a significant part of our manufacturing processes and as announced in 2022, we are working to complete this transition across our product lines by 2026 at the latest.

Thanks to substantial investments in research and innovation, Syensqo was able to develop a non-fluorosurfactant technology, which is a new polymerization process enabling us to manufacture a wide range of specialized fluoropolymers without the need of fluorosurfactants or any replacement surfactant.

This new technology enables Syensqo to develop a more sustainable and future proof range of fluoropolymers as essential inputs for the production of rechargeable EV batteries, sealings in new energy vehicles, special lubrication for safety applications, gaskets and sealings in extreme service conditions, solar panels, hydrogen membranes, wind turbines and semiconductors, which rely on these products' specific properties.

6. BETTER LIFE

6.1. Employee health and safety

GRI DISCLOSURES 2-25 3-3 403-1 403-2 403-3 403-4 403-5 403-6 403-7 403-8 403-9 403-10
SDG 3

6.1.1. Definitions

Employee health and safety management encompasses occupational safety, industrial hygiene and occupational health.

Occupational safety is about preventing work-related injuries. Accidents are mostly linked to falls at the same level, human energy, such as pushing, pulling or striking an object, and exposure while opening a line or system. Industrial hygiene management encompasses the assessment, monitoring and management of workers' potential exposures to ergonomic, chemical and physical hazards. Occupational health includes all the preventive actions undertaken to protect and promote physical and psychological health at work, both collectively and for each individual Syensqo employee.

Syensqo uses the Occupational Safety and Health Administration (OSHA) definitions of occupational accidents in order to comply with GRI and enable comparisons outside Syensqo. These are as follows:

- Occupational accident: a work-related unexpected and undesirable event resulting in damage or harm, namely injury or illness. Accidents on the way to or from home are not considered as work-related unless the worker was traveling for Syensqo at the time of the accident.
- Lost Time Injury or Illness (LTII): a work-related injury or illness that results in a work interruption of one or more days, not including the day of the accident.
- Lost Time Injury and Illness Rate (LTIIR): the number of LTIIs resulting from an accident per 200,000 work hours.
- Reportable Injury and Illness (RII): work-related injury or illness resulting from an accident with severity above first aid, according to US OSHA 29 CFR 1904.
- Reportable Injury and Illness rate (RIIR): the number of reportable injuries or illnesses per 200,000 work hours.

6.1.2. Management approach

Syensqo requirements for implementing management systems on our sites are covered under section 3.3. Health, safety and environment management. The occupational health and safety management systems cover all Syensqo employees, while external visitors, parcel delivery people and transport drivers not performing loading or unloading onsite fall outside the scope. In addition, our safety management system applies to contractors.

Hazard identification and risk assessments are performed according to Group procedures, which define minimum requirements for methods and the hierarchy of controls. They cover the following topics or activities:

- Chemical hazard communication
- Chemical risk assessment and management
- Hearing conservation (noise exposure management)
- Prevention of legionellosis
- Managing asbestos in buildings and facilities
- Respiratory protection equipment
- Group requirements for occupational health
- Minimum safety requirements for lifting
- Working at height
- Working on powered systems
- Line breaking
- Working in confined spaces
- Working in an explosive atmosphere
- Lifting
- Excavation
- Traffic
- Personal protective equipment (PPE)

- Work permits
- Management of change (MOC)
- Contractor management

All procedures contain training requirements, guidelines and on-boarding presentations for use in implementation on our sites. Quality, evaluations and process improvements are ensured through the sites' management systems. Site reporting processes identify unsafe situations, near-misses, incidents or accidents, as well as those cases with potentially high severity, and also set guidelines for investigating incidents and taking corrective actions.

Industrial hygiene (IH) ensures hazards are identified and eliminated. Risk assessments are performed in collaboration with occupational health experts. Occupational physicians perform risk-based medical surveillance, provide advice on improving and adapting working conditions, and promote physical and mental health. All these processes contribute to managing and minimizing risks at work.

On the shop floor, workers collaborate with industrial hygienists on risk assessments using the Syensqo Occupational Risk Assessment Tool for Employees (SOCRATES). This tool gives widespread, easy access to IH methods, tools and databases, consistently performs and documents IH risk assessments and enhances traceability of an individual's potential exposures throughout their working life. Workers are informed of their work-related risks by supervisors, industrial hygienists and occupational physicians or nurses. SOCRATES risk profiles are accessible to occupational health advisors through a user-friendly digital portal.

Formal joint management-worker health and safety committees are established on our sites according to country legislation. Syensqo also contributes to complementary health insurance, for which the terms vary according to the country.

Initiatives to promote health are taken at site level, in collaboration with local physicians and nurses. Examples of such initiatives include nutritional advice, cardiovascular prevention programs, ergonomics, general check-ups and fitness sessions led by trainers.

6.1.3. Indicators

Improvements in occupational health and safety indicators result from the safety culture approach implemented to protect everyone working at Syensqo. This approach is explained in the Risk Management chapter of this Annual Integrated Report.

The reporting scope covers all sites under Syensqo's operational control for which the Group manages and monitors safety performance. This includes our manufacturing, research and innovation and administrative sites, as well as a series of closed sites with limited activities, and covers Syensqo employees and contractors working on these sites.

NUMBER OF ACCIDENTS

	Units	2023	2022	2021
Fatal accidents – Employees	Number	0	1	0
Fatal accidents – Contractors	Number	0	0	0
H-RII – Employees	Number	4	5	12
H-RII – Contractors	Number	0	1	3
H-RII – Employees and contractors	Number	4	6	15
RII – Employees	Number	41	48	50
RII – Contractors	Number	5	12	12
RII – Employees and Contractors	Number	46	60	62
LTII – Employees	Number	13	20	22
LTII – Contractors	Number	2	6	5
LTII – Employees and contractors	Number	15	26	27

HOURS WORKED

	Units	2023	2022	2021
Work hours – Employees	Hour	23,979,072	21,112,912	20,912,724
Work hours – Contractors	Hour	8,351,256	7,417,481	6,924,523
Work hours – Employees and contractors	Hour	32,330,328	28,530,393	27,837,247

Employees' work hours are based on the average of the monthly active internal workforce (headcount) multiplied by the coefficient of 2,000 hours for all countries and sites. Contractors' actual work hours are reported monthly by all sites.

ACCIDENT FREQUENCY RATES

	Units	2023	2022	2021
H-RIIR – Employees	Accidents per 200,000 hours worked	0.03	0.05	0.11
H-RIIR – Contractors	Accidents per 200,000 hours worked	0.0	0.03	0.09
H-RIIR – Employees and contractors	Accidents per 200,000 hours worked	0.02	0.04	0.11
RIIR – Employees		0.34	0.45	0.48
RIIR – Contractors		0.12	0.32	0.35
RIIR – Employees and Contractors		0.28	0.42(1)	0.45
LTIIR – Employees	Accidents per 200,000 hours worked	0.12	0.19	0.21
LTIIR – Contractors	Accidents per 200,000 hours worked	0.02	0.16	0.14
LTIIR – Employees and contractors	Accidents per 200,000 hours worked	0.09	0.18	0.19

(1) 2022 RIIR – Employees and contractors is different that the value published in "supplement of the registration document of Syensqo in November 2023" due to changes in the 2022 headcount figures and in the rules of split between Syensqo and the "new" Solvay Group as explained in the section 2.2 basis of preparation.

Note: RIIR was introduced during 2020, making 2021 the first full year of application of the OSHA metrics.

This performance is the result of the following actions implemented in 2023:

- Ensuring that both site and Group safety results were communicated to front-line workers, in order to increase awareness of the shift in performance.
- Site leadership, including front-line leaders, spending more time in the field.
- Providing support, through physical presence, on selected sites, to help identify risks and provide coaching.
- Re-energizing campaigns relating to the Syensqo Life Saving Rules, including interactive trainings and required field assessments.
- Sites must share their HSE performance and commitments at Syensqo's Executive Leadership Team meetings.

Industrial hygiene (IH)

A key aspect of our approach to protecting health is the systematic assessment and management of workers' potential exposure to ergonomic, chemical and physical hazards. Global industrial hygiene (IH) procedures define minimum requirements for Syensqo's IH risk assessments and management strategies, including the hierarchy of controls. The IH program encompasses:

- Comprehensive chemical inventories established and reviewed at site level, with screening and priority ranking of substances that carry potential health impacts.
- Syensqo Acceptable Exposure Limits (SAELs) developed internally for insufficient or outdated established Occupational Exposure Limits (OELs).
- Occupational Exposure Banding (OEB) in cases where no established OEL exists or there is limited toxicological data. Syensqo's OEB approach provides a simple, quick and easy-to-understand hazard ranking.
- Implementation of SOCRATES for qualitative exposure assessment:
  - Widespread and easy access to IH methods, tools and databases.
  - Consistent performance and documentation of IH risk assessments.
  - Enhanced traceability of an individual's potential exposures throughout their working life.
- Established KPIs that allow for identification and tracking of the completion of site chemical and noise risk assessments.

Occupational health

Key indicators for occupational health are:

- Occupational diseases: the incidence rate and causes of disease are used to define preventive and corrective actions.
- Advanced risk-based medical surveillance rate: used to assess that our medical surveillance is effective.
- Human biomonitoring indicators: used where applicable to assess chemical exposure and suggest preventive actions.
- Stress prevention and well-being at work (see chapter 6.2.2 of this Annual Integrated Report): used to identify the main causal factors and launch action plans at site and Group levels.
- Health promotion: promoting a healthy lifestyle at work and beyond.

RECOGNIZED OCCUPATIONAL ILLNESSES

	Units	2023	2022	2021
Occupational illness frequency rate (OIFR)	Per million hours worked	0	0.047	0.096

OIFR is the total number of recognized occupational illnesses recorded per million hours worked. It covers Syensqo workers who are active, retired or have left the company and takes into account all the occupational diseases recognized in the year, not only short- or mid-latency diseases as reported in previous years.

RECORDABLE OCCUPATIONAL ILLNESSES BY TYPE

	Units	2023	2022	2021
Hearing disorders	Number	1	0	0
Musculoskeletal diseases	Number	0	0	1
Other non-carcinogenic diseases	Number	0	0	0
Asbestos-related diseases and cancers	Number	1	1	2
Other cancers	Number	0	0	1
Not specified/Unknown	Number	0	0	0
Total	Number	2	1	4

The figures in the table above relate to recordable work-related illnesses contracted by Syensqo employees who are active, retired or have left the company.

Advanced Risk-Based Medical Surveillance

A site is considered as performing Advanced Risk-Based Medical Surveillance if all the following criteria are fulfilled:

- The Chemical Risk Assessment completion rate is at least 70%. This is the ratio of the total number of Chemical Risk Assessments, both inhalation and dermal, completed by the site within the last five years, to the total number of Chemical Risk Assessments to be conducted based on the Chemical Risk Assessment List established by the site. In previous years, this requirement was a much lower 40%.
- The site regularly communicates identified potential occupational risks to the medical service provider.
- At least 70% of the employees scheduled for Risk-Based Medical Surveillance during the year have completed their medical visit.

In 2023, 47.5% of our manufacturing and research and innovation sites fulfilled all the above criteria.

Human biomonitoring of exposure

Human biomonitoring (HBM) of exposure involves measuring the concentration of a substance or its metabolites in human fluids, such as blood or urine. It can be used to assess exposure to specific chemicals and helps to verify whether protective measures are effective.

In 2023, seven sites performed HBM of exposure, for 21 different chemicals (substances or groups of substances).

HUMAN BIOMONITORING (HBM) OF EXPOSURE

	Units	2023	2022
Sites performing HBM of exposure	Number	7	10
Sites with at least one result above the Biological Limit Value (BLV)	Number	0	0

For sites that return results above the biological limit values, action plans are put in place to reduce the exposure levels.

Health promotion

In 2023, communication material on health promotion was deployed to all our sites. Topics included healthy nutrition, physical activity, sleep and recovery, alcohol abuse and tobacco cessation. At 89.7% of our sites, health and well-being topics were covered during our Health and Safety Days events. In addition, survey results show that 95.6% of our sites report active promotion and support for the health and well-being activities listed below:

Health and well-being topics during the Health and Safety Days
Permanent multidisciplinary committee that sets and follows actions on Well-being at Work
Training sessions on Well-being at Work for employees
Training sessions on Well-being at Work for leaders
Promotion of physical activity
Promotion of balanced nutrition
Promotion of good sleep and recovery
Prevention of cardiovascular risk
Prevention of tobacco consumption
Prevention of addictions
Prevention and screening for cancer
Seasonal flu annual campaign

6.1.4. Key achievements

The results of the November 2022 Pulse and DEI survey that aimed to identify the factors influencing well-being were communicated to the sites through medical professionals. Well-being at Work workshops for leaders, facilitated by certified psychologists, were deployed globally from January to May, with 622 leaders participating.

A multidisciplinary working group that included representatives from the Industrial Hygiene domain and the Occupational Health domain promoted the implementation of ergonomic standards.

6.2. Employee engagement and well-being

GRI DISCLOSURES 2-30 3-3 401-2 403-4 407-1
SDG 3 8

6.2.1. Definitions

Employee engagement is the level of commitment, passion and loyalty an employee has toward their work, team and company. Syensqo believes that engagement increases performance through higher productivity and employee retention, and that engagement is fostered by fair labor practices and well-being at work.

A constructive relationship with employees and their representatives, built on trust, is considered the basis for fair labor practices at Syensqo. This relationship reflects the Group's commitment to respect employees' fundamental human rights and guarantee their social rights.

Well-being at work is a holistic concept which relates to all aspects of the quality of working life that ensure workers are safe, physically and mentally healthy, satisfied, engaged and efficient. It addresses recognition and support, work-life balance, employee growth and development, and good communication and collaboration, based on International Labor Organization and World Health Organization definitions.

6.2.2. Management approach

ONE Pulse

Employee engagement is measured through confidential surveys open to all employees. This includes global surveys as well as local initiatives, such as "Voice of the People" surveys. The results of our surveys enable the Group, local management and all operational managers to identify strengths and areas where the working environment and employee experience can be improved.

In 2023, we continued our series of short surveys, known as ONE Pulse surveys. Available in 14 languages, the ONE Pulse surveys enable us to listen to the feedback and opinions of Syensqo employees around the world. This not only promotes a feedback culture, where everyone can safely share their opinions and have open conversations with their team and leaders, but also helps to improve employee experience at work. Our objective was to equip leaders at all levels in the organization with insights about the well-being and experience of their teams, foster open dialogue and ensure continuous improvement throughout the year.

Better Life at Work

A multidisciplinary committee on Better Life at Work (BLAW) is in place to define and promote a well-being at work (WBAW) program, including representatives from our HR, Occupational Medicine, HSE and Sustainable Development Functions, and an employee representative. Syensqo's Chief People Officer serves as the Sponsor. Regarding labor relations, discussions and activities are held at four levels: site, country, European and Group.

Our Better Life at Work program focuses on three pillars:
- Governance: promoting similar well-being support at all Syensqo sites.
- Observatory: the Better Life at Work Observatory includes indicators gathered from HR that are easily accessible to managers. This includes hard data such as absenteeism, turnover, diversity, HSE data relating to accidents, the Pulse surveys and burnout figures.
- Positive actions: workshops for managers on leading with a well-being mindset were deployed in the first semester of 2023, in collaboration with Empreinte Humaine, with 622 people participating. All employees also had access to this training on our intranet. We continue to provide our employee assistance program, which offers mental health support when needed for all employees and their families. We also offer a supportive network of Syensqo Occupational Physicians and nurses.

Global Forum

In 2015, Solvay created a global employee representative body, the Solvay Global Forum (SGF), composed of nine employee representatives from the company's main areas of operation: Europe, the US, China, Brazil, India and South Korea. Video conferences, bringing together the Solvay Global Forum and the Group's top management, were held quarterly, providing an opportunity to comment on and discuss the Group's quarterly results and to keep everyone informed of the main new projects. Two agreements were signed with the Solvay Global Forum: Global Performance Sharing 2023 and Solvay Cares, the latter of which extended maternity and co-parent leave to 16 weeks. In December 2021, Solvay also launched a Global employee shareholding initiative, that the Solvay Global Forum wished to be an inclusive, simple and meaningful way to create sustainable shared value for all.

Following the announcement of the Power of 2 project on March 15, 2022, aimed at splitting the Solvay Group into two separate Groups, a Memorandum of Understanding (MoU) was signed with the European Works Council (EWC) on May 31, 2022, supporting the information and consultation process related to the organizational transformation of the Solvay Group. One provision in the MoU referred to the Solvay Global Forum (SGF), stating that: "In case of substantial change of the scope and/or structure of the Group, the parties will remain committed to build on the long-standing positive collaboration and commitment to the values of this agreement. At the time of the change, the parties will convene with the common goal to continue the Solvay Global Forum Agreement in the new entities, achieving the ownership and support from all stakeholders. Subject to the parties' agreement this Solvay Global Forum Agreement will then be considered for its remaining duration in the new entities."

In accordance with this provision, an endorsement to the SGF was signed by all parties, leading to the creation of the Global Forum of Syensqo, with an adapted number of seats (six), which takes into account Syensqo's new footprint. Employee representatives come from the US, Europe, China and India.

European Works Council (EWC)

In 2023, the EWC and the EWC Select Committee met physically or virtually on several occasions with senior Group management, to help steer the evolution of the company. The main topics discussed were the Power of 2 project, reorganizations and transformations, the evolution of working conditions with the extension of mobile working, the Group Sustainable Development strategy and Solvay's financial results.

In the MoU referred to above, a provision related to the EWC stated that: "The two new companies will install a European Works Council as soon as possible in accordance with the applicable legislation." In accordance with this provision, the EWC for Syensqo was established and an agreement signed by all parties on November 23, 2023, during a plenary meeting, meaning that Syensqo had a functioning EWC from the moment of the spin-off.

Solvay Cares

In February 2017 Solvay signed a global agreement guaranteeing a minimum level of welfare and healthcare protection for all Solvay Group employees worldwide, for companies in which Solvay SA owns a share, directly or indirectly, of more than 50%. Solvay Cares was fully deployed in 2019 and aims to provide four major benefits:
- Full income protection during parental leave, with 16 weeks for both parents.
- A minimum coverage of 75% of medical fees in the event of hospitalization or severe illness.
- Disability insurance in the event of lasting incapacity.
- Life insurance, including coverage for the family or partner.

An addendum to the agreement was signed in December 2021, introducing more flexibility for parents to enjoy parental leave according to family needs, and adding the Employee Well-being Support program, through which we committed to giving all employees access to confidential mental health support, starting in December 2021. From January 2023, globally aligned standards of the Employee Well-being Support Program will apply, ensuring coverage not only for the employee, but also for all members of the employee's household.

In September 2023, a new provision called "caregivers leave" was introduced. This enables employees to deal with situations relating to support or care for a loved one that require a response during working hours.

The Solvay Cares program has been fully endorsed by Syensqo and all provisions are applicable to Syensqo employees.

The IndustriALL Global Union Framework Agreement

On December 17, 2013, Solvay signed a Corporate Social and Environmental Agreement for the whole Group with IndustriALL Global Union. This agreement is based on International Labor Organization standards and the principles of the United Nations Global Compact. It served as a tangible expression of Solvay's determination to ensure that basic labor rights and the Group's social standards in the areas of health, safety and environmental protection were respected at all of our sites.

In March 2022, we renewed our Global Framework Agreement with IndustriALL. We strengthened the content of the agreement in several important areas, including teleworking rights, EU due diligence and UN binding treaty relating to the supply chain, just transition, skills transfer, and workers' rights to health and safety. With this renewed and strengthened agreement, Solvay committed to respecting the international social standards defined by the International Labor Organization and the principles of the UN Global Compact, including in countries that have not ratified it, as well as the OECD Guidelines for Multinational Enterprises.

The four-year agreement includes serious commitments on due diligence along the supply chain. The agreement establishes a new working group of workers and management to investigate suppliers' respect for core labor rights and seek remediation where problems are found. Solvay also committed to suspending contracts with suppliers that failed to remedy human rights and environmental abuses following warnings.

In 2023, IndustriALL representatives, together with Solvay management, visited three of our German subsidiaries to assess labor relations. It was an opportunity to confirm the positive working atmosphere, safety situation and industrial relations, and to identify areas for improvement.

Syensqo remains committed to the values of the Global Framework Agreement and will sign a similar agreement with IndustriALL in the first quarter of 2024.

6.2.3. Indicators

With regard to engagement and well-being at work, two recurring surveys were launched worldwide between March and September 2023, collecting an average of over 8,200 responses, or a response rate of around 63%.

Each survey is made up of between 10 to 12 questions measuring well-being, safety and other dimensions related to employee experience, such as relationships with managers, remote working, Syensqo behaviors and workload.

In the 2023 surveys, employees were asked how they were feeling. The percentage of respondents feeling "OK or better" was over 75% on average, remaining relatively stable as compared to last year. In addition to our Employee Assistance Program, Syensqo has put together a guide for managers to help them better support their teams and a flyer for all employees, available in multiple languages. These provide guidance and suggestions about where to turn for help and encouragement, in order to better support those employees who reported feeling "Less than OK."

DURING THE LAST FOUR WEEKS, IN GENERAL, HOW HAVE YOU BEEN FEELING?

	Units	Apr. 2022	Sep. 2022	Mar. 2023	Sep. 2023
OK or better	%	67	79	74	79
Less than OK	%	33	21	26	21

We also included two engagement questions in our Pulse survey annually. This revealed that about 75% of employees were satisfied with Syensqo as an employer and that about 70% would recommend the company as a great place to work.

Employee Representation Indicator

All Syensqo employees are covered by a collective agreement. This is the Solvay Cares collective agreement with global employee representative body the Global Forum of Syensqo.

Trade unions are present at a majority of Syensqo sites around the world. Union membership is estimated at 20% in Europe, 38% in South America, 33% in North America and 72% in Asia.

6.2.4. Key achievements

During a year of huge transformation, thanks to the Career Catalyst Program, our employees were able to invest time to reflect about their jobs, their strengths, network, new soft and technical learnings. The program involves thoughtful self-assessment, creating a career vision, and developing skills to reach the next step, to inspire our employees and encourage them to consider potential career opportunities in regards with the Group transformation.

6.3. Diversity and inclusion

GRI DISCLOSURES 3-3 405-1 405-2
SDG 5 8

6.3.1. Definitions

Syensqo defines diversity, equity and inclusion in the following way:
- Diversity: the representation of various identities and differences of individuals in a group.
- Equity: creating equal access to opportunity by recognizing the existence of advantages for some and barriers for others; promoting justice, impartiality and fairness within procedures, processes and distribution of resources by institutions and systems.
- Inclusion: actively and intentionally engaging people with different identities and enabling them to feel valued, able to fully contribute and be welcomed within a given setting.

Management categories are defined on the basis of the Hay Job Evaluation Methodology:
- Senior management: Hay points 924 and above.
- Middle management: Hay points from 531 to 923.
- Junior management: Hay points from 304 to 530.

For the diversity and inclusion indicators, the active internal workforce on December 31, 2023, has been considered.

6.3.2. Management approach

We have identified nine action plans to foster diversity, equity and inclusion by 2025:
- Diversity:
  - Accelerate gender parity at all mid and senior levels.
  - Make our workplace more appropriate for people with disabilities.
  - Develop resource groups to encourage employees to bring their "whole self" to work.
- Equity:
  - Assess if there are undesired pay gaps and close them.
  - Ensure fair recruitment: all mid and senior level job openings to have a shortlist comprising 50% of under-represented groups, including women.
  - Ensure equitable access to career opportunities and development: set up mentor/mentee programs, starting with under-represented groups.
- Inclusion:
  - Build an inclusive employee experience: set up an Inclusion Index and improve our score.
  - Assessment and development program for Syensqo leaders to grow and nurture an inclusive mindset.
  - Build a culture in which individuals feel empowered to speak out or speak up when they experience or witness non-inclusive behaviors.

6.3.3. Indicators

At Group level, we have identified five areas of focus for diversity, which receive specific attention and monitoring to ensure consistent improvement across the organization:
- Improving the gender mix at all levels of the organization.
- Leveraging the generational mix to optimize learning, knowledge and experience.
- Developing national and cultural talent that mirrors growth opportunities.
- Enriching the team mix by leveraging experiences and backgrounds.
- Measuring the ratio of base salary of women to men by management categories in our largest countries of operation.

Country- and site-specific actions are also crafted in response to the local context, through Syensqo's sustainability network and best practices.

WOMEN IN SENIOR AND MIDDLE MANAGEMENT

	Unit	2023	2022
Senior and middle management	%	28	25

GENDER DIVERSITY BY EMPLOYEE CATEGORY

	Units	2023	2022
Women in senior management	%	18	15
Women in middle management	%	29	26
Women in junior management	%	35	34
Women in non-managerial positions	%	18	18
Total women in Syensqo	%	24	23

AGE GROUP BY EMPLOYEE CATEGORY

	Units	2023	2022
Senior management	Headcount	194	188
Percentage under 30 years old	%	0	0
Percentage between 30 and 49 years old	%	35	25
Percentage 50 years old and older	%	65	75
Middle management	Headcount	1,836	1,736
Percentage under 30 years old	%	0	0
Percentage between 30 and 49 years old	%	52	51
Percentage 50 years old and older	%	48	49
Junior management	Headcount	3,389	3,135
Percentage under 30 years old	%	11	10
Percentage between 30 and 49 years old	%	65	65
Percentage 50 years old and older	%	24	25
Non-managerial	Headcount	7,683	7,560
Percentage under 30 years old	%	12	12
Percentage between 30 and 49 years old	%	55	55
Percentage 50 years old and older	%	33	33

SYENSQO'S WORKFORCE BY AGE

	Units	2023	2022
Under 30 years old	Number	1,277	1,219
Between 30 and 49 years old	Number	7,433	7,114
50 years old and older	Number	4,392	4,286
Total headcount	Number	13,102	12,619(1)

(1) For 2022, Syensqo total headcount has been restated due to retroactive changes on employee data. This led to a reduction of 30 people in total headcount.

According to the table above, the age structure at Syensqo is currently:
- 34% older than 50
- 56% between the ages of 30 and 49
- 10% younger than 30

RATIO OF BASIC SALARY OF WOMEN TO MEN BY MANAGEMENT CATEGORY

The table below represents the ratio of unadjusted (without correction for seniority) average pay between male and female employees, where the average pay of male employees is 1.00:

Country	Junior management	Middle management	Senior management
Belgium	1.07	1.05	0.96
Brazil	1.00	0.92	ND**
China	1.04	1.03	ND**
France	0.97	0.97	0.97
Italy	0.99	0.98	0.91
US	0.98	0.99	0.94

***ND = not disclosed: too few data points in one or two measurement groups to make a statistically meaningful measurement.*

6.3.4. Key achievements

This year we set our objectives according to audience, in order to deepen the breadth and depth of our action.

Engage our leaders to become role models

As initiated in 2022 with Solvay, we continued in Syensqo the roll out of our Inclusive Leadership Workshops. These four-hour interactive sessions give leaders an opportunity to deepen their understanding of the definitions of diversity, equity and inclusion, and identity layering or micro aggressions, before reflecting on the business case and therefore increasing their own individual buy-in. Finally, they set themselves concrete goals based on a self-assessment. We exceeded our internal target: more than 600 leaders from the combined legacy Solvay and Syensqo have now participated in our Inclusive Leadership Workshop. In parallel we added a DEI e-learning curriculum to the onboarding of new mid and senior managers.

Design custom initiatives for our shop floor

Acknowledging that DEI initiatives are not "one size fits all," we started to develop bespoke localized content for our industrial sites. This included developing a card game designed to create a space for meaningful conversations and bonding around the topic of diversity, equity and inclusion. This initiative is being piloted and localized for a broader roll out in 2024. We also embedded DEI in the people and capabilities pillar of the Star Factory program. Within this framework, DEI and well-being forums were held to present resources and share best practices, which were then translated into concrete roadmap goals and objectives by our sites.

Continue to offer our employees learning and bonding opportunities

We hit our target set in 2021 (Solvay at that time) to send at least 20% of our junior female managers to complete the "Ambition Challenge," celebrating 500 alumni of this three-month external development program created by our partner The A Effect. We revamped our e-learning path and held a successful first edition of our DEI Learning Day, with 340 people participating. We released two new toolkits: Creating Inclusive Workplaces, which focuses on our facilities, and the DEI toolkit for teams, which presents facts, resources and talking points in the form of a calendar, for the 12 months of the year.

Nurture and empower our Employee Resource Groups (ERGs)

In 2023 we celebrated the official launch of our ninth ERG: Voice Of Asia. Its mission is to build bridges between Western and Asian cultures, to foster mutual understanding and unlock value. Our existing ERGs continued their journeys and also celebrated achievements:
- Global expansion of the Young Professionals Network.
- Black History Month and, for the first time, recognition of Dr. Martin Luther King's birthday as a holiday, led by the African-American Group.
- New partners for Alliance LGBTQ+, with Out and Equal and the Gender Cool project to support the new Transgender & Gender Non-Conforming Support Group.
- Disability Awareness Month and the launch of a digital accessibility diagnostic for Abled and Disabled Allies Partnering Together.
- Creation of a video series to tackle career blind spots for the X Factor, our group empowering women.
- Eighty ERG members participated in group mentoring offered by members of the entities' leadership team, creating opportunities to share experiences and gain exposure.

Overall, our ERGs had more than 3,200 members in 2023, a 20% increase compared to 2022.

Commitment and plan for ensuring a living wage

We joined the UN Global Compact "Forward Faster" initiative on living wage, which calls on companies to publicly declare their commitments and highlight the actions they will take to meet the target of ensuring 100% of employees across the organization earn a living wage by 2030. Syensqo has committed to reaching this target by 2026. To make it happen, we launched a cross functional task force in 2023, including employee representatives, and piloted the living wage analysis in three countries, which represent more than a third of our workforce. We also identified a global partner, the Fair Wage Network, who provided us with the external living wage benchmarks and supported us in establishing the methodology. Learning points and conclusions from the pilot projects will be further analyzed in 2024, in order to create a plan for roll-out to the rest of the organization.

6.4. Recruitment, development and retention

GRI DISCLOSURES 2-7 2-8 3-3 401-1 401-2 404-1 404-2 404-3
SDG 8

6.4.1. Definitions

Recruitment, development and retention provide data linked to talent management. This relates to how Syensqo is attracting, retaining and developing talent and includes details on career management and access to training, coaching and mentoring that enables each employee to take the lead in developing their career and reaching their full potential.

Headcount refers to employees that have a contract with Syensqo and are classified as active, as they have a position in the organizational chart. Full-time equivalent (FTE) corresponds to the working time capacity of active employees. Apprentices, trainees and students are excluded from our figures.

6.4.2. Management approach

Recruitment and retention

Of the 1,942 positions recruited externally in 2023, 964 were filled by employees aged below 30.

Learning and development

AVERAGE HOURS OF TRAINING PER EMPLOYEE

By management level	Units	2023	2022
Executive manager	Hours	11h 27mns	8h 21mns
Senior manager	Hours	13h 26mns	12h 14mns
Middle manager	Hours	13h 59mns	11h 58mns
Junior manager	Hours	13h 37mns	13h 11mns
Non-managerial	Hours	15h 17mns	12h 36mns

AVERAGE TRAINING HOURS

By gender	Units	2023	2022
Women	Hours	14h 16mns	12h 08mns
Men	Hours	14h 45mns	12h 34mns
Total		14h 38mns	12h 28mns

Performance and development cycle

The performance and development cycle applies to the entire managerial population. It is also used by about 4,270 non-managerial employees, representing 27% of the non-managerial population. Local performance and development tools and processes are available for the population not covered by the performance and development cycle online tool.

6.4.3. Indicators

In 2023, Syensqo's total headcount was 13,102 active employees. The number of full-time equivalent (FTE) employees was 13,046.5. Apprentices, trainees and students are excluded from this figure.

SYENSQO'S WORKFORCE BY REGION

	Units	2023	2022
Europe	Number	4,927	4,712
Women	%	26	26
Permanent staff	%	99	98
Asia-Pacific and rest of the world	Number	2,746	2,684
Women	%	24	23
Permanent staff	%	82	79
North America	Number	4,976	4,765
Women	%	21	20
Permanent staff	%	100	100
Latin America	Number	453	457
Women	%	29	27
Permanent staff	%	97	95
Total headcount	Number	13,102	12,619
Women	%	24	23
Permanent staff	%	96	95

SYENSQO'S WORKFORCE

	Units	2023	2022
By contract and by gender			
Permanent contract	Number	12,525	11,933
of which women	%	23	23
Temporary contract	Number	577	687
of which women	%	33	25
By employment type			
Full-time contract	Number	12,885	12,406
of which women	%	23	22
Part-time contract	Number	217	212
of which women	%	67	71
By employment category			
Senior manager	Number	194	188
Middle managers	Number	1,836	1,736
Junior manager	Number	3,389	3,135
Non-managerial	Number	7,683	7,560
Total headcount	Number	13,102	12,619

HIRINGS

	Units	2023	2022
By region			
Asia and rest of the world	Number	284	309
Europe	Number	636	764
North America	Number	935	1,085
Latin America	Number	86	76
By gender			
Male	Number	1,282	1,556
Female	Number	576	617
By age			
<30	Number	962	1,012
30-49	Number	735	971
>49	Number	167	194
Total hirings	Number	1,942	2,234

ALL LEAVES

	Units	2023	2022
By region			
Asia and rest of the world	Number	141	205
Europe	Number	349	423
North America	Number	616	615
Latin America	Number	39	58
By gender			
Male	Number	874	956
Female	Number	269	343
By age			
<30	Number	228	234
30-49	Number	491	615
>49	Number	426	451
Total leaves	Number	1,145	1,300

Note: the summation may not coincide in all metrics, as we have more selection options than those mentioned. Such as "others," and "not assigned," among others.

VOLUNTARY LEAVES

	Units	2023	2022
By region			
Asia and rest of the world	Number	74	107
Europe	Number	137	181
North America	Number	278	322
Latin America	Number	20	20
By gender			
Male	Number	385	468
Female	Number	123	161
By age			
<30	Number	119	134
30-49	Number	306	388
>49	Number	84	108
Total voluntary leaves	Number	508	630

6.4.4. Key achievements

In 2023, the company focused on accelerating development of the skills needed by Syensqo both now and in the future. We also focused on expanding the use of learning technologies to offer learning opportunities to all Syensqo employees. Some examples include:

Developing key capabilities through our Academies:

- In 2023, our Leadership Academy continued to develop adaptable, collaborative and human-centered leaders to support company growth and transformation. Through the Leadership Academy, we offered learning journeys for all levels of leaders, in eight different languages. It is future-focused and utilizes innovative learning technology to support learning applications. In 2023, 411 leaders participated in the Leadership Academy journey.
- Our Sales Academy helps our sales teams to strengthen their skills. Our efforts to continue developing our commercial offensive in 2023 included rolling out 21 different courses, both e-learning and instructor-led sessions, to more than 1,280 salespeople.
- Functional Academies support the development of technical and functional skills, through e-learning and instructor-led courses.
- Helping employees to own and drive their development and career:
- Syensqo offers all employees access to guided self-reflection and practical resources to accelerate their career through the Career Catalyst Program. The program, which was available during 2023, helps employees shape their career vision and skilling strategies through digital learning content and live sessions. In 2023, 119 employees participated in the program.
- Employees have access to a pool of mentors, and can also develop by contributing to a project.
- Leveraging digital learning technology:
- In 2023, Syensqo employees spent a total of 3,984 hours on developing their skills using our digital learning platform ELearn More. This equates to an average of 2.3 hours per participant.
- Language development remains available to all employees, as well as to their families, through the digital tool Rosetta Stone, which offers instruction in 14 languages. In 2023, 742 employees and their family members made use of this resource.

6.5. Corporate citizenship

GRI DISCLOSURES 3-3 413-1
SDG 5 17

6.5.1. Definition

Syensqo's Corporate Citizenship approach is our way of making a lasting, positive difference in society, not just through our scientific innovations, but also through our commitment to service and giving.

6.5.2. Management approach

Syensqo remains deeply committed to philanthropic endeavors through our contributions to worldwide societal challenges, supporting a wide range of initiatives around the world. Our corporate citizenship policy is centered around three pillars: protecting the planet, nurturing innovation and fostering education. The projects supported in each of these three categories are closely aligned with our business. This includes our active involvement in several flagship endeavors that truly reflect the way we partner with our stakeholders. Our philanthropic efforts have international reach but are also designed to benefit local communities around Syensqo sites as well as our employees.

6.5.3. Indicators

Citizen Day 2023

Citizen Day gives Syensqo employees around the world the opportunity to engage in actions with local communities. The event was created by our CEO, Ilham Kadri, in 2019. It aims to reinforce our purpose – we are explorers creating breakthroughs that advance humanity – and encourage employees to act as one team for one planet.

The transfer of knowledge, skills and experience for generations to come was the theme of our Citizen Day in 2023. The event provided a unique opportunity for Syensqo employees to come together and take actions to pass on their expertise to fellow colleagues and local communities.

Key figures from Citizen Day 2023 include:
- 11,200 participations, of which 4,100 where external people from local communities taking part in our open days, volunteering or mentoring events.
- More than 60 activities globally.
- 32 participating sites.

Citizen Day activities took place at global, site, team and individual levels, and in both virtual and in-person formats. We also encouraged employees to give back to local communities in various ways, including through mentoring, open door events and volunteering.

Local societal actions in 2023

Syensqo defines societal actions as "a volunteer activity developed by a site, a business unit or at corporate level, having a positive societal impact on at least one of the United Nations Sustainable Development Goals."

In 2023, on the basis of voluntary reporting, 61 sites reported that more than 6,500 participants had taken part in societal actions, while noting that an employee may have participated in several actions. The total amount donated through societal actions is around €330,000, on the basis of voluntary reporting

	Number of sites reporting participation	Number of participations	Donation (k€)
APAC	13	614	77
EMEA	18	2,414	51
LATAM	3	171	1
NAM	27	3,378	202

In the Asia Pacific (APAC) zone, in addition to financial support, several actions were dedicated to education, support for elderly people, and nature protection and restoration.

In the Europe, Middle East and Africa (EMEA) zone, various actions were oriented toward the education of young pupils in schools and universities, to help them understand the career opportunities and challenges in the chemical industry.

In the Latin America (LATAM) zone, several actions were focused on educational campaigns for young people as well as donations of clothes and equipment to communities.

In the North America (NAM) zone, numerous activities were related to donations and funding for local activities. Several career days and science, technology, engineering and mathematics (STEM)-oriented education activities were also organized by the sites, as well as food drives and volunteering activities.

6.5.4. Major projects

Solidarity Fund support

In 2023, Syensqo supported employees and local communities in need through the Solidarity Fund, assisting more than 67 projects in 16 different countries, since the launch of the Fund in 2020. Originally set up to help employees cope with hardship caused by the Covid-19 pandemic, the Fund now also addresses other kinds of hardship. Our major focus in 2023 was on supporting those affected by natural disasters around the world. We also continued to support those impacted by the war in Ukraine. We donated around €1.9 million to a number of initiatives organized at global and site levels, such as:
- Supporting emergency efforts in Turkey, Syria and Morocco, aiding those affected by devastating earthquakes. The organizations we provided assistance to are the International Blue Crescent Relief and the Development Foundation (CBI) for Syria, and AHBAP and AFAD for Turkey. Through these organizations, the Fund provided help to medical teams and those who lost their homes.
- Continuing to support Ukraine, extending resources to organizations supporting refugees, and providing medical assistance and frontline aid. In this ongoing conflict, we aim to come to the aid of those affected by this crisis. For example, in Belgium, the Fund supported the Bonjour Belgique initiative, led by Bibliothèque Sans Frontières, to aid Ukrainian refugees in their integration.

Ellen MacArthur Foundation

In December 2023, Syensqo signed a renewed partnership with the Ellen MacArthur Foundation, continuing the partnership originally established with Solvay in 2018. For more information see page 175.

Sustainable Guar Initiative (SGI)

Sourced predominantly from the Rajasthan region in India and used as a thickening agent, stabilizer and binder in a variety of industries, the guar gum derived from the guar bean has many applications, making it a highly sought after ingredient. However, increased industrial demand has raised environmental challenges. Climate variability and climate change, water scarcity, soil erosion and deforestation are just some of the environmental concerns related to guar farming.

As the world's leading producer of guar derivatives, Syensqo has partnered with our customers L'Oréal, Henkel and Procter & Gamble, along with NGO Technoserve, to make guar cultivation in Rajasthan more sustainable. The initiative ensures that guar farmers can earn a better living, and lead healthier lives, while enabling us to obtain higher quality guar, and our customers to benefit from improved supply security, which is highly valued by final consumers. The initiative also empowers women through training focused on hygiene, health, nutrition and digital literacy. Since the launch of the initiative in 2015, we have enrolled 12,000 farmers, including over 3,500 women, across 60 villages.

We have also taken additional steps to advance this initiative by embedding blockchain in the SGI program. Blockchain is helping to strengthen the value chain by providing transactional transparency and provenance tracking.

Awards for young STEM PhD graduates encouraging them to contribute to societal progress

On an annual basis we offer an award for PhD graduates who have successfully defended their thesis the previous year in the Faculty of Sciences or Engineering School of the Université Libre de Bruxelles (ULB) or of the Vrije Universiteit Brussel (VUB).

Our aim in awarding this prize is to encourage young people to train and undertake research in the fields of science and technology, where research is essential for the development of current and future industrial activities. Our intent is to stimulate the inventiveness of talented PhD graduates and encourage them to think of ways their work can contribute to societal progress.

Since the beginning in 1989, nearly 600 students have applied for the award. At our awards ceremony in October 2023, we celebrated the five PhD laureates from the 2022 session.

CommonLit: making literacy education in the US accessible for everyone

CommonLit is an American nonprofit EdTech organization dedicated to ensuring that all students, regardless of background and socioeconomic status, graduate with the reading, writing, communication and problem-solving skills they need to be successful in university and later life. To accomplish this goal, CommonLit has developed an innovative digital literacy program that helps teachers advance their students' literacy through a high-quality digital curriculum, analytic dashboards that track student growth and personalized support for students.

Syensqo supports CommonLit's work with financial commitments made through the Epic Foundation, a global organization connecting nonprofits creating solutions to today's pressing challenges with individuals and businesses who want to drive positive change. This important three-year investment will support schools in 55 zip codes in the US, and goes hand-in-hand with our broader commitment to invest in local communities and support science careers.

GirLS are leading the way!

Girls Leading in Science (GirLS) is the name of a special competition initiated by women scientists from Syensqo Research and Innovation in Belgium. It aims to inspire young people, and more specifically girls, to pursue higher education in a scientific or technological field.

Conducted in two stages, the competition consists of a pre-selection phase and a final. During the 2023 pre-selection, 39 students were chosen based on short video submissions in which they discussed a scientific or technical subject of their choice. Submissions were received from all three regions of Belgium.

The 2023 contestants had to demonstrate their creativity and scientific skills while brainstorming in groups on a fascinating theme: "solving the ecological crisis thanks to biodiversity." The candidates with the best project and the best-proposed solution were offered a grant to continue their future education in STEM. The winning team was composed of two girls and three boys.

6.6. Critical incident risk management

GRI Disclosure 2-27 3-3
SDG 3 12

6.6.1. Definitions

Syensqo's reporting of Process Safety Incidents is aligned with the globally harmonized metrics from the ICCA (International Council of Chemical Associations) and Cefic (European Chemical Industry Council). The Process Safety Incident rate (PSI rate) corresponds to the number of Process Safety Incidents per 100 full-time equivalent employees, including employees and contractors and assuming 2,000 working hours per worker, per year for employees, and actual work hours reported monthly by all sites for contractors. This rate is monitored and enables benchmarking with peers.

Perimeter:
- For the Process Safety Incident, it applies to production sites and research and innovation center sites under operational control where a process risk may be identified. This is an operational perimeter excluding all sites that are not in the "Process scope": administrative sites, business, engineering, corporate, environmental rehabilitation, etc., but also external warehouses, quarries and mines, among others.

Severity:
- High or catastrophic severity incident: reversible injuries offsite, or irreversible injuries onsite, or reversible environmental damage offsite, or damage to equipment with direct cost above €2 million.
- Medium severity incident: first aid injuries offsite, reversible injuries onsite, or operating permit limits exceedance, fire, explosion, rupture of a piece of equipment with damage above €2,500, or chemical release with amount above the ICCA thresholds.

Chemical release:
- Low and medium process safety events involve a release of chemicals from a chemical process which meets the consequence thresholds as defined by ICCA Globally Harmonized Process Safety Metrics.

Transport Safety Incidents are incidents occurring during the movement of a chemical product such as:
- Loading or unloading at a Syensqo site.
- Circulating inside a Syensqo site in a vehicle, on the way in or out of the site.
- Circulating on public roads, rail, air, inland waterways or sea.
- Loading or unloading at an offsite location, if Syensqo or a logistics provider contracted by Syensqo is performing the loading or unloading.

6.6.2. Management approach

Process safety

Process Safety Management is a management system for designing and operating industrial processes that handle large quantities of hazardous chemicals. For preventing and controlling incidents in industrial processes, Syensqo applies the Process Safety Management Principles on all industrial sites, regardless of whether the site is covered by regulatory requirements.

Key elements are:
- Completion of Process Hazard Analyses to identify high-risk situations. These are performed on each unit with a unique risk matrix to quantify the risk level of every potential accidental scenario, combining severity and probability factors.
- Activation of an Emergency Response Plan in case of severe incidents on site. Relevant internal and external parties are informed through the application of Syensqo's crisis management procedure. If needed, the Corporate Crisis Cell (crisis alert duty 24/7) is also activated.
- Systematic analysis of each incident is carried out as soon as possible, in order to identify root causes and implement preventive actions to avoid similar incidents in the future.
- Central reporting of Process Safety Incidents. The incident severity – medium, high or catastrophic – is assessed by applying internal criteria, including consequences onsite or offsite, damage to the immediate vicinity and quantity of spilled material.
- Publication of process safety bulletins for significant incidents, distributed to all sites. These bulletins are used by the sites as support materials for safety talks to increase the process safety knowledge of employees.

Transport safety

The major goal of the Transport Safety Management system is a reduction in incidents that could lead to catastrophic consequences. The main elements are:
- Regulatory watch and compliance with applicable transport regulations
- Training
- Selection process for Logistics Service Providers, based on hazard and risk assessment
- Operational management of day-to-day transport operations, including loading and unloading
- Emergency preparedness and response for levels 1, 2 and 3
- Incident reporting and investigation
- Auditing

6.6.3. Indicators

Process safety

Syensqo's target is to avoid any high- or catastrophic-severity incidents and to reduce the Process Safety Incident rate.

	Units	2023	2022
Process Safety Incident rate	Medium- or higher-severity incidents per 200,000 hours worked	0.68	0.74
Process safety incidents with medium, high or catastrophic severity	Number	92	94[1]

[1] *The 2022 process safety incidents with medium, high or catastrophic severity has been restated in accordance with the definition.*

Employees' work hours are based on the average of the monthly active internal workforce (headcount) multiplied by the coefficient of 2,000 hours for all countries and sites. Contractors' actual work hours are reported monthly by all sites.

	Units	2023	2022
Process safety incidents[2] (medium, high, catastrophic) with environmental consequences (medium, high or catastrophic)	Number	16	17
– with reportable operating permit limit exceedance, and with a chemical release (low, medium)	Number	5	9
– without reportable operating permit limit exceedance	Number	11	8

In 2023, 16 process incidents with release to the environment were reported. Among these, five generated reportable cases of having exceeded an operating permit limit.

Transport safety

All medium, high and catastrophic transport safety incidents must be reported in the corporate reporting tool, with a detailed description and classification. Root cause analysis, including actions to prevent recurrence and lessons-learned bulletins are mandatory for all high- and catastrophic-severity incidents, and for medium-severity incidents resulting in a fire or an explosion, as well as for HSPos (High Severity Potential) incidents. These are low- or medium-severity incidents or near misses that might have been worse (high or catastrophic) if the circumstances had been slightly different.

TRANSPORT SAFETY INCIDENTS

	Units	2023	2022
Medium severity	Number	0	4
High severity	Number	0	0
Catastrophic	Number	0	2

7. GRI CONTENT INDEX

7.1. Statement of use and GRI 1 used

Syensqo has reported in accordance with the GRI Standards for the period January 1, 2023, to December 31, 2023.

GRI 1 used: GRI 1 Foundation 2021.

Applicable GRI Sector Standards: not applicable.

For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders.

The service was performed on the English version of the report.

7.2. GRI 2: general disclosures 2021

THE ORGANIZATION AND ITS REPORTING PRACTICES

Disclosure	Location	Omission
2-1 Organizational details	Financial statements: note F1 – revenue and segment information, page 254 Note F40 – list of companies included in the consolidation scope, page 340	
2-2 Entities included in the organization's sustainability reporting	Extra-financial statements: 2.1. Reporting frameworks, page 150 Financial statements: Note F40 – list of companies included in the consolidation scope, page 340	
2.3 Reporting period, frequency and contact point	Reporting period: from January 1, 2023, to December 31, 2023 Frequency: yearly and aligned on financial reporting Contact point: investor.relations@syensqo.com Publication date: April 16, 2024	
2.4 Restatements of information	Financial Statements: Consolidated Financial Statements: Main events and changes in consolidation scope during the year, page 236 Extra-financial statements: 2.1. Reporting frameworks, page 150 2.2 Reporting scope and boundaries, page 151	
2-5 External assurance	Auditor's report for the extra-financial statements, page 348	

ACTIVITIES AND WORKERS

Disclosure	Location	Omission
2-6 Activities, value chain and other business relationships	Sustainable value creation: Our business model Performance: segments overview, page 16	
2-7 Employees	Extra-financial statements: 2.1. Reporting frameworks, page 150 Extra-financial statements: 6.4. Recruitment, development and retention, page 218	
2-8 Workers who are not employees	Extra-financial statements: 6.4. Recruitment, development and retention, page 218	

GOVERNANCE

Disclosure	Location	Omission
2-9 Governance structure and composition	Corporate Governance Statement: Board of Directors and Board Committees, page 95	
2-10 Nomination and selection of the highest governance body	Corporate Governance Statement: Board of Directors and Board Committees, page 95 Charter of Corporate Governance https://www.syensqo.com/en/investors/corporate-governance	
2-11 Chair of the highest governance body	Corporate Governance Statement: Board of Directors and Board Committees, page 95	
2-12 Role of the highest governance body in overseeing the management of impacts	Charter of Corporate Governance https://www.syensqo.com/en/investors/corporate-governance/board-directors	
2-13 Delegation of responsibility for managing impacts	Corporate Governance Statement, page 90	
2-14 Role of the highest governance body in sustainability reporting	About this report, page 00 Declaration by the persons responsible, page 364	
2-15 Conflicts of interest	Corporate Governance Statement: Functioning of the Board of Directors, page 99 Corporate Governance Statement: Introduction, page 90 Charter of Corporate Governance https://www.syensqo.com/en/investors/corporate-governance/board-directors	
2-16 Communication of critical concerns	Corporate Governance Statement: Functioning of the Board of Directors, page 99	
2-17 Collective knowledge of the highest governance body	Corporate Governance Statement: Induction and continuous Board training, page 100	
2-18 Evaluation of the performance of the highest governance body	Corporate Governance Statement: Evaluation, page 99	
2-19 Remuneration policies	Corporate Governance Statement: Compensation report, page 106	
2-20 Process to determine remuneration	Corporate Governance Statement: Compensation report, page 106	
2-21 Annual total compensation ratio	Corporate Governance Statement: Compensation report, page 106	

STRATEGY, POLICIES AND PRACTICES

Disclosure	Location	Omission
2-22 Statement on sustainable development strategy	Advancing humanity: Our sustainability ambition, page 52	
2-23 Policy commitments	Extra-financial statements: 3.2. Management of the legal, ethics and regulatory framework, page 164 Extra-financial statements: 5.4. Hazardous materials, page 205	
2-24 Embedding policy commitments	Extra-financial statements: 6.6. Critical incident risk management, page 224 Extra-financial statements: 3.1 Syensqo One Planet Ambition, page 163	
2-25 Processes to remediate negative impacts	Extra-financial statements: 6.1. Health, safety and environment management, page 208	
2-26 Mechanisms for seeking advice and raising concerns	Extra-financial statements: 3.2. Management of the legal, ethics and regulatory framework, page 164	
2-27 Compliance with laws and regulations	Extra-financial statements: 3.2. Management of the legal, ethics and regulatory framework, page 164 Extra-financial statements: 6.6. Critical incident risk management, page 224	
2-28 Membership associations	Extra-financial statements: 3.7. Membership of associations, page 176	

STAKEHOLDER ENGAGEMENT

Disclosure	Location	Omission
2-29 Approach to stakeholder engagement	Advancing humanity: Engaging with stakeholders, page 68	
2-30 Collective bargaining agreements	Extra-financial statements: 6.2. Employee engagement and well-being, page 212	

7.3. GRI 3: material topics 2021

Disclosure	Location	Omission
3-1 Process to determine material topics	Extra-financial statements: 2.3. Materiality analysis, page 152	
3-2 List of material topics	Extra-financial statements: 2.3. Materiality analysis, page 152	

MANAGEMENT OF THE LEGAL, ETHICS AND REGULATORY FRAMEWORK

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 3.2. Management of the legal, ethics and regulatory framework, page 164 Risk management: 2.3 Compliance and business integrity, page 134 Risk management: 2.6 Spin-off transformation-related risks, page 140	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Risk management: Compliance and business integrity, page 134	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Extra-financial statements: 3.2. Management of the legal, ethics and regulatory framework, page 164	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Risk management: Litigation, page 145 Extra-financial statements: 3.2. Management of the legal, ethics and regulatory framework, page 164	
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, antitrust and monopoly practices	Risk management: Litigation, page 145	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Extra-financial statements: 3.2. Management of the legal, ethics and regulatory framework, page 164	
GRI 415: Public policy 2016	415-1 Political contributions	Extra-financial statements: 3.2. Management of the legal, ethics and regulatory framework, page 164	

GREENHOUSE GAS EMISSIONS AND PHYSICAL IMPACTS OF CLIMATE CHANGE

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 4.1. Greenhouse gas emissions, page 181 Risk management: 2.5 Climate change, page 138	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Extra-financial statements: 4.1. Greenhouse gas emissions, page 181	
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	Extra-financial statements: 4.1. Greenhouse gas emissions, page 181	
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	Extra-financial statements: 4.1. Greenhouse gas emissions, page 181	
GRI 305: Emissions 2016	305-4 GHG emissions intensity	Extra-financial statements: 4.1. Greenhouse gas emissions, page 181	
GRI 305: Emissions 2016	305-5 Reduction of GHG emissions	Extra-financial statements: 4.1. Greenhouse gas emissions, page 181	

BIODIVERSITY

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 4.3. Biodiversity, page 187	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, or managed in or adjacent to protected areas and areas of high biodiversity value, outside protected areas	Extra-financial statements: 4.3. Biodiversity, page 187	
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	Extra-financial statements: 4.3. Biodiversity, page 187	
GRI 304: Biodiversity 2016	304-3 Habitats protected or restored	Extra-financial statements: 4.3. Biodiversity, page 187	
GRI 304: Biodiversity 2016	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Extra-financial statements: 4.3. Biodiversity, page 187	

PRODUCT DESIGN AND LIFE CYCLE MANAGEMENT

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 5.1. Product design and life cycle management, page 193 Risk management: 2.3 Compliance and business integrity, page 134	
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Extra-financial statements: 5.1. Product design and life cycle management, page 193 Extra-financial statements: 4.5. Waste, page 190 Extra-financial statements: 5.4. Hazardous materials, page 205	
GRI 416: Customer health and safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Risk management: Environmental impacts and controversies, page 130	
Syensqo	Products based on circular sourcing	Extra-financial statements: 5.3. Circular economy, page 204	

AIR QUALITY

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 4.4. Air quality, page 189 Risk management: 2.2 Environmental impacts, page 133	
GRI 305: Emissions 2016	Disclosure 305-6 Emissions of ozone-depleting substances (ODS)	Extra-financial statements: 4.4. Air quality, page 189	
GRI 305: Emissions 2016	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	Extra-financial statements: 4.4. Air quality, page 189	Requirement omitted: hazardous air pollutants, particulate matter Reason: information unavailable/incomplete Explanation: sites report data according to national requirements; this does not allow consolidation. There is no internationally recognized reference list or methodology. We are working on a global list to report on and expect to be able to report in 2025.

WATER AND WASTEWATER

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 4.6. Water and wastewater, page 191 Risk management: 2.2 Environmental impacts, page 133	
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	Extra-financial statements: 4.6. Water and wastewater, page 191	
GRI 303: Water and effluents 2018	303-2 Management of water discharge-related impacts	Extra-financial statements: 4.6. Water and wastewater, page 191	
GRI 303: Water and effluents 2018	303-3 Water withdrawal	Extra-financial statements: 4.6. Water and wastewater, page 191	
GRI 303: Water and effluents 2018	303-4 Water discharge	Extra-financial statements: 4.6. Water and wastewater, page 191	
GRI 303: Water and effluents 2018	303-5 Water consumption	Extra-financial statements: 4.6 Water and wastewater, page 191	

WASTE

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 4.5. Waste page 190 Risk management: 2.2 Environmental impacts, page 133	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Extra-financial statements: 4.5. Waste, page 190	
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	Extra-financial statements: 4.5. Waste, page 190	
GRI 306: Waste 2020	306-3 Waste generated	Extra-financial statements: 4.5. Waste, page 190	
GRI 306: Waste 2020	306-4 Waste diverted from disposal	Extra-financial statements: 4.5. Waste, page 190	
GRI 306: Waste 2020	306-5 Waste directed to disposal	Extra-financial statements: 4.5. Waste, page 190	

EMPLOYEE HEALTH AND SAFETY

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 6.1. Employee health and safety, page 208 Risk management: 2.4 Operations safety, page 136	
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	Extra-financial statements: 6.1. Employee health and safety, page 208	
GRI 403: Occupational health and safety 2018	403-2 Hazard identification, risk assessment and incident investigation	Extra-financial statements: 6.1. Employee health and safety, page 208	
GRI 403: Occupational health and safety 2018	403-3 Occupational health services	Extra-financial statements: 6.1. Employee health and safety, page 208	
GRI 403: Occupational health and safety 2018	403-4 Worker participation, consultation and communication on occupational health and safety	Extra-financial statements: 6.1. Employee health and safety, page 208 Extra-financial statements: 6.2. Employee engagement and well-being, page 212	
GRI 403: Occupational health and safety 2018	403-5 Worker training on occupational health and safety	Extra-financial statements: 6.1. Employee health and safety, page 208	
GRI 403: Occupational health and safety 2018	403-6 Promotion of worker health	Extra-financial statements: 6.1. Employee health and safety, page 208	
GRI 403: Occupational health and safety 2018	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Extra-financial statements: 6.1. Employee health and safety, page 208	
GRI 403: Occupational health and safety 2018	403-8 Workers covered by an occupational health and safety management system	Extra-financial statements: 6.1. Employee health and safety, page 208	
GRI 403: Occupational health and safety 2018	403-9 Work-related injuries	Extra-financial statements: 6.1. Employee health and safety, page 208	
GRI 403: Occupational health and safety 2018	403-10 Work-related ill health	Extra-financial statements: 6.1. Employee health and safety, page 208	

EMPLOYEE ENGAGEMENT AND LABOR PRACTICES

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 6.2. Employee engagement and well-being, page 212	
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Extra-financial statements: 6.2. Employee engagement and well-being, page 212 Extra-financial statements: 6.4. Recruitment, development and retention, page 218	
GRI 402: Labor/Management relations 2016	402-1 Minimum notice periods regarding operational changes		Not applicable: the minimum notice periods are based on local legislations and local collective agreements.
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Extra-financial statements: 6.2. Employee engagement and well-being, page 212	

DIVERSITY AND INCLUSION

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 6.3. Diversity and inclusion, page 215	
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	Extra-financial statements: 6.3. Diversity and inclusion, page 215	
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	Extra-financial statements: 6.3. Diversity and inclusion, page 215	

CORPORATE CITIZENSHIP

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 6.5. Corporate citizenship, page 222 Risk management: 2.1 Security, page 132	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programs	Extra-financial statements: 6.5. Corporate citizenship, page 222	
GRI 413: Local communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	Risk management: Environmental impacts and controversies, page 130	

HAZARDOUS MATERIALS

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 5.4. Hazardous materials, page 205 Risk management: 2.2 Environmental impacts, page 133	
GRI 403: Occupational health and safety 2018	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Extra-financial statements: 5.4. Hazardous materials, page 205 Extra-financial statements: 6.1. Employee health and safety, page 208	
Syensqo	Safer alternatives for marketed products	Extra-financial statements: 5.4. Hazardous materials, page 205	

CRITICAL INCIDENT RISK MANAGEMENT

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Risk management: 2.1 Security, page 132 Extra-financial statements: 6.6. Critical incident risk management, page 224	

DATA SECURTIY

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Risk management: 2.1 Security, page 132 Risk management: 2.6 Spin-off transformation-related risks, page 140	

PRODUCT QUALITY AND SAFETY

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Risk management: 2.3 Compliance and business integrity, page 134	

7.4. Other topics included in this report

ENERGY

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 4.2. Energy, page 185	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Extra-financial statements: 4.2. Energy, page 185	
GRI 302: Energy 2016	302-2 Energy consumption outside of the organization	Extra-financial statements: 4.2. Energy, page 185	
GRI 302: Energy 2016	302-3 Energy intensity	Extra-financial statements: 4.2. Energy, page 185	
GRI 302: Energy 2016	302-4 Reduction of energy consumption	Extra-financial statements: 4.2. Energy, page 185	

RECRUITMENT, DEVELOPMENT AND RETENTION

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 6.4. Recruitment, development and retention, page 218	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Extra-financial statements: 6.4. Recruitment, development and retention, page 218	
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Extra-financial statements: 6.4. Recruitment, development and retention, page 218	
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	Extra-financial statements: 6.4. Recruitment, development and retention, page 218	
GRI 404: Training and education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	Extra-financial statements: 6.4. Recruitment, development and retention, page 218	
GRI 404: Training and education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	Extra-financial statements: 6.4. Recruitment, development and retention, page 218	

SUPPLY CHAIN AND PROCUREMENT

Source	Disclosure	Location	Omission
GRI 3: Material topics 2021	3-3 Management of material topics	Extra-financial statements: 3.5. Supply chain and procurement, page 173	
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	Extra-financial statements: 3.5. Supply chain and procurement, page 173	
GRI 308: Supplier environmental assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	Extra-financial statements: 3.5. Supply chain and procurement, page 173	
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Extra-financial statements: 3.5. Supply chain and procurement, page 173	
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	Extra-financial statements: 3.5. Supply chain and procurement, page 173	

FINANCIAL STATEMENTS

Financial statements

1. CONSOLIDATED FINANCIAL STATEMENTS

Syensqo SA/NV (the "Company" or "Syensqo") is a public limited liability company governed by Belgian law and listed on Euronext Brussels and Euronext Paris. The principal activities of the Company, its subsidiaries, joint ventures and associates (jointly the "Group" or "Syensqo Group") are described in note F1 Revenue and segment information.

The Syensqo Group operates 62 sites in 30 countries, employs over 13,000 employees and delivered net sales of €6.8 billion in 2023. Syensqo SA is the Group's ultimate parent with its registered office located at Rue de la Fusée 98, B – 1130 Brussels, Belgium.

On March 11, 2024, the Board of Directors authorized the consolidated financial statements for issuance.

MAIN EVENTS AND CHANGES IN THE CONSOLIDATION SCOPE

Partial Demerger

Solvay SA ("Solvay" or the "Solvay Group") announced, on March 15, 2022, that it was reviewing plans to separate into two independent, publicly traded companies:

- "SpecialtyCo" (now renamed Syensqo), which would comprise the Solvay Group's Materials segment and the majority of the Solvay Group's Solutions segment: Novecare, Technology Solutions, Aroma Performance, and Oil and Gas (together the "Specialty Businesses" or "Syensqo Businesses"). Syensqo SA was constituted on February 27, 2023, as Specialty Holdco Belgium, before it was subsequently renamed.
- "EssentialCo," which would comprise the leading mono-technology businesses in the Solvay Group's Chemicals segment and the Special Chem business (together the "Remaining Solvay Group"). Following the Partial Demerger (as defined below), the Remaining Solvay Group would consist of EssentialCo.

The separation was effected by means of a partial demerger ("scission partielle") of Solvay SA, under Belgian law, whereby Solvay SA contributed the shares and other interests it holds in the legal entities operating the Specialty Businesses, its rights and obligations under the agreements entered into with those legal entities, as well as certain other assets and liabilities under a universal succession regime ("transmission à titre universel") to Syensqo (the "Partial Demerger"). Upon completion of the Partial Demerger, Solvay SA shareholders received shares issued by Syensqo SA pro rata to their shareholdings in Solvay SA. The shares of Syensqo SA were admitted to trading on the regulated market of Euronext Brussels and Euronext Paris on December 8, 2023, immediately after the Partial Demerger. Stock exchange trading in the shares of Syensqo SA commenced on December 11, 2023.

The Partial Demerger was structured in a manner that was tax efficient for a significant majority of Solvay SA's shareholders in key jurisdictions. The Partial Demerger was approved by the shareholders at the extraordinary general meeting on December 8, 2023.

Before the Partial Demerger, a legal reorganization was completed to separate the Specialty Businesses from other businesses of the Solvay Group (the "Legal Reorganization"), by: (i) transferring assets, liabilities and activities from legal entities that previously undertook both Specialty Businesses and Remaining Solvay Group operations (referred to as "Mixed Entities") to existing or new legal entities dedicated to either Specialty Businesses or the Remaining Solvay Group's activities; and (ii) reorganizing the ownership within the Solvay Group of all existing legal entities entirely dedicated to the Specialty Businesses before the Legal Reorganization ("Dedicated Entities"), all existing legal entities that were Mixed Entities before the Legal Reorganization and from which Remaining Solvay Group's activities have been carved out, and all new legal entities to which Specialty Businesses have been carved-out as part of the Legal Reorganization.

The Separation Agreement

The Syensqo Group and the Solvay Group entered into a Separation Agreement on December 4, 2023, to govern certain practical aspects of the separation of the two groups, as well as the allocation of certain liabilities, including environmental liabilities. The Separation Agreement will be effective until the thirtieth anniversary of December 8, 2023 (except with respect to claims relating to environmental liabilities, which can be made until 12 months after the statute of limitations expires). The Separation Agreement may not be terminated early without written consent of each party.

The Separation Agreement will govern certain aspects of the separation of Syensqo from the Solvay Group, including, among other arrangements, those relating to:

- (i) the settlement and termination of certain intercompany balances and arrangements – see note F37 Related parties, and note F32 Financial instruments;
- (ii) the substitution, removal or release of legal entities that are part of the Syensqo Group or the Solvay Group, as applicable, in respect of certain third-party credit or other support obligations, as well as the provision of counter guarantees – see note F32 Financial Instruments and note F36 Contingent liabilities;
- (iii) the allocation of certain fees, costs and expenses incurred in connection with the Partial Demerger – see note F5 Results from portfolio management and major restructuring;
- (iv) the transfer to the other party of any assets (identified within 24 months of the Partial Demerger) allocated erroneously to the Syensqo Group or the Solvay Group;
- (v) the transfer of all rights and obligations to Syensqo in relation to certain transferred employees' supplementary pension schemes in Belgium – see note F30 Employee benefits.

The Separation Agreement contains provisions allocated to the Syensqo Group for certain operating costs, closed or divested sites, including sites for which provisions have been historically accrued in the Solvay Group's consolidated financial statements, and cross-indemnity obligations applicable where a party incurs claims, liabilities or expenses for sites allocated to the other party in the Separation Agreement.

Under the cross-indemnity provisions, each of the Syensqo Group, on the one hand, and the Solvay Group, on the other hand, agreed to indemnify the other party for certain environmental liabilities allocated to the other party. The Separation Agreement includes provisions regarding the management of environmental claims, remediation obligations and related actions. The Separation Agreement also provides that claims subject to the cross-indemnity provisions may be submitted for up to 12 months following the expiry of the relevant statute of limitations.

At the end of 2023, Syensqo has recognized indemnification assets of €51 million representing the net present value of cash flows Syensqo expects to receive from the Solvay Group for the indemnified environmental liabilities. Syensqo has also recognized cross-indemnity provisions of €21 million in 2023 (in Other Provisions) representing the net present value of cash flows Syensqo expects to pay to the Solvay Group for certain environmental liabilities.

See note F31 Other provisions.

The Transition Services Agreement

The Syensqo Group and the Solvay Group have entered into a transition services agreement (the "TSA"), effective from the date of the Partial Demerger for a non-renewable term of 24 months, whereby the Syensqo Group and the Solvay Group will, to the extent that certain business functions and corporate functions have not been separated prior to the Partial Demerger date, each provide to the other various services and support on an interim transitional basis. In particular, given that the Syensqo Group will not have certain internal corporate functions fully in place at the date of the Partial Demerger (such as finance, legal, tax, human resources, payroll, IT and other support services), the Solvay Group will provide support with such matters under the terms of the TSA. Upon termination of the TSA, the Syensqo Group will bear wind-down charges covering certain restructuring costs incurred by the Solvay Group. In that context, Syensqo has recognized a provision of €51 million in 2023.

See note F31 Provisions.

US Tax Matters Agreement

In connection with the Partial Demerger, Syensqo and Solvay entered into a US Tax Matters Agreement (the "US TMA") intended to (among other things) preserve the tax-free treatment of the Partial Demerger and of the separation of the US Specialty Businesses and the US Essential Businesses (the "US Spin-Off") for US federal income tax purposes.

Under the US TMA, Syensqo and Solvay will generally be required to indemnify the other for any US taxes and certain related losses resulting from (or relating to) the failure of the US Spin-Off and the Partial Demerger (and certain associated transactions) to qualify for their intended US tax treatment, where such taxes or losses are attributable to (i) untrue representations and breaches of covenants made in connection with the US Spin-Off, the Partial Demerger or the US TMA (including in the IRS ruling and tax opinion described above), (ii) the application of certain provisions of US federal income tax law to the US Spin-Off or the Partial Demerger (for example, in connection with a change of control of either party), or (iii) other actions or omissions within the party's control which give rise to US taxes (or related losses) in connection with the US Spin-Off and the Partial Demerger.

Under the US TMA, Syensqo and Solvay are prohibited from taking actions that are reasonably expected to cause the Partial Demerger or US Spin-Off (or certain associated transactions) to fail to qualify for their intended US tax treatment or that could jeopardize the conclusions of, or that are inconsistent with, the IRS ruling or the tax opinion discussed above.

Additionally, the parties are generally prohibited (subject to certain exceptions in the US TMA), for the two-year period following completion of the Partial Demerger, from engaging in certain acquisitions, mergers, liquidations, sales and redemption transactions with respect to their respective stock and assets that could jeopardize the tax-free status of the Partial Demerger or the US Spin-Off for US federal income tax purposes. Neither Solvay's nor Syensqo's obligations under the US TMA are limited in amount or subject to any cap.

As of December 31, 2023, Syensqo was not aware of any breach or alleged breach by it of its obligations under the US TMA, and had not received any notice from Solvay relating to a breach or alleged breach thereof.

Liability management

On September 4 and 5, 2023, the Solvay Group announced the results of liability management transactions relating to certain senior and hybrid bonds denominated in euros. The transactions included a request for consent of bondholders to the substitution, effective upon completion of the Partial Demerger, of Syensqo SA/NV for Solvay as issuer of (i) the €500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds with first call date on December 2, 2025 (ISIN: BE6324000858) (the "2025 Hybrid Bonds"), and (ii) the €500,000,000 2.750% Fixed Rate Bonds due December 2, 2027 (ISIN: BE6282460615) (the "2027 Bonds").

At the bondholders' meeting in respect of the 2025 Hybrid Bonds, the necessary quorum was achieved, the relevant extraordinary resolution was passed and the relevant condition was satisfied. As a result, Syensqo SA/NV was substituted for Solvay as issuer of the 2025 Hybrid Bonds, effective at the date of the Partial Demerger, and subject to the satisfaction or waiver of certain conditions set out in the consent solicitation notice. See note F27 Equity.

At the meeting of the holders of the 2027 Bonds, the necessary quorum was achieved, the relevant extraordinary resolution was passed and the relevant condition was satisfied. As a result, Syensqo SA/NV was substituted for Solvay as issuer of the 2027 Bonds, effective at the date of the Partial Demerger, and subject to the satisfaction or waiver of certain conditions set out in the consent solicitation notice. See note F33 Net Indebtedness.

The 3.95% Senior Notes due 2025 issued by Cytec Industries Inc. (CUSIP: 232820 AK6) (the "Cytec 2025 Bonds") will remain outstanding for an amount of US$163,495,000, as currently. Solvay SA will remain the guarantor of the Cytec 2025 Bonds and, effective at the date of the Partial Demerger, Syensqo provided a counter-guarantee to Solvay for any payments to be made under the Cytec 2025 Bonds. There is no accounting impact of the counter-guarantee in the Syensqo consolidated financial statements.

Edison

In February 2023, Solvay Specialty Polymers Italy S.p.A., a subsidiary of Syensqo SA and previously a subsidiary of Solvay SA, received compensation of €91.6 million after decisions by the International Chamber of Commerce's arbitration tribunal, the Swiss Supreme Court and the Milan Court of Appeal, all of which ruled in favor of the Group. The outcome followed more than 10 years of legal proceedings in relation to claims of environmental breaches by Edison, a subsidiary of EDF, in the context of the Solvay Group's acquisition of the Italian company Ausimont in 2002.

The compensation relates to costs, losses and damages suffered by the Group up to the end of 2016. Additional arbitration procedures are currently ongoing regarding costs, losses and damages suffered by the Group from January 2017 onwards. The Group is confident in the merits of its claim for additional significant compensation for damage in this second phase and expects proceedings to conclude in 2024.

Environmental liabilities

On June 28, 2023, Solvay Specialty Polymers USA, LLC ("Solvay Specialty Polymers"), a subsidiary of Syensqo SA, and the New Jersey Department of Environmental Protection (NJDEP) announced an agreement resolving certain PFAS related claims in New Jersey.

Under the terms of the agreement, Solvay Specialty Polymers will pay $75 million to NJDEP for Natural Resource Damages (NRDs) and $100 million to fund NJDEP PFAS remediation projects in areas of New Jersey near the Group's West Deptford site. The settlement includes commitments for Solvay Specialty Polymers to complete remediation activities that began in 2013, including testing water and soil near the West Deptford site. Solvay Specialty Polymers has agreed to establish a remedial funding source in the amount of $214 million to fund those activities. The agreement, structured as a Judicial Consent Order, was presented to the US court for review and approval following a public comment period. The Court Approval was obtained on March 1, 2024, and became final and binding. This agreement is not an admission of liability.

As a result of this settlement, Solvay Specialty Polymers has increased its existing provision by around $250 million (€229 million) in 2023, with $180 million expected to cash out by 2024 and the balance over a 30-year period.

The environmental provision recorded is based on the net present value of the cash flow forecast needed, for current and future years, to settle the remediation obligations. This provision represents the estimated cash out and does not reflect expected recoveries from third-party contributors nor does it reflect the potential insurance proceeds, the combination of which could significantly reduce the resultant costs.

This liability was recorded in "Other current provisions" and "Other non-current provisions" in the consolidated statement of financial position and the associated impact in the consolidated income statement was recorded in "Results from legacy remediation and major litigations" together with all the other remediation impacts that relate to legacy activities.

The Group submitted certain claims from its environmental liability insurance and received confirmation in December 2023 that Solvay Specialty Polymers will receive €32 million as a preliminary settlement of these insurance policy claims. This was recognized in Other Receivables at December 31, 2023, with the corresponding gain included in Results from legacy remediation and major litigations. Other insurance proceeds and recovery from third-party contributors are still under discussion.

CONSOLIDATED INCOME STATEMENT

In € million	Notes	2023	2022
Sales	*(F1)*	7,065	8,123
- of which revenue from non-core activities	*(F3)*	231	233
- of which net sales		6,834	7,890
Cost of goods sold		-4,690	-5,519
Gross margin		**2,375**	**2,604**
Commercial costs		-296	-222
Administrative costs		-521	-622
Research and development costs		-339	-312
Other operating gains (and losses)	*(F4)*	-141	-152
Earnings from associates and joint ventures	*(F23)*	25	16
Results from portfolio management and major restructuring	*(F5)*	-388	-31
Results from legacy remediation and major litigations	*(F5)*	-168	-182
EBIT		**547**	**1,098**
Cost of borrowings	*(F6)*	-190	-133
Interest on loans and short-term deposits	*(F6)*	81	34
Other gains (and losses) on net indebtedness	*(F6)*	-31	-37
Cost of discounting provisions	*(F6)*	-28	17
Result from equity instruments measured at fair value		10	-13
Profit/(loss) for the year before taxes		**389**	**966**
Income taxes	*(F7)*	-192	-2
Profit/(loss) for the year		**197**	**964**
attributable to:			
- Syensqo share		193	950
- non-controlling interests		3	14
Basic earnings per share (€)	*(F8)*	1.83	8.97
Diluted earnings per share (€)	*(F8)*	1.82	8.97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € million	Notes	2023	2022
Profit/(loss) for the year		**197**	**964**
Other comprehensive income			
Gains and (losses) on hedging instruments in a cash flow hedge	*(F9)*	-50	9
Currency translation differences	*(F9)*	-169	168
Share of other comprehensive income of associates and joint ventures	*(F9)*	-6	-8
Recyclable components		**-225**	**170**
Gains and (losses) on equity instruments measured at fair value through other comprehensive income	*(F9)*	-6	-25
Remeasurements of the net defined benefit liability	*(F9)*	-35	-65
Share of other comprehensive income of associates and joint ventures	*(F9)*	-	0
Non-recyclable components		**-41**	**-90**
Income tax relating to recyclable and non-recyclable components	*(F9)*	28	-6
Other comprehensive income/(loss), net of related tax effects	**(F9)**	**-238**	**73**
Comprehensive income/(loss) for the year		**-41**	**1,037**
attributable to:			
- Syensqo share		-42	1,024
- non-controlling interests		1	13

CONSOLIDATED STATEMENT OF CASH FLOWS

In € million	Notes	2023	2022
Profit/(loss) for the year		197	964
Adjustments to profit/(loss) for the year		1,472	936
- Depreciation, amortization and impairments	*(F10)*	739	622
- Earnings from associates and joint ventures	*(F23)*	-25	-16
- Other non-operating and non-cash items	*(F11)*	-62	6
- Additions and reversals of employee benefits and provisions	*(F14)*	470	189
- Net financial charges & gains and losses on investments at fair value through P&L		158	132
- Income tax expense/income	*(F12)*	192	2
Changes in working capital	*(F13)*	108	-264
Use of provisions and payments for employee benefits	*(F14)*	-134	-121
Additional voluntary contributions (pension plans)	*(F14)*	-86	-
Dividends received from associates and joint ventures	*(F23)*	6	4
Income taxes paid (excluding income taxes paid on sale of investments)	*(F12)*	-288	-182
Cash flow from operating activities		**1,275**	**1,336**
of which cash flow related to portfolio management and excluded from Free Cash Flow		*-105*	*-6*
Acquisition (-) of subsidiaries	*(F15)*	-2	-
Acquisition (-) of investments – Other	*(F15)*	-14	-3
Loan repayments from associates and non-consolidated companies		172	102
of which with remaining Solvay Group		*172*	*102*
Sale (+) of subsidiaries and investments	*(F15)*	32	66
Acquisition (-) of property, plant and equipment	*(F15)*	-762	-522
of which capital expenditures required for the Partial Demerger and excluded from Free Cash Flow	*(F15)*	*-54*	*-*
Acquisition (-) of intangible assets	*(F15)*	-88	-69
Sale (+) of property, plant and equipment and intangible assets	*(F15)*	1	7
Dividends from equity instruments measured at fair value		1	2
Change in internal bank accounts with remaining Solvay Group	*(F16)*	-570	-227
Changes in non-current financial assets		-1	1
Cash flow from investing activities		**-1,231**	**-644**
Repayment of perpetual hybrid bond (capital injections from non-controlling interests)		7	-
Acquisition (-) / sale (+) of treasury shares		3	-
Increase in borrowings	*(F33)*	1,755	426
of which from remaining Solvay Group		*771*	*355*
Repayment of borrowings	*(F33)*	-3,208	-410
of which to remaining Solvay Group		*-2,270*	*-125*
Changes in other financial assets	*(F33)*	-4	26
Payment of lease liabilities	*(F33)*	-53	-51
Net interests paid		-119	-97
Coupons paid on perpetual hybrid bonds	*(F27)*	-	-
Dividends paid to non-controlling interests		-8	-8
Dividends paid to Solvay Group	*(F17)*	-436	-237
Dividends received from Solvay Group	*(F17)*	1,305	9
Other transactions with Solvay Group	*(F17)*	1,656	-215
Acquisition of non-controlling interests		-	-
Other	*(F18)*	-9	-19
Cash flow from financing activities		**890**	**-576**
Net change in cash and cash equivalents		**934**	**116**
Currency translation differences		-28	-10
Opening cash balance		244	139
Closing cash balance	*(F33)*	**1,150**	**244**

Prior to the Partial Demerger, changes in receivables or liabilities from the cash pooling agreements, as well as proceeds from and repayments of loans with the Remaining Solvay Group were included in the line items "Increase / Repayment of borrowings" in the cash flows from financing activities of the consolidated statements of cash flows and the related amount is provided in dedicated lines. When an intercompany bank account, that is part of the cash pool, was in a structural asset position for Syensqo, the related changes were reflected in cash flows from investing activities.

Transactions with the Remaining Solvay Group that are treated as contributions from or distributions to shareholders are included in the consolidated statements of cash flows. Such transactions result from the inclusion of expenses or income in the consolidated financial statements such as taxes of Mixed Entities, restructuring costs, employee benefit charges, charges for usage of shared assets, that are considered to be immediately settled by the Remaining Solvay Group.

In the consolidated statements of cash flows such expenses or income results respectively in cash outflows or inflows presented as part of the cash flow from operating activities and they are offset by the contributions from or distributions to shareholders presented as "Other transactions with Solvay Group" in the cash flows from financing activities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In € million	Notes	December 31, 2023	December 31, 2022
ASSETS			
Intangible assets	*(F19)*	1,659	1,817
Goodwill	*(F20, F24)*	2,560	2,671
Property, plant and equipment	*(F21)*	3,494	3,152
Right-of-use assets	*(F22)*	188	196
Equity instruments measured at fair value	*(F32)*	94	71
Investments in associates and joint ventures	*(F23)*	207	204
Other investments		19	4
Deferred tax assets	*(F7)*	661	623
Loans to remaining Solvay Group	*(F32)*	-	54
Other loans and other assets		196	89
Other financial instruments	*(F33)*	30	30
Non-current assets		**9,108**	**8,910**
Inventories	*(F25)*	1,244	1,392
Trade receivables	*(F32)*	907	1,027
Income tax receivables		52	20
Other financial instruments with third parties	*(F32)*	48	36
IBA (*) receivables with remaining Solvay Group	*(F16)*	-	1,555
Other receivables	*(F26)*	385	306
Loans to remaining Solvay Group	*(F32)*	-	144
Cash and cash equivalents	*(F33)*	1,150	244
Current assets		**3,786**	**4,723**
Total assets		**12,894**	**13,633**
EQUITY & LIABILITIES			
Share capital	*(F27)*	1,352	-
Share premiums		1,022	-
Other reserves		5,193	-
Owner's net investment		-	4,922
Non-controlling interests	*(F28)*	42	24
Total equity		**7,608**	**4,946**
Provisions for employee benefits	*(F30)*	373	338
Other provisions	*(F31)*	405	256
Deferred tax liabilities	*(F7)*	428	479
Borrowings from remaining Solvay Group	*(F32)*	-	773
Other non-current financial debt	*(F33)*	2,159	1,078
Other liabilities		76	23
Non-current liabilities		**3,442**	**2,948**
Other provisions	*(F31)*	297	118
Borrowings and IBA (*) liabilities from remaining Solvay Group	*(F32)*	-	3,929
Other current financial debt	*(F33)*	154	96
Trade payables	*(F32)*	918	972
Income tax payables		58	85
Other liabilities	*(F34)*	417	538
Current liabilities		**1,844**	**5,739**
Total equity and liabilities		**12,894**	**13,633**

(*) IBA = Internal bank accounts

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to equity holders of the parent											
								Revaluation reserve (fair value)					
In € million	Notes	Share capital	Share premiums	Treasury shares	Perpetual hybrid bonds	Invested equity attributable to Syensqo / Retained earnings	Currency translation differences	Equity instruments measured at fair value through other comprehensive income	Cash flow hedges	Defined benefit pension plan	Total other reserves	Non-controlling interests	Total equity
December 31, 2021		-	-	-	-	4,468	-292	23	-3	118	4,315	18	4,333
Profit for the year		-	-	-	-	950	-	-	-	-	950	14	964
Items of other comprehensive income	(F9)	-	-	-	-	-	162	-19	6	-74	74	-1	73
Comprehensive income		-	-	-	-	950	162	-19	6	-74	1,024	13	1,037
Transactions with Solvay Group		-	-	-	-	-452	-	-	-	-	-452	-	-452
Cost of share based payment plans		-	-	-	-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-	-8	-8
Acquisition (-) / sale (+) of treasury shares		-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	35	-	0	-	-	35	0	35
December 31, 2022		-	-	-	-	5,002	-130	4	3	44	4,922	24	4,946
Profit for the year		-	-	-	-	193	-	-	-	-	193	3	197
Items of other comprehensive income	(F9)	-	-	-	-	0	-173	3	-32	-33	-235	-3	-238
Comprehensive income		-	-	-	-	193	-173	3	-32	-33	-42	1	-41
Capital increase		-	-	-	-	-	-	-	-	-	-	7	7
Transactions with Solvay Group		-	-	-62	494	2,247	1	-	-9	1	2,672	20	2,692
Allocation of invested equity according to the legal structure		1,352	1,022	-	-	-2,374	-	-	-	-	-2,374	-	-
Cost of share-based payment plans		-	-	-	-	11	-	-	-	-	11	-	11
Dividends		-	-	-	-	-	-	-	-	-	-	-8	-8
Acquisition (-) / sale (+) of treasury shares		-	-	2	-	-	-	-	-	-	2	-	2
Other		-	-	-	-	0	-	-	-	-	0	-	0
December 31, 2023		1,352	1,022	-59	494	5,079	-302	8	-39	12	5,193	42	7,608

Prior to the Partial Demerger, Syensqo did not constitute a group with a parent company in accordance with IFRS 10 Consolidated Financial Statements. Therefore, share capital, share premium, treasury shares and retained earnings for the year ended December 31, 2022, were presented as invested equity attributable to Syensqo.

Prior to the Partial Demerger, cumulated exchange differences on currency translation of foreign operations were measured at their carrying amount included in the Solvay Group's consolidated financial statements for Dedicated Entities and pro rata the net assets transferred to Syensqo for the Mixed Entities. The changes in equity that result from transactions deemed to be immediately settled through equity and as such treated as contributions from or distributions to shareholders are included in the line "Transactions with Solvay Group," in the statements of changes in equity. Those contributions from or distributions to shareholders relate to carve-out specific considerations, such as the allocation of costs for shared services, impact of tax results recalculated on separate tax return basis, restructuring charges and employee benefit charges and from the execution of the liability management program.

Details about the "Transactions with Solvay Group" line and the reconciliation between the related amounts in the Consolidated Statements of Cash Flows and Consolidated Statements of Changes in Equity are presented in the note F17 Dividends paid to / received from the Solvay Group and other transactions with remaining Solvay Group and note F27 Equity.

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IFRS GENERAL ACCOUNTING POLICIES

2.1. Basis of preparation

This information was prepared in accordance with European Regulation (EC) 1606/2002 on the application of international accounting standards dated July 19, 2002. The Group's consolidated financial statements for the year ended December 31, 2023, were prepared in accordance with IFRS (International Financial Reporting Standards) as published by the International Accounting Standards Board (IASB), and endorsed by the European Union.

The accounting standards applied in the consolidated financial statements for the year ended December 31, 2023, are consistent with those used to prepare the combined financial statements for the year ended December 31, 2022. The Group has not early adopted any other standards, interpretations or amendments that have been issued but is not yet effective.

Syensqo Combined Financial Statements

In 2023, prior to the Partial Demerger, a Legal Reorganization occurred by: (i) transferring assets, liabilities and activities from legal entities that previously undertook both Specialty Businesses and Remaining Solvay Group operations (referred to as "Mixed Entities") to existing or new legal entities dedicated to either Specialty Businesses or the Remaining Solvay Group's activities; and (ii) reorganizing the ownership within the Solvay Group of all existing legal entities entirely dedicated to the Specialty Businesses before the Legal Reorganization ("Dedicated Entities"), all existing legal entities that were Mixed Entities before the Legal Reorganization and from which Remaining Solvay Group's activities have been carved out, and all new legal entities to which Specialty Businesses have been carved-out as part of the Legal Reorganization. The Legal Reorganization is a business combination under common control that is scoped out of IFRS 3 Business Combinations. In the absence of an IFRS standard specifically applicable to such a transaction, management elected to apply the pooling-of-interests method in the consolidated financial statements of Syensqo, based on the historical carrying values of the assets and liabilities of the combining entities. Syensqo SA is the continuing entity of the Reporting Entity reflected in the combined financial statements of SpecialtyCo.

The preparation of the figures for the year ended December 31, 2022, that are based on the Combined Financial Statements of the Syensqo Group and the figures in 2023 prior to the Partial Demerger date, required management to apply accounting methods and policies that are based on judgments. The application of these judgments, including how the entities within the existing Solvay Group were combined, affected the reported amounts of assets and liabilities at December 31, 2022, as well as the reported amounts of income and expenses prior to the Partial Demerger date.

Please refer to the following notes for further information on the judgments taken to prepare the comparative figures for the Syensqo Group Consolidated Financial Statements.
- F7 Income taxes
- F19 Intangible assets
- F21 Property, plant and equipment
- F27 Equity
- F30 Employee benefits
- F32 Financial instruments
- F33 Net indebtedness
- F37 Related parties

Note that in the preparation of the Combined Financial Statements of the Syensqo Group for the year ended December 31, 2022, an assumption was made that Solvay (Zhenjiang) Chemicals Co Ltd ("Zhenjiang") would be legally separated between the Syensqo Group and the Solvay Group. As such, the Combined Financial Statements included only the assets, liabilities, incomes, expenses and cash flows related to the Specialty business of this company and, as it was part of the perimeter of the combination, its net financial indebtedness.

However, it was later decided that the Zhenjiang entity would remain fully within the scope of and under the control of the Syensqo Group. As such, the Consolidated Financial Statements of the Syensqo Group for the year ended December 31, 2023, fully consolidates the Zhenjiang entity, including assets, liabilities, income and expenses of the Peroxides business of Solvay (see note F28 Non-controlling interests). Those are reported as part of the Corporate and Business segment.

There were no other significant impacts on the assets and liabilities that were included in the Combined Financial Statements for the years ended December 31, 2020, December 31, 2021, and December 31, 2022.

Standards, interpretations and amendments applicable for the first time in 2023

Below are the standards, interpretations and amendments that became effective as of January 1, 2023, and which are relevant to the Group. An assessment was made and these amendments had no material impact on the Group's consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12

The amendments to IAS 12 income taxes narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgments about accounting policy disclosures.

International Tax Reform – Pillar Two Model Rules – amendments to IAS 12

On May 23, 2023, the IASB issued International Tax Reform – Pillar Two Model Rules – amendments to IAS 12 (the Amendments) to clarify the application of IAS 12 income taxes to income taxes arising from tax law enacted or substantively enacted to implement the Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes).

The Amendments introduce:
- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023.

The Group confirms that it applies the mandatory temporary exception to the accounting for deferred taxes.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, notably in Belgium where the ultimate parent entity is located. The legislation will be effective for the Group's financial year beginning January 1, 2024.

Syensqo SA is closely monitoring the laws which the various jurisdictions are adopting following the Organization for Economic Co-operation and Development (OECD) and EU-initiatives regarding the Pillar Two Global Minimum Tax of 15% and the potential impact thereof. A preliminary assessment of this potential impact, which has been conducted with the support of an independent advisor using financial information of the financial year 2022 of Solvay SA (prior to the Partial Demerger of December 8, 2023), indicated that no material tax impact is expected. Because of the complexity of the Pillar Two rules, the continued further guidance and supplementation of the legislation and the complexity of the Group's Partial Demerger from both a financial and transactional perspective, the financial year 2023 is not considered to be a suitable reference and the impact assessment will continue in the course of 2024.

Syensqo SA will continue to conduct technical tax analyses and further develop its tools and processes over the next few months and continue to involve, inform and educate key stakeholders, both internal and external.

There are other IFRS amendments applicable for the first time in 2023, but they do not have a material impact on or are not relevant for, the consolidated financial statements of the Group and therefore have not been disclosed.

Standards, interpretations and amendments applicable for the first time after 2023

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Consolidated Financial Statements, and which may have an impact on the Group, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers (IFRS 15) to be accounted for as a sale. The amendments are effective for annual periods beginning on or after January 1, 2024. The Group does not anticipate any material impact from the amendments on its current accounting practices.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1) providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2023, however, their effective date has been delayed to January 1, 2024. This amendment is not expected to have a material impact on the Group's consolidated financial statements.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7 (not yet endorsed by the EU)

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed. The Group will include the required disclosures once the amendments are effective and endorsed but does not expect the amendments to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (not yet endorsed by the EU)

In August 2023 the IASB issued the amendments to IAS 21 which are effective for annual periods beginning on or after January 1, 2025, and specify when a currency is exchangeable into another currency and, consequently, when it is not, how an entity determines the exchange rate to apply when a currency is not exchangeable, and the disclosures an entity provides when a currency is not exchangeable. This amendment is not expected to have a material impact on the Group's consolidated financial statements.

2.2. Basis of measurement and presentation

The consolidated financial statements are presented in millions of euros, which is also the functional currency of the parent company. Rounding differences may occur in respect to individual amounts or percentages.

The preparation of the consolidated financial statements requires the use of estimates and assumptions that have an impact on the application of accounting policies and the measurement of amounts recognized in the consolidated financial statements. The areas for which the estimates and assumptions are material with respect to the consolidated financial statements are presented in the section Critical accounting judgments and Key sources of estimation uncertainty.

3. PRINCIPLES OF CONSOLIDATION

3.1. Consolidation scope

3.1.1. General

The consolidated financial statements incorporate the financial statements of the Company, and:

- entities controlled by the Company (including through its subsidiaries) and that hence qualify as subsidiaries (see 3.1.2. below);
- arrangements over which the Company (including through its subsidiaries) exercises joint control, and that qualify as joint ventures (see 3.1.3. below);
- entities over which the Company (including through its subsidiaries) has significant influence and that hence qualify as associates (see 3.1.3. below).

Where necessary, adjustments are made to the financial statements of the investees so as to align their accounting policies with those of the Group.

In accordance with the principle of materiality, certain companies that are not of a significant size have not been included in the consolidation scope. Companies are deemed not to be significant when, during two consecutive years, they do not exceed any of the three following thresholds in terms of their contribution to the Group's accounts:

- sales of €15 million;
- total assets of €7.5 million;
- headcount of 75 persons.

Companies that do not meet these criteria are, nevertheless, consolidated where the Group believes that they have a potential for rapid development, or where they hold shares in other companies that are consolidated based on the above criteria.

In the aggregate, the non-consolidated companies have an immaterial impact on the consolidated financial statements of the Group, including the operating cash flows and earnings before interest and tax.

The full list of companies can be obtained at the Company's head office.

3.1.2. Investments in subsidiaries

A subsidiary is an entity over which the Group has control. Control is achieved when the Group has (i) power over an investee, (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. To assess whether the Group has control, potential voting rights are taken into account. Subsidiaries are fully consolidated. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal.

Intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity. Non-controlling interests are initially measured, either at fair value (full goodwill method), or at the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets (proportionate goodwill method). The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for (i.e. Reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is considered to be the fair value on initial recognition for subsequent accounting in accordance with IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures.

3.1.3. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary, nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, on initial recognition, investments in associates and joint ventures are recognized in the consolidated statement of financial position at cost, and the carrying amount is adjusted for post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment of the value of individual investments. Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and (contingent) liabilities of the associate or joint venture recognized at the date of acquisition is goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

Where a Group entity transacts with an associate or joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

After application of the equity method, the Group reviews its investments in associates and joint ventures for impairment. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group performs its analysis and calculates any impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss in the consolidated income statement.

3.2. Foreign currencies

The individual financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in euros (EUR), which is the presentation currency of the Group's consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entities' functional currency are recognized at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income under "currency translation differences;" and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note F32 Financial instruments and financial risk management for hedge accounting policies).

The main exchange rates used are:

		Year-end rate		Average rate	
€1 =		December 31, 2023	December 31, 2022	2023	2022
Brazilian Real	BRL	5.361	5.635	5.401	5.439
Yuan Renminbi	CNY	7.838	7.420	7.661	7.078
Pound Sterling	GBP	0.869	0.887	0.870	0.853
Indian Rupee	INR	91.968	88.302	89.311	82.691
Japanese Yen	JPY	156.342	140.725	151.982	138.018
Korean Won	KRW	1,423.387	1,349.664	1,412.478	1,357.228
Mexican Peso	MXN	18.736	20.881	19.185	21.192
US Dollar	USD	1.105	1.067	1.081	1.053

3.3. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to the purchase of property, plant and equipment are deducted from the cost of those assets. They are recognized in the consolidated statement of financial position at their expected value at the moment of initial recognition. The grant is recognized in profit or loss over the depreciation period of the underlying assets as a reduction of depreciation expense.

Other government grants are recognized as income on a systematic basis over the periods in which the related costs, which they are intended to compensate for, are recognized. Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group with no future related costs, are recognized in profit or loss in the period in which they become receivable.

3.4. Climate change

In preparing the Consolidated Financial Statements, Syensqo's management has considered the impacts of climate change, particularly in the context of the disclosures included in the risk report and Extra-financial Statements and the Syensqo Group's progression towards the ambitious 2030 goals to reduce Scope 1 and 2 greenhouse gas emissions from our operations by 40% from the 2021 base year, a trajectory aligned with 1.5°C, and preparing for the ambition to reach carbon neutrality for these emissions by 2040, and to reduce by 23% Scope 3 greenhouse gas emissions from its "Focus 5" categories, both upstream and downstream in the value chain and representing over 73% of the total Scope 3. Syensqo's "Focus 5" categories of Scope 3 GHG emissions are (i) purchased goods and services (Category 1), which include impacts of upstream transportation and distribution (Category 4) and waste generated in operations (Category 5); (ii) fuel- and energy-related activities (Category 3); (iii) processing of sold products (Category 10); (iv) use of sold products (Category 11); and (v) end-of-life treatment of sold products (Category 12).

Syensqo has an internal carbon price policy under which €100 per metric ton CO_2 is applied to all Scope 1 and 2 greenhouse gas emissions and serves as an input cost into all CAPEX investment decisions, irrespective of prevailing market prices. This approach ensures that all investments contribute positively to the resilience of the Group in the face of climate change risk and are also oriented towards achieving carbon neutrality.

In addition to the strategic direction, policies and commitments, it is important to note that Syensqo management is taking actions aligned with its climate change goals. These are extensively developed in the Sustainability Ambition section. Several projects were initiated over the last few years:
- Portfolio of 47 energy transition projects globally since 2018, focused on transitioning to green electricity, and accelerating electrification and process efficiency, among other initiatives.
- By the end of 2023, 75% of global primary energy consumption was covered under the energy transition part of the Star Factory program, identifying new possible projects and creating plant-level 2030 roadmaps to enable energy efficiency gains or facilitate the shift to renewable energy sources, among other projects.
- In March 2023, the announcement of the plan to achieve carbon neutrality of production operations for the Aroma Performance plant in Saint-Fons, France. It includes installing a new biomass boiler in partnership with Dalkia, a subsidiary of EDF, using locally sourced wood waste from building demolition and waste furniture and transitioning away from firing natural gas. With more than 95% of its energy coming from renewable sources, the site will become the first aroma plant in the world to be powered by renewable energy by 2026. Carbon neutrality is expected to be achieved with high-integrity offsets for hard-to-abate residual emissions.
- Long-term solar and wind power purchase agreements, generally accounted for as executory own use contracts, and long-term contracts to purchase Renewable Energy Certificates, recorded in operating expenses; 73% of sites globally are using 100% renewable purchased electricity.

Consequently, Syensqo is actively increasing the share of renewables in its energy mix, which reached 18% in 2023. This limits Syensqo's exposure to the price fluctuation of fossil fuel energy.

Syensqo management has also considered the impact of climate change in making some key estimates within the consolidated financial statements, including the execution of the One Planet strategy, which is included in the budgets, mid-term plan and long-term forecasts, which are used to:
- estimate future cash flows used in impairment assessments of the carrying value of non-current assets (such as intangible assets and goodwill) (see note F24 Impairment);
- estimate future profitability used in the assessment of the recoverability of deferred tax assets (see note F7 Deferred taxes in the consolidated statement of financial position), provisions, etc.

In 2023, Syensqo management completed its scenario analysis and review of the climate-related transition and physical risks, started in 2022. For transition risks, the scenario analysis focuses on total emissions (Scope 1, 2 and 3) and exposure to climate-sensitive markets. The main takeaway is sustained growth in both scenarios, 1.5°C and 3°C, with generally good resilience to cost increases. The Specialty Polymers business has the most significant opportunities in the 1.5°C scenario. Overall, physical risks are moderate in both scenarios 3°C and 4°C for the six sites selected based on the most exposed contribution margin.

In summary, Syensqo's climate change risks and opportunities mentioned above were considered as part of the reporting judgments and estimates, but did not have a material impact on the financial statements for the periods presented. Further, Syensqo concludes that the climate change risk does not impact the going concern assessment for December 2023. Additional information can be found in notes F21 Property, plant and equipment, F22 Right-of use assets and lease obligations and F25 Inventories.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.5. Critical accounting judgments

The Group has no critical accounting judgments.

3.6. Key sources of estimation uncertainty

Impairment

The Group performs annual impairment tests on (groups of) CGUs to which goodwill has been allocated, and each time there are indicators that their carrying amount might be higher than their recoverable amount. This analysis requires management to estimate the future cash flows expected to be generated by the CGUs and a suitable discount rate in order to calculate present value. The recoverable amount is highly sensitive to discount and growth rates.

Further details are provided in note F20 Goodwill and business combinations and F24 Impairment.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

The Group has €4,688 million (2022: €4.1 billion) of tax losses carried forward for which no deferred tax assets were recognized. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries do not have any taxable temporary differences that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on these tax losses carried forward.

Further details are provided in note F7.C. Deferred taxes in the consolidated statement of financial position and F7.D Other information.

Defined benefit obligations – general

The actuarial assumptions used in determining the defined benefit obligations at December 31, as well as the annual cost, can be found in note F30 Employee benefits. All main employee benefits plans are assessed annually by independent actuaries. Discount rates and inflation rates are defined centrally by management. The other assumptions (such as future salary increases and expected rates of medical care cost increases) are defined at a local level. All plans are supervised by the Group's central Human Resources department with the help of a central actuary to check the reasonableness of the results and ensure consistency in reporting. All assumptions are reviewed at each reporting date.

Further details are provided in note F30 Employee benefits.

Environmental provisions

Environmental provisions are managed and coordinated jointly by the Environmental Rehabilitation department and the Finance department. In case of environmental impacts stemming from historical production activities, generally, no provision is recognized for remediation works beyond the 20 years due to the inherent high level of uncertainty as to the timing and amount.

The forecasts of expenses are discounted to their present value. The discount rates fixed by geographical area correspond to the average risk-free rate on 10-year government bonds or the inflation rate if higher. These rates are set annually by the Finance department and can be revised based on the evolution of economic parameters of the country involved. To reflect the passage of time, the provisions are increased each year at the discount rates described above.

Further details are provided in note F31 Provisions.

Provisions for litigations

Any significant litigations (post M&A and other, including threat of litigation) are reviewed by Syensqo's in-house lawyers with the support, when appropriate, of external counsels at least every quarter together with the Finance and Insurance departments. This review includes an assessment of the need to recognize provisions, disclose contingent liabilities and/or contingent assets.

Further details are provided in note F31 Provisions and F36 Contingent assets, liabilities and financial guarantees.

Leases – Identifying whether a contract includes a lease

The Group enters into various contracts to obtain goods and services. Determining whether those contracts include a lease requires judgment. Elements that are considered include assessing whether or not there is an identified asset. To make the determination the Group considers whether or not it has the right to obtain substantially all of the economic benefit of the asset(s) throughout the period of use. Additionally, the Group assesses the extent of its decision-making rights and the existence of any substantive substitution rights. All facts and circumstances relevant to the assessment are considered and the identification of a lease is determined with the support of the departments that have the relevant knowledge, and which mainly includes the GBU management. Refer to note F22 Right-of-use assets and lease obligations for the leases that were identified by the Group and accounted for in accordance with IFRS 16 Leases.

Leases – Assessment of lease term

Determining the lease term requires judgment. Elements that are considered include assessing the probability that early termination options or extension options will be exercised. All facts and circumstances relevant to the assessment are considered, and the main ones have been described in note F22 Right-of-use assets and lease obligations. Lease terms are determined with the support of the departments that have the relevant knowledge, and that mainly includes the Purchasing department and the Facilities department.

NON-IFRS (UNDERLYING) METRICS

In addition to IFRS accounts, Syensqo also presents alternative performance indicators to provide a more consistent and comparable indication of the Group's underlying financial performance and financial position, as well as cash flows. These indicators provide a balanced view of the Group's operations and are considered useful to investors, analysts and credit rating agencies as these measures provide relevant information on the Group's past or future performance, position or cash flows. These indicators are generally used in the sector it operates in and therefore serve as a useful aid for investors to compare the Group's performance with its peers.

See Glossary for definitions of adjustments (IFRS vs Underlying metrics) and Business Review for more information and reconciliation with IFRS figures.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

NOTE F1
REVENUE AND SEGMENT INFORMATION

Accounting policy

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers:
Identify the contract,
- Identify the performance obligations,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contract, and
- Recognize revenue when or as the Group satisfies a performance obligation.

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

Sale of goods: Contracts can be short term (including those based only on a purchase order) or long term, some have minimum off-take requirements. As the Group is in the business of selling advanced materials and specialty chemicals, contracts with customers generally concern the sale of goods. As a result, revenue recognition generally occurs at a point in time when control of the chemicals is transferred to the customer, generally on delivery of the goods.

Distinct elements: a good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

The revenue of the Group consists mainly of sales of chemicals, which qualify as separate performance obligations. Value-added services – mainly customer assistance services – corresponding to Syensqo's know-how are rendered predominantly over the period that the corresponding goods are sold to the customer.

Variable consideration: some contracts with customers provide trade discounts or volume rebates. Trade discounts and volume rebates give rise to variable consideration under IFRS 15, and are required to be estimated at contract inception and subsequently at each reporting date. IFRS 15 requires the estimated variable consideration to be constrained to prevent overstatement of revenue.

Moment of recognition of revenue: revenue is recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Substantially all revenue stems from performance obligations satisfied at a point in time, i.e. the sale of goods. Revenue recognition for those takes into account the following:
- The Group has a present right to payment for the asset;
- The customer has legal title to the asset;
- The Group has transferred physical possession of the asset;
- The customer has the significant risks and rewards of ownership of the asset (in this respect, incoterms are considered); and
- The customer has accepted the asset.

Products sold to customers generally cannot be returned, other than for performance deficiencies. Customer acceptance clauses are in many cases a formality that would not affect the Group's determination of when the customer has obtained control of the goods. Revenue from services is recognized in the period those services have been rendered.

The Group sells its chemicals to its customers, (a) directly, (b) through distributors, and (c) with the assistance of agents. When the Group delivers a product to distributors for sale to end customers, the Group evaluates whether that distributor has obtained control of the product at that point in time. No revenue is recognized upon delivery of a product to a customer or distributor if the delivered product is held on consignment. Indicators of consignment inventory include:
- The product is controlled by the Group until a specified event occurs, such as the sale of the product to a customer of the distributor or until a specified period expires.
- The Group is able to require the return of the product or transfer the product to a third party (such as another distributor); and
- The distributor does not have an unconditional obligation to pay for the product (although he might be required to pay a deposit).

Agents facilitate sales and do not purchase and resell the goods to the end customer.

Warranties: Warranties provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. Substantially, all warranties do not provide the customer with a service in addition to the assurance that the product complies with agreed-upon specifications, and are hence accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Licensing: In case of performance obligations relating to licensing intellectual property (IP), the Group assesses if it grants a right to access the IP as it exists throughout the license period or a right to use the IP as it exists at the point in time at which the license is granted. If the performance obligation is to grant a right to access, then the related revenue is recognized over the license period; otherwise, it is recognized at a point in time, i.e. when the license period starts or when the customer starts using the IP. The Group assesses if the license provided can be considered as being distinct in the context of the contract. If not, the license will have to be bundled with other goods or services provided in the contract. Currently the Group grants a right to use IP, which means that revenue recognition occurs at a point in time.

An Operating Segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available. Syensqo's chief operating decision maker is the Chief Executive Officer.

General
The Group organizes its structure and groups the businesses around their similarities in financial performance, products and production processes. These groups of businesses (the "operating segments") are aggregated into reportable segments when they are similar with respect to their underlying business, competencies and technologies, application, product characteristics and customer portfolio. The Group has identified three reportable segments:
- Materials, consisting of the GBUs Composite Materials and Specialty Polymers. The Materials segment offers a unique portfolio of high-performance polymers and composite technologies used primarily in sustainable mobility applications. Its solutions enable weight reduction and enhance performance while improving CO_2 and energy efficiency. Major markets served include next-generation mobility in automotive and aerospace, healthcare and electronics.
- Consumer & Resources offers a unique formulation and application expertise through customized specialty formulations for surface chemistry and liquid behavior, maximizing yield and efficiency of the processes they are used in, while minimizing the eco-impact. Novecare, Technology Solutions, Aroma and Oil & Gas focus on specific areas such as resources (improving the extraction yield of metals, minerals and oil), industrial applications (such as coatings), or consumer goods and healthcare (including vanillin and guar for home and personal care).
- Corporate & Business Services includes corporate and other business services, such as research & innovation, cogeneration units dedicated to the Syensqo activities, new business development activities (NBD) and the Peroxides activities in the Zhenjiang entity.

External net sales by segment and by GBU

In € million	2023	2022
Materials	4,004	4,078
Specialty Polymers	*2,936*	*3,124*
Composite Materials	*1,069*	*954*
Consumer & Resources	2,826	3,806
Novecare	*1,367*	*1,905*
Technology Solutions	*687*	*741*
Aroma Performance	*347*	*575*
Oil & Gas	*424*	*586*
Corporate & Business Services	4	6
CBS and NBD	*4*	*6*
Total	**6,834**	**7,890**

There are no individual customers that contribute 10% or more to the Group's revenue or any individual segment's revenue in either 2023 or 2022.

Sales by market

Sales by market are presented in the Business Review, see note B1.

Net sales by country and region

The sales disclosed below are allocated based on the customers' location.

In € million	2023	%	2022	%
Belgium	67	1%	89	1%
Germany	456	7%	478	6%
Italy	254	4%	269	3%
France	201	3%	234	3%
Netherlands	46	1%	52	1%
Spain	55	1%	69	1%
European Union – Other	325	5%	277	4%
European Union	**1,403**	**21%**	**1,469**	**19%**
Europe – Other	**289**	**4%**	**318**	**4%**
United States	2,139	31%	2,417	31%
Canada	92	1%	115	1%
North America	**2,232**	**33%**	**2,532**	**32%**
Brazil	248	4%	351	4%
Mexico	151	2%	157	2%
Latin America – Other	155	2%	186	2%
Latin America	**553**	**8%**	**694**	**9%**
Australia	72	1%	91	1%
China	941	14%	1,228	16%
Hong Kong	69	1%	64	1%
India	165	2%	210	3%
Indonesia	66	1%	81	1%
Japan	344	5%	352	4%
Russia			6	0%
Saudi Arabia	11	0%	13	0%
South Korea	229	3%	271	3%
Thailand	46	1%	61	1%
Turkey	49	1%	51	1%
Other	366	5%	448	6%
Asia and rest of the world	**2,357**	**34%**	**2,876**	**36%**
Total	**6,834**	**100%**	**7,890**	**100%**

Information per segment

2023 – *In € million*	Materials	Consumer & Resources	Corporate & Business Services	Group Total
Income statement items				
Net sales (including inter-segment sales)	4,004	2,826	4	6,834
– Inter-segment sales				
Net sales	4,004	2,826	4	6,834
Revenue from non-core activities	144	28	59	231
Gross margin	1,631	745	-2	2,375
Depreciation, amortization and impairments	383	310	46	739
Earnings from associates and joint ventures	9	9	7	25
Underlying EBITDA[1]	**1,312**	**457**	**-151**	**1,618**
Depreciation and amortization (other than amounts reflected below)				-484
Underlying EBIT				**1,134**
Corporate costs allocation				67
Other operating gains and losses related to Partial Demerger				38
Amortization of intangible assets resulting from PPA				-136
Results from legacy remediation and major litigation				-168
Results from portfolio management and major restructuring				-388
EBIT				**547**
Net financial charges				-158
Income taxes				-192
Profit/(loss) for the year				**197**

2023 – *In € million*	Materials	Consumer & Resources	Corporate & Business Services	Group Total
Statement of financial position and other items				
Capital expenditures[2]	557	217	73	848
Investments	0	1	14	16
Working capital				
- Inventories	792	444	9	1,244
- Trade receivables	485	380	42	907
- Trade payables	392	357	169	918

(1) Underlying EBITDA is a key performance indicator followed by management (see Business Review section for further details).
(2) Capital expenditures include acquisitions of property, plant and equipment, acquisitions of intangible assets and payments of lease liabilities.

2022 – *In € million*	Materials	Consumer & Resources	Corporate & Business Services	Group Total
Income statement items				
Net sales (including inter-segment sales)	4,081	3,814	6	7,901
Inter-segment sales	-3	-7	0	-11
Net sales	4,078	3,806	6	7,890
Revenue from non-core activities	109	29	95	233
Gross margin	1,560	1,039	5	2,604
Depreciation and amortization	363	206	53	622
Earnings from associates and joint ventures	9	5	2	16
Underlying EBITDA[1]	**1,291**	**749**	**-176**	**1,863**
Depreciation and amortization (other than amounts reflected below)				-482
Underlying EBIT				**1.381**
Corporate costs allocation				71
Other operating gains and losses related to Partial Demerger				0
Amortization of intangible assets resulting from PPA				-141
Results from legacy remediation and major litigation				-182
Results from portfolio management and major restructuring				-31
EBIT				**1,098**
Net financial charges				-132
Income taxes				-2
Profit/(loss) for the year				964

2022 – *In € million*	Materials	Consumer & Resources	Corporate & Business Services	Group Total
Statement of financial position and other items				
Capital expenditures[2]	400	190	52	642
Investments			3	3
Working capital				
- Inventories	855	533	3	1,392
- Trade receivables	518	478	30	1,027
- Trade payables	511	412	49	972

(1) Underlying EBITDA is a key performance indicator followed by management (see Business Review section for further details).
(2) Capital expenditures include acquisitions of property, plant and equipment, acquisitions of intangible assets and payments of lease liabilities.

NON-CURRENT ASSETS, CAPITAL EXPENDITURES AND INVESTMENTS BY COUNTRY AND REGION

In € million	Non-current assets				Capital expenditures and investments			
	December 31, 2023	%	December 31, 2022	%	2023	%	2022	%
Belgium	*195*	*2%*	*110*	*1%*	*-21*	*2%*	*-2*	*0%*
Germany	*42*	*1%*	*45*	*1%*	*-3*	*0%*	*-4*	*1%*
Italy	*444*	*5%*	*393*	*5%*	*-109*	*13%*	*-91*	*14%*
France	*1,902*	*23%*	*1,727*	*21%*	*-302*	*35%*	*-197*	*31%*
European Union – Other	*46*	*1%*	*44*	*1%*	*-9*	*1%*	*-7*	*1%*
European Union	**2,630**	**32%**	**2,319**	**29%**	**-444**	**51%**	**-301**	**47%**
Europe – Other	**147**	**2%**	**144**	**2%**	**-20**	**2%**	**-15**	**2%**
United States	*4,404*	*54%*	*4,664*	*58%*	*-286*	*33%*	*-237*	*37%*
Canada	*179*	*2%*	*175*	*2%*	*-20*	*2%*	*-11*	*2%*
North America	**4,583**	**56%**	**4,839**	**60%**	**-306**	**35%**	**-247**	**38%**
Brazil	*46*	*1%*	*46*	*1%*	*-3*	*0%*	*-3*	*1%*
Latin America – Other	*9*	*0%*	*12*	*0%*	*-4*	*0%*	*-2*	*0%*
Latin America	**55**	**1%**	**57**	**1%**	**-6**	**1%**	**-6**	**1%**
Thailand	*7*	*0%*	*8*	*0%*	*-1*	*0%*	*-1*	*0%*
China	*503*	*6%*	*444*	*5%*	*-68*	*8%*	*-57*	*9%*
South Korea	*13*	*0%*	*17*	*0%*	*-2*	*0%*	*-5*	*1%*
India	*231*	*3%*	*233*	*3%*	*-13*	*1%*	*-8*	*1%*
Singapore	*1*	*0%*	*3*	*0%*	*-1*	*0%*	*-2*	*0%*
Japan	*2*	*0%*	*3*	*0%*	*-1*	*0%*	*-1*	*0%*
Other	*47*	*1%*	*46*	*1%*	*-1*	*0%*	*0*	*0%*
Asia and rest of the world	**806**	**10%**	**752**	**9%**	**-87**	**10%**	**-76**	**12%**
Total	**8,221**	**100%**	**8,111**	**100%**	**-864**	**100%**	**-645**	**100%**

Non-current assets are those other than deferred tax assets, loans and other assets, other financial instruments and post-employment benefit assets. Capital expenditures and investments include acquisitions of property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiaries and other investments (joint ventures and associates).

NOTE F2
CONSOLIDATED INCOME STATEMENT BY NATURE

In € million	Notes	2023	2022
Net sales	*(F1)*	6,834	7,890
Revenue from non-core activities	*(F3)*	231	233
Raw materials, utilities and consumables used		-2,931	-3,908
Changes in inventories		-114	224
Personnel expenses		-1,591	-1,435
- Wages and direct social benefits		-1,219	-1,080
- Employer's contribution for social insurance		-276	-250
- Pensions and insurance benefits		-74	-73
- Other personnel expenses		-22	-33
Depreciation, amortization and impairments	*(F10)*	-739	-622
Other variable logistics expenses		-181	-363
Other fixed expenses		-605	-782
Addition and reversal of provisions (excluding employee benefit provisions)	*(F31)*	-387	-154
Income from Cross indemnities, PFAS insurance indemnities, Energy hedging novation and Edison partial award	*(F4,F31)*	213	
M&A costs and gains and losses on disposals	*(F5)*	-208	
Earnings from associates and joint ventures	*(F23)*	25	16
EBIT		547	1,098

Solvay SA and other entities within the Solvay Group provided various shared services to the Syensqo businesses. These services include, but are not limited to: accounting, human resources, information technology, legal, tax, risk management and treasury services. The costs of such services that historically were charged to Syensqo businesses have been included in the Consolidated Income Statement prior to the Partial Demerger based on their historical amounts.

The costs of such services that historically were not charged to Syensqo businesses and that were reported as part of the results of the Corporate and Business Services segment in the Solvay Group Consolidated Financial Statements have been included in the pre-Partial Demerger figures based on historical relative usage.

The costs related to corporate functions that were incurred for the benefit of the Solvay Group as a whole, including but not limited to costs for Solvay SA's Board of Directors, Executive Leadership Team, Investor Relations and Corporate Communications have not been included in the pre-Partial Demerger figures.

Other fixed expenses mainly include costs of services, licenses and professional fees.

NOTE F3
REVENUE FROM NON-CORE ACTIVITIES

This revenue primarily comprises commodity and utility third party transactions, and other revenue, considered not to correspond to Syensqo's core business, such as the sales of the Peroxides business in the Zhenjiang entity.

NOTE F4
OTHER OPERATING GAINS AND LOSSES

In € million	2023	2022
Start-up and preliminary study costs	-25	-20
Capital gains/losses on sales of property, plant and equipment, and intangible assets	0	2
Net foreign exchange gains and losses	-6	-10
Amortization of intangible assets resulting from PPA	-134	-137
Other	24	14
Other operating gains and losses	-141	-152

Prior to the Partial Demerger, the financial instruments held by Solvay Energy Services for Syensqo CO_2 emissions met the conditions to be treated as "own use" contracts in the Syensqo Group Combined Financial Statements for the years ended December 31, 2022, 2021 and 2020. In the context of the Partial Demerger, these contracts were settled by Solvay Energy Services and reentered into, at current market prices, by the Syensqo Group. The positive difference between the instruments that were renegotiated and their carrying amount in the Solvay Group was transferred in cash to the Syensqo Group and the realized result on this contract novation (€38 million) was included in Other Operating Gains and Losses.

NOTE F5
RESULTS FROM PORTFOLIO MANAGEMENT AND MAJOR RESTRUCTURINGS, LEGACY REMEDIATION AND MAJOR LITIGATIONS

Accounting policy

Results from portfolio management and major restructurings include:
- gains and losses on the sale of subsidiaries, joint ventures and associates that do not qualify as discontinued operations;
- acquisition costs of new businesses;
- one-off operating costs related to internal management of portfolio (carve-out of major lines of businesses);
- gains and losses on the sale of real estate not directly linked to an operating activity;
- restructuring charges driven by portfolio management and by major reorganizations of business activities, including impairment losses resulting from the shutdown of an activity or a plant;
- impairment losses (reversals) resulting from testing of CGUs.

Results from legacy remediation and major litigations include:
- the remediation costs not generated by on-going production facilities (shut-down of sites, discontinued productions, previous years' pollution); and
- the impact of significant litigations.

RESULTS FROM PORTFOLIO MANAGEMENT AND MAJOR RESTRUCTURING

In € million	2023	2022
Restructuring costs and impairment	-181	-31
- Impairment	-119	*-6*
- Restructuring costs	-62	*-26*
M&A costs and gains and losses on disposals	-208	1
Results from portfolio management and major restructuring	-388	-31

In 2023, the CGU Aroma (Consumer & Resources) was impaired for €114 million following the increase in the discount rate and continued lower demand for synthetic vanillin, customer destocking and strong competition in the food, flavor & fragrance markets, despite the expected improvements from actions taken on fixed costs. See note F24 Impairment.

In 2023, the increase in M&A costs is mainly explained by the costs incurred for the Partial Demerger and includes €51 million for restructuring costs that were recognized in the context of the TSA (see note F31 Other provisions).

For the movement in restructuring costs please refer to the note F31 Provisions.

Prior to the Partial Demerger, Results from portfolio management, major restructuring, legacy remediation and litigation have been allocated to the Syensqo Group according to the GBUs in scope. In addition, a proportion of the restructuring costs attributable to CBS and shared services have been allocated to the Syensqo Group based on the assumption that restructuring costs were proportional to the historical usage of shared services by Syensqo and the remaining Solvay Group.

RESULTS FROM LEGACY REMEDIATION AND MAJOR LITIGATIONS

In € million	2023	2022
Major litigations	39	-70
Remediation costs and other costs related to non-ongoing activities	-207	-112
Results from legacy remediation and major litigations	-168	-182

The movement in litigation costs includes the €92 million settlement from Edison (see note F36 Contingent assets). For the remaining movement in litigation costs please refer to the note F31 Provisions.

In 2023, remediation costs increased versus last year mainly due to a €229 million provision recorded in Q2, 2023, related to per- and polyfluoroalkyl substances (PFAS). The Group submitted certain claims from its environmental liability insurance and received confirmation in December 2023 that Solvay Specialty Polymers will receive €32 million as a preliminary settlement of these insurance policy claims. This was recognized in Other Receivables on December 31, 2023, with the corresponding gain included in Results from legacy remediation and major litigations.

The remediation cost also includes €51 million HSE cross indemnification asset and €21 million HSE cross indemnification liability that were recognized in 2023 in the context of the Separation Agreement. See note F31 Provisions.

Prior to the Partial Demerger, results from legacy remediation and litigation have been allocated to the Syensqo Group according to the GBUs in scope. Environmental Provisions as included in the Combined Financial Statements for the year ended December 31, 2022, include the environmental provisions in relation to sites that were transferred to Syensqo based on the Legal Reorganization and when the local legislation allowed for a transfer of responsibility.

NOTE F6
NET FINANCIAL CHARGES

Accounting policy

Interest on borrowings is recognized in costs of borrowings as incurred, with the exception of borrowing costs directly attributable to the acquisition, construction and production of qualifying assets (see note F21 Property, plant and equipment).

Net foreign exchange gains or losses on financial items and changes in fair value of derivative financial instruments related to net indebtedness are presented in "Other gains and losses on net indebtedness," with the exception of changes in fair value of derivative financial instruments that are hedging instruments in a cash flow hedge relationship, and which are recognized on the same line as the hedged item, when the latter affects profit or loss.

In € million	2023	2022
Cost of borrowings	-178	-121
Interest expense on lease liabilities	-12	-11
Interest on loans and short-term deposits	81	34
Other gains and losses on net indebtedness	-31	-37
Net cost of borrowings	**-140**	**-137**
Cost of discounting provisions	-26	4
Impact of change of discount rate on provisions	-2	14
Result from equity instruments measured at fair value	10	-13
Net financial charges	**-158**	**-132**

Details are included in note F33 Net indebtedness.

The net cost of borrowings variance is mainly explained by:
- Cost of borrowings:
  - In 2023, the Syensqo Group recorded €126 million of financial charges resulting from intercompany loans with the former Solvay Group entities prior to the Partial Demerger.
  - The cost of senior notes attributed to Syensqo in the context of the Partial Demerger (Cytec and Solvay Finance America LLC) amounts to €35 million.
  - The two drawdowns on a credit facility have generated €9 million in financial charges.
- The cost of borrowings in 2022 is mainly related to the cost of the Senior US dollar notes (€45 million) and the fluctuation of interest rates on current account liabilities with related parties (bank pooling with the Remaining Solvay Group).
- Interest on loans and short-term deposits:
  - The increase in 2023 in comparison to 2022 is explained mainly by the increase of interest rates on internal bank accounts with the remaining Solvay Group, which is partly compensated by a decrease of the internal bank account balances.
- The movement in Other gains and losses on net indebtedness is largely attributable to foreign exchange results.
- The cost of discounting provisions relates to post-employment benefits (net of the expected return on plan assets) and to environmental provisions and its increase is largely attributable to the evolution of the applicable discount rates (see also note F30 Employee benefits and note F31 Provisions).

NOTE F7
INCOME TAXES IN THE INCOME STATEMENT AND THE STATEMENT OF FINANCIAL POSITION

Accounting policy

Current taxes

The current tax payable is based on taxable profit of the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

No deferred tax liabilities are recognized following the initial recognition of goodwill. In addition, no deferred tax assets or liabilities are recognized with respect to the initial recognition of an asset or liability in a transaction, which is not a business combination and affects neither accounting profit nor taxable profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets other than tax loss carryforwards are analyzed on a case-by-case basis, taking into account all relevant facts and circumstances. For example, a zero taxable profit, after deducting the amounts paid to retirees under a defined benefit plan and for which a deductible temporary difference existed, can justify the recognition of the underlying deferred tax assets. Recognition of deferred tax assets for tax loss carryforwards requires a positive taxable profit during the year that enables the utilization of tax losses that originated in the past. Because of uncertainties inherent to predicting such positive taxable profit, recognition of deferred tax assets from tax loss carryforwards is based on a case by case analysis, which is usually based on five-year profit forecasts, except with respect to any financial company for which 10-year financial profit forecasts are considered highly predictable and are consequently used.

The corporate tax reporting team, which monitors the Group deferred tax positions, is involved in assessing deferred tax assets.

Further details are provided in note F7.C.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes for the period

Current and deferred taxes for the period are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or when they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

In exception to the above, as from January 1, 2019, the Group applies the amendments to IAS 12, that apply to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period, i.e. January 1, 2018.

F7.A. Income taxes

The income taxes (net expense) recognized in the consolidated income statement increased by €(190) million in 2023 compared to 2022. The income taxes (net expense) recognized in other comprehensive income decreased by €34 million in 2023 compared to 2022, mainly due to the movement in employee benefit provisions (see note F30 Employee benefits) and in financial instruments (see note F32 Financial instruments and financial risk management).

In € million	2023	2022
Current taxes related to current year	-266	-258
Provisions for tax litigations	0	9
Other current taxes related to prior years (a)	12	-6
Current taxes	-254	-255
Changes in unrecognized deferred tax assets (b)	26	156
Deferred tax income on amortization of PPA step-ups	32	33
Deferred tax impact of changes in the nominal tax rates	0	-3
Deferred taxes related to prior years (a)	-7	18
Changes in deferred tax assets O&G US	0	105
Other deferred taxes (c)	11	-56
Deferred taxes	62	253
Income taxes recognized in the consolidated income statement	-192	-2
Income taxes on items recognized in other comprehensive income	28	-6

The current taxes (net expense) are relatively stable in 2023 compared to 2022.

The current and deferred taxes related to prior years derive mainly from:
- a positive outcome on an old litigation in Italy related to withholding taxes on dividends for €9 million;
- other true-ups for €(4) million.
- (b) The changes in unrecognized deferred tax assets result mainly from a revision of the forecasts of utilization of tax losses carried forward in the holding companies (€30 million in 2023, €143 million in 2022).
- (c) The other deferred taxes mainly include:

the utilization of deferred taxes on tax losses and tax credits carried forward in the holding companies (€(59) million in 2023, €(98) million in 2022); the other net increases and reversals of other temporary differences.

The deferred tax assets on the goodwill and other tangible and intangible assets for Oil & Gas in the United States were written-down in the US tax unit in 2020 (€(110) million). Based on a reassessment of recoverability of these deferred tax assets, the write-down of the deferred tax assets was reversed (€15 million in 2021 and €105 million in 2022). The difference between the amount at origin and the reversal is mainly due to FX changes. There were no further changes recognized in 2023.

US Tax Matters Agreement

In connection with the Partial Demerger, Syensqo and Solvay entered into a US Tax Matters Agreement (the "US TMA") intended to (among other things) preserve the tax-free treatment of the Partial Demerger and of the separation of the US Specialty Businesses and the US Essential Businesses (the "US Spin-Off") for US federal income tax purposes.

Under the US TMA, Syensqo and Solvay will generally be required to indemnify the other for any US taxes and certain related losses resulting from (or relating to) the failure of the US Spin-Off and the Partial Demerger (and certain associated transactions) to qualify for their intended US tax treatment, where such taxes or losses are attributable to (1) untrue representations and breaches of covenants made in connection with the US Spin-Off, the Partial Demerger or the US TMA (including in the IRS ruling and tax opinion described above), (2) the application of certain provisions of US federal income tax law to the US Spin-Off or the Partial Demerger (for example, in connection with a change of control of either party) or (3) other actions or omissions within the party's control which give rise to US taxes (or related losses) in connection with the US Spin-Off and the Partial Demerger.

Under the US TMA, Syensqo and Solvay are prohibited from taking actions that are reasonably expected to cause the Partial Demerger or US Spin-Off (or certain associated transactions) to fail to qualify for their intended US tax treatment, or that could jeopardize the conclusions of, or that are inconsistent with, the IRS ruling or the tax opinion discussed above.

Additionally, the parties are generally prohibited (subject to certain exceptions in the US TMA), for the two-year period following completion of the Partial Demerger, from engaging in certain acquisitions, mergers, liquidations, sales and redemption transactions with respect to their respective stock and assets that could jeopardize the tax-free status of the Partial Demerger or the US Spin-Off for US federal income tax purposes. Neither Solvay's nor Syensqo's obligations under the US TMA are limited in amount or subject to any cap.

As of December 31, 2023, Syensqo was not aware of any breach or alleged breach by it of its obligations under the US TMA, and had not received any notice from Solvay relating to a breach or alleged breach thereof.

Developments in international taxation

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, notably in Belgium where the ultimate parent entity is located. The legislation will be effective for the Group's financial year beginning January 1, 2024.

Syensqo SA is closely monitoring the laws which the various jurisdictions are adopting following the Organization for Economic Co-operation and Development (OECD) and EU initiatives regarding the Pillar Two Global Minimum Tax of 15% and the potential impact thereof. A preliminary assessment of this potential impact, which has been conducted with the support of an independent advisor using financial information of financial year 2022 of Solvay SA (prior to the Partial Demerger of December 8, 2023), indicated that no material tax impact is reasonably to be expected. Because of the complexity of the Pillar Two rules, the continued further guidance and supplementation of the legislation and the complexity of the Group's Partial Demerger from both a financial and transactional perspective, the financial year 2023 is not considered to be a suitable reference and the impact assessment will continue in the course of 2024.

Syensqo SA will continue to conduct tax technical analyses and further develop its tools and processes over the next few months and continue to involve, inform and educate key stakeholders, both internal and external.

F7.B. Reconciliation of the income tax expense

The effective income tax expense has been reconciled with the theoretical tax expense obtained by applying to the pre-tax profit of each Group entity the nominal tax rate prevailing in the country in which it operates.

In € million	2023	2022
Profit/(loss) for the year before taxes	389	966
Earnings from associates and joint ventures	25	16
Profit/(loss) for the year before taxes excluding earnings from associates and joint ventures	365	951
Reconciliation of the tax income/(expense)		
Total tax income/(expense) of the Group entities computed on the basis of the respective local nominal rates	-109	-277
Weighted average nominal rate	30%	29%
Withholding taxes	-31	-11
Tax effect of changes in nominal tax rates	0	-3
Changes in unrecognized deferred tax assets	26	156
Tax effect of permanent differences	-32	7
Gain and losses with no tax expense and income	-23	17
Non-deductible impairment of goodwill	-15	0
US taxes disconnected from profit for the year before taxes	-8	-14
Changes in deferred tax assets O&G US	0	105
Provisions for tax litigations	0	9
Other tax effect of current and deferred tax adjustments related to prior years	5	13
Tax effect on distribution of dividends	-6	-5
Effective tax income/(expense)	-192	-2
Effective tax rate	49%	0%

The weighted average nominal rate is stable compared to 2022. The impact of the withholding taxes on dividends has been isolated due to the significant changes in 2023 compared to 2022 stemming from the Partial Demerger. The change in the effective tax rate in 2023 compared to 2022 is mainly due to the changes in unrecognized deferred tax assets and the changes in deferred tax assets O&G US.

F7.C. Deferred taxes in the consolidated statement of financial position

2023 – *in € million*	Opening balance	Recognized in income statement	Recognized in other comprehensive income	Exchange rate effect	Other	Closing balance
Temporary differences						
Employee benefits obligations	46	-7	3	-2	-4	36
Provisions other than employee benefits	105	51		-3	-3	149
Property, plant and equipment	-167	12		6	11	-139
Intangible assets	-188	52		6	-9	-139
Right-of-use assets	-35	-7		1	7	-34
Lease liabilities	35	8		-1	-9	33
Goodwill	58	-10		-2	0	46
Other temporary differences	-5	-11	25	-2	0	8
Tax losses	279	-24		-1	6	260
Tax credits	15	-2		0		12
Total (net amount)	144	62	28	2	-2	233

2022 – *In € million*	Opening balance	Recognized in income statement	Recognized in other comprehensive income	Exchange rate effect	Other	Closing balance
Temporary differences						
Employee benefits obligations	42	11	-9	3	0	46
Provisions other than employee benefits	89	13	0	4	0	105
Property, plant and equipment	-182	27	0	-12	0	-167
Intangible assets	-268	97	0	-17	0	-188
Right-of-use assets	-34	1	0	-1	0	-35
Lease liabilities	33	0	0	1	0	35
Goodwill	3	56	0	-1	0	58
Other temporary differences	21	-32	3	0	2	-5
Tax losses	203	86	0	3	-13	279
Tax credits	19	-5	0	1	0	15
Total (net amount)	-74	253	-6	-19	-11	144

The significant components of the deferred tax assets and deferred tax liabilities at the end of 2023 and 2022 are as follows:

In € million	2023				
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes before write-down	Write-down of deferred tax assets (unrecognized portion)	Net deferred taxes
Employee benefits obligations	129	-93	36	0	36
Provisions other than employee benefits	151	-1	150	-1	149
Property, plant and equipment	93	-197	-104	-35	-138
Intangible assets	259	-328	-68	-70	-139
Right-of-use assets	0	-34	-34	0	-34
Lease liabilities	34	0	34	0	34
Goodwill	46	0	46	0	46
Other	71	-64	7	0	7
Temporary differences	783	-716	67	-107	-39
Operational losses	1,260	0	1,260	-1,051	209
Non-operational losses	273	0	273	-222	51
Tax losses	1,533	0	1,533	-1,273	260
Tax credits carried forward	66	0	66	-54	12
Netting deferred taxes	-288	288	0	0	0
Deferred taxes	2,095	-428	1,667	-1,433	233

In € million	2022				
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes before write-down	Write-down of deferred tax assets (unrecognized portion)	Net deferred taxes
Employee benefits obligations	82	-35	47	0	46
Provisions other than employee benefits	107	-1	106	0	105
Property, plant and equipment	45	-179	-135	-33	-167
Intangible assets	250	-362	-112	-76	-188
Right-of-use assets	1	-36	-35	0	-35
Lease liabilities	36	-1	35	0	35
Goodwill	58	0	58	0	58
Other	29	-33	-5	0	-5
Temporary differences	**606**	**-648**	**-42**	**-109**	**-151**
Operational losses	1,291	0	1,291	-1,050	240
Non-operational losses	107	0	107	-69	39
Tax losses	**1,398**	**0**	**1,398**	**-1,119**	**279**
Tax credits carried forward	**70**	**0**	**70**	**-55**	**15**
Netting deferred taxes	-169	169	0	0	0
Deferred taxes	**1,906**	**-479**	**1,426**	**-1,283**	**144**

The evolution of the net deferred taxes between 2023 and 2022 mainly relates to the following items:

- Deferred taxes on employee benefit obligations: €36 million at year-end 2023, €46 million at year-end 2022. The progressive decrease is explained by the decrease of post-employment benefits obligations (see note F30 Employee benefits).
- Deferred taxes on provisions: : €149 million at year-end 2023, €105 million at year-end 2022. The significant increase is mainly due to the agreement concluded between Solvay Specialty Polymers USA, a subsidiary of Syensqo SA, and the New Jersey Department of Environmental Protection, related to remedial activities pertaining to the per- and polyfluoroalkyl substances (PFAS) related to the West Deptford, New Jersey site (see note F31 Provisions).
- Deferred taxes on intangible assets: €(139) million at year-end 2023, €(188) million at year-end 2022. The evolution mainly reflects the tax impact of amortization of the step-up of intangible assets resulting from Purchase Price Allocation (€33 million).
- Deferred taxes on goodwill mainly for Oil & Gas in the United States.
- Deferred taxes on operational and non-operational tax losses: €260 million at year-end 2023 (€279 million at year-end 2022).

Deferred tax liabilities on unremitted earnings were recognized in the Other Temporary differences for €(38) million at year-end 2023 (€(37) million at year-end 2022). The amounts of deferred tax liabilities not recognized, provided that the Group controls the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future were: €9 million at year-end 2023 (€6 million at year-end 2022).

Recognized deferred taxes for which utilization depends on future taxable profits in excess of the profit arising from the reversal of existing taxable temporary differences within entities that have suffered a tax loss in either current or preceding years in the related tax jurisdiction, amount to €71 million at year-end 2023 (€113 million at year-end 2022). This recognition is supported by favorable expectations of future taxable profits.

F7.D. Other information

For the majority of the Group's tax loss carryforwards, deferred tax assets were written down. The unrecognized tax losses are mainly located in countries where they can be carried forward indefinitely.

The tax losses carried forward generating deferred tax assets are given below by expiration date.

In € million	2023	2022
Within 1 year	0	0
Within 2 years	2	0
Within 3 years	5	0
Within 4 years	0	0
Within 5 or more years	29	9
No time limit	966	1,014
Total of losses carried forward which have generated recognized deferred tax assets	**1,002**	**1,023**
Tax losses carried forward for which deferred tax assets were written-down (unrecognized portion)	4,688	4,090
Total of tax losses carried forward	**5,690**	**5,113**

At the end of 2023, the tax losses carried forward of €1,002 million (€1,023 million in 2022) have generated deferred tax assets for €260 million (€279 million in 2022).

The tax losses carried forward on which the deferred tax assets were written-down are largely due to the holding companies. The increase in 2023 compared to 2022 is largely due to the portion of tax losses that were allocated to Syensqo SA at the finalization of the Partial Demerger.

NOTE F8
EARNINGS PER SHARE

Accounting policy

The basic earnings per share are obtained by dividing profit for the year by the weighted average number of ordinary shares outstanding during the reporting period. The weighted average number of ordinary shares excludes the treasury shares held by the Group over the reporting period.

The diluted earnings per share are obtained by dividing profit for the year, adjusted for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares, also adjusted by the number of dilutive potential ordinary shares attached to the issuance of share options.

The number of dilutive potential ordinary shares is calculated for the weighted average number of share options outstanding during the reporting period as the difference between the average market price of ordinary shares during the reporting period and the exercise price of the share option. Share options have a dilutive effect only when the average market price is above the exercise price (share options are "in the money").

For the purpose of calculating diluted earnings per share, there were no adjusting elements to the profit for the year (Syensqo share).

Number of shares (in units)	2023	2022
Weighted average number of ordinary shares (basic)	105,834,886	105,876,417
Dilution effect	480,848	
Weighted average number of ordinary shares (diluted)	106,315,734	105,876,417

	2023		2022	
	Basic	**Diluted**	**Basic**	**Diluted**
Profit/(loss) for the year (in €thousands)	193,341	193,341	949,590	949,590
Earnings per share (in €)	1.83	1.82	8.97	8.97

Full data per share, including dividend per share, can be found in the Business Review section.

During the prior reporting period presented, Syensqo was not constituted as a Group under a unique holding company and therefore its shares were not publicly traded. For the purposes of disclosing a comparative earnings per share figure and in compliance with IAS 33 Earnings per share, management has based the calculation for both basic and diluted earnings per share on the number of shares in issue at the date of the Partial Demerger (105,876,417).

The average market price during 2023 was €95.86 per share. No share options were out of the money and therefore antidilutive for the period presented (see note F29 Share-based payments).

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOTE F9
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Accounting policy

In accordance with IAS 1 Presentation of Financial Statements, the Group elected to present two statements: a consolidated income statement immediately followed by a consolidated statement of comprehensive income.

The components of other comprehensive income (OCI) are presented before related tax effects with one amount shown for the aggregate amount of income tax relating to those components. Tax impacts are further disclosed in this note.

Presentation of the tax effect relating to each item of other comprehensive income

Note: the below table presents the total other comprehensive income items for the aggregate of the shares of Syensqo and the non-controlling interests.

	2023		
In € million	Before-tax amount	Tax expense (-)/income	Net of tax amount
Effective portion of gains and losses on hedging instruments in a cash flow hedge	*-14*	*17*	*3*
Recycling to the income statement	*-36*		*-36*
Gains and losses on hedging instruments in a cash flow hedge (see note F32)	-50	17	-33
Currency translation differences arising during the year	-168		-168
Other movement of currency translation differences (NCI) relating to foreign operations	-2		-2
Currency translation differences – Subsidiaries	-169		-169
Share of other comprehensive income of associates and joint ventures	-6		-6
Recyclable components	**-225**	**17**	**-28**
Gains and losses on equity instruments measured at fair value through other comprehensive income	-6	9	3
Remeasurements of the net defined benefit liability (see notes F7 & F30)	-35	2	-33
Non-recyclable components	**-41**	**11**	**-29**
Other comprehensive income/(loss)	**-266**	**28**	**-238**

	2022		
In € million	Before-tax amount	Tax expense (-)/income	Net of tax amount
Effective portion of gains and losses on hedging instruments in a cash flow hedge	*9*	*-3*	*6*
Recycling to the income statement	-1		-1
Gains and losses on hedging instruments in a cash flow hedge (see note F32)	8	-3	5
Currency translation differences arising during the year	*170*		*170*
Other movement of currency translation differences (NCI) relating to foreign operations	*-1*		*-1*
Currency translation differences – Subsidiaries	169		169
Share of other comprehensive income of associates and joint ventures	-7		-7
Recyclable components	**170**	**-3**	**166**
Gains and losses on equity instruments measured at fair value through other comprehensive income	-25	6	-19
Remeasurements of the net defined benefit liability (see notes F7 & F30)	-66	-9	-74
Non-recyclable components	**-90**	**-3**	**-93**
Other comprehensive income/(loss)	**79**	**-6**	**73**

Currency translation differences

Accounting policy

For the purpose of presenting consolidated financial statements at the end of each reporting period, the assets and liabilities of the Group's foreign operations are expressed in euros using closing rates. Income and expense items are translated at the average exchange rates for the period except when the impact of applying the average rate is materially different from applying the spot rate at the respective transactions' dates, in which case the latter is applied. Exchange differences arising, if any, are recognized in other comprehensive income as "currency translation differences."

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated into the Group's presentation currency at the closing rate.

The total currency translation loss amounts to €173 million in 2023, and only relates to the Group's share (2022: gain of €162 million). They are mainly linked to the devaluation of the US dollar (€(125) million) (2022: €160 million), Chinese Renminbi (€(32) million) (2022: €(35) million), and the Brazilian Real (€5 million) (2022: €10 million) compared to the Euro.

The Group has assessed Argentina as a hyperinflationary economy in the context of IAS 29 Financial Reporting in Hyperinflationary Economies ("IAS 29"). Accordingly, the Group has reviewed the reporting from its affiliates in Argentina and where necessary restated them in line with IAS 29 using an index based on the IPC (Consumer Price Index) published by the National Institute of Statistics and Censuses (INDEC). The adjustments resulting from the application of IAS 29 do not have a significant impact on the Group's consolidated financial statements.

For the year ended December 31, 2022, cumulated exchange differences on currency translation of foreign operations are measured at their carrying amount included in the Solvay Group's Consolidated Financial Statements for entities dedicated to Syensqo and pro rata the net assets transferred to Syensqo for the Mixed Entities.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NOTE F10
DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

The table below presents the amounts of the total depreciation, amortization and impairment losses (reversals) included in the different headings of the Consolidated Statements of Income.

in € million	2023	2022
Cost of goods sold	352	340
Administrative costs	39	44
Research and development	84	88
Other operating gains and losses	144 (of which PPA 134)	150 (of which PPA 137)
Net impairment	119	
Total	**739**	**622**

See note F24 Impairments for more details on impairment losses.

NOTE F11
OTHER NON-OPERATING AND NON-CASH ITEMS

The other non-operating and non-cash items (€(62) million for 2023 and €6 million for 2022) relate mainly to non-cash results of HSE indemnification assets (€51 million), PFAS insurance receivable (€32 million) and long-term incentives in 2023, and non-cash results on M&A deals in 2022.

NOTE F12
INCOME TAXES IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

Income tax expense in 2023 amounts to €192 million (€2 million in 2022).

Income tax paid in 2023 amounts to €288 million (€(182) million in 2022). The income tax paid has increased compared to previous years due to increased profits mainly in China, the US and Italy, and it includes €19 million of taxes paid due to the Partial Demerger and the Legal Reorganization.

The major components of income taxes are discussed in note F7 Income taxes in income statement and statement of financial position.

NOTE F13
CHANGES IN WORKING CAPITAL

In € million	2023	2022
Inventories	114	-224
Trade receivables	149	-137
Trade payables	-81	82
Other receivables/payables	-72	14
Changes in working capital	108	-264

The positive changes in working capital in 2023 result mainly from lower sales.

The cash flows presented as "Other receivables/payables" relate to other current liabilities, other current assets and certain long-term assets and liabilities. As described in note F17, the cash variation related to internal tax accounts with the remaining Solvay Group, which are mainly presented as part of the "Other current liabilities" (see also note F33) is reported as part of the "Income tax paid" in the consolidated statement of cash flow.

NOTE F14
ADDITIONS, REVERSALS OF EMPLOYEE BENEFITS AND PROVISIONS. PAYMENTS FOR EMPLOYEE BENEFITS AND USES OF PROVISIONS

Additions and reversals on provisions and employee benefits in 2023 amount to €470 million (€189 million in 2022) and concern employee benefits €33 million (€37 million in 2022), restructuring €41 million (€15 million in 2022) and environment for €267 million (€106 million in 2022).

Besides the voluntary contributions to pension plans for €86 million, payments for employee benefits and uses of provisions in 2023 amounts to €(134) million (€(121) million in 2022) and concern mainly employee benefits €(39) million (€(47) million in 2022), environment €(32) million (€(37) million in 2022) and restructuring €(25) million (€(174) million in 2022).

See note F30 Employee benefits and note F31 Provisions for more information.

NOTE F15
CASH FLOWS FROM INVESTING ACTIVITIES – ACQUISITION/DISPOSAL OF ASSETS AND INVESTMENTS

2023 – in € million	Acquisitions	Disposals	Total
Investments	**-16**	**32**	**16**
Subsidiaries	-2	30	28
Other	-14	2	-12
Property, plant and equipment/Intangible assets	**-850**	**1**	**-849**
Total	**-866**	**33**	**-833**

2022 – in € million	Acquisitions	Disposals	Total
Investments	**-3**	**66**	**63**
Subsidiaries	0	22	22
Other	-3	44	41
Property, plant and equipment/Intangible assets	**-591**	**7**	**-584**
Total	**-594**	**73**	**-521**

2023

The acquisition of property, plant and equipment, and intangible assets (€(850) million) relates to the new headquarters of Syensqo in Brussels, maintenance of production sites (Maintenance, Safety, HSE), R&I (lab equipment, pilot units) and capacity expansion projects, of which the main ones are:
- Specialty Polymers: Polyvinylidene Fluoride (PVDF) capacity increase in Tavaux (France)
- Specialty Polymers: DCDPS monomer capacity increase in Augusta (USA)
- Specialty Polymers: Udel polysulfone capacity increase in Marietta (USA)
- Specialty Polymers: Compounding capacity increase at Changshu (PRC)
- Specialty Polymers: Wastewater treatment units at Tavaux (France) and Changshu (PRC)
- Novecare: Internalization of IRIS intermediate chemical production in Melle (France)
- Aroma performance: Internalization of natural vanillin fermentation (Portugal) and purification (France)
- Technology Solutions: Aldoxime capacity increase in Mount Pleasant (USA)
- O&G: Friction reducers' production capacity in West Texas (USA)

2022

Other acquisitions mainly relate to the investment in equity instruments measured at fair value.

The disposal of subsidiaries and other investments (€66 million) mainly relates to the proceeds after taxes from the Novecare Alkoxylation plant in Singapore and Solvay Ventures' investments.

The acquisition of property, plant and equipment and intangible assets (€(591) million) relates to various projects:
- Specialty Polymers: Polyvinylidene Fluoride (PVDF) capacity increase in Tavaux (France) and Changshu (PRC)
- Novecare: Internalization of IRIS intermediate chemical production in Melle (France)
- Aroma performance: Internalization of natural vanillin purification in Saint Fons (France)
- Specialty Polymers: DCDPS monomer capacity increase in Augusta (USA)
- Specialty Polymers: Udel polysulfone capacity increase in Marietta (USA)

NOTE F16
CHANGES IN INTERNAL BANK ACCOUNTS WITH REMAINING SOLVAY GROUP

Intercompany bank accounts between Syensqo and the Remaining Solvay Group, in place over the periods presented and eliminated as part of the consolidation procedures applied for the Solvay Group Consolidated Financial Statements, have been reinstated in the Syensqo Consolidated Financial Statements.

When those intercompany bank accounts, part of the cash pooling system, were in a structural asset position for Syensqo, the related changes are presented in the line "Change in internal bank accounts with Remaining Solvay Group" as part of the cash flow from investing activities.

At the end of December 2023, there are no longer any remaining intercompany bank accounts between Syensqo and the Remaining Solvay Group as the accounts were settled at or prior to the Partial Demerger following the completion of the Legal Reorganization. See note F17.

NOTE F17
DIVIDENDS PAID TO / RECEIVED FROM THE SOLVAY GROUP AND OTHER TRANSACTIONS WITH REMAINING SOLVAY GROUP

During the prior reporting period presented, Syensqo was not constituted as a Group under a unique holding company and Syensqo Dedicated and Mixed entities held investments in subsidiaries of the Remaining Solvay Group and vice-versa.

These investments in subsidiaries of the Remaining Solvay Group were eliminated against equity in the Syensqo Combined Financial Statements for the year ended December 31, 2022. As a result, the cash from dividends paid by Dedicated or Mixed Syensqo Entities to the Remaining Solvay Group or received by Syensqo from subsidiaries of the Remaining Solvay Group are presented in the line "Dividends paid to Solvay Group" and "Dividends received from Solvay Group," respectively, in the Consolidated Statements of Cash Flows. They are also included as "Transactions with Solvay Group" in the Consolidated Statement of Changes in Equity.

Cash flows associated with capital increases, capital reimbursements or transfers of those investments in subsidiaries of the Remaining Solvay Group are also presented in the "Other Transactions with Solvay Group" in the Consolidated Statements of Cash Flows and as part of the "Transactions with Solvay Group" in the Consolidated Statement of Changes in Equity.

Certain operating and investing transactions of Syensqo are presented on a "gross basis":
- (1) Operating expenses and income are presented as operating cash flows.
- (2) Acquisitions and sales of property, plants and equipment, intangible assets, subsidiaries and other investments are presented as investing cash flows and, simultaneously, contributions from / distributions to the Remaining Solvay Group are presented in the cash flow from financing activities as "Other Transactions with Solvay Group," whenever those transactions do not ultimately result in movements of "Cash and cash equivalents" for Syensqo.

This happens for the carve-out of the above Syensqo transactions in Mixed Entities that became part of the Remaining Solvay Group as the "Cash and cash equivalents" of those entities is not included in the Consolidated Statements of Financial Position.

Current taxes from Syensqo's results in Mixed Entities of the Remaining Solvay Group, restructuring costs related to provisions settled by the Remaining Solvay Group, employee benefit charges for defined benefit obligations kept by the Remaining Solvay Group and charges for the usage of shared assets of Mixed Entities are additional examples of transactions considered to be immediately settled by the Remaining Solvay Group and grossed-up in the Consolidated Statement of Cash Flows.

The presentation on a "gross basis" is considered to better reflect the business performance in terms of cash flow generation.

Movements of cash and cash equivalents resulting from operating and investing cash flows of the businesses of the Remaining Solvay Group, which occurred in Mixed Entities that became part of Syensqo based on the legal reorganization, are not included in the cash flows from operating and investing activities. Rather they are presented in the line "Other Transactions with the Solvay Group" in the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity as the related change in "Cash and cash equivalents" is included in the Consolidated Statements of Financial Position.

The "Other transaction with Solvay Group in the Statement of changes in equity" for the period ended December 31, 2023, include also:
- the 2025 Hybrid Bonds for the nominal amount of €500 million, as described in the Liability Management Section;
- the treasury shares contributed as part of the Partial Demerger and valued at their fair value on demerger date (€62 million);
- the other financial debt transferred upon the Partial Demerger, including: the 2027 Bonds (nominal value €500 million), the new financing for €600 million used primarily by the Solvay Group to refinance existing bonds, and all the loans and borrowings related to the internal bank accounts or structured financings outstanding between Syensqo and Solvay on the Partial Demerger date.

The amount of €542 million presented in the line "Other" in the table below mainly reflects the settlement of a Syensqo financial debt vis à vis the remaining Solvay Group realized via the transfer of shares of a Solvay Group subsidiary, held by a Syensqo Group subsidiary in France.

The details about the "Other transactions with Solvay Group" line and the reconciliation between the related amounts in the Consolidated Statements of Cash Flow and Consolidated Statements of Changes in Equity are presented in the table below. See also note F16, F32 and F33.

€ million	2023	2022
Carve out of Mixed Entities	250	-215
Capital increase / decrease, transfer of shares with remaining Solvay Group	216	-62
Cash & cash equivalents transferred upon the Partial Demerger	1,210	
Restructuring costs	9	10
Current Taxes	-28	52
Total Other transactions with Solvay Group in Statements of cash flow	1,656	-215
Dividends paid to Solvay Group	-436	-237
Dividends received from Solvay Group	1,305	9
Deferred taxes	-14	-3
Hybrid bonds transferred upon demerger	494	
Treasury shares	-62	
Other financial debt transferred upon demerger	-794	
Other	542	-6
Total transactions with Solvay Group in Statement of changes in equity	2,692	-452

NOTE F18
OTHER CASH FLOWS FROM FINANCING ACTIVITIES

The other cash flows from financing activities (€(9) million in 2023 and €(19) million in 2022) mainly relate to other financial expenses.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOTE F19
INTANGIBLE ASSETS

Accounting policy

An intangible asset is an identifiable non-monetary asset without physical substance. It is identifiable when it is separable, i.e. is capable of being separated or divided from the Group, or when it arises from contractual or other legal rights. An intangible asset shall be recognized if, and only if:
- (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- (b) the cost of the asset can be measured reliably.

Intangible assets acquired or developed internally are initially measured at cost. The cost of an acquired intangible asset comprises its purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use. Subsequent expenditure on intangible assets is capitalized only if it is probable that it will increase the future economic benefits associated with the specific asset. Other expenditure is expensed as incurred.

After initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses, if any.

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

Patents and trademarks	2-20	years
Software	3-5	years
Development expenditures	2-5	years
Customer relationships	5-29	years
Other intangible assets – Technologies	5-20	years

Amortization expense is included in the consolidated income statement within cost of goods sold, administrative costs, research and development costs and other operating gains and losses.

The asset is tested for impairment if (a) there is a trigger for impairment, and (b) annually for projects under development (see note F24 Impairment).

Intangible assets are derecognized from the consolidated statement of financial position on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an intangible asset is recognized in profit or loss at the moment of derecognition.

Research and development (R&D) costs

Research costs are expensed in the period in which they are incurred.

Development costs are capitalized if, and only if, all the following conditions are fulfilled:
- the cost of the asset can be reliably measured;
- the technical feasibility of the product has been demonstrated;
- the product or process will be placed on the market or used internally;
- the assets will generate future economic benefits (a potential market exists for the product or, where it is to be used internally, its future utility has been demonstrated);
- the technical, financial and other resources required to complete the project are available.

The Group distinguishes between the following phases of an R&D project, depending on whether it is a new product/process or a customization for incremental innovation:
- Feasibility is the research phase during which the technical, industrial, market and business feasibilities are assessed.
- Scale up followed by Industrialization are part of the development phase during which it is continuously assessed whether the criteria for
- capitalization are met.

The last phase is Production and Commercialization. When this phase is reached, capitalization stops and amortization commences.

is Development costs comprise employee expenses, the cost of materials and services directly attributable to the projects, and an appropriate share of directly attributable fixed costs including, and where applicable, borrowing costs. The intangible assets are amortized as from the moment they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management. Development costs that do not satisfy the above conditions are expensed as incurred.

Patents, trademarks and customer relationships

Those intangible assets have mainly been acquired through business combinations. Customer relationships consist of customer lists.

Other intangible assets

Other intangible assets mainly include technology acquired separately or in a business combination.

In € million	Development costs	Patents and trademarks	Customer relationships	Other intangible assets	Total
Gross carrying amount					
December 31, 2021	**427**	**1,091**	**1,725**	**649**	**3,892**
Additions	59	0		11	69
Disposals and closures	-18	-6		-4	-27
Currency translation differences	7	47	93	21	168
Other	7	4		-8	3
December 31, 2022	482	1,136	1,818	669	4,106
Additions	62	3		22	88
Disposals and closures	-59	-69		-94	-221
Currency translation differences	-6	-31	-55	-20	-112
Other	4	32		7	44
December 31, 2023	484	1,071	1,763	585	3,904
Accumulated amortization					
December 31, 2021	-197	-597	-701	-529	-2,023
Amortization	-58	-65	-89	-12	-224
Impairment	0	1	0	0	1
Disposals and closures	18	6		4	27
Currency translation differences	-2	-19	-29	-20	-70
Other					
December 31, 2022	-239	-674	-819	-557	-2,289
Amortization	-48	-60	-91	-12	-210
Impairment	-7				-7
Disposals and closures	59	69		94	221
Currency translation differences	2	17	24	17	60
Other	2	-4		-19	-21
December 31, 2023	-231	-652	-886	-477	-2,245
Net carrying amount					
December 31, 2021	230	494	1,024	121	1,870
December 31, 2022	243	462	999	112	1,817
December 31, 2023	**253**	**419**	**877**	**109**	**1,659**

Intangibles mainly relate to the intangibles acquired through the acquisition of Cytec. The average remaining useful life of Cytec's assets is nine years.

The impairment loss in 2023 relates to the intangible fixed assets in CGU Aroma (see note F24 Impairment).

NOTE F20
GOODWILL AND BUSINESS COMBINATIONS

Accounting policy

General

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets transferred and liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is obtained (the acquisition date). Goodwill is measured as the excess of the sum of:

- (a) the consideration transferred;
- (b) the amount of any non-controlling interests in the acquiree; and
- (c) in a business combination achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree, over the share acquired by the Group in the fair value of the entity's identifiable net assets at the acquisition date.

Goodwill is not amortized but is tested for impairment on an annual basis, and more frequently if there are any impairment triggers identified.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) in accordance with IAS 36 Impairment of Assets.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other group(s) of assets.

These tests consist of comparing the carrying amount of the assets or (groups of) CGUs with their recoverable amount. The recoverable amount of an asset or a (group of) CGU(s) is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized on goodwill shall not be reversed in a subsequent period.

Assets held for sale include their related goodwill.

On disposal of an operation within a CGU to which goodwill has been allocated, the goodwill associated with the operation disposed of is included in the determination of the profit or loss on disposal. It is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained, unless another method better reflects the goodwill associated with the operation disposed of.

Goodwill – overview

In € million	Total
December 31, 2021	2,577
Currency translation differences	93
December 31, 2022	2,671
Acquisitions	2
Impairment	-59
Currency translation differences	-54
December 31, 2023	2,560

In 2023, goodwill impairment relates to the CGU Aroma (see note F24 Impairment), and the currency translation differences in 2023 and 2022 mainly relate to the Cytec goodwill expressed in US dollars.

Goodwill by (groups of) CGU(s)

Goodwill acquired in a business combination is allocated to the CGUs or groups of CGUs that are expected to benefit from that business combination.

In the context of the Partial Demerger, management has reassessed the allocation of goodwill at the level of the segments.

At the time of the Rhodia acquisition, a portion of the goodwill related to synergies for corporate functions, was allocated at the higher level of the segment and tested as such instead of at the level of each individual CGU. Considering that goodwill is not amortized under IFRS, and the Syensqo segment goodwill is more than 10 years old, management has tested it at the lowest level (i.e. CGU). Consequently, the total goodwill segment of €540 million (€341 million for Materials, €199 million for Consumer & Resources) has been reallocated to the different CGUs/groups of CGUs based on their relative value in use at December 31, 2023, as follows:

	2023					
In € million	At beginning of the period	Acquisitions	Impairment	Reclassification	Currency translation differences	At the end of the period
Operating segments – Groups of CGUs						
Materials	341			-341		
Consumer & Resources	199			-199		
(Groups of) CGUs						
Composite Materials	591			76	-22	646
Novecare	565	2		94	-5	656
Technology Solutions	734			95	-26	803
Specialty Polymers	180			265	-1	444
Aroma Performance	49		-59	10		
Energy Services	12					12
Total goodwill	2,671	2	-59	0	-54	2,560

The reallocation of the goodwill at segment level would not have changed the conclusions of the impairment tests at December 31, 2022, nor at December 31, 2023.

	2022			
In € million	At beginning of the period	Disposals	Currency translation differences	At the end of the period
Operating segments – Groups of CGUs				
Materials	341			341
Consumer & Resources	199			199
(Groups of) CGUs				
Composite Materials	555		37	591
Novecare	553		12	565
Technology Solutions	690		43	734
Specialty Polymers	179		1	180
Aroma Performance	49			49
Energy Services	12			12
Total goodwill	2,577	0	93	2,671

See note F24 Impairment.

The goodwill amount reflected in 2022 comprises the goodwill attributable to the (groups of) CGUs corresponding to the GBUs which were included in Syensqo as part of the Legal Reorganization. Therefore, goodwill historically allocated to the groups of CGUs: Composite Materials, Specialty Polymers, Novecare, Technology Solutions, Aroma Performance and Oil & Gas in the Solvay Group Consolidated Financial Statements has been attributed to the same (groups of) CGUs for Syensqo.

Goodwill related to the Solutions segment in the Solvay Group Consolidated Financial Statements was partially allocated to the Syensqo Consumer and Resources segment, based on the relative fair value as at January 1, 2020, of the related group of CGUs consisting of the GBUs Novecare, Technology Solutions, Aroma Performance and Oil & Gas to be part of Syensqo as per the Legal Reorganization.

Goodwill related to the Energy Services group of CGUs in the Solvay Group Consolidated Financial Statements was partially allocated to the Energy CGU of Syensqo, based on the relative fair value as at January 1, 2020, of the CGUs to be part of Syensqo as per the Legal Reorganization.

NOTE F21
PROPERTY, PLANT AND EQUIPMENT

Accounting policy

General

Property, plant and equipment are tangible items that:
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

The items of property, plant and equipment owned by the Group are recognized as property, plant and equipment when the following conditions are satisfied:
- it is probable that the future economic benefits associated with the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

Items of property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. If applicable, the cost comprises borrowing costs during the construction period.

After initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The components of an item of property, plant and equipment with different useful lives are depreciated separately. Land is not depreciated. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, also taking into account the potential impact of climate change including the execution of the One Planet strategy (see note Climate Change in the IFRS general accounting policies). Any changes in estimates are accounted for prospectively.

Buildings	30-40	years
Fixtures and equipment		
• IT equipment	3-5	years
• Machinery and equipment	10-20	years
• Transportation equipment	5-20	years

Depreciation expense is included in the consolidated income statement within cost of goods sold, administrative costs and R&D costs.

The asset is tested for impairment if there is a trigger for impairment (see note F24 Impairment).

Items of property, plant and equipment are derecognized from the consolidated statement of financial position on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is recognized in profit or loss at the moment of derecognition.

Subsequent expenditure

Subsequent expenditure related to items of property, plant and equipment is capitalized only if it is probable that it will increase the future economic benefits associated with the specific asset. Other expenditure is expensed as incurred. Subsequent expenditure incurred for the replacement of a component of an item of property, plant and equipment is only recognized as an asset when it satisfies the recognition criteria mentioned above. The carrying amount of replaced items is derecognized.

Repair and maintenance costs are recognized in the consolidated income statement as incurred.

Regarding its industrial activity, Syensqo incurs expenditure for major repairs over several years for most of its sites. The purpose of this expenditure is to maintain the proper working order of certain installations without altering their useful life. This expenditure is considered as a specific component of the item of property, plant and equipment and is depreciated over the period during which the economic benefits are expected to be obtained, i.e. the major repairs' intervals.

Dismantling and restoration costs

Dismantling and restoration costs are included in the cost of an item of property, plant and equipment if the Group has a legal or constructive obligation to dismantle or restore. They are depreciated over the useful life of the items to which they pertain.

Generally, Syensqo's obligation to dismantle and/or restore its operating sites is only likely to arise upon the discontinuation of a site's activities. A provision for dismantling of discontinued sites or installations is recognized when there is a legal obligation (due to a request or injunction from the relevant authorities), or when there is no technical alternative than to dismantle, so as to ensure the safety compliance of the discontinued sites or installations.

In € million	Land and buildings	Fixtures and equipment	Other tangible assets	Property, plant and equipment under construction	Total
Gross carrying amount					
December 31, 2021	1,384	4,963	167	453	6,967
Additions	9	60	4	468	541
Disposals and closures	-17	-99	-11	0	-128
Currency translation differences	27	117	4	10	158
Other	8	184	5	-254	-57
December 31, 2022	1,412	5,225	169	676	7,481
Additions	70	78	2	597	747
Disposals and closures	-11	-97	-12		-120
Increase through business combinations		1			1
Currency translation differences	-35	-121	-4	-13	-173
Other	92	432	32	-321	236
December 31, 2023	1,528	5,518	186	939	8,172
Accumulated depreciation					
December 31, 2021	–615	-3,305	-129		-4,050
Depreciation	-45	-285	-13		-343
Disposals and closures	16	98	11		126
Currency translation differences	-12	-77	-3		-93
Other	3	27			30
December 31, 2022	-653	-3,542	-135		-4,329
Depreciation	-46	-296	-11		-352
Impairment	-7	-45	-1		-53
Disposals and closures	7	97	12		116
Currency translation differences	15	79	3		97
Other	-17	-118	-22		-156
December 31, 2023	-700	-3,825	-152		-4,678
Net carrying amount					
December 31, 2021	769	1,658	38	453	2,917
December 31, 2022	759	1,683	34	676	3,152
December 31, 2023	828	1,693	34	939	3,494

The impairment loss in 2023 mainly relates to the tangible fixed assets in CGU Aroma for €48 million (see note F24 Impairment).

The line "Other" mainly includes reclassification of property, plant and equipment under construction to the appropriate categories when they are ready for intended use, and the consolidation of the tangible fixed assets of the Zhenjiang entity for €55 million.

Cash flows related to major investments are disclosed in note F15 Cash flows from investing activities – acquisition/disposal of assets and investments.

Comparative figures

Shared assets consist of fixed assets (i.e. tangible and intangible) and right-of-use assets which historically have been jointly used by Syensqo entities and the Solvay Group. The shared assets mainly include assets that relate to corporate and other business services, such as facilities, digital technology, and research and innovation related assets.

Shared assets were included in the comparative figures when such assets historically have been used by a Syensqo entity and were expected to be transferred to Syensqo as part of the Partial Demerger. Additionally, the usage of shared assets is reflected in the income statement through a charge or income representing the relative usage of the asset, in the prior reporting period.

The usage charges are generally calculated as a proportion of the historical incurred amortization or depreciation for the underlying asset considering pertinent drivers (e.g. full-time equivalents (FTEs) using shared buildings, users for information technology, etc.). Allocated amounts are deemed to be settled immediately by the parent and as such accounted for as a contribution or distribution. Accordingly, the impact of the expense or income allocated through profit or loss, net of tax, is reflected directly in the Statement of Changes in Equity.

NOTE F22

RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

Accounting policy

Definition of a lease

At inception of a contract, which generally coincides with the date the contract is signed, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

An asset is typically identified by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer. If the supplier has a substantive substitution right, then the asset is not identified. A substantive substitution right means that (a) the supplier has the practical ability to substitute the asset throughout the period of use, and (b) would economically benefit from doing so.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether, throughout the period of use, it has:
- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset. This is generally the case when the Group has the decision-making rights regarding how and for what purpose the asset is used.

The Group's leased assets relate mainly to buildings, transportation equipment, and industrial equipment.

Lease term

The Group determines the lease term as the non-cancellable period of a lease, together with both:
- periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.
- In its assessment, the Group considers the impact of the following factors (non-exhaustive):
- contractual terms and conditions for the optional periods, compared with market rates;
- significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract;
- costs relating to the termination of the lease, including relocation costs, costs of identifying another underlying asset suitable for the Group's needs, costs of integrating a new asset into the Group's operations, and termination penalties;
- the importance of that underlying asset to the Group's operations, including the availability of suitable alternatives;
- conditionality associated with exercising the option (i.e. When the option can be exercised only if one or more conditions are met), and the likelihood that those conditions will exist; and
- past practice.

Right-of-use asset and lease liability

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date, which is the date that the lessor makes the asset available for use by the Group except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. The right-of-use assets are presented separately in the consolidated statement of financial position, and the lease liabilities are presented as part of financial debt.

Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received; and
- any initial direct costs incurred by the Group.

After the commencement date, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated using the straight-line depreciation method, from the commencement date to (a) the end of the useful life of the underlying asset, in case the lease transfers ownership of the underlying asset to the Group by the end of the lease term, or the lease contains a purchase option that the Group is reasonably certain to exercise, or (b) the earlier of the end of the useful life and the end of the lease term, in all other cases.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entity's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for early terminating the lease, if the Group is reasonably certain to exercise an option to early terminate the lease.

Service components (e.g. Utilities, maintenance, insurance, …) are excluded from the measurement of the lease liability.

After the commencement date, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect the impact from a revised index or rate.

In € million	Land and buildings	Transportation equipment	Industrial equipment	Other tangible assets	Total
Gross carrying amount					
December 31, 2021	193	50	116	6	365
Additions	6	13	5	4	28
Disposals and closures	-21	-9	-5	-1	-36
Currency translation differences	5	1	4	0	11
Other	3	5	8	1	17
December 31, 2022	187	59	128	10	384
Additions	15	15	15	4	49
Disposals and closures	-24	-6	-3	-2	-35
Currency translation differences	-4	-2	-3	0	-9
Other	2	19	-2	1	20
December 31, 2023	176	85	134	13	407
Accumulated depreciation					
December 31, 2021	-80	-35	-45	-4	-164
Depreciation	-23	-13	-16	-2	-54
Impairment	-3	0	0	0	-3
Disposals and closures	21	9	5	1	36
Currency translation differences	-2	-1	-2	0	-4
December 31, 2022	-87	-39	-58	-5	-188
Depreciation	-22	-16	-17	-2	-57
Impairment	0				0
Disposals and closures	15	6	3	2	26
Currency translation differences	2	1	2	0	5
Other	2	-7	1	-1	-5
December 31, 2023	-89	-55	-68	-5	-219
Net carrying amount					
December 31, 2021	113	15	71	1	201
December 31, 2022	101	20	70	5	196
December 31, 2023	86	30	66	8	188

The Group primarily leases buildings that include office buildings, and warehouses. Those leases are generally long-term leases and may include extension options. The Group leases transportation equipment, which mainly relate to utility assets.

Lease contracts generally are negotiated by the local teams, and contain a wide range of different terms and conditions. Many lease contracts contain extension options and/or early termination options to provide the Group with operational flexibility. Such options are taken into account when determining the lease term and the lease liability when it is reasonably certain that they will be exercised.

If the Group exercised its extension options not currently included in the lease liability, the present value of additional payments would amount to €71 million at December 31, 2023 (€74 million at December 31, 2022).

Lease contracts signed not yet commenced amount to €0 million at December 31, 2023 (€30 million at December 31, 2022). The 2022 leases signed not yet commenced mainly relate to industrial equipment.

Total cash outflows for leases amount to €65 million for 2023, of which €53 million related to payment of lease liabilities and €12 million of interest expenses. Information on the corresponding lease liabilities (€219 million) can be found in the note F33 Net indebtedness. Information on the finance expense related to lease liabilities can be found in note F6 Net financial charges.

NOTE F23
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The list of associates and joint ventures is available in the note F40 List of companies included in the consolidation scope.

The associates and joint ventures not classified as held for sale/discontinued operations are accounted for under the equity method of accounting.

In € million	December 31, 2023			December 31, 2022		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Investments in associates and joint ventures	6	201	207	5	199	204
Earnings from associates and joint ventures		25	25	1	15	16

INVESTMENTS IN ASSOCIATES

The only associate of the Group at December 31, 2023 is the consortium Exeltium in France.

In € million	2023	2022
January 1	5	5
Profit for the year		1
Dividends received		-1
Currency translation differences		0
Other	1	
December 31	6	5

INVESTMENTS IN JOINT VENTURES

In € million	2023	2022
January 1	199	202
Additions		0
Capital increase / (decrease)	-8	-4
Profit for the year	25	15
Dividends received	-6	-3
Currency translation differences	-7	-5
(Impairment) / Impairment reversal		-5
Other	-1	0
December 31	201	199

In 2023 and 2022, the currency translation differences mainly relate to the evolution of the Indian rupee compared to the euro.

The joint ventures had no contingent liabilities or capital commitments as at December 31, 2023 and 2022.

The tables below present the summary of the statement of financial position and income statement of the material joint ventures.

December 31, 2023 *In € million*	Hindustan Gum & Chemicals Ltd	EECO Holding and subsidiaries	Strata - Solvay Advanced Material JV LLC	Solvay Manyar, Gresik
Ownership interest	50%	33%	50%	50%
Operating Segment	Consumer & Resources	Corporate & Business Services	Materials	Materials
Statement of financial position				
Non-current assets	8	28	73	1
Current assets	304	31	14	12
Cash and cash equivalents	277	5	11	5
Non-current liabilities	10	9		1
Non-current financial debt		9		
Current liabilities	13	19	2	2
Current financial debt		20		
Investments in joint ventures	290	31	86	10
2023 income statement				
Sales	40	-	25	22
Depreciation and amortization	-1	-4	-0	-0
Cost of borrowings		-1		
Interest on loans and short-term deposits	20	1		0
Income taxes	-5	-1		-0
Profit for the year from continuing operations	16	9	18	1
Profit for the year	16	9	18	1
Other comprehensive income			-1	-0
Total comprehensive income	16	11	17	1
Dividends received	4	1		1

Other comprehensive income mainly comprises the currency translation differences.

December 31, 2022 *In € million*	Hindustan Gum & Chemicals Ltd	EECO Holding and subsidiaries	Strata - Solvay Advanced Material JV LLC
Ownership interest	50%	33%	50%
Operating Segment	Consumer & Resources	Corporate & Business Services	Materials
Statement of financial position			
Non-current assets	9	33	69
Current assets	307	38	19
Cash and cash equivalents	276	11	17
Non-current liabilities	9	18	
Non-current financial debt		18	
Current liabilities	14	20	2
Current financial debt		19	
Investments in joint ventures	292	33	86
2022 income statement			
Sales	73		24
Depreciation and amortization	-1	-4	
Cost of borrowings		-2	
Interest on loans and short-term deposits	13	1	
Income taxes	-3	-2	
Profit for the year from continuing operations	**12**	**10**	**18**
Profit for the year	**12**	**10**	**18**
Other comprehensive income	-8		**0**
Total comprehensive income	**4**	**12**	**18**
Dividends received	**2**		

Other comprehensive income mainly comprises the currency translation differences.

NOTE F24
IMPAIRMENT

Accounting policy

General

At the end of each reporting period, the Group reviews whether there is any indication that assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. Future cash flows are adjusted for risks not incorporated into the discount rate.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Assets other than non-current assets held for sale

In accordance with IAS 36 Impairment of Assets, the recoverable amount of property, plant and equipment, intangible assets, right-of-use assets, CGUs or groups of CGUs, including goodwill, and equity method investees corresponds to the higher of their fair value less costs of disposal, and their value in use. The latter equals the present value of the future cash flows expected to be derived from each asset, CGU or group of CGUs, and equity method investees and is determined using the following inputs:

- business plan approved by management based on growth and profitability assumptions, taking into account past performances, forecast changes in the economic environment and expected market developments, including opportunity and risks resulting from climate change (taking into account the One Planet strategy - see note Climate change in the IFRS general accounting policies) and environmental regulations such as products phasing out. For further details, refer to the Risk Management Section. Such business plan generally covers five years, unless management is confident that projections over a longer period are reliable;
- consideration of a terminal value determined based on the cash flows obtained by extrapolating the cash flows of the last years of the business plan referred to above, affected by a long-term growth rate deemed appropriate for the activity and the location of the assets;

discounting of expected cash flows at a rate determined using the weighted average cost of capital formula.

Discount rate

Weighted average cost of capital (WACC) for 2023 was computed considering a set of peers for the Syensqo Group, different from the set of peers considered for the Solvay Group consolidated financial statements. Short term WACC used to discount the expected cash flows of the initial four years, computed based on prevailing discount rates and long term WACC used to discount the expected cash flows of the fifth year and the Terminal Value was based on a 2-year average of equity risk premiums, risk free interest rates and default spreads.

	2023	2022
Short term WACC	9.4%	6.6%
Long term WACC	8.6%	6.5%

Long-term growth rates

The long-term growth rates used for the impairment tests were based on the comprehensive review of the entire business portfolio performed in 2019 with the definition of the Solvay Group G.R.O.W Strategy that became effective as from 2020 and on the long term growth potential for Composite Materials and Technology Solutions reassessed during the 2020 impairment tests which remains very strong.

Based on the long-term growth prospects, the long-term growth rates were thus set for all the periods presented, at:

- 2% for the Specialty Polymers CGU and 3% for the Composite Materials CGU;
- 1% for the other CGUs in the segment Consumer & Resources (excluding Technology Solutions, for which 1.5% was used).

Other key assumptions are specific to each CGU (utility price, volumes, margin, etc.).

Impairment Test 2023

The impairment tests performed at CGU level at December 31, 2023, using value in use, were based on the budgets approved by the Syensqo Board and the Mid Term Plans. The tests resulted in an impairment loss recognized for the CGU Aroma (Consumer & Resources) following the increase in the discount rate and continued lower demand for synthetic vanillin, customer destocking and strong competition in the food, flavor & fragrance markets, despite the expected improvements from actions taken on fixed costs.

The total impairment loss of €114 million was allocated to goodwill (€59 million), tangible fixed assets (€48 million) and intangible fixed assets (€7 million).

Impairment Test 2022

The impairment tests performed at CGU level at December 31, 2022 were based on the budgets approved by the Solvay Board and the Mid Term Plans, which reflect the economic rebound after the 2020 crisis and the results of the structural cost saving measures adopted by the Solvay Group. They did not lead to any impairment of assets, as the recoverable amounts of the (groups of) CGUs were higher than their carrying amounts. More specifically, the difference between the (groups of) CGUs' value in use and their carrying amount (headroom) represented in all cases more than 10% of their carrying amount. As a result, for these (groups of) CGUs, a reasonable change in a key assumption relating to the recoverable amount for which the (groups of) CGUs is based, would not result in an impairment loss.

Regarding Oil & Gas, although the profitability has improved, the long-term prospects remain uncertain and the impairments recorded in prior years were not reversed in either 2023 or 2022.

Sensitivity and break-even Analysis

Considering the impairment losses for Composite Materials and Technology Solutions recorded in 2020 and the consequently higher risk of impairment in case of changes in the Discount rate and Long-term growth assumptions used for their test, the following sensitivity analyses are reported for these two groups of CGUs.

Composite Materials (Materials)

In €billion	December 31, 2023		December 31, 2022
	Assumptions:		Assumptions:
	Discount rate =	8.6%	Discount rate = 6.5%
	Long term growth rate = 3%		Long term growth rate = 3%

Sensitivity to:		Impact on recoverable amount	Revised headroom	Impact on recoverable amount	Revised headroom
Discount rate	-1%	0.6	0.8	1.7	3.3
Discount rate	+1%	-0.4	-0.3	-0.9	0.8
Long term growth rate	-1%	-0.3	-0.1	-0.8	0.8
Long term growth rate	+1%	0.5	0.6	1.5	3.2

	Discount rate		Long term growth rate	
	Base rate	Break-even rate	Base rate	Break-even rate
December 31, 2023	8.6%	8.9%	3.0%	2.5%
December 31, 2022	6.5%	8.9%	3.0%	0.2%

Technology Solutions (Consumer & Resources)

In €billion	December 31, 2023		December 31, 2022	
	Assumptions:		Assumptions:	
	Discount rate =	8.6%	Discount rate = 6.5%	
	Long term growth rate = 1.5%		Long term growth rate = 1.5%	

Sensitivity to:		Impact on recoverable amount	Revised headroom	Impact on recoverable amount	Revised headroom
Discount rate	-1%	0.3	0.5	0.7	1.6
Discount rate	+1%	-0.3	-0.1	-0.4	0.5
Long term growth rate	-1%	-0.2	0.0	-0.4	0.6
Long term growth rate	+1%	0.2	0.4	0.6	1.5

	Discount rate		Long term growth rate	
	Base rate	Break-even rate	Base rate	Break-even rate
December 31, 2023	8.6%	9.3%	1.5%	0.5%
December 31, 2022	6.5%	9.2%	1.5%	-2.1%

NOTE F25
INVENTORIES

Accounting policy

Cost of inventories includes the purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined by using the weighted average cost method.

Inventories are measured at the lower of purchasing cost (raw materials and merchandise) or production cost (work in progress and finished goods) and net realizable value. Net realizable value represents the estimated selling price, less all estimated costs of completion and the estimated costs necessary to make the sale.

CO_2 emission rights

With respect to the mechanism set up by the European Union to encourage manufacturers to reduce their greenhouse gas emissions, carbon dioxide (CO_2) emission rights are granted to the Group at no charge. The Group is also involved in Clean Development Mechanism (CDM) under the Kyoto protocol. Under these projects, the Group has deployed facilities in order to reduce greenhouse gas emissions at the relevant sites in return for Certified Emission Reductions (CER).

In the absence of any IFRS regulating the accounting treatment of CO_2 emission rights, the Group applies the Trade/Production model, according to which CO_2 emission rights are presented as inventories if they will be consumed in the production process within the next 12 months, or as derivatives if they are held for trading.

In light of its centralized CO_2 emission rights' portfolio management, for emission rights that are substitutable between subsidiaries, the Group's financial statements reflect the Group's net position. If this net position is negative, a provision is recognized, measured based on the market price of the CO_2 emission rights at the reporting date.

Energy savings certificates (ESCs)

Energy savings certificates are presented as inventory items in Finished goods. They are measured at weighted average cost. As their cost is not separately identifiable, and as they are a by-product, they are measured at their net realizable value upon initial recognition.

In € million	December 31, 2023	December 31, 2022
Finished goods	880	951
Raw materials and supplies	440	504
Work in progress	11	15
Total	**1,331**	**1,470**
Write-downs	-88	-77
Net total	**1,244**	**1,392**

Inventory write-downs are included in cost of goods sold in the consolidated income statement.

NOTE F26
OTHER RECEIVABLES (CURRENT)

In € million	December 31, 2023	December 31, 2022
VAT and other taxes	174	160
Advances to suppliers	44	41
Financial instruments – operational	25	17
Insurance premiums	43	23
Loan receivables	3	3
Other	95	59
Other current receivables	**385**	**306**

Financial instruments – operational includes held for trading and cash flow hedge derivatives (see note F32.A. Overview of financial instruments).

NOTE F27
EQUITY

Accounting policy

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new share capital are directly recognized in equity as a deduction, net of tax, from the equity issuance proceeds.

Reserves

The reserves include:
- treasury shares;
- perpetual hybrid bonds that qualify as equity absent any unavoidable contractual obligation to repay the principal and interest of the perpetual hybrid bonds (no maturity, interest is payable annually but can be deferred indefinitely at the issuer's discretion);
- retained earnings;
- currency translation differences from the consolidation process relating to the translation of the financial statements of foreign operations prepared in a non-euro functional currency to the euro presentation currency;
- the impacts of the fair value remeasurement of equity instruments measured at fair value through other comprehensive income;
- the impacts of the fair value remeasurement of financial instruments documented as hedging instruments in cash flow hedges;
- actuarial gains and losses related to defined benefit plans.

Non-controlling interests

Those represent the share of non-controlling interests in the net assets and comprehensive income of subsidiaries of the Group, and corresponds to the interests in subsidiaries that are not held by the Company or its subsidiaries.

NUMBER OF SHARES (IN UNITS)

	December 31, 2023	December 31, 2022
Shares issued and fully paid	105,876,417	
Treasury shares held	655,072	

In 2022, Syensqo did not constitute a group with a parent company in accordance with IFRS 10 Consolidated Financial Statements, therefore share capital and treasury shares are zero at December 31, 2022.

As of December 31, 2023, the capital of the Company amounted to €1,352 million, represented by 105,876,417 ordinary shares with no designated par value, fully paid up. Share premium of €1,022 million is a percentage allocation of the total share premium that existed in the Solvay Group prior to the Partial Demerger. The percentage applied (85.10%) is according to the fiscal percentage dictated by the Belgian law for "scission partielle".

At the date of the Partial Demerger, the Syensqo Group received treasury shares from the Solvay Group, which were recognized at their fair value of €62 million. The treasury shares held by the Group after the Partial Demerger have been deducted from consolidated shareholders' equity.

Perpetual hybrid bonds

At the effective date of the Partial Demerger, Syensqo was substituted as issuer of (i) the €500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds with first call date on December 2, 2025 (ISIN: BE6324000858) (the "2025 Hybrid Bonds").

In € million	Issuance date	Nominal value	%	Annual coupon	First call / reset date
Hybrid bond NC5.5*	September 2, 2020	500	2.500%	13	December 2, 2025/ March 2, 2026

All perpetual hybrid bonds are classified as equity absent any unavoidable contractual obligation to repay the principal and interest of the perpetual hybrid bonds, specifically:
- No maturity, yet the issuer has a call option at every reset date to redeem the instrument;
- At the option of the issuer, interest payments can be deferred indefinitely.

The coupons related to the perpetual hybrid bonds are recognized as equity transactions and are deducted from equity upon declaration (see consolidated statement of changes in equity).

Should Syensqo have elected not to pay any interest to the perpetual hybrid bondholders, then any payment of dividends to the ordinary shareholders or repayment of ordinary shares would trigger a contractual obligation to pay previously unpaid interests to the perpetual hybrid bondholders.

Tax impacts related to the perpetual hybrid bonds are recognized in profit or loss.

NOTE F28
NON-CONTROLLING INTERESTS

The amounts disclosed below are fully consolidated amounts and do not reflect the impacts from elimination of intragroup transactions.

At the end of 2023, the following subsidiaries have non-controlling interests totaling €42 million.

In € million	Solvay (Zhenjiang) Chemicals	Solvay Hengchang Zhangjiagang Special Chem	Solvay Nicca	Cogeneration Tavaux	Synorb Battery Materials
Non-controlling ownership interest	9%	30%	40%	67%	49%
Statement of financial position					
Non-current assets	129	20	0	18	6
Current assets	201	55	3	6	7
Non-current liabilities	1	1			
Current liabilities	61	40	0	16	
Income statement					
Sales	249	88	12		
Profit for the year	30	2	0	2	
Other comprehensive income	-10	-1	0		0
Total comprehensive income	21	1	0	2	0
Dividends paid to non-controlling interests		6	0	2	
Share of non-controlling interest in the profit for the year	1	1		1	
Accumulated non-controlling interests	19	10	1	6	6

At the end of 2022, the following subsidiaries have non-controlling interests totaling €23 million.

In € million	Solvay Hengchang Zhangjiagang Special Chem	Solvay Nicca	Cogeneration Tavaux
Non-controlling ownership interest	30%	40%	67%
Statement of financial position			
Non-current assets	17	0	18
Current assets	72	4	7
Non-current liabilities	1	0	0
Current liabilities	34	1	16
Income statement			
Sales	168	16	0
Profit for the year	36	1	4
Other comprehensive income	-3	0	0
Total comprehensive income	32	1	4
Dividends paid to non-controlling interests	6	0	1
Share of non-controlling interest in the profit for the year	11	0	3
Accumulated non-controlling interests	16	1	6

NOTE F29
SHARE-BASED PAYMENTS

Accounting policy

Syensqo has set up compensation plans, including equity-settled and cash-settled share-based compensation plans.

In its equity-settled plans, the Group receives services as consideration for its own equity instruments (namely through the issuance of share options). The fair value of services rendered by employees in consideration for the granting of equity-instruments represents an expense. This expense is recognized on a straight-line basis in the consolidated income statement over the vesting periods relating to these equity-instruments with the recognition of a corresponding adjustment in equity. The fair value of services rendered is measured based on the fair value of the equity-instruments on the grant date. It is not subsequently remeasured. At each reporting date, the Group re-estimates the number of share options likely to vest. The impact of the revised estimates is recognized in profit or loss against a corresponding adjustment in equity.

In its cash-settled plans, the Group acquires services by incurring a liability to transfer to its employees rendering those services amounts that are based on the price (or value) of equity instruments (including shares or share options) of the Group (namely through the issuance of performance share units). The fair value of services rendered by employees in consideration for the granting of share-based payments represents an expense. This expense is recognized on a straight-line basis in the consolidated income statement over the vesting periods relating to these share-based payments with the recognition of a corresponding adjustment in liabilities. At each reporting date, the Group re-estimates the number of options likely to vest, with the impact of the revised estimates recognized in profit or loss. The Group measures the services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note F8 Earnings per share).

Awards on shares of the Solvay Group

The awards granted on shares of the Solvay Group are not in scope of IFRS 2 Share based payment plans. Management has established the below accounting policy for these awards.

For the awards granted on Solvay Group shares, a liability is recognized and measured based on the fair value of the Solvay Group awards at each reporting date. On initial recognition of the liability at the Partial Demerger date, a corresponding entry is recognized in equity for the vesting period that has passed to date and the remaining amount is recognized as Other Receivables. This asset represents the services that have yet to be rendered by the beneficiaries. The asset will be amortized to the consolidated income statement over the remaining vesting period of the plans.

The costs of the awards related to the Solvay Group are presented within operational (Administrative) expenses. The fair value fluctuation on the liability will be presented in Financial Results together with the fair value fluctuation on the hedging options/shares, which will partially hedge the impact.

The liability will be remeasured to its fair value at each reporting date. This applies equally to vested plans so long as there remains outstanding (unexercised) options.

The liabilities related to the fully vested plans are disclosed as current given that the beneficiaries may exercise their awards at any time. The liabilities related to the unvested plans are disclosed as non-current.

Effects of the Partial Demerger – amendments to the plans

As part of the Partial Demerger, amendments were made to the existing long term incentive plans. The long term incentive plans were modified by the Board, based on either of the two following approaches:

Shareholder approach – Existing awards were adjusted to entitle beneficiaries to receive one share of the Solvay Group and one share of the Syensqo Group.

Employer approach – Existing awards were adjusted to entitle beneficiaries to receive a certain number of awards of their future employer (i.e. either the Syensqo Group or the Solvay Group).

Stock option plans (Shareholder approach)

All outstanding stock options were converted into options on both the Solvay Group and Syensqo Group shares. The options can be exercised individually on each Group's shares with the exception of the 2022 SOP, which is a basket option i.e. the option is exercised on both Group's shares simultaneously.

The 2022 SOP is no longer classified as an equity settled plan due to the basket option feature. This plan will be treated similarly to the awards on Solvay Group shares. At the date of the Partial Demerger, the fair value of the 2022 SOP was recalculated using the Monte Carlo model and the plan was reclassified. A liability of €8 million was recognized, with corresponding entries to equity (€3 million) and Other Receivables (€5 million).

The exercise prices of all the stock options (excluding the 2022 SOP) were reset at the Partial Demerger date taking into consideration the Solvay Group and Syensqo Group closing share prices at December 11, 2023. As per Belgian law requirements, the sum of new exercise prices of the Solvay and Syensqo options equal the original exercise price of the plans.

2022 PSU plan (Shareholder approach)

The performance metrics were measured for the full year 2022 and 2023. The PSUs were converted to RSUs by applying an extrapolation method to the third performance year (2024). The vesting period remains unchanged. The RSUs will vest at the end of December 2024 and the shares of the Solvay Group and the Syensqo Group will be delivered to the beneficiaries in Q1 2025.

2023 PSU and RSU (Employer approach)

The performance metrics were measured for the full year 2023. For the performance years 2024 and 2025, new KPIs will be set and approved by the Syensqo Board in Q1 2024. The vesting period remains unchanged. The PSUs and RSUs will vest at the end of December 2025 and the Syensqo Group shares will be delivered to the beneficiaries in Q1 2026.

To ensure the beneficiaries were not disadvantaged by the amendments to the plan, the number of PSUs and RSUs per beneficiary was adjusted taking into account the 30 day post-demerger average share price of the Solvay and Syensqo Groups.

2022 ESPP (Employer approach)

To ensure the beneficiaries were not disadvantaged by the amendments to the plan, the number of free and matching shares per beneficiary was adjusted taking into account the 30 day post-demerger average share price of the Solvay and Syensqo Groups. The vesting period remains unchanged. The ESPP free and matching shares will vest at the end of September 2024.

Awards on Solvay Group shares

For the awards granted on Solvay Group shares, a liability is recognized at the Partial Demerger date based on the fair value of the Solvay Group awards at that date (€14 million). A corresponding entry is recognized in equity (€7 million) for the vesting period that has passed to date and the remaining amount is recognized as Other Receivables (€7 million). This asset represents the services that have yet to be rendered by the beneficiaries. The asset will be amortized to operational (Administrative) expenses in the consolidated income statement over the remaining vesting period of the plans.

The costs of the awards related to the Solvay Group (€1 million) are presented within operational (administrative) expenses in the IFRS EBIT/EBITDA. The fair value fluctuation on the liability (€7 million) is presented in Financial Results together with the fair value fluctuation on the hedging options/shares (€7 million). The carrying amount of the liability at December 31, 2023 is €22 million.

Modification accounting

In accordance with the requirements of IFRS 2 modification accounting, the Group obtained updated fair values using Black-Scholes models of all the share based payment plans at the date of the Partial Demerger based on (i) the original terms but updated to the Partial Demerger date, and (ii) the modified terms. The fair values were compared and where there was an increase in fair value under the modified terms, the Group will recognize this additional cost over the remaining vesting period for the unvested plans. The additional cost related to vested plans was recognized in full in Administrative Expenses for the year ended December 31, 2023. The impact of the incremental fair value for both unvested and vested plans was not material to the Group.

<u>Stock Option Plan</u>

Prior to the Partial Demerger, all the stock option plans were equity settled. Following the Partial Demerger, the Group also has to account for awards granted on the Solvay Group shares. There was no stock option plan granted in 2023.

Syensqo - Stock Option Plan

Share option plans - Syensqo	2021	2020	2019	2018	2017	2016
Number of share options granted and still outstanding at December 31, 2022	152,978	214,381	119,052	111,381	65,107	7,469
Granted share options						
Forfeitures of rights and expiries						
Share options exercised			-12,662	-8,377	-3,909	-7,469
Number of share options at December 31, 2023	152,978	214,381	106,390	103,004	61,198	0
Share options exercisable at December 31, 2023			106,390	103,004	61,198	
Exercise price of Syensqo options (in €)	79.09	79.28	80.31	93.60	92.08	62.87
Fair value of options (in €) at modification date	20.55	19.77	18.39	11.61	9.36	26.96

	2023	
	Number of share options	Weighted average exercise price
January 1	670,368	82.86
Granted during the year		
Forfeitures of rights and expiries during the year		
Exercised during the year	-32,417	81.15
December 31	637,951	82.95
Exercisable at December 31	270,592	

Solvay - Stock Option Plan

Share option plans - Solvay	2021	2020	2019	2018	2017	2016
Number of share options granted and still outstanding at December 31, 2022	152,978	214,381	119,052	111,381	65,107	7,469
Granted share options						
Forfeitures of rights and expiries						
Share options exercised				-8,377	-4,212	-7,469
Number of share options at December 31, 2023	152,978	214,381	119,052	103,004	60,895	0
Share options exercisable at December 31, 2023			119,052	103,004	60,895	
Exercise price of Solvay options (in €)	16.49	16.52	16.74	19.51	19.19	13.11
Fair value of options (in €) at December 31, 2023	9.94	10.06	10.07	8.21	8.41	14.54

	2023	
	Number of share options	Weighted average exercise price
January 1	670,368	17.27
Granted during the year		
Forfeitures of rights and expiries during the year		
Exercised during the year	-20,058	17.06
December 31	650,310	17.28
Exercisable at December 31	282,951	

Basket option - Stock Option Plan

Share option plans – Basket options	2022
Number of share options granted and still outstanding at December 31, 2022	271,500
Granted share options	
Forfeitures of rights and expiries	
Share options exercised	
Number of share options at December 31, 2023	271,500
Share options exercisable at December 31, 2023	
Exercise price of options (in €)	84.34
Fair value of options (in €) at December 31, 2023	38.47

	2023	
	Number of share options	Weighted average exercise price
January 1	271,500	84.34
Granted during the year		
Forfeitures of rights and expiries during the year		
Exercised during the year		
December 31	271,500	84.34
Exercisable at December 31		

In 2023, the share options resulted in an expense of €1 million, which includes the impact of the plan amendments, and is recognized in the consolidated income statement as part of administrative costs. The carrying amount of the liability for stock options on Solvay Group shares at December 31, 2023 is €17 million.

The updated valuation of the stock option plan of 2022 is based on:
the price of the underlying asset (sum of the Solvay and Syensqo share): €109.45 at December 11, 2023;

- the time outstanding until option maturity: exercisable from January 1, 2026, until December 31, 2027, taking into account the fact that some of them will be exercised before the option maturity;
- the option exercise price: €84.34;
- the risk-free return: 2.52% (on average);
- the average volatility of the underlying yield, estimated based on the option price: 27.8%;
- an average dividend yield of 3.7%.

The performance condition has already been met and therefore is not factored into the model. A peer group was used to determine the average historic volatility for the Syensqo Group.

Weighted average remaining contractual life of the share option plans:

In years	2023
2017	1.2
2018	2.2
2019	3.2
2020	4.2
2021	5.1
2022	4.0

Performance Share Units Plan (PSU)

In 2023 prior to the Partial Demerger, the Board of Directors offered to executive staff a Performance Share Unit Plan, with the objective of promoting long-term success and to increase the focus on sustainable performance for the benefit of the Syensqo Group and its stakeholders. All the managers involved subscribed to the PSU offered to them in 2023 with a grant date fair value of €108.56 representing the average Solvay Group stock market price of the share for the 30 days prior to the offer. In accordance with IFRS 2 requirements, the fair value of each PSU in this plan has been updated to €84.58, being the initial grant date fair value adjusted by the weighted average closing price of both Groups for the 30 days post the Partial Demerger (78% of the initial grant date fair value allocated to Syensqo). The PSU plan 2023 is an equity-settled share-based plan with a 3-year vesting period, after which shares will be issued, if vesting conditions are met.

The table below includes information on the PSU plans as they existed prior to the Partial Demerger.

Performance share units	Plan 2023	Plan 2022	Plan 2021
Number of PSUs	171,998	119,220	108,038
Grant date	07/03/2023	17/05/2022	23/02/2021
Vesting date	01/01/2026	01/01/2025	01/01/2024
Vesting period	01/01/2023 to 31/12/2025	17/05/2022 to 31/12/2024	31/03/2021 to 31/12/2023
Performance conditions	40% of the initial granted PSUs are subject to the achievement of Year over Year Underlying EBITDA growth target for each of the 3 (2023, 2024, 2025) performance years ending on December 31, 2025	40% of the initial granted PSUs are subject to the achievement of Year over Year Underlying EBITDA growth target for each of the 3 (2022, 2023, 2024) performance years ending on December 31, 2024	40% of the initial granted PSUs are subject to the achievement of Year over Year Underlying EBITDA growth target for each of the 3 (2021, 2022, 2023) performance years ending on December 31, 2023
	40% of the initial granted PSUs are subject to the sustained and /or improved ROCE % of the Company for each of the 3 (2023, 2024, 2025) performance years	40% of the initial granted PSUs are subject to the sustained and /or improved ROCE % of the Company for each of the 3 (2022, 2023, 2024) performance years	40% of the initial granted PSUs are subject to the sustained and /or improved ROCE % of the Company for each of the 3 (2021, 2022, 2023) performance years
	20% of the initial granted PSUs are subject to the reduction of GHG absolute emissions during the same 3 years (2023, 2024, 2025)	20% of the initial granted PSUs are subject to the reduction of GHG absolute emissions during the same 3 years (2022, 2023, 2024)	20% of the initial granted PSUs are subject to the reduction of GHG absolute emissions during the same 3 years (2021, 2022, 2023)
	Achievement of the plan is measured for each separate performance year. The score achieved for each individual year is acquired definitively, whatever the achievement of the other years	Achievement of the plan is measured for each separate performance year. The score achieved for each individual year is acquired definitively, whatever the achievement of the other years	Achievement of the plan is measured for each separate performance year. The score achieved for each individual year is acquired definitively, whatever the achievement of the other years
Validation of performance conditions	By the Board of Directors	By the Board of Directors	By the Board of Directors

For the PSU plan 2022, the participants who are also members of the Executive Leadership Team (including the CEO) on the grant date must achieve an additional performance condition. If achievement of the performance conditions outlined in the above table is positive (above 0), delivery of the PSUs is subject to further adjustment based on the Total Shareholder Return (TSR) performance of the Group in comparison to the TSR of the Stoxx 600 index companies for the period equal to the Performance Period. The TSR performance condition was met at the end of 2023 and the percentile achieved in comparison to the Stoxx 600 index is 4.131 units.

Note that the PSU plan 2022 was converted to an RSU plan at the Partial Demerger date (see Effects of the Partial Demerger – amendments to the plans).

The PSU plan 2021 is a cash settled plan with a 3 year vesting period that vested on December 31, 2023. The payout was determined on the basis of the Solvay Group average share price (€104.29) during a 10-day trading period ending on November 30, 2023. The amount (€14 million) is expected to be paid in June 2024.

In 2023, the impact on the consolidated income statement regarding PSUs amounts to a cost of €(15) million. Included in the 2023 PSU cost is €5 million related to the new PSU 2023 equity-settled plan and €5 million related to the 2022 PSU prior to its conversion to RSUs.

The carrying amount of the liability for the 2022 PSU plan on awards on Solvay Group shares amounts to €3 million at the end of 2023.

At December 31, 2023, there were 172,135 PSUs outstanding for the 2023 equity-settled plan and 104,488 for 2021 cash-settled plan, respectively.

Restricted Share Units (RSU)

In 2023 prior to the Partial Demerger, the Board of Directors offered to executive staff two Restricted Share Unit Plans, with the objective of encouraging beneficiaries to remain employed by the Group by allowing them to become shareholders of the Group. All the managers involved subscribed to the RSUs offered to them in 2023 with a grant date fair value of €108.56 representing the average Solvay Group stock market price of the share for the 30 days prior to the offer. In accordance with IFRS 2 requirements, the fair value of each RSU in these plans has been updated to €84.58, being the initial grant date fair value adjusted by the weighted average closing price of both Groups for the 30 days post the Partial Demerger (78% of the initial grant date fair value allocated to Syensqo).

The Restricted Share Units are equity-settled share-based plans with a vesting date of December 31, 2025, after which shares will be issued, if vesting conditions are met.

In 2023, the impact on the consolidated income statement of the RSUs amounts to a cost of €6 million and includes the cost of the converted 2022 PSU plan post the Partial Demerger. The carrying amount of the liability for the 2022 RSU plan on awards on Solvay Group shares amounts to €2 million at the end of 2023. At December 31, 2023, there were 172,703 RSUs outstanding on Solvay Group shares.

At December 31, 2023, there were 97,962 RSUs and 172,703 RSUs outstanding for the 2023 and 2022 equity settled plan, respectively on Syensqo Group shares.

Employee Stock Purchase Plan (ESPP)

In September 2022, Solvay launched its first employee share purchase plan. By participating in the plan, employees have the opportunity to purchase Solvay Group shares on preferential terms. 27.7% of employees subscribed to the plan offered to them in 2022 with a grant date fair value of €82.85 representing the average stock market price of the share for the 30 days prior to the offer. In accordance with IFRS 2 requirements, the fair value of the ESPP has been updated to €64.55, being the initial grant date fair value adjusted by the weighted average closing price of both Groups for the 30 days post the Partial Demerger (78% of the initial grant date fair value allocated to Syensqo).

These employees will receive one free Syensqo Group share for joining the plan as well as one matching share for every two shares purchased. The ESPP is an equity-settled share-based plan with a vesting date of September 30, 2024, after which the free and matching shares will be issued, if vesting conditions are met.

At December 31, 2023, 62,883 shares are expected to be granted to the employees. The impact on the consolidated income statement of the ESPP amounts to a cost of €2 million.

NOTE F30
EMPLOYEE BENEFITS

Accounting policy

General

The Group's employees are offered various post-employment benefits, other long-term employee benefits, and termination benefits as a result of legislation applicable in certain countries, and contractual agreements entered into by the Group with its employees or constructive obligations.

The post-employment benefits are classified as defined contribution or defined benefit plans.

Defined contribution plans

Defined contribution plans involve the payment of fixed contributions to a separate entity, and release the employer from any subsequent obligation, as this separate entity is solely responsible for paying the amounts due to the employee. The expense is recognized when an employee has rendered services to the Group during the period.

Defined benefit plans

Defined benefit plans concern all plans other than defined contribution plans, and include:

- Post-employment benefits: pension plans, other post-employment obligations and supplemental benefits such as post-employment medical plans.

Taking into account projected final salaries on an individual basis, post-employment benefits are measured by applying a method (projected unit credit method) using assumptions involving discount rate, life expectancy, turnover, wages, annuity revaluation and medical cost inflation. The assumptions specific to each plan take into account the local economic and demographic contexts.

The discount rates are 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 the terms of the related pension obligation.

The amount recognized under post-employment obligations corresponds to the difference between the present value of future obligations and the fair value of the plan assets funding the plan, if any. If this calculation gives rise to a deficit, an obligation is recognized in liabilities. Otherwise, a net asset limited to the lower of the surplus in the defined benefit plan and the present value of any future plan refunds or any reduction in future contributions to the plan is recognized. Therefore, the amount at which such an asset is recognized in the statement of financial position may be subject to a ceiling.

The defined benefit cost consists of service cost and net interest expense (based on discount rate) on the net liability or asset, both recognized in profit or loss, and remeasurements of the net liability or asset, recognized in other comprehensive income.

Service cost consists of current service cost, past service cost resulting from plan amendments or curtailments and settlement gains or losses.

The interest expenses arising from the reverse discounting of the benefit obligations, the financial income on plan assets (determined by multiplying the fair value of the plan assets by the discount rate) as well as interest on the effect of the asset ceiling are recognized on a net basis in the net financial charges (cost of discounting of provisions).

Remeasurements of the net liability or asset consist of:
- actuarial gains and losses on the benefit obligations arising from experience adjustments and/or changes in actuarial assumptions (including the effect of changes in the discount rate) recognized in other comprehensive income;
- Changes as a consequence of plan amendments, recognized in profit or loss;

the return on plan assets (excluding amounts in net interest) and changes in the limitation of the net asset recognized.

Other long-term employee and termination benefits

Other long-term employee benefits related to long service benefits granted to employees according to their seniority in the Group. Termination benefits include early pension plans. Other long-term employee and termination benefits are accounted for in the same way as post-employment benefits but remeasurements are fully recognized in the net financial charges during the period in which they occur.

The actuarial calculations of the main post-employment obligations and other long-term benefits are performed by independent actuaries.

PROVISION BY TYPE OF BENEFITS

In € million	December 31, 2023	December 31, 2022
Post-employment benefits	281	245
Other long-term benefits	92	93
Termination benefits	1	1
Total employee benefits	373	338

POST-EMPLOYMENT BENEFITS

A. Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension funds or insurance companies.

B. Defined benefit plans

Defined benefit plans can be either funded via outside pension funds or insurance companies ("funded plans") or financed within the Group ("unfunded plans"). Unfunded plans have no plan assets dedicated to them.

The net liability results from the net of the provisions and the asset plan surplus.

In € million	December 31, 2023	December 31, 2022
Provisions	281	245
Asset plan surplus	-91	-9
Net liability	189	236
	2023	**2022**
Operational expense	24	26
Finance expense	11	2

The operating expense includes current service cost for €19 million (€28 million in 2022) (see also B.3.).

B.1. Management of risks

Over recent years, the Group has reduced its exposure to defined benefit plan obligations stemming from future services by converting existing plans into pension plans with a lower risk profile (hybrid plans, cash balance plans and defined contribution plans) or by closing them to new entrants.

The Group continuously monitors its risk exposure, focusing on the following risks:

Asset volatility

Equity instruments, even though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. To mitigate this risk, the allocation to equity instruments is monitored using Assets and Liabilities Management techniques, to ensure it remains appropriate given the respective schemes' and Group's long term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the carrying amount of the plans' liabilities. For funded schemes this impact will be partially offset by an increase in the fair value of the plan assets. Corporate bond yields are highly dependent on global and local market situations, the decisions of central banks and the political situation.

Events that are currently impacting the financial markets are:
- the perspective of slow growth in the world with a fragmentation by geographic zones;
- the anticipation of a decrease of rates by the US and European central banks;
- a reduction of the inflation but with signs of resistance of some elements of the underlying inflation;
- continuing political instability due to the wars in Gaza and Ukraine, tension with China and US elections.

Inflation risk

The defined benefit obligations are linked to inflation, and as a result, higher inflation may lead to an increase in the benefit obligation (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). A limited part of the assets are either unaffected by or only partially correlated with inflation, meaning that an increase in inflation will also increase the plans' net liabilities.

The inflation rate in each country is based on the Global Economic Consensus Forecast (GCF) with the exception of the UK, where the information is derived from the Bank of England. Long-term inflation assumptions have decreased slightly in the Eurozone in comparison to 2022. In the UK, the outlook for the retail price index and consumer price index dropped slightly compared to 2022. (See Actuarial assumptions used in determining the liability)

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member. Increases in life expectancy will therefore increase the plans' liabilities.

Regulatory risk

Especially with respect to funded plans, the Group is exposed to the risk of external funding following regulatory constraints. This should not impact the defined benefit obligation but could expose the Group to a potential significant cash outlay.

B.2. Description of obligations

The provisions have been set up to cover post-employment benefits granted by most Group companies in line, either with local rules and /or with established practices, which generate constructive obligations.

The largest post-employment plans in 2023 and 2022 are in the United Kingdom, the United States and France.

These three countries represent 93% of the total defined benefit obligations and represent 95% of the total recognized plan assets.

In € million	Defined benefit obligations	Recognized plan assets	Net liability/ (asset)	Ratio plan assets on defined benefit obligations	of which asset surplus recognized in the balance sheet
United Kingdom	943	964	-21	102%	61
United States	829	764	65	92%	23
France	118	22	96	19%	0
Belgium	70	70	1	99%	3
Other countries	82	33	49	41%	5
Total	2,042	1,853	189	91%	91

In € million	Defined benefit obligations	Recognized plan assets	Net liability/ (asset)	Ratio plan assets on defined benefit obligations	of which asset surplus recognized in the balance sheet
United Kingdom	917	899	18	98%	
United States	968	871	97	90%	4
France	105	23	82	22%	
Belgium	65	63	1	98%	
Other countries	64	26	38	41%	5
Total	2,119	1,882	237	89%	9

United Kingdom

The Group sponsors a few defined benefit plans in the United Kingdom; the largest one is the Rhodia Pension Fund (the Fund). This is a final salary funded pension plan, with entitlement to accrue a percentage of salary per year of service. It was closed to new entrants in 2003 and replaced by a defined contribution plan.

Broadly, at year-end 2023, about 8% of the defined benefit obligations are attributable to current employees, 25% to former employees and 67% to current pensioners.

The Fund functions and complies with UK legislation under a large regulatory framework. The Pensions Regulator has a risk-based approach to regulation and a code of practice, which provides practical guidance to trustees and employers of defined benefit schemes on how to comply with the scheme funding requirements. In accordance with UK legislation, the Fund is subject to Scheme Specific Funding, which requires that pension plans are funded prudently.

The Fund is governed by a Board of Trustees. They manage the Fund with prudent and fair judgment. The Trustees determine the liabilities used for Statutory Funding Objectives based on prudent actuarial and economic assumptions. Any shortfall or deficit once these liabilities have been deducted from the Fund's assets must be reduced by additional contributions and in a timeframe determined in accordance with the employer's ability to pay and the strength of covenant or contingent security being offered by the employer.

The Fund is subject to a triennial valuation cycle for funding purposes. This valuation is performed by the scheme actuary in line with UK regulations and is discussed between the Trustees and the sponsoring employer to agree the valuation assumptions and a funding plan. The last completed valuation was as of July 1, 2021, which established a fixed contribution rate of pensionable pay for active members plus a deficit recovery plan, which aims to fully fund the scheme's technical provisions over a period of time. Recovery contributions have been increased so that the plan is expected to be fully funded by the end of 2027 in accordance with local regulations.

The guarantee provided by the Group (£175 million) is based on local regulations and exceeds the recognized liability – see note F36 Contingent assets, liabilities and financial guarantees for more information.

On 16 June 2023, the UK High Court issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others) calling into question the validity of rule amendments made to UK defined benefit pension schemes contracted-out on a Reference Scheme Test basis between April 6, 1997 and April 6, 2016.

Amendments to these pension schemes over this time required confirmation from the Scheme Actuary that the Reference Scheme Test would continue to be met. In the absence of such a confirmation, the rule amendments would be void (whether adverse or not).

Syensqo's UK DB plans were contracted-out and plan amendments impacting member's benefits were made in the time period April 6, 1997 to April 6, 2016.

The Company has discussed the case with the pension plan trustees and advisers and commenced an investigation and an assessment of plan amendments which may be affected by this ruling. Based on the work completed to date the Company does not believe the aforementioned UK High Court Ruling exposes any new risk for pension schemes that would have a significant impact on the consolidated financial statements as per December 31, 2023.

An appeal to the UK High Court Ruling is due to be heard on June 26, 2024 which, it is hoped, will provide further clarity on the issue and related future developments will be monitored.

France

The group sponsors several defined benefit plans in France. The largest plans are the French compulsory retirement indemnity plan and four closed top hat plans. More than 95% of the liabilities for the top hat plans are attributable to current pensioners. Three of the top hat plans are partially funded.

In the context of the Partial Demerger and in line with local legislation, and legal arrangements, pension liabilities and concerned assets plans were split between the Syensqo and Solvay Groups.

In accordance with French legislation, adequate guarantees have been provided.

United States

The Group sponsors four defined benefit pension plans in the United States: one qualified plan following the merger of two qualified plans in 2023 and three non-qualified plans. A qualified plan is an employer-sponsored retirement plan that qualifies for special tax treatment under Section 401(a) of the Internal Revenue Code. At this moment all defined benefit plans are closed to new entrants where newly hired employees are eligible to participate in a defined contribution plan. Note that the qualified defined benefit pension plan is funded while the three non-qualified defined benefit pension plans are unfunded. The qualified plans make up the vast majority of the pension liabilities as of December 31, 2023.

The Group's plans are in compliance with local laws regarding audited financial statements, governmental filings, and Pension Benefit Guaranty Corporation insurance premiums where applicable. The plans are reviewed and monitored locally by fiduciary committees for purposes of plan investments and administrative matters.

For the US qualified plans, the Group's contributions take into account minimum (tax-deductible) funding requirements as well as maximum tax deductible contributions, both regulated by the tax authorities.

Certain eligible participants may elect to receive their pension in a single lump sum payment instead of a monthly payment.

Broadly, at year-end 2023, about 24% of the defined benefit obligations are attributable to current employees, 11% to former employees for whom benefit payments have not yet commenced and 65% to current pensioners.

In 2023, in the United States, the Group contributed to two multiemployer pension plans under collective bargaining agreements that cover certain of its union-represented employees. Each of the multiemployer plans is a defined benefit pension plan, both of which were in green zone status for 2023. Neither of the multiemployer plans provide an allocation of its assets, liabilities, or costs among contributing employers. Neither of the multiemployer plans provides sufficient information to permit Syensqo, or other contributing employers, to account for the multiemployer plan as a defined benefit plan. Accordingly, the company accounts for its participation in each of the multiemployer plans as if it were a defined contribution plan. For 2022 and 2023, the annual contributions paid for each multiemployer plan were less than €1 million and represented less than 5% of total plan contributions. Multiemployer plan contributions for 2024 are expected to be zero, due to the demerger of the Group in December 2023.

As a consequence of the high discount rates and 2023 high return on plan assets, an asset surplus is recognized in the consolidated statement of financial position for the United-States.

Belgium

The Group sponsors two defined benefit plans in Belgium. These are funded pension plans. The plan for executives has been closed since the end of 2006, and the plan for the White and Blue collars has been closed since 2004. The past service benefits provided under these plans continue to be adapted each year considering annual salary increase and inflation ("Dynamic management"). In accordance with market practice in Belgium, because of favorable retirement lump sum taxation, most benefits are paid as lump sum.

Furthermore, the Group sponsors two open defined contribution plans, classified as defined benefit plans for accounting purposes due to the minimum guarantees explained hereafter. These are funded pension plans, which are open since the beginning of 2007 for the one in favor of the executives and since the beginning of 2005 for the one in favor of the White and Blue collars. Participants may choose to invest their contributions amongst four different investment funds (from "Prudent" to "Dynamic"). However, regardless of their choices, the Belgian law foresees that the employer must guarantee a return on employer contribution and on personal contribution, creating that way a potential liability for the Group. Since 2016 the return has been fixed at 1.75% for both types of contributions, at the minimum of the range provided by law since January 1, 2016 (1.75% to 3.75%). At the end of 2023, net liability recognized in the consolidated statement of financial position concerning these plans is not material.

The Group's plans are setup through a multiemployer pension fund with assets and pension liabilities held in a section separated from other sponsoring companies. The fund operates in compliance with local laws regarding minimum funding, investments principles, audited financial statements, governmental filings, and governance principles. The fund is managed through a General Assembly and a Board of Directors delegating day-to-day activities to an operational committee.

The Group sponsors a few other smaller pension plans. All these plans are insured.

Other Plans

The majority of the obligations relate to pension plans. In some countries (mainly the United States), there are also post-employment medical plans, which represent 4% (3% in 2022) of the total defined benefit obligation.

B.3. Financial impacts

Changes in net liability

In € million	2023	2022
Net amount recognized at beginning of period	238	170
Net expense recognized in P&L – Defined benefit plans	35	28
Actual employer contributions / direct actual benefits paid	-113	-34
Acquisitions and disposals	0	0
Remeasurements before impact of asset ceiling	39	63
Change in the effect of the asset ceiling limit on remeasurements	-4	2
Reclassifications	-3	4
Currency translation differences	-3	5
Net amount recognized at end of period	189	238

Remeasurements including the impact of asset ceiling €35 million comprise:

- the favorable investment return on plan assets (excluding interests reported in the consolidated income statement) for €(20) million;
- decrease in discount rates €44 million mainly in the United States, United Kingdom and Eurozone;
- decrease in inflation rate €(19) million for Eurozone;
- other remeasurements due to changes in the other financial assumptions, demographic and experience effects €30 million.

Net expense

In € million	2023	2022
Current service costs	19	23
Past service costs (including curtailments and settlements)	3	1
Service costs	21	24
Interest cost	97	64
Interest income	-86	-62
Net interest	11	2
Administrative expenses paid	3	2
Net expense recognized in P&L – Defined benefit plans	35	28
Remeasurements recognized in other comprehensive income	-35	65

The service costs and administrative expenses of these benefit plans are recognized within cost of sales, administrative costs, research & development costs or operating gains and losses and results from legacy remediation, and the net interest is recognized as a finance expense.

In 2023 the Group's current service costs amount to €19 million (€23 million in 2022), of which €13 million (€16 million in 2022) related to funded plans and €6 million (€7 million in 2022) related to unfunded plans.

Net liability

In € million	December 31, 2023	December 31, 2022
Defined benefit obligations – Funded plans	1,811	1,895
Fair value of plan assets at end of period	-1,853	-1,886
Deficit for funded plans	-41	9
Defined benefit obligations – Unfunded plans	231	224
Deficit / surplus (-)	190	233
Amounts not recognized as asset due to asset ceiling (recognized in other comprehensive income)	0	4
Net liability (asset)	189	236
Provision recognized	281	245
Asset recognized	-91	-9

Changes in defined benefit obligations

In € million	2023	2022
Defined benefit obligation at beginning of period	2,119	2,871
Current service costs	19	23
Past service costs (including curtailments)	3	1
Interest cost	97	64
Employee contributions	2	1
Settlements	0	0
Acquisitions and disposals (-)	0	0
Remeasurements in other comprehensive income	59	-673
Actuarial gains and losses due to changes in demographic assumptions	1	-24
Actuarial gains and losses due to changes in financial assumptions	16	-675
Actuarial gains and losses due to experience	41	26
Actual benefits paid	-156	-188
Currency translation differences	-13	17
Reclassification and other movements	-86	3
Defined benefit obligation at end of period	2,042	2,119
Defined benefit obligations – Funded plans	1,811	1,895
Defined benefit obligations – Unfunded plans	231	224

Changes in the fair value of plan assets

In € million	2023	2022
Fair value of plan assets at beginning of period	1,883	2,701
Interest income	86	62
Remeasurements in other comprehensive income	20	-736
Return on plan assets (excluding amounts in net interests including on asset surplus)	20	-736
Employer contributions	113	34
Employee contributions	2	1
Administrative expenses paid	-3	-2
Acquisitions / Disposals (-)	0	0
Settlements	0	0
Actual benefits paid	-156	-188
Currency translation differences	-10	12
Reclassification and other movements	-82	-1
Fair value of plan assets at end of period	1,853	1,883
Actual return on plan assets (including on asset surplus)	106	-674

In 2023, the total return on plan assets, i.e. including interest income, is a profit of €106 million against €674 million of loss in 2022.

In 2023, the Group's cash contributions amount to €113 million (€34 million in 2022), of which €86 million of voluntary cash contributions (no voluntary contribution in 2022), and €27 million (€34 million in 2022) of mandatory contributions to funds and direct benefits payments.

In 2023, the voluntary cash contributions were made to improve the funding level of the UK pension plans (€86 million) and increase de-risking with the additional plans' assets.

Future benefits paid

The Group's benefit payments from the defined benefit plan in the future years are expected to be approximately as follows (in € million):

Period	Total	Eurozone	United Kingdom	United States	Other
2024	158	10	60	83	5
2025	160	11	62	83	4
2026-2028	479	43	194	231	11

Categories of plan assets

	December 31, 2023	December 31, 2022
Equities	23%	20%
Bonds	70%	72%
Properties and infrastructures	3%	3%
Cash and cash equivalents	3%	2%
Derivatives	0%	1%
Others	1%	2%
Total	100%	100%

With respect to the invested assets, it should be noted that these assets do not contain any direct investment in the Group shares or in property or other assets occupied or used by the Group. This does not exclude the Group shares being included in mutual investment fund type investments.

Changes in asset ceiling

In € million	2023	2022
Effect of the asset ceiling limit at beginning of period	4	2
Change in the effect of the asset ceiling limit on remeasurements	-4	2
Effect of the asset ceiling limit at end of period	0	4

Actuarial assumptions used in determining the liability

Some of the retirement plans that the Group has in place provide annuity payments that are adjusted on a regular basis to mitigate the effects for cost of living increases.

The salary growth assumption is used to determine what will be the salary at the end of the career of the individuals, as the defined benefit plans take into account the last salary of the individuals. This assumption includes impacts of both inflation and merit increases.

The pension growth assumption defines the expected future adjustments for these annuity payments. The plan defines how these annuity payments will be adjusted, and might be linked to inflation. Pension growth assumptions mainly apply for the defined benefit retirement plans in the United Kingdom and France.

The long term inflation assumption is presented separately as salary growth and pension growth assumptions encompass more variables than inflation.

	Eurozone		UK		USA	
	2023	2022	2023	2022	2023	2022
Discount rates	3.25%	3.75%	4.50%	4.75%	4.75%	5.00%
Expected rates of future salary increases	2.00%-4.00%	2.00%-4.25%	2.25%	2.50%-3.00%	3.75%	3.00%-3.50%
Inflation	2.00%-2.25%	2.00%-2.50%	2.75%	3.00%	2.25%	2.50%
Expected rates of pension growth	0.00%-2.25%	0.00%-2.50%	2.55%	2.80%	NA	NA

Actuarial assumptions used in determining the annual cost

	Eurozone		UK		USA	
	2023	2022	2023	2022	2023	2022
Discount rates	3.75%	1.00%	4.75%	2.00%	5.00%	2.75%
Expected rates of future salary increases	2.00%-4.25%	1.75%-4.00%	2.50%	2.50%-3.00%	3.75%	3.00%-3.50%
Inflation	2.00%-2.50%	1.75%-2.00%	3.00%	3.00%	2.50%	2.50%
Expected rates of pension growth	0.00%-2.50%	0.00%-2.00%	2.80%	2.80%	NA	NA

Actuarial assumptions regarding future mortality are based on recent country specific mortality tables. These assumptions translate at January 1, 2023, into an average remaining life expectancy in years for a pensioner retiring at age 65:

In years	Belgium	France	United Kingdom	United States
Retiring at the end of the reporting period				
Male	19	25	20	21
Female	22	29	23	23
Retiring 20 years after the end of the reporting period				
Male	20	28	21	22
Female	24	31	24	24

For most countries the mortality assumptions reflect actual scheme experience and/or the Group's expectations in terms of future mortality improvements.

The actuarial assumptions used in determining the employee benefits obligation at December 31, 2023, are based on the following employee benefits liabilities durations:

	Eurozone	United Kingdom	United States
Duration in years	11.2	11.6	7.6

Sensitivities on the defined benefits obligation for the post-employment benefits

Each sensitivity amount is calculated assuming that all other assumptions are held constant. The economic factors and conditions often affect multiple assumptions simultaneously.

Sensitivity to a change of percentage in the discount rates:

In € million	0.25% increase	0.25% decrease
Eurozone	-5	5
United Kingdom	-25	26
United States	-15	15
Others	-1	1
Total	-46	47

Sensitivity to a change of percentage in the inflation rates:

In € million	0.25% increase	0.25% decrease
Eurozone	5	-5
United Kingdom	20	-20
United States	0	0
Others	0	0
Total	25	25

Sensitivity to a change of percentage in salary growth rates:

In € million	0.25% increase	0.25% decrease
Eurozone	2	-2
United Kingdom	1	-1
United States	0	0
Others	0	0
Total	3	-3

Sensitivity to a change of one year on mortality tables – the table shows impacts when the age of all beneficiaries increases or decreases by one year:

In € million	Age correction +1 year	Age correction -1 year
Eurozone	-4	4
United Kingdom	-38	38
United States	-19	19
Others	-1	1
Total	-62	62

NOTE F31

PROVISIONS

Accounting policy

General

Provisions are recognized when (a) the Group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that the Group will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount is the present value of expenditures required to settle the obligation. Impacts of changes in discount rates are generally recognized in the financial result.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received when the Group settles the obligation.

Restructurings

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Environmental remediation costs

Environmental liabilities are mainly related to non-ongoing activities (shut-down sites, discontinued activities or divested activities where Syensqo maintains certain commitments) and, to a lower extent, to ongoing activities (see comments below).

An environmental provision is recognized, in accordance with IAS 37, when there is a current legal or constructive obligation resulting from past events which will result in a probable outflow of resources (expenses / cash outs) to settle it and for which a reliable estimate of such outflows and timing can be made.

The environmental expenses encompass, but are not limited to, the following key matters:
- Sampling and analytical costs for soil and ground water monitoring.
- Cost related to dismantling when required to meet a remediation or permit obligation.
- Asbestos removal when obligated by regulation.
- Environmental investigations and studies (Risk Assessments, Phase I and II soil and groundwater).

The closing amount of the environmental provisions is based on the net present value of the future cash flows needed, for current and future years, to settle remediation obligations. Forecast expenditures are based on external consultant estimates, where appropriate and possible. Future expenditures are forecast and revised biannually and validated quarterly by Syensqo finance and suitably qualified industrial experts led by the Group Health, Safety and Environment ("HSE") Director and benefit from inputs of legal department staff for the evolution of Environmental Regulations.

In the absence of probable obligations, a contingent liability may be disclosed to represent the future possible liability. In some cases, contingent liabilities cannot be quantified. See Note F36 Contingent assets, liabilities and financial guarantees.

In € millionIn € million	Restructuring	Environment	Litigation	Other	Total
December 31, 2022	36	270	31	38	374
Additions	41	272	17	114	444
Reversals of unused amounts	0	-6	-1	0	-7
Uses	-26	-32	-11	-27	-96
Increase/decrease through discounting	0	11	0	0	11
Remeasurements	0	0	0	0	0
Currency translation differences	0	-13	-1	-1	-15
Acquisitions and changes in consolidation scope	0	0	0	0	0
Disposals	0	0	0	0	0
Other	-2	-2	1	-5	-8
December 31, 2023	48	500	36	118	702
Of which current provisions	24	212	35	26	297

Management expects provisions to be used (cash outlays) as follows:

In € million	Up to 5 years	Between 5 and 10 years	Beyond 10 years	Total
Total provisions for environment	343	52	105	500
Total provisions for litigation	36			36
Total provisions for restructuring and other	166			166
December 31, 2023	545	52	105	702

Restructuring provisions

In 2023, these provisions amount to €48 million, compared with €36 million at the end of 2022. The increase is mainly due to the new restructuring initiatives that were launched in 2023 in the context of the Partial Demerger.

The provisions at the end of 2023 and 2022 mainly relate to the restructuring charges for the simplification of all support functions in the frame of the Group's simplification and transformation program, including the strategic transformation measures.

Environmental provisions

These provisions amount to €500 million at the end of 2023, compared with €270 million at the end of 2022. The additions in 2023 relate mainly to remedial activities pertaining to the per- and polyfluoroalkyl substances (PFAS) related to the West Deptford, New Jersey site. On June 28, 2023, Solvay Specialty Polymers USA, LLC ("Solvay Specialty Polymers"), a subsidiary of Syensqo SA, and the New Jersey Department of Environmental Protection (NJDEP) announced an agreement resolving certain PFAS related claims in New Jersey. Under the terms of the agreement, Solvay Specialty Polymers will pay $75 million to NJDEP for Natural Resource Damages (NRDs) and $100 million to fund NJDEP PFAS remediation projects in areas of New Jersey near the Reporting Entity's West Deptford site. The settlement includes commitments for Solvay Specialty Polymers to complete remediation activities that began in 2013, including testing water and soil near the West Deptford site. Solvay Specialty Polymers has agreed to establish a remedial funding source in the amount of $214 million to fund those activities. The agreement, structured as a Judicial Consent Order, was presented to the US Court for review and approval, following a public comment period. The Court Approval was obtained on March 1, 2024, and became final and binding. This agreement is not an admission of liability.

As a result of this settlement, Solvay Specialty Polymers has increased its current provision by around $250 million (€229 million) in 2023, with $180 million expected cash out by 2024 and the balance over a 30-year period. The environmental provision recorded is based on the net present value of the cash flow forecast needed, for current and future years, to settle the remediation obligations. This provision represents the estimated cash out and does not reflect expected recoveries from third-party contributors nor does it reflect the potential insurance proceeds, the combination of which could significantly reduce the resultant costs.

The Group submitted certain claims from its environmental liability insurance and received confirmation in December 2023 that Solvay Specialty Polymers will receive €32 million as a preliminary settlement of these insurance policy claims. These claims were recognized in Other Receivables at December 31, 2023, and the cash was subsequently received in February 2024. Other insurance proceeds and recovery from third-party contributors are still under discussion.

The variation of environmental provisions was also impacted by the revised assumptions of higher inflation rates and of lower discount rates increasing the present value of the overall liability by €1 million. This effect, combined with the unwinding of the opening liabilities for €10 million resulted in a net increase of €11 million related to discounting. The estimated amounts are discounted based on the probable date of settlement, and are periodically adjusted to reflect the passage of time.

The breakdown of the environmental provisions and related uses for the main Countries/Regions is reported here below:

	December 31, 2022						
In € million	Provisions	In %	Use of provisions	Provisions	In %	Provisions ongoing activities	Use of provisions
France	7	1%	-7	7	2%		-1
Rest of Europe	43	9%	-6	40	15%		-6
North America	447	89%	-19	219	81%		-30
Rest of the world	3	1%	0	4	2%		0
Total	500	100%	-32	270	100%		-37

HSE cross-indemnities

The Separation Agreement contains provisions allocated to the Syensqo Group for certain operating costs, closed or divested sites, including sites for which provisions have been established in the Solvay Group's consolidated financial statements, and cross-indemnity obligations applicable where a party incurs claims, liabilities or expenses for sites allocated to the other party in the Separation Agreement.

The cross-indemnity provision within the Separation Agreement defines the nature of the environmental liabilities and costs that are indemnified. Such costs include management of environmental claims, remediation obligations and related actions. The Separation Agreement also provides additional provisions such as submitting claims and protections aimed at avoiding double recoveries.

At the end of 2023, indemnification assets of €51 million have been recognized in Other non-current assets and Other Receivables.

Provisions for litigation

Provisions for litigation refer to indirect tax and legal exposures. They amount to €36 million in 2023 (€31 million in 2022).

Other provisions

Other provisions amount to €118 million in 2023, compared with €38 million at the end of 2022. The additions in 2023 relate mainly to cross-indemnity provisions for €21 million and the wind-down charges covering certain restructuring costs that will be incurred by the provider (Solvay Group) upon termination of the TSA for €51 million.

NOTE F32
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Accounting policy

General

Financial assets and liabilities are recognized when, and only when the Group becomes a party to the contractual provisions of the instrument.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Financial assets

Trade receivables are initially measured at their transaction price, if they do not contain a significant financing component, which is the case for substantially all trade receivables. Other financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

A financial asset is classified as current when the cash flows expected to flow from the instrument mature within one year.

All recognized financial assets will subsequently be measured at either amortized cost or fair value under IFRS 9 Financial instruments; specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding is measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option;
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, is measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option. Upon derecognition, the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss;
- all other debt instruments are measured at FVTPL;
- all equity investments are measured in the consolidated statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, nor contingent consideration recognized by an acquirer in a business combination, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss. This classification is determined on an instrument-by-instrument basis. Upon derecognition, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to retained earnings.
- Equity investments in partnerships of investment funds are measured in the consolidated statement of financial position at fair value with gains and losses recognized in profit or loss. Based on the analysis of the characteristics of these funds the Group determined that they were not eligible for the FVTOCI option and therefore are accounted for at FVTPL.

For instruments quoted in an active market, the fair value corresponds to a market price (level 1). For instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3). However, in limited circumstances, cost of equity instruments may be an appropriate estimate of their fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Impairment of financial assets

The impairment loss of a financial asset measured at amortized cost is calculated based on the expected loss model, representing the weighted average of credit losses with the respective risks of a default occurring as the weights. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables that do not contain a significant financing component (i.e. substantially all trade receivables), the loss allowance is measured at an amount equal to lifetime expected credit losses. Those are the expected credit losses that result from all possible default events over the expected life of those trade receivables, using a provision matrix that takes into account historical information on defaults adjusted for the forward-looking information per customer. The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is fully impaired when there is no reasonable expectation of recovering the contractual cash flows.

Impairment losses are recognized in the consolidated income statement, except for debt instruments measured at fair value through other comprehensive income. In this case, the allowance is recognized in other comprehensive income.

Financial liabilities

Financial liabilities are initially measured at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Subsequently, they are measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value;
- financial guarantee contracts. After initial recognition, guarantees are subsequently measured at the higher of the expected losses and the amount initially recognized.

Derivative financial instruments

A derivative financial instrument is a financial instrument or other contract within the scope of IFRS 9 Financial Instruments with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying");
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

The Group enters into a variety of derivative financial instruments (forward, future, option, collars and swap contracts) to manage its exposure to interest rate risk, foreign exchange rate risk, and commodity risk (mainly utility and CO_2 emission rights price risks).

As explained above, derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income or expense, unless the derivative is designated and effective as a hedging instrument. The Group designates certain derivatives as hedging instruments of the exposure to variability in cash flows with respect to a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss (cash flow hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivative instruments (or portions of them) are presented as non-current assets or non-current liabilities if the remaining maturity of the underlying settlements is more than twelve months after the reporting period. Other derivative instruments (or portions of them) are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives and embedded derivatives, in respect of interest rate risk, foreign exchange rate risk, Syensqo share price risk, and commodity risk (mainly utility and CO_2 emission rights price risks), as hedging instruments in a cash flow hedge relationship.

At the inception of the hedge relationship, there is a formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. So to apply hedge accounting: (a) there is an economic relationship between the hedged item and the hedging instrument, (b) the effect of credit risk does not dominate the value changes that result from that economic relationship, and (c) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The requirement under (a) above that an economic relationship exists means that there is an expectation that the value of the hedging instrument and the value of the hedged item will systematically change in the opposite direction in response to movements in either the same underlying (or underlyings that are economically related in such a way that they respond in a similar way to the risk that is being hedged).

Cash flow hedges

The effective portion of changes in the fair value of hedging instruments that are designated in a cash flow hedge is recognized in other comprehensive income.

The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

As long as cash flow hedge qualifies, the hedging relationship is accounted for as follows:

- a) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):
  - (i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
  - (ii) the cumulative change in fair value (present value) of the hedged item (i.e. The present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.
- b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (i.e. The portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)) is recognized in other comprehensive income;
- c) any remaining gain or loss on the hedging instrument (or any gain or loss required to balance the change in the cash flow hedge reserve calculated in accordance with (a)) is hedge ineffectiveness that is recognized in profit or loss.
- d) the amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:
  - (i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence it does not affect other comprehensive income;
  - (ii) for cash flow hedges other than those covered by i), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss (for example, in the periods that interest income or interest expense is recognized or when a forecast sale occurs);
  - (iii) however, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

Most hedged items are transaction related. The time value of options, forward elements of forward contracts, and foreign currency basis spreads of financial instruments that are hedging the items affect profit or loss at the same time as those hedged items.

Hedge accounting is discontinued prospectively when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

When the Group discontinues hedge accounting for a cash flow hedge it accounts for the amount that has been accumulated in the cash flow hedge reserve as follows:

- if the hedged future cash flows are still expected to occur, that amount remains in the cash flow hedge reserve until the future cash flows occur. However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment;
- if the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur.

The following table provides a reconciliation between the presentation of certain components of the financial situation of the Syensqo Group between their presentation in the Consolidated Statement of Financial Position and the following notes. See also note F17 and note F33.

In € million	December 31, 2023	December 31, 2022
Borrowings from remaining Solvay Group		773
Other non-current financial debt	2,159	1,078
Non-current financial debt	2,159	1,851
Borrowings and IBA (*) liabilities from remaining Solvay Group		3,929
Other current Financial debt	154	96
Current financial debt	154	4,025
Total financial debt	**2,313**	**5,877**
Other financial instruments with third parties	48	36
IBA (*) receivables with remaining Solvay Group		1,555
Total other financial instruments	**48**	**1,591**

(*) IBA = Internal bank accounts

For the year ended December 31, 2022, financial debt with bondholders, banks and other financial institutions was included in the consolidated financial statements where the financial debt reflects the historical ownership of the Dedicated Entities or Mixed Entities that, after the carve out of the Solvay Group's activities, was foreseen to be part of Syensqo in connection with the Legal Reorganization.

The following table presents the financial assets and liabilities as current or non-current according to their classification under IFRS 9.

		December 31, 2023	December 31, 2022
In € million	Classification	Carrying amount	Carrying amount
Non-current assets – Financial instruments		228	236
Equity instruments measured at fair value through other comprehensive income	Financial assets measured at fair value through other comprehensive income	26	24
Equity instruments measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss	68	48
Loans and other non-current assets (excluding pension fund surpluses)	Financial assets measured at amortized cost	133	164
Financial instruments – Operational		2	
Derivative financial instruments designated in a cash flow hedge relationship	Cash-flow hedge	2	
Current assets – Financial instruments		2,134	3,028
Trade receivables	Financial assets measured at amortized cost	907	1,027
Loans short term portion	Financial assets measured at amortized cost	3	149
Other financial instruments		48	1,591
Other marketable securities >3 months	Financial assets measured at amortized cost	30	34
Currency swaps	Held for trading	3	0
Other current financial assets	Financial assets measured at amortized cost	16	1,556
Financial instruments – Operational		25	17
Held for trading	Held for trading	9	4
Derivative financial instruments designated in a cash flow hedge relationship	Cash-flow hedge	16	13
Cash and cash equivalents	Financial assets measured at amortized cost	1,150	244
Total assets – Financial instruments		2,362	3,264
Non-current liabilities – Financial instruments		2,229	1,869
Financial debt		2,159	1,851
Bonds	Financial liabilities measured at amortized cost	645	900
Other non-current debts	Financial liabilities measured at amortized cost	1,348	785
Lease liabilities IFRS 16 - Non-current portion	Lease liabilities measured at amortized cost	166	167
Other liabilities	Financial liabilities measured at amortized cost	68	18
Financial instruments – Operational		2	
Derivative financial instruments designated in a cash flow hedge relationship	Cash-flow hedge	2	
Current liabilities – Financial instruments		1,090	5,007
Financial debt		154	4,025
Short-term financial debt	Financial liabilities measured at amortized cost	71	3,976
Currency swaps	Held for trading	1	
Derivative financial instruments designated in a cash flow hedge relationship	Cash-flow hedge	29	
Lease liabilities IFRS 16 - Current portion	Lease liabilities measured at amortized cost	53	49
Trade payables	**Financial liabilities measured at amortized cost**	918	972
Financial instruments – Operational		19	9
Held for trading	Held for trading	1	1
Derivative financial instruments designated in a cash flow hedge relationship	Cash-flow hedge	18	8
Total liabilities – Financial instruments		**3,320**	**6,876**

F32.A. Overview of financial instruments

The following table gives an overview of the carrying amount of all financial instruments by category as defined by IFRS 9.

Financial Instruments

	December 31, 2023	December 31, 2022
In € million	Carrying amount	Carrying amount
Fair value through profit or loss	80	51
Held for trading (financial instruments – operational – see note F26)	9	4
Held for trading (other financial instruments – see note F33, table Changes in financial debt)	3	
Equity instruments measured at fair value through profit or loss	68	48
Financial assets measured at amortized cost	2,238	3,174
Financial assets measured at amortized cost (including cash and cash equivalents, trade receivables, loans and other current/non-current assets except pension fund surpluses	2,238	3,174
Financial assets measured at fair value through other comprehensive income	43	37
Derivative financial instruments designated in a cash flow hedge relationship	17	13
Equity instruments measured at fair value through other comprehensive income	26	24
Total financial assets	2,360	3,262
Fair value through profit or loss	-2	-1
Held for trading (financial instruments – operational – see note F34)	-1	-1
Held for trading (financial debt – see note F33, table Changes in financial debt)	-1	
Derivative financial instruments designated in a cash flow hedge relationship (see note F34)		
Financial liabilities measured at amortized cost	-3,050	-6,651
Financial liabilities measured at amortized cost (excluding dividends payable and IFRS 16 lease liabilities)	-3,050	-6,651
Dividends payables		
Lease liabilities measured at amortized cost	-219	-216
Lease liabilities IFRS16 measured at amortized cost	-219	-216
Financial liabilities measured at fair value through other comprehensive income	-49	-8
Derivative financial instruments designated in a cash flow hedge relationship (see note F26)	-49	-8
Total financial and lease liabilities	-3,320	-6,876

The category "Held for trading" contains derivative financial instruments that are used for management of foreign currency risk. Contracts which have been documented as hedging instruments (hedge accounting under IFRS 9 Financial Instruments) or which meet the exemption criteria for own use are not included in the category "Held for trading." Equity instruments measured at fair value through OCI and through profit or loss pertain to the Group's New Business Development (NBD) activity: the Group has built a Corporate Venturing portfolio, which consists of direct investments in start-up companies and of investments in venture capital funds. If the Group does not have significant influence or joint control, the investments are measured at fair value according to the valuation guidelines published by the European Private Equity and Venture Capital Association. The impacts of the direct investments are recognized in other comprehensive income while the venture capital funds are generally recognized through profit and loss.

At December 31, 2023, Equity instruments measured at fair value through profit or loss also include the Solvay shares (for €19 million) contributed upon the Partial Demerger for the Long Term Incentive Plans for which the beneficiaries will receive Solvay shares.

F32.B. Fair value of financial instruments

Valuation techniques and assumptions used for measuring fair value.

Accounting policy

Quoted market prices are available for financial assets and financial liabilities with standard terms and conditions that are traded on active markets. The fair values of derivative financial instruments are equal to their quoted prices, if available. In case such quoted prices are not available, the fair value of the financial instruments is determined based on a discounted cash flow analysis using the applicable yield curve derived from quoted interest rates matching maturities of the contracts for non-optional derivatives. Optional derivatives are fair valued based on option pricing models, taking into account the present value of probability weighted expected future payoffs, using market reference formulas.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value of financial instruments measured at amortized cost (excluding IFRS 16 lease liabilities)

In € million	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets – Financial instruments	133	133	164	164
Loans and other non-current assets (except pension fund surpluses and long-term inventory balance)	133	133	164	164
Non-current liabilities – Financial instruments	-2,061	–2,053	-1,703	-1,671
Bonds	-645	-637	-900	-868
Other non-current debts	-1,348	-1,348	-785	-788
Other liabilities	-68	-68	-18	-18

The carrying amounts of current financial assets and liabilities are estimated to reasonably approximate their fair values, due to the short term to maturity.

Financial instruments measured at fair value in the consolidated statement of financial position

The table "Financial instruments measured at fair value in the consolidated statement of financial position" provides an analysis of financial instruments that, subsequent to their initial recognition, are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Financial instruments classified as held for trading and as hedging instruments in cash flow hedges are mainly grouped into Levels 1 and 2. They are fair valued based on forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and interest rates of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. The equity instruments measured at fair value through OCI and through profit and loss are presented within Level 1 and 3. The fair value of the instruments presented under Level 3 is measured based on the guidelines recommended by The International Private Equity and Venture Capital Valuation (IPEV).

In accordance with the Group internal rules, the responsibility for measuring the fair value level resides with (a) the Treasury department for the non-utility derivative financial instruments, and the non-derivative financial liabilities, (b) the Sustainable Development and Energy department for the utility derivative financial instruments and (c) the Finance department for non-derivative financial assets.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the year, no such transfers have occurred.

Financial instruments measured at fair value in the consolidated statement of financial position

December 31, 2023

In € million	Level 1	Level 2	Level 3	Total
Held for trading		**12**		**12**
Foreign currency risk		4		4
Syensqo share price		8		8
Equity instruments measured at fair value through profit or loss	**19**		**49**	**68**
Solvay Group shares	19			19
New business development			49	49
Cash flow hedges		**17**		**17**
Foreign currency risk		9		9
Utility risk		6		6
CO_2 risk		3		3
Equity instruments measured at fair value through other comprehensive income			**26**	**26**
New business development			26	26
Total assets	**19**	**29**	**75**	**122**
Held for trading		**-2**		**-2**
Foreign currency risk		-2		-2
Cash flow hedges		**-49**		**-49**
Foreign currency risk		-3		-3
Interest rate risk		-29		-29
Utility risk		-17		-17
Total liabilities		**-51**		**-51**

December 31, 2022

In € million	Level 1	Level 2	Level 3	Total
Held for trading		**4**		**4**
Foreign currency risk		4		4
Equity instruments measured at fair value through profit or loss			**48**	**48**
New business development			48	48
Cash flow hedges		**13**		**13**
Foreign currency risk		11		11
Utility risk		2		2
Equity instruments measured at fair value through other comprehensive income			**24**	**24**
New business development			24	24
Total assets		**17**	**71**	**88**
Held for trading		**-1**		**-1**
Foreign currency risk		-1		-1
Cash flow hedges		**-8**		**-8**
Foreign currency risk		-5		-5
Utility risk		-3		-3
Total liabilities		**-9**		**-9**

Movements of the period

Reconciliation of level 3 fair value measurements of financial assets and liabilities.

2023

	At fair value through profit or loss	At fair value through other comprehensive income	Total
In € million	Equity instruments	Equity instruments	
January 1	46	24	70
Total gains or losses			
- Recognized in profit or loss	9		9
- Recognized in other comprehensive income		-5	-5
Acquisitions	1	9	10
Shares of Solvay Group contributed upon Partial Demerger	13		13
Capital decreases	-1	-2	-3
Transfers out of level 3			
December 31	68	26	94

2022

	At fair value through profit or loss	At fair value through other comprehensive income	Total
In € million	Equity instruments	Equity instruments	
January 1	62	17	79
Total gains or losses			
- Recognized in profit or loss	-15		-15
- Recognized in other comprehensive income		8	8
Acquisitions	-1	-1	-2
Capital decreases			
Transfers out of level 3			
December 31	46	24	70

Income and expenses of financial instruments recognized in the consolidated income statement and in other comprehensive income

In € million	2023	2022
Recognized in the consolidated income statement		
Recycling from OCI of derivative financial instruments designated in a cash flow hedge relationship		
Foreign currency risk	14	-17
Utility risk	1	5
CO_2 risk	0	
Changes in the fair value of financial instruments held for trading		
Utility risk		
CO_2 risk		
Recognized in the gross margin	15	-13
Gains and losses (time value) on derivative financial instruments designated in a cash flow hedge relationship		
Foreign currency risk	-1	
Foreign operating exchange gains and losses	-6	-10
Recognized in other operating gains and losses	-7	-10
Recycling from OCI of derivative financial instruments designated in a cash flow hedge relationship		
Foreign currency risk		
Recognized in results from portfolio management and reassessments		
Net interest expense	-97	-88
Financial charge on lease liabilities	-12	-11
Other gains and losses on net indebtedness (excluding gains and losses on items not related to financial instruments)		
Foreign currency risk	-7	-18
Interest element of financial instruments	-10	
Others	-11	-17
Recognized in charges on net indebtedness (*)	-137	-135
Dividends from equity instruments measured at fair value through other comprehensive income	10	-13
Total recognized in the consolidated income statement	-119	-170

(*) The note F6 Net financial charges shows an amount of €(140) million for 2023 (€(137) million for 2022) reported under "Net cost of borrowings." This amount includes €(3) million for 2023 (€(2) million for 2022) of financial expenses not related to financial instruments that are excluded in this table from the line item "Recognized in charges on net indebtedness."

The gain on highly probable sales in foreign currency recognized in gross margin for €14 million and the gain recognized on utility instruments for €1 million are the result of the recycling of gains and losses of derivative financial instruments designated in a cash flow hedge relationship. The gain of €14 million is mainly due to the hedging of the USD currency and the gain on utility for €1 million is mainly related to gas procurement.

In the caption other gains and losses on net indebtedness:

- In 2023, the loss of €(7) million reported under foreign exchange results corresponds to the remaining unhedged portion of the monetary balance sheet items;
- The loss of €(10) million in 2023 is related to the interest element of financial derivatives;
- In 2023, the other costs included €(11) million related to guarantee fees.

Income and expenses on financial instruments recognized in other comprehensive income include the following:

In € million	Cash flow hedges							
	Foreign currency risk		Commodity risk		Interest rate risk		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
January 1	6	-4	-1	1			5	-3
Recycling from other comprehensive income of derivative financial instruments designated in a cash flow hedge relationship	-13	17	-1	-5			-14	13
Effective portion of changes in fair value of cash flow hedge	13	-7	-17	3	-29		-33	-4
December 31	6	6	-19	-1	-29		-42	6

Conventionally, (+) indicates an increase and (-) a reduction in equity.

F32.C. Capital management

See 2 Capital, shares and shareholders in respect of capital in the Corporate Governance statement chapter of this annual report.

The Group manages its funding structure with the objective of safeguarding its ability to continue as a going concern, optimizing the return for shareholders, maintaining an investment-grade rating and minimizing the cost of debt.

The capital structure of the Group consists of equity (see note F27 Equity) and of net debt (see note F33 Net indebtedness). The Perpetual hybrid bonds are nevertheless considered as debt in the Group's Underlying metrics.

Besides the statutory minimum equity funding requirements that apply to the Company's subsidiaries in the different countries, Syensqo is not subject to any additional legal capital requirements.

The Treasury department reviews the capital structure on an ongoing basis under the authority and the supervision of the Chief Financial Officer. As appropriate, the Legal department is involved to ensure compliance with legal and contractual requirements.

F32.D. Financial risk management

The Group is exposed to market risk from movements in foreign exchange rates, interest rates and other market prices (utility prices, CO_2 emission rights prices and equity prices). The Group's senior management oversees the management of these risks and is supported by the Treasury department (non-commodity risks) and Sustainable Development and Energy department that advise on financial risks and the appropriate financial risk governance framework for the Group. Both departments provide assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group uses derivative financial instruments to hedge clearly identified foreign exchange, interest rate, index, utility price and CO_2 emission rights price risks (hedging instruments). All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. However, the required criteria to apply hedge accounting are not met in all cases.

Furthermore, the Group is also exposed to liquidity risks and credit risks.

Foreign currency risks

The Group is a multi-specialty chemical company with operations worldwide, and hence undertakes transactions denominated in foreign currencies. Consequently, the Group is exposed to exchange rate fluctuations. In 2023, the Group was mainly exposed to US Dollar, Chinese Yuan, Mexican Peso, Brazilian Real and Japanese Yen.

To mitigate its foreign currency risk, the Group has defined a hedging policy that is essentially based on the principles of financing its activities in local currency and hedges the transactional exchange risk at the time of invoicing (risk which is certain). The Group constantly monitors its activities in foreign currencies and hedges, where appropriate, the exchange rate exposures on expected cash flows (risk which is highly probable).

Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts or, when appropriate, other derivatives like currency options.

In the course of 2023, the €/$ exchange rate moved from 1.0674 at the start of January to 1.1052 at the end of December.

A fluctuation of (0.10) to the $/€exchange rate, would generate in 2023 about €100 million (€150 million in 2022) variation to the EBITDA. 50% of this variation is at conversion level and 50% at transaction level, the latter being mostly hedged. EBITDA is the key non-IFRS metric for operational performance as defined in the glossary.

At the end of 2023, a strengthening of the US Dollar vs Euro would increase the net debt by approximately €80 million (€200 million in 2022) per 0.10 $/€fluctuation. Conversely, a weakening of the US dollar vs euro would decrease the net debt by approximately €66 million (€166 million in 2022) per 0.10 $/€fluctuation.

The Group's currency risk can be split into two categories: translation and transactional risk.

Translation risk

The translation exchange risk is the risk affecting the Group's consolidated financial statements related to investees operating in a currency other than the EUR (the Group's presentation currency).

During 2023 and 2022, the Group did not hedge the currency risk of foreign operations.

Transactional risk

The transactional risk is the exchange risk linked to a specific transaction, such as a Group entity buying or selling in a currency other than its functional currency.

To the largest extent possible, the Group manages the transactional risk on receivables and borrowings centrally and locally when centralization is not possible.

The choice of borrowing currency depends mainly on the opportunities offered by the various markets. This means that the selected currency is not necessarily that of the country in which the funds will be invested. Nonetheless, operating entities are financed essentially in their functional currencies.

In emerging countries, it is not always possible to borrow in local currency, either because funds are not available in local financial markets, or because the financial conditions are too onerous. In such a situation, the Group has to borrow in a different currency. Nonetheless, the Group considers opportunities to refinance its borrowings in emerging countries with local currency debt.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are classified into the two categories described below:

Held for trading

The transactional risk is managed either by spot or forward contracts. Unless documented as hedging instruments (see above), derivative financial instruments are classified as held for trading.

In 2023, the notional amounts transacted to manage the transactional risk are:
- a short position of €(586) million (compared to €(433) million in 2022);
- a long position of €233 million (compared to €26 million in 2022).

The following table details the notional amounts of the Group's derivatives contracts outstanding at the end of the period:

In € million	Notional amount [1]		Fair value assets		Fair value liabilities	
December 31	2023	2022	2023	2022	2023	2022
Held for trading long position	233	26	1	0	-1	0
Held for trading short position	-586	-433	3	3	-1	-1
Total	-353	-407	4	3	-2	-1

(1) Long/(short) positions (if the foreign exchange transaction does not involve the functional currency, both notional amounts are considered).

Cash flow hedge

The Group uses derivatives to hedge identified foreign exchange rate risks. It documents those as hedging instruments unless it hedges a recognized financial asset or liability when generally no cash flow hedge relationship is documented. Most hedges are transaction related.

At the end of 2023, the Group had mainly hedged highly probable sales in foreign currencies (short position) in a nominal amount of $391 million (€354 million) and JP¥12,849 million (€82 million). All cash flow hedge contracts that exist at the end of December 2023 will be settled within the next 12 months, and will impact profit or loss during that period with the exception of the long-term hedges.

The following table details the notional amounts of Syensqo's derivatives contracts outstanding at the end of the period:

NOTIONAL AMOUNTS

December 31, 2023

In € million	Notional amount of the instrument [1]	Notional amount of the risk exposure [1]	Percentage of exposure hedged		Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
						Equity	Assets	Liabilities
Cash flow hedges - Forecasted sales and purchases [3]								
JPY/EUR	-52	-150	35%	(2)	148.25	2	2	0
JPY/USD	-30	-87	35%	(2)	132.07	0	1	-1
Total JPY	-82	-237				2	3	-1
USD/BRL	0	-70	0%	(2)	4.60	0	0	0
USD/CNY	-63	-157	40%	(2)	6.89	-1	0	-1
USD/EUR	-242	-503	48%	(2)	1.11	2	3	-1
USD/MXN	-43	-109	39%	(2)	18.42	3	3	0
USD/THB	-6	-23	28%	(2)	33.68	0	0	0
Total USD	-354	-861				4	6	-2
Total	-436	-1098				6	9	-3

(1) Long/(short) positions.
(2) In compliance with Group Treasury Policy the percentage of hedged exposure will reach the progressive minimum compliance level of 60% in 2024.
(3) The hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the statement of financial position.

Hedge relationships are seldom perfect. Therefore, ineffectiveness could arise with the result that changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk and the hedging instrument do not offset within a period. The sources of hedge ineffectiveness that could potentially affect the hedging relationship during its term are listed below:
- A reduction in the amount of the forecast sales resulting in quantity or notional amount differences – the hedged item and hedging instrument are based on different quantities or notional amounts.
- A significant change in the credit risk of parties.

Timing differences – the hedged item and hedging instrument occur or are settled at different dates.

In 2023, no hedge ineffectiveness was recognized in the consolidated income statement.

December 31, 2022

In € million	Notional amount of the instrument [1]	Notional amount of the risk exposure [1]	Percentage of exposure hedged		Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
						Equity	Assets	Liabilities
Cash flow hedges – Forecasted sales and purchases [3]								
JPY/EUR	-55	-134	41%	(2)	139.17	0	0	0
JPY/USD	-36	-82	44%	(2)	132.47	-1	0	-1
Total JPY	-92	-216				0	1	-1
USD/BRL	-47	-148	32%	(2)	5.28	0	0	0
USD/CNY	-91	-277	33%	(2)	6.82	-1	1	-2
USD/EUR	-291	-560	52%	(2)	1.05	4	7	-3
USD/MXN	-45	-104	43%	(2)	21.01	2	2	0
Total USD	-473	-1,089				8	11	-3
Total	-565	-1,305				6	11	-5

(1) Long/(short) positions.
(2) In compliance with Group Treasury Policy the percentage of hedged exposure will reach the progressive minimum compliance level of 60% in 2023.
(3) The hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the statement of financial position.

Interest rate risks

See Financial risk in the Management of risks section of this annual report for additional information on the interest rate risks management.

Interest rate risk is managed at Group level.

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. Interest rate risk is managed at Group level by maintaining an appropriate mix between fixed and floating rate borrowings.

Interest rate exposure by currency is summarized below:

In € million	December 31, 2023			December 31, 2022		
Currency	**Fixed rate**	**Floating rate**	**Total**	**Fixed rate**	**Floating rate**	**Total**
Financial debt						
EUR	-586	-625	-1,210	-656	-2,528	-3,184
USD	-273	-779	-1,052	-1,033	-1,330	-2,363
GBP	-2	0	-2	-185	-21	-206
INR	-12	0	-12	-11	-6	-17
KRW	-1	-6	-7	-3	-7	-11
THB	0		0	-1	0	-1
BRL	-14		-14			
CNY	-7		-7	-4	-86	-90
Other	-2	-6	-8	-4	-1	-5
Total	-897	-1,415	-2,313	-1,897	-3,979	-5,877
Cash and cash equivalents						
EUR		656	656		105	105
USD		251	251		64	64
CAD		3	3			
THB		15	15		13	13
BRL		18	18			
MXN		5	5			
CNY		44	44		21	21
KRW		13	13		4	4
GBP		2	2			
JPY		90	90		0	0
Other		52	52		36	36
Total		1,150	1,150		243	243
Other financial instruments						
EUR		41	41		580	580
USD		0	0		551	551
CNY		30	30		232	232
Other		8	8		258	258
Total		78	78		1,621	1,621

At the end of 2023, approximately €897 million of the Group's gross debt was at fixed-rate, and is largely comprised of:

- Senior EUR Bonds for a total of €500 million maturing in 2027 (carrying amount of €498 million);
- Remaining portion ($163 million) of the USD Senior Bonds 2025 of $250 million (carrying amount of €147 million);
- IFRS 16 lease liability for a total of €219 million (carrying amount of €219 million).

EUR and USD floating rate debt (for a total of €1,338 million nominal) are subject to interest rate hedging (zero cost collar) discussed below.

The impact of interest rate volatility at the end of 2023 compared to 2022 is the following:

	Sensitivity to a + 100bp movement in EUR market interest rates		Sensitivity to a - 100bp movement in EUR market interest rates	
In € million	**2023**	**2022**	**2023**	**2022**
Profit or loss	-2	-25	4	25

	Sensitivity to a + 100bp movement in USD market interest rates		Sensitivity to a - 100bp movement in USD market interest rates	
In € million	2023	2022	2023	2022
Profit or loss	-2	-13	7	13

The sensitivity to interest rates volatility on the floating gross financial debt remains insignificant at the end of 2023 compared to 2022 thanks to the interest rates hedging. The sensitivity disclosed in 2023 corresponds to the remaining volatility between the maximum interest rate payable (cap strike rate) and the minimum rate (floor strike rate) following the hedging of the credit facility (€1.3 billion) via an interest collar.

Interest rate risk hedged by instrument accounted for as held for trading

In 2023 and 2022, there are no outstanding interest rate instruments accounted for as held for trading.

Interest rate risk hedged by instrument accounted for as a hedging instrument in a cash flow hedge

In 2022, there are no outstanding interest rate instruments accounted for under cash flow hedges. In 2023, in the context of the execution of liability management prior to the Partial Demerger, Syensqo has decided to hedge EUR and USD drawdowns executed in 2023 (€1.3 billion) and also future long-term refinancing:

December 31, 2023							
Cash flow hedge	**Notional amount of the instrument (1)**	**Notional amount of the risk exposure**	**Percentage of exposure hedged**	**Hedge interest rate per risk category**	**Cash flow hedge reserve**	**Fair value of the instrument - Asset**	**Fair value of the instrument - Liability**
	In € million (except where indicated)						
Cash flow hedge Zero Cost Collar $800M	724	738	98%	4.45%			
Cash flow hedge Zero Cost Collar €600M	600	600	100%	3.31%			
Cash flow hedge - T-Lock 10y - $400m	362	362	100%	4.395% + Fixed Margin	-18		-18
Cash flow hedge - T-Lock 5y $400m	362	362	100%	4.327% + Fixed Margin	-11		-11
Total	2,048	2,066			-29		-29

(1) The hedging instruments are located in the line item "Other current financial debt" in the consolidated statement of financial position.

Other market risks

— Utility and CO_2 price risks

The Group purchases a large portion of its gas and electricity needs in Europe and the United States based on fluctuating liquid market indices.

In order to reduce the cost volatility, the Group has developed a policy for exchanging variable price against fixed price through derivative financial instruments. Most of these hedging instruments can be documented as hedging instruments of the underlying purchase contracts

Similarly, the Group's exposure to the CO_2 price is partially hedged by forward purchases of European Union Allowances (EUA). Forward purchases with physical delivery for use in the Group's operations are qualified as own use contracts (not derivatives). Cash flow hedge accounting is applied for contracts that do not meet the own use criteria.

Prior to the Partial Demerger, the financial instruments held by Solvay Energy Services for Syensqo CO_2 emissions met the conditions to be treated as "own use" contracts in the Syensqo Group Combined Financial Statements for the years ended December 31, 2022, 2021 and 2020. In the context of the Partial Demerger, these contracts were settled by Solvay Energy Services and reentered into, at current market prices, by the Syensqo Group. The positive difference between the instruments that were renegotiated and their carrying amount in the Solvay Group was transferred in cash to the Syensqo

Group and the realized result on this contract novation (€38 million) was included in Other Operating Gains and Losses.

Finally, some exposure to gas, coal and electricity prices may arise from the production of electricity on sites (mostly from cogeneration units in Europe), which can be hedged by means of forward purchases and forward sales or optional schemes. In this case, cash flow hedge accounting is applied.

Financial hedging of utility and CO_2 emission rights price risks is managed centrally by Rhodia GhG on behalf of the Group entities.

The following tables detail the notional principal amounts and fair values of utility and CO_2 derivative financial instruments outstanding at the end of the reporting period:

The amounts presented in the tables hereafter include hedging needs of the GBUs of the Group that are sourced through Rhodia GHG, and not the full Group utility hedging needs.

December 31, 2023

Cash flow hedge	Notional amount of the instrument [1]	Notional amount of the instrument (in units)		Notional amount of the risk exposure	Notional amount of the risk exposure (in units)		Percentage of exposure hedged	Average hedge price per risk category		Cash flow hedge reserve	Fair value of the instrument – Asset	Fair value of the instrument – Liability
In € million (except where indicated)												
Power	8.84	76,440	MWh	8.27	93,912	MWh	81%	116	EUR/MWh	-2	2	
Standard Quality Gas	64.08	2,562,706	MWh	129.67	5,801,143	MWh	44%	25	EUR/MWh	13	4	-17
CO_2	41.27	552,000	Tons	292.19	3,396,346	Tons	16%	75	EUR/Ton	-3	3	
Total										8	9	-17

(1) The hedging instruments are located in the line items: "Other Receivables" and "Other Liabilities" in the consolidated statement of financial position.

December 31, 2022

Cash flow hedge	Notional amount of the instrument [1]	Notional amount of the instrument (in units)		Notional amount of the risk exposure	Notional amount of the risk exposure (in units)		Percentage of exposure hedged	Average hedge price per risk category		Cash flow hedge reserve	Fair value of the instrument – Asset	Fair value of the instrument – Liability
In € million (except where indicated)												
Standard Quality Gas	22	1,582,584	MWh	193	4,062,688	MWh	39%	14	EUR/MWh	-1	2	-3
Total										-1	2	-3

(1) The hedging instruments are located in the line item: "Other Receivables" and "Other Liabilities" in the consolidated statement of financial position.

Hedge relationships are seldom perfect. Therefore, ineffectiveness could arise with the result that changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk and the hedging instrument do not offset within a period. The sources of hedge ineffectiveness that could potentially affect the hedging relationship during its term are listed below:

- A reduction in the amount of the forecast sales resulting in quantity or notional amount differences – the hedged item and hedging instrument are based on different quantities or notional amounts.
- A significant change in the credit risk of parties.
- Timing differences – the hedged item and hedging instrument occur or are settled at different dates.

In 2023, no hedge ineffectiveness was recognized in the consolidated income statement.

The sensitivities of commodity derivative financial instruments as of December 31, 2023, are presented below.

The sensitivities were defined based on the price levels and volatility levels of each commodity. These assumptions do not constitute an estimation of future market prices and the sensitivities presented are not representative of future changes in the Group's equity and results.

December 31, 2023

	Price change	Other comprehensive income	Profit or loss
In € million			
Natural gas	+€10/MWh	26	
Natural gas	-€10/MWh	-26	
Electricity	+€30/MWh	-2	
Electricity	-€30/MWh	2	
CO_2 emission rights	+€5/T	3	
CO_2 emission rights	-€5/T	-3	

Credit risk

See Financial risk in the Management of risks section of this annual report for additional information on credit risk management.

The Group continuously monitors the credit risk of important business partners.

The Group engages in transactions only with financial institutions with a good credit rating. The Group monitors and manages exposures to financial institutions within approved counterparty credit limits and credit risk parameters in order to mitigate the risk of default. For financial guarantees, see note F36 Contingent assets, liabilities and financial guarantees.

The Group recognizes expected credit losses on all of its trade receivables: it applies the simplified approach and recognizes lifetime expected losses on all trade receivables, using a provision matrix in order to calculate the lifetime expected credit losses for trade receivables, using historical information on defaults adjusted for the forward-looking information.

The Group classifies the customers and their related receivables in various rating classes, based on the risks' grading attributed to the customers and on the aging balance of receivables. As such, for all receivables overdue below six months, the Group considers percentages within a range between 0.005% and 4.204%, depending on the rating class. For all receivables overdue in excess of six months, the Group considers a rate of 50% or of 100%, depending on the rating class. The customer's grading is reviewed annually for customers assessed as low risk profile, and every six months for customers assessed as higher risk profile.

There is no significant concentration of credit risk at Group level because the receivables' credit risk is spread over a large number of customers and markets.

The ageing of trade receivables, financial instruments – operational, loans and other non-current assets is as follows:

December 31, 2023 *In € million*		With expected loss allowance, not credit-impaired					
	Total	Credit-impaired	Not past due	Less than 30 days past due	Between 30 and 60 days past due	Between 60 and 90 days past due	More than 90 days past due
Trade receivables	923	10	871	34	1	1	5
Trade receivables – allowance	-15	-10	-1	0			-3
Trade receivables – net	907	0	870	34	1	1	2
Financial instruments – operational	28		28				
Loans and other non-current assets	230	6	224				
Loans and other non-current assets – allowance	-6	-6					
Loans and other non-current assets – net	224		224				
Total	1,159	0	1,121	34	1	1	2

December 31, 2022 *In € million*		With expected loss allowance, not credit-impaired					
	Total	Credit-impaired	Not past due	Less than 30 days past due	Between 30 and 60 days past due	Between 60 and 90 days past due	More than 90 days past due
Trade receivables	1,039	12	988	32	4	1	2
Trade receivables – allowance	-12	-9	-1				-2
Trade receivables – net	1,027	3	987	32	4	1	0
Financial instruments – operational	18		18				
Loans and other non-current assets	180	7	173				
Loans and other non-current assets – allowance	-7	-7					
Loans and other non-current assets – net	173		173				
Total	1,218	3	1,178	32	4	1	0

The table below presents the allowances on trade receivables:

In € million	2023	2022
January 1	-12	-9
Additions	-9	-3
Uses	2	1
Reversal	4	
Currency translation differences	0	
December 31	-15	-12

Liquidity risk

See Financial risk in the Management of risks section of this annual report for additional information on the liquidity risk management.

Liquidity risk relates to the Group's ability to service and refinance its debt (including notes issued) and to fund its operations.

This depends on its ability to generate cash from operations and not to overpay for acquisitions.

The Finance Committee gives its opinion on the appropriate liquidity risk management for the Group's short, medium and long term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group staggers the maturities of its financing sources over time in order to limit amounts to be refinanced each year.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with contractual repayment periods.

The tables have been prepared using the discounted cash flows of financial liabilities, based on the earliest date on which the Group can be required to pay.

The following tables present discounted amounts (carrying amounts):

In € million	December 31, 2023				
Outflows of cash	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	918	918			
Dividends payables					
Financial instruments – operational	21	19	2		
Other non-current liabilities	68		23	34	12
Financial debt	2,094	1,439	151	504	0
Leasing debt	219	53	38	69	59
Total	3,320	2,429	214	607	71

In € million	December 31, 2022				
Outflows of cash	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	972	972			
Dividends payables					
Financial instruments – operational	9	9			
Other non-current liabilities	23			10	13
Financial debt	5,661	3,976	736	918	30
Leasing debt	216	49	35	71	61
Total	6,881	5,007	771	999	104

The following tables present undiscounted amounts (nominal value):

In € million	December 31, 2023				
Outflows of cash	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	918	918			
Dividends payables					
Financial instruments – operational	21	-171	20	172	
Other non-current liabilities	68		23	34	12
Financial debt	2,097	1,439	151	506	0
Leasing debt	219	53	38	69	59
Total	3,323	2,239	232	781	71
Interests on financial debt and lease liabilities	122	31	26	47	18
Total outflows of cash	3,444	2,270	258	828	89

€ million	December 31, 2022				
Outflows of cash	Total	Within one year	In year two	In years three to five	Beyond five years
Trade payables	972	972			
Dividends payables					
Financial instruments – operational	9	9			
Other non-current liabilities	23			10	13
Financial debt	5,663	3,976	736	921	30
Leasing debt	216	49	35	71	61
Total	6,884	5,007	771	1,001	104
Interests on financial debt and lease liabilities	226	83	63	58	22
Total outflows of cash	7,110	5,089	834	1,060	126

Financial debt includes €1,338 million of the credit facility recorded in the consolidated statement of financial position as non-current debt. The Syensqo bridge facility has as initial maturity in October 2024, but the Group has an unconditional right to extend the maturity twice by six months each time, until October 2025. The bridge facility has therefore been classified as non-current. The related expected cash outflow is recognized over a shorter period on the basis of the Group's intention to refinance the debt well in advance of its maturity.

Trade payables include €45 million (2022: €94 million) due to suppliers that have signed up for a supply chain financing program, under which the suppliers can elect to receive a discounted early payment from the partner bank rather than being paid in line with the agreed payment terms. If the option is taken, the Group's liability is assigned by the supplier to the partner bank. The value of the Group's liability remains unchanged. The Group assesses each arrangement against indicators to determine if the liabilities which suppliers have sold to the partner bank under the supplier financing scheme continue to meet the definition of trade payables or should be classified as financial debt. On December 31, 2023 and 2022, the liabilities met the criteria of Trade Payables.

Syensqo's liquidity amounts to €2.8 billion including €1.2 billion of cash and cash equivalents on the statement of financial position and €1.6 billion undrawn revolving credit facilities (€1.4 billion syndicated and €0.2 billion bilateral, all are multi-year).

In addition, Syensqo has access to a Belgian Treasury Bill program for €1.0 billion (no outstanding balance on December 31, 2023). The program is covered by back-up credit lines.

NOTE F33
NET INDEBTEDNESS

The Group's net indebtedness is the balance between its financial debts and other financial instruments, and cash and cash equivalents.

In € millionIn € million	December 31, 2023	December 31, 2022
Financial debt	2,313	5,877
Cash and cash equivalents	-1,151	-244
Other financial instruments	-78	-1,621
Loans to remaining Solvay Group		-197
Net indebtedness	1,084	3,814

The 2022 figures relate to debt attributed to Syensqo prior to the Partial Demerger and including intercompany loans with the former Solvay Group entities.

The financial debt at the end of 2023 includes the debt related to Syensqo entities after the Partial Demerger, including:

- the senior EUR notes 2027 (€500 million nominal) and senior USD Cytec notes 2025 ($163 million nominal);
- two drawdowns from the credit facility (€1,338 million) for the execution of the liability management prior to the Partial Demerger;
- the lease debt IFRS16 (€219 million);
- other financial debt (€111 million, excluding lease debt) mainly short term.

Syensqo is Investment Grade rating (Baa1/P2 (stable outlook) by Moody's and BBB+/A2 (stable outlook) by Standard & Poor's as of the 2023 closing.

Financial debt: main borrowings

	December 31, 2023						December 31, 2022	
In € million (except where indicated)	Nominal amount	Coupon	Maturity	Secured	Amount at amortized cost	Fair value	Amount at amortized cost	Fair value
Senior EUR bonds Syensqo SA (issuance €500m)*	**500**	**2.75%**	**2027**	**No**	**498**	**492**		
Senior USD bonds Cytec Industries Inc. (issuance $250 million)	147	3.95%	2025	No	147	145	152	147
Senior USD notes (144A;$800 million)		4.45%		No			748	721
Total senior USD bonds	**147**				**147**	**145**	900	868
Credit facility (€600 million)*	600	Floating Rate	2025	No	600	600		
Credit facility ($816 million)	738	Floating Rate	2025	No	738	738		
Total credit facility (as above)	**1,338**				**1,338**	**1,338**		
Other borrowings from third parties	111				111	111	59	59
Loans from related party		Variable rate from 0.19% to 0.39%	2023	No			1,687	1,687
Loans from related party		6.01%	2024	No			500	503
Loans from related party		3.50%	2023	No			150	147
Loan from related party (£163 million)							183	183
Other borrowings from related parties							230	230
Internal banks accounts with remaining Solvay Group							1,951	1,951
Total related parties							4,702	4,702
Lease debt					219	219	216	216
Total					**2,313**	**2,305**	5,877	5,845

** These bonds and credit lines were not included in the combined financial statements at the end of 2022 as the transfer occurred only at the Partial Demerger in December 2023.*

There are no instances of default on the above-mentioned financial debts. There are no financial covenants, neither on Syensqo SA, nor on any of the Group's holding companies. Solvay SA will remain the guarantor of the Cytec 2025 Bonds and, effective at the date of the Partial Demerger, Syensqo provided a counter-guarantee to Solvay for any payments to be made under the Cytec 2025 Bonds. There is no accounting impact of the counter-guarantee in the Syensqo consolidated financial statements.

Other financial instruments

In € million	December 31, 2023	December 31, 2022
Non-current other financial instruments	30	30
Current other financial instruments	48	1,591
Currency swaps	3	
Other marketable securities >3 months	37	34
Other current financial assets	9	1,556
Other financial instruments	78	1,621

The other marketable securities >3 months include the bank drafts position.

The other current financial assets mainly relate to current accounts with related parties.

Cash and cash equivalents

In € million	December 31, 2023	December 31, 2022
Cash	628	161
Term deposits	523	83
Cash and cash equivalents	1,151	244

By their nature, the carrying amount of cash and cash equivalents is equal to, or a very good proxy of, its fair value.

Changes in financial debt and in other financial instruments arising from financing activities

	2023									
In € million	Total	Cash flows from increase of borrowings	Cash flows from repayment of borrowings	Changes in foreign exchange rates	Changes in other current financial assets	Transfer from non-current to current	Payment of lease liabilities	Transfer from Solvay (Partial Demerger)	Other	Total
Bonds	900			-15		-738		498	1	645
Other non-current debts	785	1,130	-36	-13		-553		209	-174	1,348
Long term leasing debt	167			-4		-56		-4	63	166
Non-current financial debt	1,851	1,130	-36	-32		-1,347		703	-110	2,159
Current financial debt	4,025	624	-3.172	-22		1,347	-53	-2,010	-586	154
Total financial debt	5,877	1,755	-3,208	-54			-53	-1,307	-697	2,313
Other non-current financial instruments	-30									-30
Currency swaps	0							-1	-1	-3
Other marketable securities >3 months	-34				-4			2		-37
Other current financial assets	-1,556			17	-570			2,099		-9
Other financial instruments	-1,621			17	-574			2,100	-1	-79
Total	-238	1,755	-3,208	-37	-574		-53	794	-698	-2,022

The financial debt decreased from €5,877 million at the end of 2022 to €2,313 million at the end of 2023.

The Other non-current financial instruments remained unchanged.

The other financial instruments decreased from €(1,621) million at the end of 2022 to €(79) million at the end of 2023.

The above variations are explained by:

- Cash flows from increase of borrowings €1,755 million related to:
  - Borrowings, mainly from the Solvay Group, for €375 million;
  - Drawdowns on a credit facility for €940 million (mainly used to repay the $800 million Senior Note 2025);
  - Internal bank accounts liabilities with the Solvay Group for €413 million.
- Cash flows from repayment of borrowings €(3,208) million related to:
  - Credit lines for €(220) million;
  - Senior Note 2025 $800 million, €(738) million;
  - Borrowings with the Solvay Group, for €(642) million;
  - Internal bank accounts liabilities with Solvay for €(1,520) million.
- Cash flows in foreign currency exchanges of €(37) million includes €(54) million in the Financial debt and €17 million in other financial instruments.
- Changes in other current financial assets represented €(574) million mainly explained by internal bank accounts assets with Solvay until the Partial Demerger for €(570) million. See notes F16 and F17.
- In 2023 a total amount of €(1,347) million was transferred from non-current to current:
  - Senior Note 2025 $800 million, €(738) million;
  - Leases €(56) million;
  - Borrowings, mainly from the Solvay Group, for €(550) million;
  - Payment of lease liabilities (€53 million)
- Transfers from the Solvay Group (Partial Demerger) €794 million (see note F17):
  - Senior Note $500 million 2027, amortized amount of €498 million;
  - Credit facility of €600 million (drawn by the Solvay Group to repay the €600 million Senior Note 2029 prior to the Partial Demerger);
  - Loans for (€1,490) million held by the Solvay Group vis à vis Syensqo, mainly for the funding of operations in France;
  - Internal bank accounts liabilities with the Solvay Group for €(893) million;
  - Internal bank accounts assets with the Solvay Group for €2,102 million.
- Other variations €(698) million:
  - Non cash repayment of a loan with the remaining Solvay Group in relation to the Legal Reorganization in the UK for €(174) million;
  - Lease obligations for €63 million;
  - Interest rate risk instruments to hedge future bond issuance, €(29) million;
  - Non-cash repayment of a loan with the remaining Solvay Group, executed for €(597) million via shares transfer at the Partial Demerger date.

NOTE F34
OTHER LIABILITIES (CURRENT)

In € million	December 31, 2023	December 31, 2022
Wages and benefits debts	183	235
VAT and other taxes	66	68
Social security	26	26
Financial instruments – operational	19	9
Insurance premiums	39	14
Advances from customers	37	24
Other	37	160
Other current liabilities	**407**	538

Financial instruments – operational include held for trading and cash flow hedge derivatives (see note F32.A. Overview of financial instruments).

In 2022, the amounts presented in the line "Other" include the tax accounts payables (see note F37) and other payables related to transfers of environmental liabilities *vis à vis* the Remaining Solvay Group (main item included in the section Sales & Purchase transactions of Note F37 in the table "Amounts owed to related parties" line "Remaining Solvay Group").

OTHER REQUIRED DISCLOSURES

NOTE F35
COMMITMENTS TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In € million	December 31, 2023	December 31, 2022
Commitments to acquire property, plant and equipment and intangible assets	326	338

At December 31, 2023, the amount mainly relates to commitments for the acquisition of property, plant and equipment, including the Tavaux plant capacity increase.

At December 31, 2022, the amount is mainly explained by the planned purchase of the new Solvay Group headquarters in Belgium as well as the acquisition of industrial equipment for the extension of the Tavaux site in France.

NOTE F36
CONTINGENT ASSETS, LIABILITIES AND FINANCIAL GUARANTEES

Accounting policy

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognized in the consolidated financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset.

A contingent liability is:
- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognized because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are not recognized in the consolidated financial statements, except if they arise from a business combination. They are disclosed unless the possibility of an outflow of economic benefits is remote.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

In order to avoid double counting, only guarantees in excess of liabilities recognized or disclosures made elsewhere in the Group's consolidated financial statements are disclosed in this note. Regarding financial guarantees, all financial guarantees of the Group are presented in this note.

In € million	December 31, 2023	December 31, 2022
Contingent assets		**92**
Guarantees for pensions	205	
Environmental contingent liabilities	5	12
Total Contingent liabilities	**210**	**12**

Contingent asset

Following an arbitration procedure that began in 2012, on June 22, 2021, the ICC Arbitration Court in Geneva (CH) issued a partial award in favor of Solvay Specialty Polymers Italy SpA, ordering Edison S.p.A. (Edison) to pay €92 million for the losses, damages and costs incurred up to the end of 2016 in relation to certain environmental issues at the Spinetta Marengo and Bussi sites, previously owned and operated by (Mont)Edison SpA and Ausimont SpA. A further phase of the arbitration proceeding, expected to end in 2024, will define the quantification of the additional losses, damages and costs from 2017 onwards, as well as the interests applicable to the amount awarded and the costs of litigation, to be reimbursed to Solvay Specialty Polymers Italy SpA. No income was recognized during 2022 in relation to the partial award, pending Edison's appeals against the enforcement of the partial award.

On January 23, 2023, the Group received a favorable ruling from the Court of Appeal of Milan, which rejected Edison's appeal against the enforcement of the partial award, making it definitively enforceable in Italy. On February 8, 2023, Edison settled the €92 million partial award in full with the Group.

Contingent liabilities

Contingent liabilities of €5 million above relate to environmental remediation matters that can be estimated with sufficient reliability.

Guarantees

Guarantees for pensions

The guarantees for pensions are related to the main UK pension funds (£175 million €205 million) – See note F30.B.2. Description of obligations. Such corresponds to the total amount of the guarantee considering that at the end of December 31, 2023, plan assets surplus were recognized for the UK pension funds. At the end of 2022, the UK pension funds guarantee was provided by Solvay.

This guarantee applies to the pension liability measured based on a local UK regulatory basis (prudential basis) plus an allocation for market risk, which is higher when compared to the IAS 19 methodology. The probability of the guarantees being called is considered to be highly remote.

Litigation

Generally, in line with good business practice, we are not reporting any pending or threatened proceeding, which has not matured, and where the probability of existing or future exposure is unlikely or uncertain, where financial impact is not estimable and for which we are not able to quantify contingent liabilities.

In the United States in 2023, Solvay Specialty Polymers USA, LLC (SpP) was a defendant in 36 separate individual and class action lawsuits relating to its historical use of per- and polyfluoroalkyl substances (PFAS). Of these, 15 reached material resolution in 2023 and are expected to be dismissed in 2024, including both class action lawsuits. In June 2023, we reached a settlement with the New Jersey Department of Environmental Protection (NJDEP), for the lawsuit seeking natural resource damages and environmental cleanup of PFAS pollution allegedly caused by a single operating facility of the subsidiary in New Jersey. This settlement is memorialized in a Judicial Consent Order (JCO), which obtained court approval on March 1, 2024, and became final and binding. For the remaining 21 cases: two claims are brought by state governments, Michigan and Illinois, seeking natural resource damages and other relief. Eighteen are filed by individuals living near the New Jersey facility, seeking personal injury damages. One is filed by a municipality in the area of a customer's manufacturing plant. Three of these 21 cases involve allegations related to products sold by the company to its customers, claiming the customers' use contaminated the environment.

Overall, the number of these cases remains low in comparison to other industry participants. The Group continues to dispute the merits of these claims and defend itself accordingly. In all of these cases, the plaintiffs have the burden of proof against all defendants.

See note F31 Provisions for additional information.

In Italy, there are several pending litigations:
- With regard to the Spinetta industrial site, in December 2022 the Public Prosecutor Office of the Court of Alessandria closed the preliminary investigations started at the end of 2020 regarding certain alleged environmental violations of two Syensqo managers. In addition, Solvay Specialty Polymers Italy SpA, as employer of the two defendants, was involved in these preliminary investigations pursuant to Legislative Decree n. 231/2001. In Q4 2023 the Public Prosecutor Office decided to send the case to trial for which the preliminary hearing phase will start in March 2024.
- With regard to Spinetta industrial site, three administrative appeals before the Regional Administrative Court of first instance re: the authorization to manufacture and use the raw material cC6O4 (the "AIA extension of February 2021") are pending. These appeals, involving on the one side Solvay Specialty Polymers Italy SpA and on the other side Alessandria Province, Alessandria Municipality, ARPA and Legambiente (all these latter challenging the legal validity of the AIA extension of February 2021) were discussed at the hearing of January 10, 2024, and the decision by the court of first instance is expected by the end of the first half of 2024.
- With regard to the Bussi industrial site, sold by Solvay in 2016 with the surrounding area sold in 2018, an administrative litigation is pending in relation to the identification of the polluter of the industrial site.

Based on the overall assessment, including compliance with applicable laws and regulations and the unlikely or uncertain probability of existing or future exposure, as well as undefined financial impact, which is not estimable at this time, no additional provisions have been recorded in association with these litigations and contingent liabilities cannot be quantified.

NOTE F37
RELATED PARTIES

Balances and transactions between Syensqo SA and its subsidiaries have been eliminated in consolidation and are not disclosed in this note.

Within the Solvay Group, intercompany transactions have occurred historically with entities over which Solvay SA exercised control, or significant influence, or with joint ventures. Transactions with entities over which Solvay SA exercised control were customarily accounted for as intragroup transactions, which were eliminated as part of the consolidation procedures applied for the purposes of preparing the Solvay Group Consolidated Financial Statements.

Transactions that were previously eliminated in the Solvay Group had to be reinstated and disclosed under IAS 24 Related Party Disclosures in these consolidated financial statements, to the extent they are between Syensqo entities and entities in the Remaining Solvay Group.

Transactions between a Syensqo entity and entities in the Remaining Solvay Group mainly comprise structured borrowings and loans as well as intercompany bank accounts between Syensqo and the Remaining Solvay Group, in place over the periods presented, which were eliminated as part of the consolidation procedures applied for the Solvay Group Consolidated Financial Statements, and which were reinstated in the Syensqo consolidated financial statements.

For the balances resulting from transactions between Mixed Entities prior to the partial demerger, the following carve-out approach has been followed:
- The balance is classified as an intragroup transaction and eliminated in the consolidated financial statements if such a transaction is between two entities that are both part of Syensqo.
- The balance is classified as a transaction with related parties in the consolidated financial statements if such transaction after the Partial Demerger, is a transaction between an entity that is part of Syensqo and an entity that is part of the Remaining Solvay Group.

Related parties are deemed to be associated companies, joint ventures of Syensqo and associated companies, joint ventures, joint operations and subsidiaries of the Solvay Group, since the Syensqo Group was controlled by Solvay SA until the Partial Demerger date (December 8, 2023). The Syensqo Group and the Solvay Group ceased to be related parties after the Partial Demerger date, therefore the Syensqo Group does not disclose any balances outstanding with the Solvay Group at December 31, 2023, in this note.

Transactions between the Syensqo Group and the Solvay Group until the Partial Demerger date have been disclosed in this note. Sales and purchase transactions with related parties were mainly consisting of sales and purchases of utilities. Other transactions with the Solvay Group related to services provided by Solvay SA and other companies of the Solvay Group, such as, but not limited to tax, legal, accounting, IT, personnel-related services and treasury.

The main transactions with related parties are described in detail herein and the related amounts are presented in the tables below.

Sale and purchase transactions

In € million	Sale of goods		Purchase of utilities and goods	
	2023	2022	2023	2022
Associates		0	-34	0
Joint ventures	5	15	-16	-29
Other related parties	8	7	-3	-2
Solvay Group	7	31	-22	-79
Total	20	53	-75	-110

In € million	Amounts owed by related parties		Amounts owed to related parties	
December 31	2023	2022	2023	2022
Associates	4	0	4	0
Joint ventures		0		1
Other related parties	2	1	10	7
Solvay Group		9		50
Total	6	10	14	58

Services provided by the Solvay Group

The Solvay Group provided shared services to the Syensqo Group such as, but not limited to: tax, legal, accounting, IT, personnel-related services and treasury. The costs of such services, as historically charged to Syensqo Businesses and included in the Consolidated Income Statement based on their historical amounts for the year ended December 31, 2022, was €413 million.

The personnel and activities related to these shared services are provided to Syensqo by the Solvay Group under transitional services agreements, which came into effect at the date of the Partial Demerger.

Guarantees

Before the demerger, Solvay SA issued guarantees in favor of Syensqo mainly in relation to third party financing, in the US and in France, and for pensions plans, mainly in the UK.

The related amounts are presented in the table below:

€ million	December 31, 2022
Bonds Solvay Finance America LLC	750
Bonds Cytec Industries Inc.	152
Rhodia UK pension fund	317
Total	1,219

Hedging

Prior to the Partial Demerger, external cash flow hedges were entered into by a central function of the Solvay Group, on behalf of the different operating entities of the group. When the external cash flow hedges were mirrored by "back-to-back" agreements with Syensqo, these back-to-back contracts are reported in the operating entity and included in the perimeter of the Syensqo Consolidated Financial Statements for the year ended December 31, 2022. The related amounts at the end of the periods presented are disclosed in note F33, section Other Market Risks, for Utility and CO_2 price risks. The amounts related to foreign currency risk are presented in the tables below:

December 31, 2022

In € million	Notional amount of the instrument (1)	Notional amount of the risk exposure (1)	Percentage of exposure hedged		Average hedge exchange rate per risk category	Cash flow hedge reserve	Fair value of the hedging instrument	
						Equity	Assets	Liabilities
Cash flow hedges – Forecasted sales and purchases (3)								
JPY/EUR	-55	-134	41%	(2)	139,17	0	0	0
JPY/USD	-36	-82	44%	(2)	132,47	-1	0	-1
Total JPY	-92	-216				0	1	-1
USD/EUR	-291	-560	52%	(2)	1,05	4	7	-3
USD/MXN	-45	-104	43%	(2)	21,01	2	2	0
Total USD	-336	-664				6	9	-3
Total	-428	-880				6	10	-4

(1) Long/(short) positions
(2) In compliance with Group Treasury Policy the percentage of hedged exposure will reach the progressive minimum compliance level of 60% in 2023
(3) The hedging instruments are located in the line items: "Other Receivables" and "Other Liabilities" in the statement of financial position.

Tax units which include both Syensqo and remaining Solvay Group entities (prior to the Partial Demerger)

Prior to the Partial Demerger, certain tax units, mainly in France and in the US, included in the reporting periods both entities inside the Syensqo perimeter and entities part of the Remaining Solvay Group. The outstanding tax balances at the end of the prior reported period are presented in the table.

€ million	December 31, 2022
Tax account receivables with Remaining Solvay Group	32
Tax account payables with Remaining Solvay Group	-64

The tax accounts receivables and payables were presented respectively as part of the Other current assets and other current liabilities in the Consolidated Statement of financial position at December 31, 2022. The related cash flows are presented as part of the Income tax paid in the Consolidated Cash flow statements.

Financing with related parties

In € million	December 31, 2023	December 31, 2022
Non-current loans to related parties		54
Current loans to related parties		144
Current financial instruments – Internal bank accounts with related parties		1,555
Non-current borrowings from related parties		-773
Current borrowings and internal bank accounts liabilities with related parties		-3,929
Total		-2,949
Interest charges paid to related parties	-126	-69
Interest revenue from related parties	75	32

For the 2022 period until the Partial Demerger date, Syensqo was integrated in the cash pooling and financing system of the Solvay Group. The financing instruments with the Solvay Group mainly comprise structured borrowings and loans as well as intercompany bank accounts that were fully settled before or upon the completion of the Partial Demerger so that no financing relation continues to exist between Syensqo and the Solvay Group after the Partial Demerger.

Compensation of key management personnel

Key management personnel is composed of all members of the Board of Directors and members of the Executive Leadership Team.

In accordance with IAS 24, the key management personnel are those having the authority and responsibility for planning, directing and controlling activities of Syensqo businesses directly or indirectly.

The costs related to corporate functions that were incurred for the benefit of the Solvay Group as a whole, including but not limited to costs for Solvay SA's Board of Directors and Executive Leadership Team were not included in the Syensqo Group consolidated financial statements prior to the Partial Demerger. Thus, the key management personnel costs are stated as zero for the year ended December 31, 2022.

Amounts due in respect of the year (compensation) and obligations existing at the end of the year in the consolidated statement of financial position:

In € million	December 31, 2023	December 31, 2022
Wages, charges and short-term benefits	4	
Long-term benefits	10	
Cash-settled share-based payments liability	11	
Total	25	

Expenses of the year:

In € million	2023	2022
Wages, charges and short-term benefits	4	
Termination benefit		
Long-term benefits	10	
Share-based payments expenses	6	
Total	20	

Excluding employer social charges and taxes.

Please refer to the Compensation Report for further details.

NOTE F38
DIVIDENDS PROPOSED FOR DISTRIBUTION

The Board of Directors will propose to the General Shareholders' Meeting a gross dividend of €1.62 per share.

The dividends proposed for distribution, but not yet recognized as a distribution to equity holders amount to €172 million.

Moreover, in compliance with the Belgian tax law, Syensqo SA will exceptionally withhold an amount corresponding to the tax on the 2023 dividend, (at 30% or at a reduced rate in application of the applicable tax treaties), paid to the shareholders usually benefitting from an exemption of withholding tax (under article 264/1 of the Belgian Income Tax Code, Article 106 §5 or Article 106 §6 of the Royal Decree implementing the Income Tax Code). The amount will be provisionally retained, not paid to the Belgian Treasury and released by Syensqo SA once the one-year detention will be reached. These shareholders or their paying agents are, however, proposed to contact Syensqo Investor Relations department to discuss a potential way forward.

NOTE F39
EVENTS AFTER THE REPORTING PERIOD

Accounting policy

Events after the reporting period which provide evidence of conditions that existed at the end of the reporting period (adjusting events) are recognized in the consolidated financial statements. Events indicative of conditions that arose after the reporting period are non-adjusting events and are disclosed in the notes if material.

In February 2024, the Group announced its plans to mothball certain of its production lines in Baton Rouge and Saint Fons (Aroma). The estimated costs are €16 million.

On March 1, 2024, the settlement with NJDEP, memorialized in a Judicial Consent Order, obtained the court approval and became final and binding. The Group expects to make a cash payment of approximately $180 million related to the settlement during Q2 2024, with the balance paid over a 30-year period.

NOTE F40

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATION SCOPE

The Group consists of Syensqo SA and a total of 151 investees.

Of these 151 investees, 100 are fully consolidated, six are accounted for under the equity method, whilst the other 45 do not meet the criteria of significance.

In accordance with the concept of materiality, certain companies (Other Investments), which are insignificant, have not been included in the consolidation scope. They are measured at cost and tested for impairment on an annual basis, which is considered a good proxy of their fair value. For more information, refer to Principles of consolidation.

ARGENTINA	December 31, 2022	Dec. 2022 and till demerger date	New entity	December 31, 2023
Solvay Quimica SA, Buenos Aires	100			100,0
AUSTRALIA				
Cytec Asia Pacific Holdings Pty Ltd, Baulkham Hills	100			100,0
Cytec Australia Holdings Pty Ltd, Baulkham Hills	100			100,0
BELGIUM				
Solvay Participations Belgique S.A., Brussels	100			100,0
Syensqo S.A., Brussels				100,0
Syensqo Stock Option Management S.A., Brussels				100,0
Solvay Specialty Polymers Belgium S.A. / NV, Brussels	100			100,0
BRAZIL				
Rhodia Brasil SA, Sao Paolo	100	Mixed		-
Quimicos E Solucoes Sustentaveis Do Brasil S.A	-		Yes	100,0
CANADA				
Cytec Canada Inc, Niagara Falls Welland	100			100,0
Solvay Canada Inc, Toronto	100			-
CHINA				
Cytec Engineered Materials Co. Ltd, Shanghai	100			100,0
Cytec Industries Co. Ltd, Shanghai	100			100,0
Rhodia Hong Kong Ltd , Hong Kong	100			100,0
Solvay (Shanghai) Ltd, Shanghai	100			100,0
Solvay (Shanghai) International Trading Co. Ltd, Shanghai	100			-
Solvay (Zhangjiangang) Specialty Chemicals Co. Ltd, Suzhou	100			100,0
Solvay (Zhenjiang) Chemicals Co., Ltd, Zhenjiang New Area	100		Yes	90,6
Solvay China Co., Ltd, Shanghai	100			100,0
Solvay Hengchang (Zhangjiagang) Specialty Chemical Co., Ltd, Zhangjiagang City	70			70,0
Solvay Specialty Polymers (Changshu) Co. Ltd, Changshu	100			100,0
Zhuhai Solvay Specialty Chemicals Co Ltd, Zhuhai City	100			100,0
CHILE				
Cytec Chile Ltda, Santiago	100			100,0
FRANCE				
Cogénération Tavaux SAS, Paris	33,3			33,3
Rhodia Chimie S.A.S., Aubervilliers	100			-
Rhodia Energy GHG S.A.S., Puteaux	100			100,0
Rhodia Laboratoire du Futur S.A.S., Pessac	100			100,0
Rhodia Operations S.A.S., Aubervilliers	100	Mixed		-
Specialty Operations France S.A.S	-		Yes	100,0
Rhodia Participations S.N.C., Courbevoie	100			100,0
Rhodianyl S.A.S. Saint-Fons	100			100,0
Solvay Energie France S.A., Paris	100			100,0
Solvay France S.A. Courbevoie	100			100,0
Operations France S.A.S., Paris	100			-
Solvay Energie Services S.A.S., Puteaux	100			-
GERMANY				
Cytec Engineered Materials GmbH, Oestringen	100			100,0
European Carbon Fiber GmbH, Kelheim	100			100,0
Solvay Specialty Polymers Germany GmbH, Hannover	100			100,0
Solvin GMBH & CO. KG – PVDC, Rheinberg	100			-
INDIA				
Solvay Specialities India Private Limited, Mumbai	100			100,0
INDONESIA				
PT. Cytec Indonesia, Jakarta	100			100,0
IRELAND				
Solvay Finance Ireland Unlimited, Dublin	100			100,0
ITALY				
Solvay Solutions Italia S.p.A., Milano	100	Mixed		100,0
Solvay Specialty Polymers Italy S.p.A., Milano	100			100,0
JAPAN				
Solvay Japan K.K., Tokyo	100			100,0
Solvay Nicca Ltd, Tokyo	60			60,0
Solvay Specialty Polymers Japan KK, Minato Ku-Tokyo	100			100,0
LUXEMBOURG				
Cytec Luxembourg International Holdings Sarl, Strassen	100			100,0
Solvay Finance (Luxembourg) SA, Luxembourg	100			100,0
Solvay Hortensia S.A., Luxembourg	100			100,0
Solvay Luxembourg S.a.r.l., Luxembourg	100			100,0
MEXICO				
Cytec de Mexico S.A. de C.V., Jalisco	-			100,0
Solvay Mexicana S. de R.L. de C.V., Monterrey	100	Mixed		-
NETHERLANDS				
Cytec Industries B.V., Vlaardingen	100			100,0
Solvay Solutions Nederland B.V., Klundert	100			100,0
Rhodia International Holdings BV, Den Haag	100			-
NEW ZEALAND				
Solvay New Zealand Ltd, Auckland	100			100,0
PERU				
Cytec Peru S.A.C., Lima	100			100,0
POLAND				
Solvay Poland SP. Z.O.O., Gorzow Wielkopolski	100			-
PORTUGAL				
Solvay Biotecnologia Portugal LDA, Carnaxide	100			100,0
Slv Specialties Portugal, Unipessoal, Lda	-			100,0

Solvay Business Services Portugal Unipessoal LDA, Carnaxide	100		-
Solvay Peroxidos Portugal Unipessoal LDA, Povoa	100		-
SINGAPORE			
Rhodia Amines Chemicals Pte Ltd, Singapore	100		100,0
Solvay Specialty Chemicals Asia Pacific Pte. Ltd, Singapore	100		100,0
SOUTH KOREA			
Cytec Korea Inc, Seoul	100		-
Solvay Specialty Polymers Korea Company Ltd, Seoul	100		100,0
Solvay Chemical Services Korea Co. Ltd, Seoul	100		-
SPAIN			
Solvay Servicios S.L.	-	Yes	100,0
Solvay Quimica S.L., Barcelona	100		-
SWITZERLAND			
Spepro Speciality Products Ag	-	Yes	100,0
THAILAND			
Solvay (Bangpoo) Specialty Chemicals Ltd, Bangkok	100		100,0
Solvay (Thailand) Ltd, Bangkok	100		100,0
Solvay Asia Pacific Co. Ltd, Bangkok	100		-
TURKEY			
Solvay Istanbul Kimya Limited Sirketi, Istanbul	100		100,0
UNITED ARAB EMIRATES			
Cytec Nibras llc, Al Ain	100		100,0
UNITED KINGDOM			
Advanced Composites Group Investments Ltd, Heanor	100		100,0
Cytec Engineered Materials Ltd, Wrexham	100		100,0
Cytec Industrial Materials (Derby) Ltd, Heanor	100		100,0
Cytec Industrial Materials (Manchester) Ltd, Heanor	100		100,0
Cytec Industries UK Holdings Ltd, Wrexham	100		100,0
McIntyre Group Ltd, Watford	100		100,0
Oldbury Energy Solutions UK Ltd, Oldbury	100		100,0
Rhodia Holdings Ltd, Watford	100		100,0
Rhodia International Holdings Ltd, Oldbury	100		100,0
Rhodia Organique Fine Ltd, Watford	100		100,0
Rhodia Overseas Ltd, Watford	100		100,0
Rhodia Pharma Solutions Holdings Ltd, Cramlington	100		100,0
Rhodia Pharma Solutions Ltd, Cramlington	100		100,0
Rhodia Reorganisation, Watford	100		100,0
Solvay Solutions UK Ltd, Watford	100		100,0
Solvay Interox Ltd, Warrington	100		-
Umeco Composites Ltd, Heanor	100		100,0
Umeco Ltd, Heanor	100		100,0
UNITED STATES			
Ausimont Industries, Inc., Wilmington, Delaware	100		100,0
CEM Defense Materials LLC, Tempe Arizona	100		100,0
Cytec Engineered Materials Inc., Princeton New Jersey	100		100,0
Cytec Global Holdings Inc., Princeton New Jersey	100		100,0
Cytec Industrial Materials (ok) Inc., Tulsa Oklahoma	100		100,0
Cytec Industries Inc, Princeton New Jersey	100		100,0
Cytec Korea Inc., Princeton New Jersey	100		100,0
Cytec Technology Corp., Princeton New Jersey	100		100,0
Energy Solutions US LLC, Breckenridge, Texas	100		100,0
Garret Mountain Insurance Co., Burlington Vermont	100		100,0
Solvay America Inc., Houston, Texas	100		100,0
Solvay Holding Inc., Princeton, New Jersey	100		100,0
Solvay India Holding Inc., Princeton, New Jersey	100		100,0
Solvay Specialty Polymers USA, LLC, Alpharetta, Georgia	100		100,0
Solvay USA INC., Princeton, New Jersey	100	Mixed	100,0
Solvay Finance (America) LLC	-		100,0

List of companies accounted for by applying the equity method of accounting
Indicating the percentage holding.

Joint ventures

BELGIUM	
EECO HOLDING	33,3
INDIA	
HINDUSTAN GUM & CHEMICALS LTD	50
INDONESIA	
SOLVAY MANYAR	50
ITALY	
COGENERATION SPINETTA S.R.L.	33,3
UNITED ARAB EMIRATES	
Strata – Solvay Advanced Materials Joint-Venture LLC, Al Ain	50

Associates

FRANCE	
EXELTIUM S.A.S.	11,5

4. SUMMARY FINANCIAL STATEMENTS OF SYENSQO SA

The annual financial statements of Syensqo SA are presented in summary format below. In accordance with the Belgian Companies Code, the annual financial statements of Syensqo SA, the management report and the statutory auditor's report will be filed with the National Bank of Belgium.

These documents are also available free of charge on the internet or upon request sent to:

Syensqo SA

Rue de la Fusée 98

B – 1130 Brussels

The balance sheet of Syensqo SA at the end of the year 2023 presented below is based on a dividend distribution of €1.62 per share.

At the end of 2023, Syensqo SA still has one Branch, Solvay S.A. Italia (Viale Lombardia 20, 20021 Bollate, Italy).

The accounts of Syensqo SA are prepared in accordance with Belgian generally accepted accounting principles.

The main activities of Syensqo SA consist of holding and managing a number of investments in Group companies, providing various services to Group companies and financing the Group's activities from the bank and bond markets. Syensqo SA also has a Group internal factoring activity without recourse. As a result, Syensqo SA owns and manages Group's trade receivables from customers based in Europe and in Asia. It manages the research center in Brussels and a very limited number of commercial activities not undertaken through subsidiaries.

The activity of this company results from the partial demerger of Solvay SA on December 8, 2023. This partial demerger operation was carried out with retroactive accounting effect to July 1, 2023.

BALANCE SHEET OF SYENSQO SA (SUMMARY)

In € million	December 31, 2023
ASSETS	
Fixed assets	**8,458**
Start-up expenses and intangible assets	36
Tangible assets	73
Financial assets	8,349
Current assets	**3,216**
Inventories	
Trade receivables	539
Other receivables	1,859
Short-term investments and cash equivalents	804
Accrued income and deferred charges	13
Total assets	**11,673**
SHAREHOLDERS' EQUITY AND LIABILITIES	
Shareholders' equity	**8,031**
Capital	1,352
Share premiums	1,022
Reserves	1,866
Net income carried forward	3,792
Provisions and deferred taxes	**91**
Financial debt	**1,612**
– due in more than one year	1,601
– due within one year	11
Trade payables	**70**
Other liabilities	**1,859**
Accrued charges and deferred income	**11**
Total shareholders' equity and liabilities	**11,673**

At the end of December 2023, total assets amount to €11,673 million. They consist of:
- Fixed assets for €8,458 million, mainly for the Financial assets (€8,349 million) transferred from Solvay SA upon the Partial Demerger.
- Current assets for €3,216 million, including: Trade receivables (€539 million), Other receivables (€1,859 million) for current accounts and amounts due from subsidiaries and Cash at bank and in hand (€804 million).

The Shareholders equity of €8,031 million results from net assets for €8,502 million contributed by Solvay SA via the Partial Demerger, the loss of the year of €(300) million and the dividend proposed for distribution in 2024 of €(172) million.

The financial debt totals €1,612 million and it is mainly related to the 2027 Senior Bonds (€500 million), the Hybrid Bonds (€500 million) and other drawn credit facilities (€600 million).

Other liabilities of €1,859 million are mainly related to current accounts payable to subsidiaries (€1,542 million), the payable for the dividend (€172 million) and taxes, payroll and social security debts (€122 million).

INCOME STATEMENT OF SYENSQO SA (SUMMARY)

In € million	2023	2022
Sales		
Other operating income	239	
Operating expenses	-389	
Operating profit/(loss)	**-150**	
Financial income and expenses	-148	
Profit/(loss) for the year before taxes	**-298**	
Income taxes	-1	
Profit/(loss) for the year	**-300**	
Profit/(loss) for the year available for distribution	**-300**	

For 2023, due to the limited period of activity, the net result of Syensqo SA is a loss amounting to €(300) million.

This result includes:

- the operating loss of €(150) million, mainly explained by non-recurring operating expenses of €(151) million, related to provisions and costs associated with the separation from Solvay;
- financial gains and losses of €(148) million, mainly resulting from the impairment of investments.

PROFIT AVAILABLE FOR DISTRIBUTION

In € million	2023	2022
Profit/(loss) for the year available for distribution	-300	
– Carried forward	4,263	
Total available to the General Shareholders' Meeting	3,963	
Appropriation		
– Gross dividend	172	
– Carried forward	3,792	
Total	3,963	

DECLARATIONS

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Independent auditor's report to the general meeting of Syensqo SA for the year ended 31 December 2023

In the context of the statutory audit of the Consolidated Financial Statements) of Syensqo SA (the "Company") and its subsidiaries (together the "Group"), we report to you as statutory auditor. This report includes our opinion on consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2023 and the disclosures including material accounting policy information (all elements together the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements. These two reports are considered one report and are inseparable.

We have been appointed as statutory auditor by the founders of the Company on 27 February 2023, being the date of incorporation. Our mandate expires at the shareholders' meeting that will deliberate on the Consolidated Financial Statements for the year ending 31 December 2025. We performed the audit of the Consolidated Financial Statements of the Group for one year.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Syensqo SA, that comprise of consolidated statement of financial position on 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year of the year and the disclosures, including material accounting policy information, which show a consolidated balance sheet total of € 12.894 million and of which the consolidated income statement shows a profit for the year of € 197 million.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated net equity and financial position as at 31 December 2023, and of its consolidated results for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA's") applicable in Belgium. In addition, we have applied the ISA's approved by the International Auditing and Assurance Standards Board ("IAASB") that apply at the current year-end date and have not yet been approved at national level. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of certain matters

Without qualifying our opinion, we draw the attention to the Note "chapter 1. Basis of preparation" of the Consolidated Financial Statements, where the Company describes the basis of preparation relating to the comparatives for the year ended 31 December 2022 and the 2023 results prior to the partial demerger date of 8 December 2023. As a result and as described in this Note, the application of judgments, including how the entities formerly within the Solvay Group were combined, affected the reported amounts.

Audit report dated 11 April 2024 on the Consolidated Financial Statements of Syensqo SA as of and for the year ended 31 December 2023 (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Defined benefit obligations

Description of the key audit matter

The defined benefit obligations mainly relate to post-employment pension plans and amount to € 189 million as at 31 December 2023, and are disclosed in note F30 of the Consolidated Financial Statements. It consists of gross defined benefit obligations (€ 2.042 million) offset partially by plan assets (€ 1.853 million). The largest plans in 2023 are in the United Kingdom, the United States, France and Belgium and represents 96% of the total defined benefit obligations of the Group.

This area is important to our audit because of the magnitude of the amounts, management's judgment involved in determining actuarial assumptions (more in particular discount rates and inflation rates) and plan assets' fair values and the technical expertise required to evaluate these obligations and properly reflect the impacts in the Consolidated Financial Statements in accordance with IAS 19 "Employee Benefits".

Summary of the procedures performed

- We obtained an understanding of the Group estimation process to evaluate the defined-benefit obligations and plan assets as well as the related management review controls;
- We assessed the design of the internal controls established by the Group to manage the underlying participant data and to ensure that the amendments to the plans are properly and timely reflected in the Consolidated Financial Statements;
- We reconciled, on a sample basis, the fair value of the plan assets to external confirmations;
- We assessed the expertise, independence and integrity of the external actuaries engaged by the Group;
- With the assistance of our internal actuarial specialists, we assessed the actuarial report prepared by the external actuaries engaged by the Group to ensure that the main changes to the plans were properly considered in the actuarial calculations;
- We compared, on a sample basis, the input data used for the calculation of the provisions by the external actuary (such as population, age, years of service, wage,…) with source information of the human resources department of the Group;
- We assessed the appropriateness of the key actuarial assumptions (discount rates and inflation rates) with the assistance of our internal actuarial specialists;
- We validated that the actuarial calculations are properly recorded in the Consolidated Financial Statements in accordance with IAS19;
- We assessed the roll-forward of the provisions to understand the changes in the valuation of the provisions compared to last year;
- We assessed the adequacy and completeness of the disclosures presented in the note F30 of the Consolidated Financial Statement based on the requirements of IAS19.

Impairment of goodwill and other non-current assets of the CGU's Technology Solutions, Composite Materials, Aroma Performance and Oil & Gas

Description of the key audit matter

Following the Group's past acquisitions, significant goodwill has arisen, amounting to € 2.560 million as at 31 December 2023, which represents 20% of the consolidated total assets.

As described in notes F20 (Goodwill and business combinations) and F24 (Impairment), the Company reviews the carrying amounts of its cash generating units ("CGU's") annually or more frequently if impairment indicators are present.

Audit report dated 11 April 2024 on the Consolidated Financial Statements of Syensqo SA as of and for the year ended 31 December 2023 (continued)

Based on the headroom that exists per CGU as well as sensitivity analyses performed on the valuation and assumptions used in the impairment assessment, we have determined the impairment of goodwill and other non-current assets to be a focus area of our audit of the following CGU's: Technology Solutions, Composite Materials, Aroma Performance and Oil & Gas.

The impairment assessment involves a comparison of the estimated value in use of the CGU to its carrying amount. The assessment is a judgmental process which requires estimates concerning the projected future cash flows associated with the CGU, the weighted average cost of capital ("WACC") and the growth rate of revenue and costs to be applied in determining the value in use. This area is important to our audit because of the magnitude of the amounts, the judgments, and the technical expertise required to perform the impairment testing of long-term assets.

Summary of the procedures performed

- We obtained an understanding of the Group impairment testing and processes;
- We evaluated and challenged management determination of CGU's and allocation of goodwill to those CGU's for the purpose of impairment testing;
- We evaluated the discount rate by comparison to (i) peer-group information, (ii) the Group's cost of capital and (iii) relevant risk factors; and the long term growth rate by comparing with shadow computation performed by our valuation experts.
- We assessed the mathematical accuracy and conformity with IAS36 of the valuation model used by the Group
- We tested the reasonableness of projected cash flows considering the Group's historic forecasting accuracy and compared these projections with the budget approved by the Board of Directors and the mid-term plan, including with respect to the impact of climate change and the alignment with the Syensqo One Planet objectives;
- We included our internal valuation specialist on our team to analyze and test the valuation model and the abovementioned critical assumptions used in the valuation model as well as the reasonableness of impairment loss booked during the period;
- We analyzed and tested the sensitivity analysis prepared by management, to understand the impact of reasonable changes in the key assumptions on the available headroom for the four CGU's;
- We assessed the Group reconciliation of the value in use derived from the impairment tests to the market capitalization;
- We considered additional impairment or reversal of impairment indicators and triggers by reading minutes of the board of directors' meetings, and we held regular discussions with the management and the audit committee;
- We assessed the appropriateness and completeness of the disclosures in the Notes to the Consolidated Financial Statements in accordance with IAS 36.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium and for such internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Audit report dated 11 April 2024 on the Consolidated Financial Statements of Syensqo SA as of and for the year ended 31 December 2023 (continued)

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, and to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 Consolidated Financial Statements.

In performing our audit, we comply with the legal, regulatory and normative framework that applies to the audit of the Consolidated Financial Statements in Belgium. However, a statutory audit does not provide assurance about the future viability of the Company and the Group, nor about the efficiency or effectiveness with which the board of directors has taken or will undertake the Company's and the Group's business operations. Our responsibilities with regards to the going concern assumption used by the board of directors are described below.

As part of an audit in accordance with ISA's, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going-concern;
- evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and evaluating whether the Consolidated Financial Statements reflect a true and fair view of the underlying transactions and events.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

Audit report dated 11 April 2024 on the Consolidated Financial Statements of Syensqo SA as of and for the year ended 31 December 2023 (continued)

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, and other information included in the annual report.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Directors' report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 3:32 of the Code of companies and associations.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report and other information included in the annual report, being:

- Accelerating innovation
- Our sustainability ambition

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported.

The non-financial information required by article 3:32, § 2, of the Code of companies and associations has been included in the Board of Directors' report on the Consolidated Financial Statements. The Company has prepared this non-financial information based on Global Reporting Initiatives standards ("GRI"). However, in accordance with article 3:80 § 1, 5° of the Code of companies and associations, we do not express any opinion on the question whether this non-financial information has been established in accordance with the GRI framework. As requested by the Company, we have issued a separate reasonable and limited assurance report on a selection of sustainability indicators in accordance with the International Standard on Assurance Engagements ISAE 3000. We do not express any assurance on the sustainability indicators not covered by our separate reasonable and limited assurance report.

Independence matters

Our audit firm and our network have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the Consolidated Financial Statements as referred to in article 3:65 of the Code of companies and associations were duly itemized and valued in the notes to the Consolidated Financial Statements (chapter corporate governance).

Audit report dated 11 April 2024 on the Consolidated Financial Statements of Syensqo SA as of and for the year ended 31 December 2023 (continued)

European single electronic format ("ESEF")

In accordance with the standard on the audit of the conformity of the financial statements with the European single electronic format (hereinafter "ESEF"), we have carried out the audit of the compliance of the ESEF format with the regulatory technical standards set by the European Delegated Regulation No 2019/815 of 17 December 2018 (hereinafter: "Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter 'the digital consolidated financial statements') included in the annual financial report available on the portal of the FSMA (https://www.fsma.be/en/data-portal).

It is our responsibility to obtain sufficient and appropriate supporting evidence to conclude that the format and markup language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on the work performed by us, we conclude that the format and tagging of information in the digital consolidated financial statements of Syensqo SA per 31 December 2023 included in the annual financial report available on the portal of the FSMA (https://www.fsma.be/en/data-portal) are, in all material respects, in accordance with the ESEF requirements under the Delegated Regulation.

Other communications.

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Diegem, 11 April 2024

EY Bedrijfsrevisoren BV
Statutory auditor
Represented by

Marie Kaisin *
Partner
*Acting on behalf of a BV/SRL

24MK0024

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EY Réviseurs d'Entreprises
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Independent auditor's assurance report

Scope
We have been engaged by Syensqo SA (hereafter the "Company" or "Syensqo") to perform a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE 3000 revised"), hereafter referred to as "the Engagement 1", to report on Syensqo SA's sustainability indicators listed in Appendix A ("Subject Matter A"), and included in the accompanying annual report 2023 (the "Report") for the period from 1 January 2023 to 31 December 2023.

We have also been engagement by Syensqo SA to perform a limited assurance engagement in accordance with ISAE 3000 revised, hereafter referred to as "the Engagement 2", to report, on Syensqo SA's sustainability indicators listed in Appendix B ("Subject Matter B"), and included in the accompanying annual report 2023 (the "Report") for the period from 1 January 2023 to 31 December 2023.

Together, the sustainability indicators in Appendix A ("Subject Matter A") and B ("Subject Matter B") are referred to as "the Subject Matters".

Other than as described in the preceding paragraphs, which set out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express an opinion on this information.

Criteria applied by Syensqo SA
In preparing the Subject Matters, Syensqo SA applied the Value Reporting Foundation Integrated Reporting principles, certain of the Global Reporting Initiative ("GRI") Standards, and certain of the World Business Council for Sustainable Development ("WBCSD") disclosures of the ESG Disclosure Handbook, as well as a set of own reporting criteria as disclosed in the Glossary and throughout the Report ("the Criteria").

Syensqo's responsibilities
Syensqo's management is responsible for selecting the Criteria, and for presenting, in all material respect, the Subject Matters in accordance with those Criteria. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities under a reasonable assurance engagement
Our responsibility is to express a reasonable assurance opinion on the presentation of Syensqo SA's sustainability indicators listed in Appendix A based on the evidence we have obtained.

We conducted our reasonable engagement in accordance with the International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE 3000 revised"). Those standards require that we plan and perform our engagement to obtain reasonable assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

A reasonable assurance engagement undertaken in accordance with ISAE 3000 revised involves assessing the suitability of the Company's use of the Criteria as the basis for the preparation of the Subject Matter A, assessing the risks of material misstatement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Subject Matter A.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion.

EY's responsibilities under a limited assurance engagement
Our responsibility is to express a limited assurance conclusion on the presentation of Syensqo SA's sustainability indicators listed in Appendix B based on the evidence we have obtained.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE 3000 revised"). Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter B in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

A limited assurance engagement undertaken in accordance with ISAE 3000 revised involves assessing the suitability of the Company's use of the Criteria as the basis for the preparation of the Subject Matter B, assessing the risks of material misstatement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Subject Matter B.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement in relation to the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. A limited assurance engagement consists of making inquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures. A higher level of assurance, i.e. reasonable assurance, would have required more extensive procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

Our firm applies International Standard on Quality Management 1, which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Reasonable assurance engagement

Procedures performed in a reasonable assurance engagement vary in nature and timing from, and are more extensive than for a limited assurance engagement. Consequently the level of assurance obtained in a reasonable assurance engagement is substantially higher than the assurance that would have been obtained had a limited assurance engagement been performed.

Although we considered the design of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Our procedures included amongst other:

- Obtaining an understanding of the reporting processes for Subject Matter A;
- Evaluating the consistent application of the Criteria;
- Assessing the appropriateness of the Company's own reporting criteria in terms of its relevance, completeness, reliability, impartiality and clarity;
- Interviewing relevant staff at local level responsible for data collection, reporting and calculation of Subject Matter A;
- Interviewing management and relevant staff at corporate level responsible for consolidating and carrying out internal control procedures on Subject Matter A;
- Interviewing relevant staff responsible for reporting Subject Matter A in the Report;
- Determining the nature and extent of the procedures for each of the locations contributing to Subject Matter A. Based on the site scoping, 9 sites (Atequiza Jalsic, Baton Rouge (LA), Lisbon, Mount Pleasant2 (TN), Piedmont, Spinetta, Tavaux, Zhangjiagang FE, Zhenjiang Songl) were selected to validate the data and evaluate the design and implementation of data collection and calculation processes as well as validation procedures related to Subject Matter A. For the remaining locations contributing to the sustainability indicators listed in Appendix A, procedures were carried out centrally to review the reasonableness of the data collection, data calculation, and data validation procedures;
    - Obtaining information that Subject Matter A reconciles with underlying records of the Company;
    - Obtaining internal and external documentation that reconciles with Subject Matter A;
    - Performing an analytical review of the data and trends in Subject Matter A for consolidation at corporate level and the data reported by the sites;
    - Performing tests of details and tracing the input information to supporting invoices or other evidence;
    - Evaluating the overall presentation of Subject Matter A in the Report.

We also performed such other procedures as we considered necessary in the circumstances.

Limited assurance engagement

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less extensive than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter B and related information, and applying analytical and other appropriate procedures.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Our procedures included amongst other:

- Obtaining an understanding of the reporting processes for Subject Matter B;
- Evaluating the consistent application of the Criteria;
- Assessing the appropriateness of the Company's own reporting criteria in terms of its relevance, completeness, reliability, impartiality and clarity;

- Interviewing relevant staff at local level responsible for data collection, reporting and calculation of Subject Matter B;
- Interviewing management and relevant staff at corporate level responsible for consolidating and carrying out internal control procedures on Subject Matter B;
- Interviewing relevant staff responsible for reporting Subject Matter B in the Report;
- Determining the nature and extent of the review procedures for each of the locations contributing to Subject Matter B. Based on the site scoping, 9 sites (Atequiza Jalsic, Baton Rouge (LA), Lisbon, Mount Pleasant2 (TN), Piedmont, Spinetta, Tavaux, Zhangjiagang FE, Zhenjiang Songl) were visited to validate the data and evaluate the design and implementation of data collection and calculation processes as well as validation procedures related to Subject Matter B. For the remaining locations contributing to the sustainability indicators listed in Appendix B, procedures were carried out centrally to review the reasonableness of the data collection, data calculation, and data validation procedures;
- Obtaining information that Subject Matter A reconciles with underlying records of the Company;
- Obtaining internal and external documentation that reconciles with Subject Matter B;
- Performing an analytical review of the data and trends in Subject Matter B for consolidation at corporate level and the data reported by the sites;
- Performing limited tests of details and tracing the input information to supporting invoices or other evidence;
- Evaluating the overall presentation of Subject Matter B in the Report.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion and Opinion

<u>Reasonable assurance engagement opinion</u>

In our opinion, the Syensqo SA's sustainability indicators listed in Appendix A for the period from 1 January 2023 to 31 December 2023 are presented in all material respects, in accordance with the Criteria.

<u>Limited assurance engagement conclusion</u>

Based on our limited assurance engagement, nothing has come to our attention that makes us to believe that Syensqo SA's sustainability indicators listed in Appendix B for the period from 1 January 2023 to 31 December 2023, are not presented, in all material respects, in accordance with the Criteria.

Diegem, 11 April 2024

EY Réviseurs d'Entreprises SRL
Represented by

Marie Kaisin*
Partner
* Acting on behalf of an SRL

24MK0025

Appendix A

Domain	Topic	Sustainability indicators	Level of Assurance
CLIMATE	GHG emissions	Emissions increase or reduction at constant scope year on year	Reasonable
	GHG emissions	Direct CO2 emissions (Scope 1)	Reasonable
	GHG emissions	Indirect CO2 emissions (Scope 2)	Reasonable
	GHG emissions	Other greenhouse gas emissions not according to Kyoto (Scope 1)	Reasonable
	GHG emissions	Other greenhouse gas emissions according to Kyoto Protocol (Scope 1)	Reasonable
	GHG emissions	Total direct and indirect emissions (Scopes 1 & 2)	Reasonable
	GHG emissions	Scope 3 emissions - all categories	Reasonable
	Energy	Phase-out of coal use in total energy production	Reasonable
	Biodiversity	Pressure of Syensqo products on biodiversity	Reasonable
RESOURCES	Water & wastewater	Freshwater withdrawal	Reasonable
	Waste	Non-hazardous industrial waste	Reasonable
	Waste	Hazardous industrial waste	Reasonable
	Waste	Total industrial waste	Reasonable
	Waste	Non-hazardous industrial waste not treated in a sustainable way	Reasonable
	Waste	Hazardous industrial waste not treated in a sustainable way	Reasonable
	Waste	Total industrial waste not treated in a sustainable way	Reasonable
	Waste	Mining waste	Reasonable
	Sustainable business solutions	Product portfolio assessed	Reasonable
	Sustainable business solutions	Sustainable solutions - % Group sales	Reasonable
BETTER LIFE	Employee health & Safety (occupational safety - OS)	RIIR - Reportable Injuries and Illnesses Rate	Reasonable
	Employee health & Safety (occupational safety - OS)	LTIIR - Lost Time Injuries and Illnesses Rate	Reasonable
	Employee health & Safety (occupational safety - OS)	Fatal accidents of Syensqo employees and contractors	Reasonable
	Diversity & inclusion	Total headcount	Reasonable
	Diversity & inclusion	Percentage of women in the Group	Reasonable
	Diversity & inclusion	Percentage of women in senior and middle management	Reasonable

Appendix B

Domain	Topic	Sustainability indicators	Level of Assurance
CLIMATE	Energy	Primary Energy consumption	Limited
	Energy	Renewable energy consumption	Limited
	Circular economy	Percentage of sales aligned with circular economy principles	Limited
RESOURCES	Water & wastewater	Chemical oxygen demand (COD)	Limited
	Hazardous materials	Substance of very high concern (SVHC) according to REACH criteria present in products sold	Limited
	Hazardous materials	Percentage of completion of Analysis of Safer Alternatives program for marketed substances	Limited
	Air quality	Nitrogen oxides emissions - NOx	Limited
	Air quality	Sulphur oxides emissions - SOx	Limited
	Air quality	Non-methane volatile organic compounds emissions - NMVOC	Limited
	Air quality	Ozone depleting substances - ODP	Limited
	Sustainable business solutions	SPM organic growth	Limited
	Diversity & inclusion	Headcount by employee category (senior manager, middle manager, junior manager, non-manager)	Limited
	Process accident & safety (PS)	Process safety incident rate	Limited
BETTER LIFE	Process accident & safety (PS)	Number of incidents (Medium, High, Catastrophic)	Limited
	Process accident & safety (PS)	Number of incidents (Medium, High, Catastrophic) with environmental consequences	Limited
	Process accident & safety (PS)	Number of incidents (Medium, High, Catastrophic) with environmental consequences in which the limits of the operating permit were exceeded	Limited
	Employee Engagement and wellbeing	Coverage by collective agreement	Limited
	Management of the legal ethics and Regulatory framework	Total claims made	Limited
	Management of the legal ethics and Regulatory framework	Total claims closed including cases for which there was insufficient information or cases that were misdirected or referred	Limited
	Management of the legal ethics and Regulatory framework	Unsubstantiated claims among resolved cases	Limited
	Management of the legal ethics and Regulatory framework	Substantiated claims among resolved cases	Limited

Declaration by the persons responsible

The Board of Directors hereby declares that, to the best of its knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), give a true and fair view of the assets, liabilities, financial position and earnings of the issuer and of the entities included in the consolidation;
- The extra-financial statements are prepared in accordance with the GRI standards and the Integrated Reporting Framework;
- The management report includes an accurate review of the business developments, earnings, and financial position of the issuer and of the entities included in the consolidation, as well as a description of the main risks and uncertainties that these entities face.

Rosemary Thorne
Chair of the Board of Directors

Ilham Kadri
Chair of the Executive Leadership Team and Chief Executive Officer

Glossary

Additional voluntary contributions related to employee benefits plan

Contributions to plan assets in excess of mandatory contributions to employee benefits plans. These payments are discretionary and are driven by the objective of value creation. These voluntary contributions are excluded from free cash flow as they are deleveraging in nature as a reimbursement of debt.

Adjustments

Each of these adjustments made to the IFRS results is considered to be significant in nature and/or value. Excluding these items from the profit metrics provides readers with relevant additional information on the Group's underlying performance over time because it is consistent with how the business' performance is reported to the Board of Directors and the Executive Committee. These adjustments consist of:

- Results from portfolio management and major restructurings;
- Results from legacy remediation and major litigations;
- Amortization of intangible assets resulting from Purchase Price Allocation (PPA) and inventory step-up in gross margin;
- Net financial results related to changes in discount rates, coupons of hybrid bonds deducted from equity under IFRS and debt management impacts (mainly including gains/(losses) related to the early repayment of debt;
- Adjustments of equity earnings for impairment gains or losses and unrealized foreign exchange gains or losses on debt;
- Results from equity instruments measured at fair value;
- Gains and losses, related to the management of the CO2 hedges not accounted for as Cash Flow Hedge, deferred in adjustments until the maturity of the economic hedge;
- Remeasurement of the long-term incentive plans related to Solvay Group shares and of the related hedging instruments;
- Tax effects related to the items listed above and tax expense or income of prior years;
- All adjustments listed above apply to both continuing and discontinuing operations, and include the impacts on non-controlling interests.

Basic earnings per share

Net income (Syensqo's share) divided by the weighted average number of shares, after deducting own shares purchased to cover stock option programs.

Capital expenditure (capex)

Cash paid for the acquisition of tangible and intangible assets presented in cash flows from investing activities, and cash paid on the lease liabilities (excluding interests paid), presented in cash flows from financing activities. This indicator is used to manage capital employed in the Group.

CARECHEM

Carechem 24 is a multilingual telephone advice service providing access to a team of trained responders 24 hours a day, 365 days a year. Carechem 24 provides companies all over the world with emergency product support during a hazardous materials incident.

Cash conversion

Is a ratio used to measure the conversion of EBITDA into cash. It is defined as (Underlying EBITDA + Capex from continuing operations) / Underlying EBITDA.

CGU

Cash-generating unit.

Code of conduct

Syensqo is committed to responsible behavior and integrity, taking into account the sustainable growth of its business and its good reputation in the communities in which it operates.

CTA

Currency Translation Adjustment.

Diluted earnings per share

Net income (Syensqo's share) divided by the weighted average number of shares adjusted for effects of dilution.

Discontinued operations

Component of the Group which the Group has disposed of or which is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- Is a subsidiary acquired exclusively with a view to resale.

Dividend yield (gross)

Gross dividend divided by the closing share price on December 31.

Dividend yield (net)

Net dividend divided by the closing share price on December 31.

DJ EURO STOXX

Dow Jones Euro Stoxx is a pan-European stock index which includes the 326 most important shares of the general Dow Jones index, belonging to eleven countries of the Eurozone.

DJ STOXX

Dow Jones Stoxx is a European stock index composed of the 665 most important European shares.

EBIT

Earnings before interest and taxes. Performance indicator that is a measure of the Group's operating profitability irrespective of the funding's structure.

EBITDA

Earnings before interest and taxes, depreciation and amortization. The Group has included EBITDA as an alternative performance indicator because management believes that the measure provides useful information to assess the Group's operating profitability as well as the Group's ability to generate operating cash flows.

Eco-profile

A description of the magnitude and significance of the environmentally relevant inputs and outputs (including, as appropriate, raw materials, intermediate products, emissions and waste) associated with a product throughout its lifecycle.

Environmental protection agency

The U.S. Environmental Protection Agency (EPA or USEPA) is an agency of the United States federal government which was created for the purpose of protecting human health and the environment by writing and enforcing regulations based on laws passed by Congress.

Equity per share

Equity (Syensqo share) divided by the number of outstanding shares at year end (issued shares - treasury shares).

EURONEXT

Global operator of financial markets and provider of trading technologies.

Free cash flow

Cash flows from operating activities (excluding cash flows linked to acquisitions or disposals of subsidiaries, cash outflows of Voluntary Pension Contributions, as they are deleveraging in nature as a reimbursement of debt and cash flows related to internal management of portfolio such as one-off external costs of internal carve-out and related taxes...), cash flows from investing activities (excluding cash flows from or related to the acquisitions and disposals of subsidiaries), and other investments, and excluding loans to associates and non-consolidated investments, and recognition of factored receivables), payment of lease liabilities, and increase/decrease of borrowings related to environmental remediation. Prior to the adoption of IFRS 16, operating lease payments were included within free cash flow. Following the application of IFRS 16, because leases are generally considered to be operating in nature, free cash flow incorporates the payment of the lease liability (excluding the interest expense). Excluding this item in the free cash flow would result in a significant improvement of free cash flow compared to prior periods, whereas the operations themselves have not been affected by the implementation of IFRS 16. It is a measure of cash generation, working capital efficiency and capital discipline of the Group.

Free cash flow conversion

Calculated as the ratio between the free cash flow to Syensqo shareholders of the last rolling 12 months (before netting of dividends paid to non-controlling interest) and underlying EBITDA of the last rolling 12 months.

Free cash flow to Syensqo shareholders

Free cash flow after payment of net interests, coupons of perpetual hybrid bonds, dividends to non-controlling interests and capital injections and capital reimbursements from/to non-controlling interests. This represents the cash flow available to Syensqo shareholders, to pay their dividend and/or to reduce the net financial debt.

FTSEUROFIRST 300

The FTSEurofirst 300 Index tracks the equity performance across the region of the 300 largest companies ranked by market capitalization in the FTSE Developed Europe Index.

GBU

Global business unit.

Gearing ratio

Underlying net debt / total equity.

GRI

GRI (Global Reporting Initiative) is the independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. GRI provides the world's most widely used standards for sustainability reporting – the GRI Standards.

IBA

Internal bank accounts

ICCA

International Council of Chemistry Associations.

IFRS

International Financial Reporting Standards.

Integrated reporting

This is a process founded on integrated thinking, which results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.

ISO 9001

The ISO 9001 standard defines a set of requirements for the establishment of a system of quality management in an organization, whatever its size and activity.

ISO 14001

The ISO 14001 family addresses various aspects of environmental management. It provides practical tools for companies and organizations looking to identify and control their environmental impact and constantly improve their environmental performance.

ISO 14040

The ISO 14040 standard covers life cycle assessment (LCA) studies and life cycle inventory (LCI) studies.

ISO 26 000

The ISO 26000 is a global standard which provides guidelines for organizations that wish to operate in a socially responsible manner. The standard was published in 2010 after five years of negotiations among a large number of stakeholders worldwide. Representatives of governments, NGOs, industry, consumer groups, and the world of work were involved in its development. It therefore represents an international consensus.

LCA

Life Cycle Assessment.

Leverage ratio

Net debt / underlying EBITDA of the last 12 months. Underlying leverage ratio = underlying net debt / underlying EBITDA of the last 12 months.

Loss prevention process

Loss prevention aims at maintaining production flow and profitability of the plants by providing risk mitigation. It also contributes to increasing the protection of people and the environment.

LTII

Lost Time Injury or Illness: A Work Related Injury or Illness that results in a work interruption of one or more days, not including the day of the accident.

LTIIR

Lost Time Injury and Illness Rate: number of Lost Time Injury and Illnesses resulting from accident per 200,000 work hours.

Mandatory contributions to employee benefits plans

For funded plans, contributions to plan assets corresponding to amounts required to be paid during the respective period, in accordance with agreements with trustees or regulation, as well as, for unfunded plans, benefits paid to beneficiaries.

Materiality

Organizations are faced with a wide range of sustainability matters on which they could report. The relevant topics pertain to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term., or if it generates risks or opportunities that affect (or could reasonably be expected to affect) the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term. Sustainability matters relevant from one or both dimensions merit inclusion in the annual report. Materiality is the threshold at which aspects become sufficiently important that they should be reported.

Natural currency hedge
A natural currency hedge is an investment that reduces the undesired risk by matching cash in and outflows.

Near miss
accident or collision narrowly avoided.

Net cost of borrowings
Cost of borrowings netted with interest on loans and short-term deposits, as well as other gains (losses) on net indebtedness.

Net financial charges
Net cost of borrowings, and costs of discounting provisions (namely, related to post-employment benefits and Health Safety and Environmental liabilities).

Net financial debt (IFRS)
(IFRS) net debt = Non-current financial debt + current financial debt – cash & cash equivalents – other financial instruments (current and non-current). Underlying net debt reclassifies as debt 100% of the hybrid perpetual bonds, considered as equity under IFRS. It is a key measure of the strength of the Group's financial position and is widely used by credit rating agencies.

Net pricing
The difference between the change in sales prices versus the change in variable costs.

Net sales
Sales of goods and value added services corresponding to Syensqo's know-how and core business. Net sales exclude Revenue from non- core activities.

Net working capital
Includes inventories, trade receivables and other current receivables, netted with trade payables and other current liabilities.

Occupational accident
Accident which occurred during the execution of a work contract with Syensqo. Accidents on the way to/from home are not considered as work related except if at the time of the accident, the worker was traveling for Syensqo.

OCI
Other Comprehensive Income.

OECD
Organisation for Economic Co-operation and Development.

OHSAS 18001
OHSAS 18001 is an international occupational health and safety management system specification.

Open innovation
Innovation that is enriched with outside expertise, through partnerships with the academic world and by shareholdings in start-ups, either directly or via investment funds.

Operational deleveraging
Reduction of liabilities (net debt or provisions) through operational performance only, i.e. excluding impacts from acquisitions and divestitures, as well as remeasurement impacts (changes of foreign exchange, inflation, mortality and discount rates).

Organic growth
Growth of Net sales or underlying EBITDA excluding scope changes (related to small M&A not leading to restatements) and forex conversion effects. The calculation is made by rebasing the prior period at the business scope and forex conversion rate of the current period.

OSHA
United States Occupational Safety and Health Administration.

PP
Unit of percentage points, used to express the evolution of ratios.

PPA
Purchase Price Allocation (PPA) accounting impacts related to acquisitions, primarily for Rhodia and Cytec.

Pricing power
The ability to create positive net pricing.

Product stewardship
A responsible approach in managing risks throughout the entire life cycle of a product, from the design stage to the end of life.

PSM
Process safety management.

PSU
Performance Share Unit.

REACH
REACH is the European Community Regulation on chemicals and their safe use (EC 1907/2006). It deals with the registration, evaluation, authorization, and restriction of chemical substances. The law entered into force on June 1, 2007.

Research & innovation
Research & development costs recognized in the income statement and as capital expenditure before deduction of related subsidies, royalties and depreciation and amortization expense. It measures the total cash effort in research & innovation, regardless of whether the costs were expensed or capitalized.

Research & innovation intensity
Ratio of research & innovation / net sales.

Responsible care®
Responsible Care® is the global chemical industry's unique initiative to improve health, environmental performance, enhance security, and to communicate with stakeholders about products and processes.

Result from legacy remediation and major litigations
It includes:
- The remediation costs not generated by on-going production facilities (shut-down of sites, discontinued productions, previous years' pollution), and
- The impact of significant litigations.

Results from portfolio management and major restructuring
It includes:
- Gains and losses on the sale of subsidiaries, joint operations, joint ventures, and associates that do not qualify as discontinued operations;
- Acquisition costs of new businesses;
- One-off operating costs related to internal management of portfolio (carve-out of major lines of businesses);
- Gains and losses on the sale of real estate not directly linked to an operating activity;
- Restructuring charges driven by portfolio management and by major reorganization of business activities, including impairment losses resulting from the shutdown of an activity or a plant;
- Impairment losses resulting from testing of Cash Generating Units (CGUs).

It excludes non-cash accounting impact from amortization and depreciation resulting from the purchase price allocation (PPA) from acquisitions.

Revenue from non-core activities
Revenues primarily comprising commodity and utility trading transactions and other revenue, considered to not correspond to Syensqo's know-how and core business.

RII
Reportable Injury & Illness: work-related injury or illness resulting from an accident with severity above first aid, according to US OSHA 29 CFR 1904.

RIIR
Reportable Injury & Illness rate: number of reportable injury or illness per 200,000 work hours.

ROCE
Return on Capital Employed, calculated as the ratio between underlying EBIT (before adjustment for the amortization of PPA) and capital employed. Capital employed consists of net working capital, tangible and intangible assets, goodwill, rights-of-use assets, investments in associates & joint ventures and other investments, and is taken as the average of the situation at the end of the last 4 quarters.

ROE
Return on equity.

SAELs
Syensqo Acceptable Exposure Limits.

Safety data sheets

Safety Data Sheets are the main tool for ensuring that manufacturers and importers communicate enough information along the supply chain to allow safe use of their substances and mixtures.

SBTi

Science Based target initiative

SDG

United Nations Sustainable Development Goals.

Seveso regulations

The Control of Major Accident Hazards Involving Dangerous Substances Regulations. These regulations (often referred to as "COMAH Regulations" or "Seveso Regulations") give effect to European Directive 96/82/EC. They apply only to locations where significant quantities of dangerous substances are stored.

SOCRATES

Global tool for industrial hygiene management.

SOP

Stock Option Plan.

SPM

The Sustainable Portfolio Management is a fact-based tool that evaluates the risk & opportunities of our portfolio. It considers the social & environmental impact of our operations and the sustainability market signals, even weak ones, to anticipate their impact and develop the right answers in a timely way. It is designed to guide business decisions and priorities for value creation.

SVHC

Substance of Very High Concern (SVHC) is a chemical substance, the utilization of which within the European Union has been proposed to become subject to legal authorization under the REACH regulation.

TCFD

Task Force on Climate-related Financial Disclosure.

Underlying

Underlying results are deemed to provide a more comparable indication of Syensqo's fundamental performance over the reference periods. They are defined as the IFRS figures adjusted for the "Adjustments" as defined above. They provide readers with additional information on the Group's underlying performance over time as well as the financial position and they are consistent with how the business' performance and financial position are reported to the Board of Directors and the Executive Committee.

Underlying net debt

Underlying net debt reclassifies as debt 100% of the perpetual hybrid bonds, considered as equity under IFRS.

Underlying tax rate

Income taxes / (Result before taxes – Earnings from associates & joint ventures) – all determined on an Underlying basis. The adjustment of the denominator regarding associates and joint ventures is made as these contributions are already net of income taxes. This provides an indication of the tax rate across the Group.

Velocity

Total number of shares traded during the year divided by the total number of listed shares, using the Euronext definition.

Velocity adjusted by free float

Velocity adjusted as a function of the percentage of the listed shares held by the public, using the Euronext definition.

Voluntary pension contributions

Contributions to plan assets in excess of Mandatory Contributions to employee benefits plans. These payments are discretionary and are driven by the objective of value creation. These voluntary contributions are excluded from free cash flow as they are deleveraging in nature as a reimbursement of debt.

WACC

Weighted Average Cost of Capital.

WBCSD

World Business Council for Sustainable Development.

YOY

Year on year comparison.

Shareholders' diary

MAY 16, 2024
First quarter 2024 results

MAY 23, 2024
Ordinary General Shareholders' meeting

MAY 29, 2024
Ex-coupon date

MAY 31, 2024
Final dividend: payment date

AUGUST 1, 2024
First half 2024 results

NOVEMBER 5, 2024
Nine months 2024 results

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