

Sumika Polymer Compounds (UK) Ltd: Section 172 (1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- (a) likely consequences of any decisions in the long-term;
- (b) interests of the company's employees;
- (c) need to foster the company's business relationships with suppliers, customers and others;
- (d) impact of the company's operations on the community and environment;
- (e) desirability of the company maintaining a reputation for high standards of business conduct;
- (f) need to act fairly between members of the company.

The Company has regular communication with its direct shareholder via monthly management meetings as well as reporting performance on a monthly basis. There are also robust approval processes in place which provide the shareholder with the opportunity to provide input, consideration and authorisation for key strategic decisions impacting both the financial prospects of the Company and those relating to sustainability objectives. The board of the Company comprises members elected by the shareholder.

The strength of our business depends upon the expertise, commitment and hard work of our employees and our objective is to retain the best workforce in order to meet the long-term strategy of our business. We engage our workforce regularly in open, transparent communication to highlight our accomplishments, explain future challenges and make key objectives clear so that each person understands how their role contributes to the success of the business.

The Company serves global customers and, due to the nature of the products we supply, we work closely with them to develop products which meet their specific needs. Many of our customers are long standing and we engage with them on a regular basis to ensure that we continue to support the security of their supply chain, meet their quality standards and provide technical support. To achieve this, we depend on the performance and reliability of our suppliers, and we work collaboratively with key suppliers to ensure that they meet our standards.

As long-standing local employers, the Company works with its local community to ensure a safe and sustainable environment and supports local and national charities through payroll giving schemes and fundraising events. On a wider scale and alongside our fellow group companies, we support and develop products and technology which supports recycling in our industry, reduces waste and promotes the use of sustainable materials.

We set out below some examples of how the directors have had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duties in their decision making.

Pension Scheme

The Thermofil Polymers defined benefit pension scheme has been closed to all accrual of benefits since 2006 and its funding position has improved such that, at the latest triennial valuation of 6 April 2022, it has achieved a funding surplus. The Directors have agreed a funding plan with the trustees to cease its contributions to the scheme which will enable the Company to continue its investment in revenue and efficiency projects with a lower burden of loan funding. This will strengthen the Company's financial position and, in turn, its covenant to the pension scheme. At the same time, the Company has worked collaboratively with the trustee and its advisors to undertake a further investment review, which was completed post year end, the outcome of which was to change the investment strategy to target a fully hedged position versus inflation, interest rate and liability duration. This strategy is intended to reduce the risk of a future technical deficit by further switching away from equities, gilts and the Sterling liquidity fund and investing more in bonds via a managed Buy & Maintain fund. This action has reduced the risk for both the Company and the members of the Scheme.

Bank funding

The Company is exposed to variable interest rates and margins on its borrowings from external banks and its parent company. During the year, external banks faced pressure to increase their margins to customers at the

same time as sharp increases in underlying interest rates. To mitigate the increase in margins on borrowing, the Directors, in conjunction with its immediate parent company, resolved to consolidate the facilities with one its lenders. The impact was to mitigate an increase in interest margin by 0.4% as well as reducing the Company's external financing liabilities. This action increases the financial security of the Company for the benefit of all of its stakeholders.