

## Directors' Report (continued)

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.

### *Product development*

Product development is central to the group's strategy and an integrated approach is taken in the group. Key areas of focus include the transition to electric vehicles, achievement of CO<sub>2</sub> reduction, the use of recycled and natural fibre materials, flame retardant and high-performance grades. During the year, the decision was taken to strengthen the UK company's R&D capabilities, including recruiting new roles and investment in laboratory equipment. This will enhance the already strong R&D team in the UK. In Turkey, investment is being made in recycled processing capacity and integrating this significant capability with the rest of the group. Recycled product has become an essential part of supporting our customers' strong moves towards environmental sustainability. In India, the in-house and Moldflow and Computer Aided Engineering capabilities became well established, serving the group as a whole. Together with the use of an online platform to share characterisation data, good feedback has been received from customers and it has proved effective as a marketing tool for demonstrating the group's products and winning new customers.

### *New plant in Poland*

Due to the increasing importance of the NE Europe region and the demand for regional production, the decision was taken to establish a new production facility in Poland. A new 100% owned subsidiary company was formed in March 2021. A brand new production line is being constructed in a modern, efficient industrial building. Once operational, the plant shall act as a subcontracting manufacturer for Sumika UK and Sumika France. Significant transport cost and CO<sub>2</sub> savings will be made by localising production of existing business in NE Europe. The Poland plant complements the group's existing locations in UK, South of France and Turkey, securing the group's business with existing customers and providing opportunity to win new customers.

### Greenhouse Gas reporting

	Current year 2020/21	Year 2019/20
	UK Operations	UK Operations
Energy consumption used to calculate emissions - KWh	8,838,814	9,776,257
Emissions from burning of gas - tCO <sub>2</sub> e (scope 1)	142	81
Emissions from burning of fuel for on-site transport such as forklift trucks - tCO <sub>2</sub> e (scope 1)	46	42
Emissions from business travel in rented or employee-owned cars where the company reimburses the cost of fuel - tCO <sub>2</sub> e (scope 3)	20	20
Emissions from purchased electricity - tCO <sub>2</sub> e (scope 2 location based)	1,668	2,337
Total gross tCO <sub>2</sub> e based on above	1,856	2,479
Intensity ratio: direct tCO <sub>2</sub> e/tonne of production of our finished product	0.065	0.079
Methodology	Mainly primary data	Mainly primary data

The above amounts are for the Group's UK operations only, being the Company and the Sumika Polymer Compounds (UK) Ltd. The option has been taken to exclude from the report any energy and carbon information relating to a subsidiary which the subsidiary would not itself be obliged to include if reporting on its own account.

The intensity ratio is based on energy usage directly related to our production activities.

Actions taken during the year include additional stages of converting to LED lighting in the factory and offices and optimisation of process conditions in order to reduce electricity consumption during manufacturing operations.

## **Directors' Report (continued)**

### **Greenhouse Gas reporting (continued)**

Methodologies used were to take actual meter readings/supplier invoices for electricity and gas, together with the use of estimates for company cars, and apply official conversion factors for CO<sub>2</sub>e emissions. CO<sub>2</sub>e (equivalent) is the universal unit of measurement to indicate the global warming potential (GWP) of GHGs, expressed in terms of the GWP of one unit of carbon dioxide.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

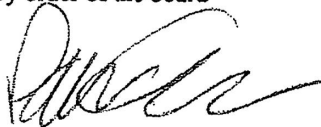
### **Other information**

An indication of likely future developments in the business, financial risk management and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 2 and 3 and the Subsequent Events note on page 43.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**P Claydon**  
*Secretary*

28 New Lane, Havant, Hampshire, PO9 2NQ

13 December 2021

## Notes (continued)

### 23 Ultimate parent company and parent company of larger group

The Company's shareholders are Sumitomo Chemical Co., Ltd, Toyo Ink SC Holdings Co., Ltd, Itochu Corporation and Itochu Europe plc. The directors regard Sumitomo Chemical Co., Ltd, a company registered in Japan, as the ultimate parent company and ultimate controlling party.

The largest group to consolidate the results of the Company is Sumitomo Chemical Co., Ltd. Copies of the consolidated financial statements can be requested from Sumitomo Chemical Co., Ltd.'s registered office at 27-1, Shinkawa 2-Chome, Chuo-ku, Tokyo 104-8260, Japan.

### 24 Subsequent events

#### *Strategic investment in a new plant in Poland*

On 19 March 2021, the Company established a new, 100%-owned subsidiary company in Poland, Sumika Polymer Compounds (Poland) sp. z o.o. The building of Sumika Poland's production facilities is underway, with trial production scheduled for Jan 2022. The plant will initially be utilised to localise production transferred from other group companies but will also be well placed to develop new business. The rationale is to reduce transport costs and related CO2 emissions, reduce goods in transit and be able to offer existing and potential new customers in East Europe the security of a shorter supply chain. Sumika Poland fills a gap in an increasingly important region in Europe and complements the group's existing locations in the UK, the south of France and Turkey, to the benefit of the group as whole.

#### *Guarantee given in relation to Sumika Poland*

The Company has given a Suretyship agreement to the landlord of Sumika Poland's leased factory building, under which the Company guarantees the performance of Sumika Poland's obligations under the lease up to a limit of 6,220,000 EUR for a duration until 2036.

#### *COVID-19 pandemic*

The COVID-19 pandemic has had impact on the new financial year to date, as described in the Strategic report. The Group has made limited further use of government business support measures, being the Job Retention Scheme in the UK and the equivalent in France. These have provided circa £17,000 benefit for the period from April to September 2021 inclusive.

#### *Borrowings facilities*

3M EUR new fixed term bank loans were taken out in June 2021, 1.5M EUR directly by the Company and 1.5M EUR via Sumika France, at favourable rates.

### 25 Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

##### *Pension assets and liabilities*

As disclosed in the balance sheet and in Note 18, pension assets and liabilities are based on various assumptions in respect of future decades covering the remaining lifetimes of the members. The assumptions are made with the advice of an independent professional actuary and are consistent with current norms.

##### *Useful lives for property, plant and equipment*

As disclosed in Note 1, useful lives are estimated using our historical experience and our judgement regarding future expectations.

#### *Critical accounting judgements in applying the Company's accounting policies*

##### *The Going Concern assumption*

As disclosed in Note 1, the going concern assumption is based on our judgement of positive future prospects for the business, our deep relationship with our lenders and the assurances of support that we have received from our shareholders.