

Directors' statement of compliance with duty to promote the success of the Group

The Directors are required to include a statement of how they have had regard to stakeholders to promote the success of the Company, in accordance with section 172 of the Companies Act 2006. Under s172, a director must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members, as a whole, and in doing so have regard to:

- the likely consequences of any decision in the long-term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct,
- the need to act fairly as between members of the company.

The company's long-term strategy focuses on achieving success through sustainable growth. Implementing this strategy the board take into account the impact of relevant factors and major stakeholder interests on the company's performance. The directors promote a culture of upholding high standards of business conduct and communicate this throughout the company via policy setting and operational procedures.

The board understand the importance of stakeholder engagement and consideration of their interests in the process for key strategic decision making. Issues concerning stakeholders including employees, clients, suppliers, local community, and shareholders are regularly discussed with direct stakeholder engagement sought when required. Information about our stakeholders and how we have applied these duties with regard to key stakeholders and are detailed below:

Employees

Our people are the foundation of our business and imperative to its success. The Group promotes a positive working environment for all employees with rigorous policies and procedures that protect, develop and satisfy our existing and future employees. The Directors are committed to ensuring the highest standards of health and safety.

Suppliers

We aim to work collaboratively with our suppliers to build long-term, mutually beneficial relationships. The Group endeavours to enter into clear and fair contracts with its suppliers.

Customers

We establish good relationships with our customers and have dedicated account management for all accounts. We strive to understand what products our customers require and how to improve our customer service.

Community & environment

The Directors are committed to minimising the impact of the Group's operations on the environment and are focused on providing sustainable products where possible.

The following key decisions made during the year and stakeholder consideration and engagement is summarised below:

- New Enterprise Resource Program (ERP) - The board recognise that to facilitate the strategic and ambitious plans for growth in place, a new global ERP software project with associated investment is to be started Q4 2020. Process efficiency improvements derived from this and further global connectivity will provide an industry leading platform for growth. The board took into account the long-term impact of our international operations on the environment and the benefits an ERP will provide in this regard with improved information and operational efficiencies. The interest of employees in terms of worker welfare, training, job security and benefits was integral in the decision making. The increased efficiencies and information available from the new ERP will provide an enhanced customer experience and add further improvement to our resource planning strengthening supplier relations. Investment in ERP is significant in terms of cost and regard has been paid to shareholder interest in this respect. The board decided the investment is in the best interests of the company and of benefit to its major stakeholders.

Directors' statement of compliance with duty to promote the success of the Group (continued)

- **Analytical resource** - In addition to continued commitment to the highest quality standards for our products, it was recognized by the board that in order to continue to drive global quality standards across the Group and implement one global quality standard across all five manufacturing sites a significant investment in a new analytical centre in Chennai was proposed and implemented. The board took into consideration the local environmental impact when choosing which existing site within the Group to locate the new analytical centre, and consideration was paid to the interests of existing and future employees, consulting our existing analytical managers for input. The directors understand the competitive environment in which the company operates and the requirement for increased analytical capacity to maintain our reputation within the industry for both speed and quality of response to customer enquiries. The decision for investment in this area and location was made by the directors continuing their commitment to running the company for the long-term benefit of members and taking into consideration interest of other stakeholders including clients, staff, and suppliers.
- **Quality control centre** - As part of an ongoing investment plan and upgrade of facilities at the UK headquarters it was identified by the board that a brand new refurbished quality control centre with associated technology and infrastructure was necessary to provide our clients and suppliers with the highest standards of quality control, in addition to increasing capacity to cope with immediate output and future growth. The board discussed the importance of maintaining the company's reputation for the highest standards of customer service, business conduct, regulatory compliance and product quality when considering this investment. Long-term consequences of the investment were deemed extremely positive for major stakeholder groups including suppliers, clients, and shareholders. Existing quality staff were engaged and their interests weighed during the decision making. Impact on the local environment and health and safety in the workplace was given due consideration. Environmental impact was considered when designing the upgraded facilities.
- **Continuous improvement via accreditation** - The Group maintains its commitment to continuously improve processes across all departments of our business. It was identified by the board that two sites needed to complete our standard level ISO9001:2015 accreditation (India and Singapore) in order to complete our global accreditation program across all manufacturing sites that the Group operates. Global standardisation of processes further enables us to achieve the global quality standard previously discussed. Investment to achieve this was approved by the board – target dates set. The board discussed long-term consequences of the strategy of aligning manufacturing accreditations internationally and the operational benefits this provides. The directors discussed the positive environmental impact by efficiencies gained through process standardisation and took into consideration the interest of employees in this regard. The directors understand the requirements of international clients for global quality standards and the necessity of further investment to maintain the company's reputation within the industry as a leader in high standards of business conduct and product quality. This was paramount in the decision making process. The directors acted to promote the success of the company for the benefit of members by striving for continual improvement in this area, in line with the long-term strategy of sustainable growth.
- **Dividend Policy** – Shareholder wealth generation remains a long-term goal of the company and strategic planning and decision making by the board reflect this goal. The well managed positive cash position achieved during 19/20 along with the planned & achieved profit growth (driven by increased market share whilst preserving margins) has enabled an increase in shareholder distribution which was discussed and agreed by the board.