

Devro (Scotland) Limited (the “Company”)

S172 Statement

As Directors of the company we continue to be mindful of our statutory duty to promote the success of the Company for the benefit of the members as a whole, and in doing so having regard (amongst other matters) to those factors set out section 172(1)(a)-(f) of the Companies Act 2006 (set out below). Collectively the Board recognises how having regard to these and other relevant factors and stakeholder groups in their decision-making contributes to the success of the Company. Depending on the matter in question, the relevance of different stakeholder interests and other factors will inevitably vary, and the Board may have to make difficult decisions based on competing priorities which means that it may not always be possible to provide a favourable outcome for all stakeholders.

On appointment to the Board, the Directors are briefed on the Directors’ statutory duties and Directors are also provided with various opportunities to meet key stakeholders. Ahead of all Board meetings, the Directors are supplied with papers which highlight relevant stakeholder considerations and other factors considered relevant to the matter under consideration. The Directors are in close contact with the Scottish Senior Management Team allowing good communication and feedback at a local level.

The Company’s key stakeholders are our employees, customers, distributors and suppliers. The Company has in place the following framework to ensure Directors have regard to our key stakeholders and those other matters referenced in section 172(1) in their decision making:

The likely consequences of any decision in the long-term

The long-term strategy of the company is monitored to ensure this aligns with the vision of the Group as a whole. Reviews undertaken encompass not only the current phase of strategic development, but also future areas of growth and change and how the company can have a positive influence here. Input is regularly taken from specialists within the business, when necessary, external advisers and also Group, about what issues might frame the commercial environment in which the Company will operate in future. The resulting assessment of future development helps inform the Board’s decision-making and the balance between short-term and long-term measures and actions.

The interests of the Company’s employees

In 2019, the Board continued to promote engagement with its workforce. All company Directors are based on site at Moodiesburn and contact with the workforce is a daily occurrence. Results from the annual engagement surveys are communicated across the business by the Global HR team and reviewed by the Directors during the ordinary course of business. In the second half of 2019, the Board had particular regard to employee interests in reaching a decision to seek the closure of the Company’s Bellshill site as a result of a review of the businesses manufacturing footprint, aimed at accessing further efficiency improvements and the alignment of available capacity to the overall Group’s growth ambitions. Since the intention to close the site was announced, consultation with affected employees and their representatives, has ensured that their interests have continued to be considered.

The need to foster the Company’s business relationships with suppliers, customers and others

Winning with the Winning Customers is a key element of the Company’s 3Cs strategy – see page 9 of the Group’s 2019 annual report which does not form part of this report – and the new global commercial structure which has been implemented in 2019 has facilitated greater scope for customer focus, interaction and communication/feedback. The new commercial structure, which is now headed by one global commercial director in place of three regional commercial directors,

has also helped the Group overall, including the Board at Devro Scotland, to gain a deeper understanding of customer relationships and to support more effectively the further development of these. Devro Scotland Limited continues to cultivate its relationships with its supplier base and local procurement teams work closely with the newly established global procurement function which has facilitated the easier flow of information to the Board about the 'supplier voice'. In particular, the introduction of category management in 2019 has helped us to focus our activities to build closer relationships with suppliers and to achieve additional efficiencies. We also commenced last year a review of our supplier policies, the output from which is bringing greater clarity to the commitments of both the Company and its suppliers to each other. Supplier auditing including processes to verify the provenance of raw materials has continued to take place in 2019, the results of which are referenced in the Company's Modern Slavery Statement, which is reviewed by the Board on an annual basis and which is available on the Group's website.

The impact of the Company's operations on the community and the environment

Devro Scotland Limited continues to pursue programmes to reduce the impact of its operations on the environment, measuring and reporting its performance against the global targets set by Devro Group. One of the main initiatives undertaken by the business in recent years was the installation of a new Combined Heat and Power system at the Moodiesburn site.

The desirability of the Company maintaining a reputation for high standards of business conduct

Devro Scotland Limited follows the Group's global statement on business conduct which is reviewed by the Group's Board on annual basis. The Group's policies on a wide range of business and ethics related practices are regularly reviewed and updated as necessary so as to ensure continued compliance with legal and regulatory requirements and good industry practice. The Board of Devro Scotland Limited monitor the Group's policies through the ordinary course of business to ensure the policies are being adhered to. The reporting of concerns raised through the Company's third party hosted SpeakUp! service also provides further insight into business conduct issues affecting the business.

The need to act fairly between members of the Company

As outlined on page 107 of the Group's 2019 annual report, Devro Scotland Limited is 100% owned and controlled by Devro plc.

The Board will continue to keep engagement methods under review to ensure they remain effective.