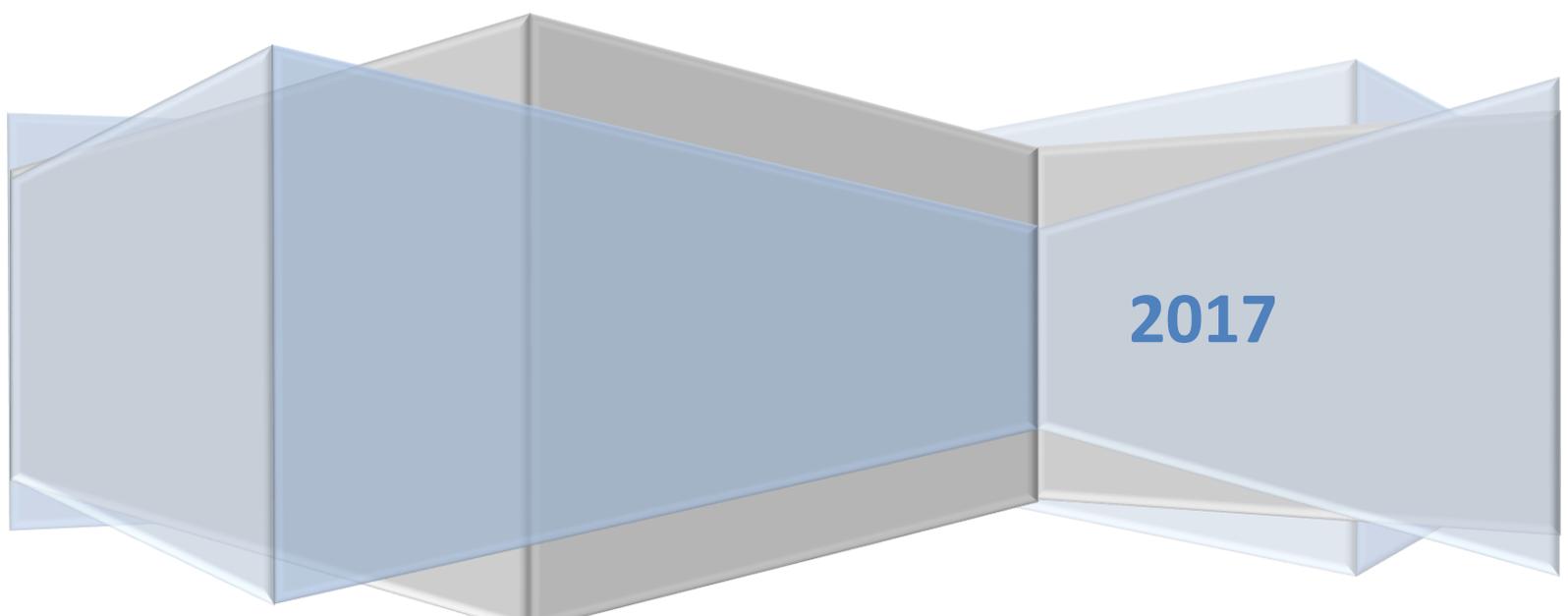




## SHIN-ETSU HANDOTAI EUROPE LIMITED

### UK TAX STRATEGY

A large, 3D geometric graphic composed of several overlapping, semi-transparent blue and grey rectangular planes. The planes are arranged in a way that creates a sense of depth and perspective, with some planes appearing to be in front of others. The overall shape is somewhat irregular, resembling a stylized architectural element or a complex geometric form.

2017

# Shin-Etsu Group's approach to tax

## About Shin-Etsu Group

Shin-Etsu Group comprises of Shin-Etsu Chemical Co., Ltd and 146 Group companies that cooperate to develop their respective business activities. These business activities are divided into six segments: PVC/Chloride-Alkali Business; Semiconductor Silicon Business; Silicones Business; Electronics and Functional Materials Business; Specialty Chemicals Business; and Diversified Business. In each of these fields, we have products with strong market share, with the world's top share in polyvinyl chloride (PVC) and semiconductor silicon.

Our business activities generate a substantial amount and variety of taxes. We pay corporate income taxes, employment and other taxes. In addition we collect and pay employee taxes as well as indirect taxes such as excise duties and VAT. The taxes we collect and pay form a significant part of our economic contribution to the countries in which we operate.

## Mission Statement

The Group aims to comply with all laws and regulations and to conduct fair business practices and contributes to people's daily lives as well as to the advance of industry and society by creating value through providing key materials and technologies.

## Introduction

This document, approved by the Board of Shin-Etsu Handotai Europe Limited (the Company), sets out the Company's policy and approach to conducting its tax affairs and dealing with tax risk. Publication of this tax strategy is regarded as complying with its duty under paragraph 19(2) of Schedule 19 of the Finance Act 2016 to publish its tax strategy in the current financial year.

## Policy on taxation

Shin-Etsu Handotai Europe Limited is committed to conducting its tax affairs in accordance with the following principles:

- The Company aims to ensure the integrity of all reported tax numbers;
- Ensure the tax strategy is in accordance with the wider Shin-Etsu Group's overall strategy, its approach to risk, and its Mission Statement;
- Adhere to the OECD arm's length principle in transfer pricing matters;
- Apply professional diligence and care in the management of tax matters and ensure governance procedures are appropriate;
- Obtain formal advice and opinions from leading tax practitioners to support positions taken in the calculation of the tax position in the Financial Statements;
- Use incentives and reliefs to minimise its tax liabilities, but will not take advantage of them for the purposes which knowingly contradict the intention of Parliament in making the legislation; and
- The Company seeks to participate in HMRC's collaborative approach.

## **Risk management and governance arrangements in relation to UK taxation**

Tax risks are identified, assessed and managed and accounted for appropriately. Risk management measures, including controls over compliance processes are implemented, and continually monitored for their effectiveness.

The Financial Controller, supported by Ernst & Young tax, owns and implements this approach to tax, which is approved by the Board of Directors. The Financial Controller is also responsible for ensuring that policies and procedures are in place, maintained and used consistently.

## **Attitude towards tax planning (so far as affecting UK taxation)**

The Company's 'Code of Management Ethics' and 'Corporate Criminal Offence of the Failure to Prevent the Facilitation of Tax Evasion' procedures sets out what is expected of employees and our approach to tax aligns with that. The Company engages in efficient tax planning that supports our business and reflects commercial and economic activity, and does not engage in artificial tax arrangements. The Company conducts transactions between Shin-Etsu Group companies on an arm's length basis and in accordance with current OECD principles. Tax incentives and exemptions are sometimes implemented by governments to support investment, employment and economic development. Where they exist we seek to apply them in the manner intended. The Company has established entities in jurisdictions suitable to carry on our overseas activities, giving consideration to the nature of those activities and the prevailing regulatory environment available.

## **Level of risk in relation to UK taxation that the Company is prepared to accept**

The Company considers that it has a low tolerance towards tax risk and does not undertake transactions led by a tax planning objective. Where there is a material doubt as to the tax treatment of any particular transaction, we would only proceed on the basis of advice from one or more leading tax practitioners.

## **Approach towards dealing with tax authorities**

The Company seeks to build and maintain relationships with tax authorities that are open, transparent constructive, and based on mutual respect. We are committed to working collaboratively with tax authorities to resolve disputes and to achieve early agreement and certainty. We consider this collaborative approach to tax authorities to be fundamental to delivering this Board led tax strategy.

## **Transparency**

We support the principle behind multilateral moves towards greater transparency that increase understanding of tax systems and build public trust.

## **Further information**

This tax strategy was first published on 18<sup>th</sup> December 2017. We review and update this tax strategy annually.