

Modern Slavery Statement – 1st January 2019

Shin-Etsu Handotai Europe Limited – Slavery and Human Trafficking Statement for the Financial Year ending 31 December 2018.

INTRODUCTION FROM THE MANAGING DIRECTOR

We are aware that slavery, forced labour and human trafficking is a global and growing issue. We do not tolerate modern slavery or human trafficking in our organisation or in our supply chains. This statement sets out the steps that we have taken during our financial year of 1 January 2018 to 31 December 2018 to identify and eliminate, so far as possible, the risk of modern slavery and human trafficking taking place within any part of our business or within our supply chains.

No sector or industry can be considered immune and we are absolutely committed to preventing slavery and human trafficking within our corporate activities and our supply chains.

OUR GROUP STRUCTURE

Shin-Etsu Handotai Europe Limited is a Scottish registered company which was incorporated in 1984. It is part of the SEH Group and is a wholly owned subsidiary of Shin-Etsu Handotai Co. Ltd, which has its head office in Japan. The SEH Group operates in countries around the world including Japan, Malaysia, and Taiwan and also operates within North America and Europe.

OUR BUSINESS

We are primarily a manufacturer of high-grade silicon polished wafers and Epitaxial wafers for use in the semiconductor industry. Our products are used to produce a variety of products including MOS and bipolar integrated circuits and are generally aimed at the European market. Although some of our products are also supplied to countries within Asia and America. We also stock and supply wafers to the European market on behalf of other group companies within the SEH Group.

Our manufacturing and administrative base is located in Livingston, West Lothian, approximately twelve miles from Edinburgh. We also have two sales branches located near Nice in France and near Munich in Germany.

For further details on the SEH Group structure and the products we produce, please see the following link: <https://www.shinetsu.co.jp/en/products/semicon.html>.

SUPPLY CHAIN OVERVIEW AND RISK MANAGEMENT

The majority of our materials and services are supplied from the United Kingdom, France, Germany, Italy, the Netherlands, Japan and the United States. Although, we do source several items from out with these countries and recognise that our supply chain will include countries that may present an increased risk of modern slavery and human trafficking.

To manage our supply chain and guard against incidents of modern slavery and human trafficking we have identified two main categories of supplier:

1. Higher risk – which include suppliers of Key Materials & service suppliers (over 85% of total annual spend on materials and services)
2. Lower risk – non Key Material suppliers (which tend to be for locally sourced products and services and are low value items).

Our supply chain consists of the sourcing of materials and products required for the sale and manufacture of the products we sell. We define Key Materials as semiconductor grade silicon for sale to the European market or used in wafer manufacturing within our Livingston facility (all semiconductor grade silicon is sourced exclusively from within the SEH Group of Companies) and all materials or products coming into contact with the silicon wafer surface during manufacture. Our supply chain also includes key services which include maintenance services, shipping services and process equipment & supply services.

Key materials & service providers are surveyed for risk on a three year cycle. Since 2016 this survey has included questions on forced labour, child labour, the use of physically abusive disciplinary practices and compliance with all national and international laws. Should any concerns be identified we would investigate further with the supplier and agree a suitable set of remedial activities and timelines as necessary.

All suppliers of materials or services may also be audited and are expected to comply with our terms and conditions of purchase.

OUR POLICIES AND PROCEDURES ON MODERN SLAVERY AND HUMAN TRAFFICKING

We are committed to ensuring that there is no forced labour, child labour, modern slavery or human trafficking in our supply chains or in any part of our business. Our Anti-slavery Policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

In addition to our Anti-slavery Policy, we operate the following policies that describe our approach to the identification of modern slavery risks and steps to be taken to prevent modern slavery and human trafficking in our operations:

- **Terms and Conditions of Purchase**: A copy of the terms and conditions can be viewed at the following link: <http://www.sehe.com/purchaseterms.htm>. These terms and conditions :
 - Provide us with the right to terminate our relationship with a supplier in the event of a breach of certain policies and laws, including our Anti-slavery Policy or any modern slavery and human trafficking laws including the Modern Slavery Act 2015.
 - Require our suppliers to include appropriate provisions in their contracts with subcontractors and suppliers to ensure that they also comply with any modern slavery and human trafficking laws including the Modern Slavery Act 2015
 - Require our suppliers to use their best endeavours to prohibit the use of forced labour, child labour and physically abusive disciplinary practices.
 - Require our suppliers to implement due diligence procedures for its own suppliers and subcontractors.
 - Require our suppliers to comply with (i) the Electronic Industry Code of Conduct (which is a code of best practices for the following five areas: Labour, Health and Safety, Environmental, Ethics and Management System).
 - Require our suppliers to support and respect the United Nations Universal Declaration of Human Rights, the International Labour Organisations fundamental conventions and the UN Global Compact and to source all minerals responsibly.

Our standard procurement process ensures that all of our purchase orders incorporate our standard terms and conditions of purchase.

- **Code of Management Ethics** – This Code makes clear to our relevant employees the actions and behaviour that is expected of them. We are committed to conducting business fairly, with integrity and in compliance with all applicable national and international laws.

- **Whistleblowing Policy** – We encourage all of our stakeholders to report any concerns related to the direct activities or the supply chains of our business. This includes any circumstances that may give rise to an enhanced risk of modern slavery or human trafficking. Concerns may be reported to the company at contact@seheurope.com. All reports will be fully investigated and appropriate remedial actions taken.
- **Agency workers policy**: The organisation only uses specified, reputable employment agencies to source labour and always verifies the practices of any new agency it is using before accepting workers from that agency.

DUE DILIGENCE PROCESSES FOR SLAVERY AND HUMAN TRAFFICKING

We understand that our biggest exposure to modern slavery and human trafficking is in our product supply chains, where we have undertaken activity to minimise the risk of such threats. Any new suppliers are subject to due diligence checks and we regularly carry out audits of our existing suppliers. As part of our due diligence and audit process:

1. We provide all new key suppliers with a due diligence supplier assessment questionnaire in order to assess and evaluate the modern slavery and human trafficking risks of that supplier.
2. Where possible, we build long standing relationships with suppliers and make clear our expectations of business behaviour.
3. When carrying out supplier audits, we assess the modern slavery and human trafficking risks of existing suppliers.
4. If a risk is identified or brought to our attention, we will take appropriate action against that supplier. Depending on the nature of the risk, this may involve reporting an incident to the appropriate authorities, terminating our agreement with a supplier or setting a resolution action plan for the supplier to comply within a certain timescale.

SUPPLIER ADHERENCE TO OUR VALUES

To ensure all those in our supply chain comply with our values we have in place a supplier process which will both (i) assess the risk of modern slavery and human trafficking in any new supplier and its own supply chains before we engage with that supplier; and (ii) give us the ability to monitor and audit suppliers once they have been engaged.

EFFECTIVENESS OF APPROACH

We understand that Modern Slavery risk is not static, and will continue our approach to mitigating this risk in the year ahead. In order to assess the effectiveness of the measures we have taken we will continue reviewing the following key performance indicators and reporting on them in future Modern Slavery Statements:

1. Any actions taken to strengthen supply chain auditing. During 2018 no supplier audits were carried out however, we established and published an email address contact@seheurope.com, to make the reporting of concerns easier for stakeholders. No concerns were reported via this email address.
2. Staff training – during 2018 our entire UK and European workforce received training on modern slavery.
3. Assessing our high risk suppliers' ability to detect and mitigate modern slavery risk in supply chains. During 2018 thirteen of our key suppliers were issued with triennial Supplier Assessment Questionnaires. No items of concern were identified via this method; and

4. Assessing any investigations undertaken into reports of modern slavery and human trafficking and any remedial actions taken in response. During 2018 no remedial actions were considered necessary.

TRAINING

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, we provide training to all staff. We have trained staff (three within Procurement and two within Internal Control) on ethical procurement and supply, which included training on modern slavery and human trafficking. This training was sourced from the Chartered Institute of Procurement and Supply and is refreshed annually.

Additionally within 2018, we carried out "ethics training" for our entire United Kingdom, French and German workforce (@500 employees) which included Modern Slavery awareness and whistleblowing

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 31 December 2018. This statement was approved by Shin-Etsu Handotai Europe Limited's board of directors on 31 December 2018 and is published on our website at: <http://www.sehe.com>.

Signed on behalf of Shin-Etsu Handotai Europe Limited by:



Akihiko Tamura
Managing Director & CEO
Shin-Etsu Handotai Europe Limited