



## SHIN-ETSU HANDOTAI EUROPE LIMITED

### UK TAX STRATEGY

A large, 3D geometric graphic composed of several overlapping, semi-transparent blue and grey planes that form a complex, angular shape. 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 effect is a modern, architectural design.

2019

# Shin-Etsu Group's approach to tax

## About Shin-Etsu Group

The Shin-Etsu Group comprises: Shin-Etsu Chemical Co. Ltd; Group companies; un-consolidated companies; and affiliates that cooperate to develop their respective business activities. The Group's core 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 Processing, Trading and Specialised Services 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. In the 2018 fiscal year, our consolidated companies paid a total of approximately 121.5 billion yen in taxes, more than £836 million.

## Corporate Mission Statement

The Group strictly complies with all laws and regulations, conducts 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 tax strategy has been approved by the Board of Shin-Etsu Handotai Europe Limited (the Company), it is reviewed annually and amended as appropriate and sets out the Company's strategy, policy and approach to conducting its tax affairs and dealing with tax risk. Publication of this tax strategy document, which is publicly and freely available on the Company website, 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:

- Comply with all primary and secondary legislation, reporting and disclosure requirements in the countries in which it operates;
- Ensure the tax strategy is in accordance with the wider Shin-Etsu Group's overall strategy, its approach to risk, and its Corporate Mission Statement;
- Adhere to the OECD transfer pricing guidelines for multi-national enterprises and tax administrations 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 on 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. It is the Company's policy to be transparent and proactive in all transactions with HMRC.

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

Tax risks are identified, assessed, managed, and accounted for appropriately. Risk management measures, including controls over compliance processes are implemented and continually monitored for their effectiveness. These processes are additionally monitored to ensure compliance with the Company's Senior Accounting Officer (SAO) obligations.

The Finance Director, supported by Ernst & Young tax, owns and implements this approach to tax, which is approved by the Board of Directors. The Finance Director is also responsible for ensuring that policies and procedures are in place, reviewed 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 requires all employees to certify annually their commitment to both procedures. The Company engages in efficient tax planning that supports our business and reflects commercial and economic activity and will not undertake transactions that are artificially driven for taxation reasons, i.e. to reduce or avoid tax charges, which do not have a firm commercial rationale or business purpose. The Company conducts transactions between Shin-Etsu Group companies on an arm's length basis and in accordance with the principles in the OECD transfer pricing guidelines for multi-national enterprises and tax administrations. 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 hold our overseas investments, giving consideration to our business activities and the prevailing regulatory environment available.

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

The Company has a low tolerance towards tax risk and seeks to avoid material uncertainty or exposure to risk on tax liabilities. The Company does not undertake transactions led by a tax-planning objective and aims to pay the right amount of tax in accordance with the spirit of the law in all jurisdictions. 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.