

Strategic Report (continued)

Section 172(1) Statement - Companies Act 2006

Introduction

This statement sets out how the Directors of Shin-Etsu Handotai Europe Ltd (SEHE) have applied and complied with Section 172(1) of the Companies Act 2006 in accordance with The Companies (Miscellaneous Reporting) Regulations 2018.

The Directors of SEHE, as those of all UK companies, must act in accordance with a set of general duties set out in section 172 of the Companies Act 2006 (the Act). The Board of Directors of SEHE consider, both individually and together, that they have acted in the way, in good faith, that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019.

Decision Making

The Board of Directors' intention is to behave responsibly and ensure that the business operates in a responsible manner with the aim of maintaining a reputation for high standards of business conduct and good governance.

The Board is collectively responsible for the long-term success of the business and, as part of their induction programme, the Directors are briefed on their duties under the Act. Directors also have access to ongoing training and development to provide them with the relevant skills and knowledge to conduct their duties as Directors on the Board. Plans to create a formalised continuous awareness programme will be developed during 2020.

The Directors fulfil their duties partly through a governance framework that facilitates delegation of day-to-day decision making to Management of the Company. Delegation of all areas of the Company's activities below Board level, as well as the financial parameters of authority, are set out in the delegated authority framework. This framework ensures that unusual or material transactions are brought to the Board for approval.

The Board maintains oversight of the Company's performance including financial reporting, risk management, governance and internal control processes through monthly Directors meetings with Senior Management.

Each year the Board undertakes an in-depth review of the Company's business objectives. In setting the business objectives, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of its decisions in the long term and its long-term reputation.

Overview of how the Board performed its Duties within the financial year

The Board of Directors at SEHE communicates effectively with its stakeholders and understands their views in order to act fairly towards the different groups. The following outlines the impact of the Board's regard of stakeholders when making decisions during the financial year.

Employees

The board recognises that employees are essential to the long-term success of the Company and, as such, there is regular dialogue with this group through a variety of channels.

In 2019, a series of employee presentations were held by the Directors and Senior Managers to share important information about the Company and the industry. This provided employees an opportunity to ask questions and leave feedback. This was then considered by the Board before explanations and answers were provided to employees through the 'Bulletin Board'. The 'Bulletin Board' is also used to regularly communicate day-to-day information to the workforce.

During the reporting period, SEHE have planned to further improve the communication with employees through further presentations to employees and through an employee newsletter introduced in 2020.

Strategic Report (continued)

Section 172(1) Statement - Companies Act 2006 (continued)

Customers and Suppliers

SEHE is committed to fostering positive and successful business relationships with its customers and suppliers. Sales, Procurement and Engineering departments regularly communicate with these key stakeholders and this has been particularly evident during this financial year as SEHE prepares for Brexit. Sales and Governance departments provided regular updates to key customers, while the Procurement and Health & Safety departments helped to ensure that SEHE's key suppliers are prepared for the changes that Brexit would bring to their business.

The Board has visibility on developments to these relationships through presentations from Sales and Procurement Senior Management during monthly Directors meetings, thus allowing the Board to consider customer and supplier needs when making decisions.

The Environment and the Local Community

SEHE is also a member of the Responsible Business Alliance (RBA) and is dedicated to corporate social responsibility in its supply chain. The Board considers the wider societal responsibilities of SEHE and the impact of the Company's operations on the community and environment.

The Directors believe the Company should be a good participant in the local community, and support positive initiatives within the community. Thus, SEHE is involved in working with local schools on various projects and donating to local charities.

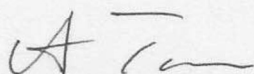
The Board has regard to the environment when making decisions and one of SEHE's business objectives focuses on safe manufacturing. SEHE's safety and environmental management policies are available on the Company website.

SEHE is committed to reducing its impact on the environment by actively managing the use of energy, paper and water consumption, as well as carbon emissions and waste. Lowering the amount of energy consumed will reduce carbon emissions on the environment. Following a detailed investigation, we found that the amount of electricity consumed is too high to generate by more environmentally friendly means such a wind turbine or solar power. The Company concluded to introduce a Combined Cooling Heating Power (CCHP) plant to generate all energy requirements on site. During 2019, a number of Agreements were signed by SEHE to put into operation a CCHP plant during 2021 to generate onsite electricity, low temperature hot water (LTHW) and cooling to run the Livingston site. Increased usage of natural gas will generate all energy requirements, however the overall carbon emissions are projected to be significantly reduced.

Shareholders

We aim to act fairly between members, however note that SEHE is a wholly owned subsidiary of Shin-Etsu Handotai Co., Ltd and the Board openly communicates with its Parent Company on Company strategy, objectives and performance. The Managing Director attends Shin-Etsu group board meetings as required and liaises directly with our Parent Company on our Company's current governance arrangements. Regular reporting and information exchange is carried out to the Group and the Ultimate Parent (Shin-Etsu Chemical Co., Ltd).

On behalf of the board



Akihiko Tamura

Director

15 October 2019