

Strategic Report (continued)

Section 172(1) Statement - Companies Act 2006

Introduction

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (a) to (f) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. The Board of Directors of Shin-Etsu Handotai Europe Ltd (SEHE), consider, both individually and together, that they have acted in a 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 in the decisions taken during the year ended 31 December 2020.

This S172 statement focuses on matters of strategic importance to SEHE, and the level of information disclosed is consistent with the size and the complexity of the business.

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

The Board of Directors are collectively responsible for of maintaining a reputation for high standards of business conduct and good governance and ensuring that the business operates in a responsible manner. The director induction programme, as well as ongoing training and development, provides Directors with the relevant skills and knowledge to conduct their duties as Directors on the Board. Plans to create a formalised continuous awareness programme for not only Directors, but also Senior Managers, will be further developed during 2021.

The Board of Directors at SEHE considers the requirements of its different stakeholder groups and communicates effectively with them to maintain high quality relationships.

As SEHE's products were used to support the global effort against Covid-19, we were considered a key business and some employees continued working on site throughout the year. Directors ensured that the workplace was Covid-19 safe, introducing a number of measures allowing employees to work safely whilst performing their job. All relevant information was reviewed daily at a daily Coronavirus meeting with Directors and Senior Management and decisions taken without delay.

The following outlines the impact of the Board's regard of stakeholders when making decisions during the financial year.

S172(1) (a) "The likely consequences of any decision in the long term"

SEHE's Directors have a clear governance framework for determining the matters within their remit. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Delegation of Authority Regulations and Listing set out the delegation and approval process across the broader business.

The Directors monitor and maintain oversight of the Company's performance including financial reporting, risk management, governance and internal control processes through monthly Directors meetings with Senior Management. Additionally, a daily Coronavirus meeting with Directors and Senior Management was held to identify emerging risks and trends and determine necessary actions.

The Company's business objectives are reviewed and updated annually by the Board. In setting the objectives, the interests of the wider stakeholder groups are considered, as well as the long term impacts.

S172(1) (b) "The interests of the company's employees"

The board recognises how vital our employees are to the long term success of the Company and realises communicating with the workforce greatly benefits both parties in a variety of ways. In 2020, with some employees working remotely and the continually changing requirements regarding the pandemic prompting changes to policies and practices, new channels of communication with employees were created.

Strategic Report (continued)

Social distancing measures implemented on site to keep our employees safe unfortunately made the Employee Presentations held in 2019 impossible to continue in 2020. Directors considered alternatives to communicate important information about the Company, the industry and the pandemic efforts to employees and implemented the solutions detailed below. The Board hopes that the Employee Presentations will be possible to repeat in 2021.

The Coronavirus Frequently Asked Questions were regularly distributed to all employees via email to address employee concerns, feedback and questions. The FAQs were also issued following updates to Government guidelines and Company policies.

A social distancing meeting was initially held weekly from April through to July, thereafter fortnightly with Directors, Managers, Supervisors and office staff. The meeting informed staff of changes across the plant and provided a platform for comments with regard to Coronavirus to be raised to the Directors. Information on the importance of our products to the medical industry supply chain and how our products were used to support the global effort against Covid-19 was presented by Directors in this meeting and this was particularly well received by our employees. Information from this meeting was disseminated to the staff that do not attend at weekly shift meetings. Management spot audits focused only on Covid-19 measures were also conducted and the findings were communicated to staff.

The "Bulletin Board" was also used to regularly communicate day-to-day information to the workforce. In 2020, a Covid-19 information board was also added on site and this provided a place where all the latest information could be shared in one place.

The Board recognises the importance of employee mental wellbeing, especially with the increased strains caused by the pandemic. In 2020, an Employee Assistance Scheme was introduced, offering employees a range of online, over the phone and in-person services to help with a variety of problems that may impact their mental health.

All information and feedback received through the various communication channels is considered by Directors when making decisions and performing their duties.

S172(1) (c) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, the Government and other regulatory bodies. Maintaining business relationships with these key stakeholders during 2020 was more vital than ever with added pressure from the pandemic and Brexit.

As part of our pandemic communications, we obtained confirmation from several of our key customers of our importance to the Critical National Infrastructure supply chain, not just in the UK but also across Europe. Some of those customers later wrote specifically thanking our employees for maintaining supply during the worst periods of the pandemic.

As SEHE prepared for Brexit, there was constant communication and updates with suppliers, freight forwarders, customers and regulators. This helped to ensure that SEHE would be prepared for the changes that Brexit would bring to imports/exports with the EU and provided the information necessary to plan for the financial impact. Directors and Senior Managers held daily discussions on the progress of Brexit activity to confirm the direction and progress. These meetings and the activity to support the Company post-Brexit will continue throughout 2021.

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

Strategic Report (continued)

S172(1) (d) "The impact of the company's operations on the community and the environment"

The Board considers the wider societal and environmental impact of our operations, as well as the impact on the local community. As a member of the Responsible Business Alliance (RBA), SEHE considers corporate social responsibility and sustainability in our supply chain to be of great strategic importance.

We support positive initiatives within the community, working with local schools on various projects and donating to local charities. In addition, we keep good relations with both West Lothian Council and West Lothian College.

One of SEHE's business objectives focuses on safe manufacturing and the Board receives regular Safety & Environment Performance updates. We work with SEPA on our statutory role in environmental monitoring of our process. Data on energy, paper and water consumption, as well as carbon emissions and waste is monitored and targets are set on lowering usage. Construction of the Combined Cooling Heating Power (CCHP) plant designed to generate all our energy requirements on site continued during the financial year and it became fully operational on 1 March 2021. SEHE's safety and environmental management policies are available on the Company website.

As a key business during the pandemic, SEHE has a responsibility to keep the community safe and put safety measures in place to help stop the spread of the virus. A Coronavirus risk assessment was created and reviewed regularly. This is published on the Company website.

S172(1) (e) "The desirability of the company maintaining a reputation for high standards of business conduct"

As part of the world's leading silicon wafer manufacturer, SEHE aims to continue to maintain our reputation for high standards. The Board periodically reviews and approves clear frameworks, such as our Business Principles, Code of Conduct, Ethics & Compliance statements, and Modern Slavery Statement, to ensure that high standards are maintained both within SEHE and the business relationships we uphold. This, complemented by the ways the Directors monitor compliance with relevant governance standards, helps assure decisions are taken in a way that promotes high standards of business conduct.

S172(1) (f) "The need to act fairly as between members of the company"

We aim to act fairly between members, however note that SEHE is a wholly owned subsidiary of Shin-Etsu Handotai Co., Ltd. Shin-Etsu group board meetings are attended as required by the Managing Director and information is shared with our Parent Company on strategy, objectives, performance and governance arrangements. Regular reporting and information is exchanged with the Group and the Ultimate Parent (Shin-Etsu Chemical Co., Ltd).

Company specific information detailing how the Directors have engaged with stakeholders and how they have had regard to those issues in their decisions and strategy is also shared with our parent through corporate questionnaires and an annual governance audit. In 2020, the audit also contained Covid-19 specific information.

On behalf of the board.



Akihiko Tamura

Director

15 September 2021