

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 2021.

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 at SEHE acknowledge that it is their individual and collective responsibility to perform their duties under s172. The consideration of the requirements of various stakeholder groups is engrained in the way SEHE conducts business and makes decisions. The Board understands that every decision they take will not necessarily result in a positive outcome for all stakeholders. Through maintaining high quality relationships and facilitating valuable communication, the Board supports the balance of the different stakeholder interests.

The director induction programme provides Directors with the relevant skills and knowledge to conduct their duties as Directors on the Board. Ongoing training and development on emerging topics provided throughout the year ensures Directors are aware of matters that could impact their duties under s172.

During 2021, the Directors continued to ensure that SEHE operated in line with Government Covid-19 regulations and guidance through monitoring changes and trends in daily Covid-19 meetings.

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'

The Directors recognise that the decisions they make today will impact SEHE's long term success and its ability to deliver on its strategy. The Company's business objectives are reviewed annually by the Directors against the corporate business objectives and updated. The objectives guide the Board's discussions and decisions and this ensures that the interests of the wider stakeholder groups are considered, as well as the long term impacts.

A clear governance decision-making framework, including financial and strategic thresholds, is in place, which sets out the matters within the Directors remit for consideration and approval. The decision delegation and approval process across the broader business is outlined in the Delegation of Authority Regulations and Listing.

Decisions made at all levels are communicated to the Directors at the monthly Directors meeting. Industry analysis, market trends, forecasts and Company performance are monitored in this meeting, ensuring oversight is maintained by Directors of factors that may impact SEHE in the long term. Daily Covid-19 meetings with Directors and Senior Management are still being held to identify emerging risks and determine necessary actions.

Risk management procedures identify the potential consequences of decisions in the short, medium and long term so that mitigation plans can be implemented to prevent, reduce, eliminate or take advantage of risks to the business and the wider stakeholders.

Strategic Report (continued)

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

Brexit, labour market changes, and Covid-19 all presented challenges during 2021 that impacted the long term decision making. Details are provided throughout the statement on how the Board addressed these challenges and made principal decisions with particular regard to the long term success of the Company.

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

The Board values the work, skill and commitment of our employees and realises that taking care of their interests and overall wellbeing is crucial to maintain the long term success of the Company.

The Directors realise that communicating with the workforce provides numerous benefits for both parties. Feedback from employee engagement during 2021 suggested that communication about Company performance to the workforce could be improved so additional platforms for communication were introduced. Four employee forums and an employee survey were held in 2021, which allowed employees to voice their opinion and raise suggestions for improvements. The Board was directly involved with monitoring the feedback and agreeing actions for improvement, which was reported back to the workforce in early 2022. The intention is to continue to hold one employee forum per quarter in 2022.

The Directors and Senior Managers also held a total of 18 sessions with all employees and contractors where they presented information about business performance, our product and its uses, our customers, the process, improvements and investments. Employees were able to raise questions or comments that the directors addressed.

Covid-19 safety and communication measures implemented in 2020 were maintained throughout 2021, allowing employees to continue work safely, and in an informed manner, whilst performing their job. Remote workers were supported in their return back to the office. A fortnightly social distancing meeting was held which notified staff to updates in Government guidance and to changes across the plant. This was also a platform for comments with regard to Covid-19 to be raised directly to the Directors.

The Shin-Etsu company-wide newsletter provides employees with Company information on the Shin-Etsu group and products. The SEHE newsletter delivers updates on internal Company news. Employees can submit topics of interest to be featured in the publications.

Due to the shifts in the labour market in 2021, SEHE has welcomed a high number of new employees. Supporting new staff has been a prominent focus of the board and employee on-boarding was established to improve their experience after joining the Company. Process and Plant tours introduce new employees to other sides of the business that they would not otherwise be aware of. Feedback from these projects has been positive but is continuously monitored to identify where improvements can be made.

This year, the decision was taken to welcome back our Health and Wellbeing day, which offered support and information to employees on a variety of topics, including the services offered through the Employee Assistance Scheme.

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

SEHE's objective to be the number one European silicon supplier is only possible through developing and maintaining mutually beneficial relationships with suppliers, customers, and other regulatory bodies.

To mitigate the import / export challenges from Brexit and the added pressure of the Pandemic in 2021, arrangements for revised requirements had to be made with suppliers, customers and freight forwarders. This was facilitated through robust business relationships, regular communication, and collaboration.

Strategic Report (continued)

SI72(1) (c) 'The need to foster the company's business relationships with suppliers, customers and others' (continued)

The Board maintained awareness and understanding on developments to stakeholder relationships through monthly Directors and Senior Management meetings. Day-to-day updates on the progress, direction and costs of Brexit and Covid-19 activity that would impact stakeholders was also provided through daily meetings with Directors and Senior Managers. These meetings allow the Board to consider customer and supplier needs when making decisions.

SI72(1) (d) 'The impact of the company's operations on the community and the environment'

SEHE is committed to encouraging, supporting and promoting activity, which benefits the local community. Through our charitable connections, and close relationships with local community services, we provided assistance and donations. In addition, we sustain good relations with West Lothian Council, West Lothian College and local schools. Through our Healthy Working Lives group, we have also considered conservation of land and wildlife on our site.

It is SEHE's business objective to ensure that our business model contributes to sustainability wherever possible and to support the preservation of natural resources by reducing, reusing, recycling with any environmental impact from our activities minimised or, where possible eliminated. We work with SEPA, and other regulatory bodies, to monitor our environmental impact. SEHE's safety and environmental management policies are available on the Company website and this year, we committed to contributing to Net Zero by 2050.

The operation of our Combined Cooling Heating Power (CCHP) plant began in 2021. The CCHP plant generates all our energy requirements on site which reduced our energy usage this year as we are no longer reliant on the grid and the energy generated can be used in our process for heating and cooling.

Throughout the supply chain we seek to improve sustainability by focussing on sourcing materials ethically, manufacturing responsibly and distributing efficiently.

Monthly, the Board receives updates and tracks targets at the Directors meeting on carbon emissions, energy usage, waste, and water consumption.

SI72(1) (e) 'The desirability of the company maintaining a reputation for high standards of business conduct'

The Board is committed to upholding the high standard and reputation that has been established by SEHE, as a group member of the leading silicon wafer manufacturer. SEHE is compliant with ISO14001, ISO45001, and IATF16949 standards and external assurance on performance is received through audits.

Through periodic reviews of frameworks such as our Business Principles, Code of Conduct, Ethics & Compliance statements, and Modern Slavery Statement, the Board assures that decisions at all levels are taken in a way that promotes high standards of business conduct and good governance.

The Board acknowledges its responsibility for setting and monitoring the culture and values of SEHE. We are continuously developing to help promote a motivating, diverse and inclusive environment, in line with our business objectives.

SEHE is a member of the Responsible Business Alliance (RBA) and is committed to contributing to the UN sustainable development goals wherever possible. This year, the Board approved further action to promote ESG standards, which will continue throughout 2022.

Strategic Report (continued)

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

As SEHE is a wholly owned subsidiary of Shin-Etsu Handotai Co. Ltd, the Board aims to treat our Parent Company fairly. Reporting requirements with the Group and the Ultimate Parent (Shin-Etsu Chemical Co. Ltd) are adhered to. Information and updates on Company strategy, objectives, performance, and governance arrangements are regularly exchanged. Shin-Etsu group board meetings are attended as required by the Managing Director.

Details of how the Directors have considered stakeholder in their decision making and engaged with stakeholders throughout the year are shared with our Parent through corporate questionnaires and an annual governance audit.

On behalf of the board.

Akihiko Tamura

Director

28th September 2022

