

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 the Company, 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 2022.

This S172 statement focuses on matters of strategic importance to the Company, 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

Although many key decisions affecting stakeholders are taken at Group level, matters relating to the Company specifically are brought to the attention of the Directors through various channels, which are detailed in this report. When handling these matters, the Board of Directors at the Company acknowledge that it is their individual and collective responsibility to perform their duties under s172.

All Directors have received guidance on their statutory duties including s172 and the governance and reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018. Training on how emerging topics and regulatory developments could affect their s172 duties provides the Directors with the relevant skills and knowledge to conduct their duties throughout the year.

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"

During 2022 specific issues such as Covid-19 and inflation presented challenges that impacted the Director's 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.

A clear decision-making framework is in place that sets out the matters that are reserved for only the Director's approval. This framework also outlines the matters that can be delegated across various departments, committees, and groups. Decisions made at all levels are communicated to the Directors at the monthly Directors meeting, the quarterly management review, various department reviews (safety, engineering, etc.) and the monthly accounts review meeting.

At the monthly Directors meeting, Directors discuss the strategic decisions on the workforce, high value investments and product development and consideration is given to the impact on stakeholders. There are also regular reviews of the Company's performance against market and industry trends that help with forecasting in the long term and setting business objectives and strategy.

The risk management framework also provides consideration of how existing and future risks could affect stakeholders over the long term. Through regular reviews, the Directors ensure that mitigation plans are implemented to prevent, reduce, eliminate or take advantage of risks to the business and the wider stakeholders.

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S172(1) (b) “The interests of the company’s employees”

The Board values the work, skill and commitment of all employees and realises that putting their interests and overall wellbeing at the centre of the business is crucial to maintain long-term success. The Directors recognise that when employees are successful individually and as a team, this lays the foundations for the Company’s success. The Board acknowledges its responsibility for setting and monitoring the culture and values of the Company. The Directors are continuously developing, to help promote a motivating, diverse and inclusive environment, in line with our business objectives.

The Directors recognise that communicating with the workforce is mutually beneficial so are actively involved in promoting employee engagement through different the platforms outlined below.

- Coronavirus response. During the earlier months of 2022, Directors continued to ensure that the Company operated in line with Government Covid-19 regulations and with consideration of guidance. Daily meetings were held along with Senior Management and this information was distributed to the workforce every 2 weeks at virtual meetings. As restrictions eased and society shifted to a post-pandemic way of working, office based employees returned to the office more frequently. To support their return, office return meetings and a new hybrid working policy were introduced.
- Director-led performance presentations. The Directors and senior managers communicate the annual results to all employees and provide an update on the business and industry, with time for Q&A from employees. Directors considered feedback received during the presentations and used this to make improvements.
- Employee Forum. During 2022, a number of sessions were held with participants from a range of departments and experience. Key topics such as culture, leadership, communication, training and development were discussed and valuable feedback was received from employees. This feedback enabled us to introduce a number of improvements and new initiatives for our employee’s wellbeing.
- Employee survey. At the end of 2021 we concluded our employee survey and during 2022 we were able to implement changes from the valuable feedback received.
- On-boarding sessions. These sessions allow new employees the opportunity to feedback on their initial experiences with the Company.
- Managing Director year-end message. In a video message, the Managing Director expressed his gratitude for all employee’s work and commitment to the Company during the year. He also informed employees of initiatives that will benefit them during 2023.
- Healthy Working Lives Committee. This committee aims to promote the health and wellbeing of the workforce through quarterly initiatives. We held our annual Health and Wellbeing day that offered support and information to employees on a variety of topics, including the services offered through the Employee Assistance Scheme.
- Pension Governance Committee. We offered resources and support to help employees plan for their future and hosted information sessions with pension providers.

Engaging with employees through these platforms has led to the implementation of the following initiatives to support employees.

- Investment in employee facilities such as the canteen.
- The introduction of an employee benefits package which will be rolled out in 2023.
- A redesign of the employee appraisal system with more emphasis on supporting development and career progression. These changes will take effect in 2023 and will increase the amount of engagement with employees through quarterly reviews and feedback.
- Increased service awards.
- A half-year bonus and further ‘cost of living’ bonuses were announced for 2023.

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

The Company is committed to fostering positive and successful business relationships with our customers, suppliers, and regulatory bodies. Frequent communication with these key stakeholders has been particularly critical during this financial year due to inflation and cost increases across the supply chain. Although 2022 has presented challenges in the supply chain, communication was made easier as Covid-19 restrictions eased and Procurement, Sales, Technical and Engineering personnel could resume visits with stakeholders, and welcome them back on site.

Through the Sales, Technical and Quality departments, the Company maintains strong lasting relationships with customers. The acquired knowledge and understand of customer needs and views is integrated into our process and product design.

Strong, mutually beneficial relationships have been developed with our suppliers, freight forwarders and consignment facilities. Directors are aware of the Company’s ethical and sustainable supply chain responsibilities and, where possible, encourage improvements through localised supply chains and supplier assessments.

Throughout 2022, the Directors maintained awareness on the key developments, and the impact of inflation, to these relationships through the monthly Directors meetings. This understanding allowed the Board to consider customer and supplier needs when making decisions.

S172(1) (d) “The impact of the company’s operations on the community and the environment”

The Directors considered the wider societal and environmental impact of the Company’s operations, as well as the impact on the local community. The Company’s work with the local community ensured the Company’s reputation as one of the leading employers locally to help attract and retain the best talent for long- term success.

The Company created opportunities to recruit and develop local people and worked closely with the local university, college and schools. In 2022, the Company offered apprenticeship schemes, and gave careers talks at local schools, with the aim to encourage young people into STEM (Science, Technology, Engineering and Mathematics) roles.

We committed to contributing to Net Zero by 2050. The Board monitored data and usage targets on energy, paper and water consumption, as well as carbon emissions and waste. We worked with SEPA on our statutory role in environmental monitoring of our process. The Combined Cooling Heating Power (CCHP) plant generated all our energy requirements on site, which reduced energy usage as the plant is not reliant on the grid and the energy generated can be used in the process for heating and cooling. There are electrical vehicle charging facilities on site for employees to use and there are hybrid-electric pool cars.

As part of the Healthy Working Lives (HWL) group initiatives, the Company supported local charities and organisations to raise awareness and funds, as well as providing aid for Ukrainian refugees. The HWL group also worked closely with and supported a local group that aims to maintain the conservation of wildlife on the Company’s land.

The Company maintained good relations with West Lothian Council and in 2022 SEHE partnered with them and supported a bid for Livingston to be awarded city status.

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

The Company is a group member of the leading silicon wafer manufacturer and has a Company objective to be the number one European silicon supplier. Directors work towards achieving this objective and maintaining our reputation of a Company with high standards of business conduct through the actions set out below.

Internal and external audits confirm the Company is performing to a standard compliant with ISO14001, ISO45001, and IATF16949. This helps to ensure the sustainability and safety of employees, customers down the supply chain, the local community and environment.

Good corporate governance throughout all levels of the business is promoted through frameworks such as the Business Principles, Code of Conduct, Ethics & Compliance statements, and Modern Slavery Statement.

The Company is a member of the Responsible Business Alliance (RBA) and is committed to contributing to the UN sustainable development goals wherever possible. In 2022, the Board oversaw further action to promote ESG standards, which will continue into the following years.

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

The Directors have a sole member to consider in decision-making, as the Company is a wholly owned subsidiary of Shin-Etsu Handotai Co., Ltd. The Directors adhere to the various reporting requirements with the Group and the Ultimate Parent (Shin-Etsu Chemical Co., Ltd). Information and updates on Company strategy, objectives, performance, and environmental, social and governance (ESG) arrangements are regularly exchanged through corporate questionnaires, corporate audits, monthly reporting and by attending an annual board meeting.

On behalf of the board.

Akihiko Tamura
Director
27 September 2023