

A Reminder of the Legislative Requirements

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 came into force in the UK in April 2017. The regulations require all private and voluntary-sector UK companies employing 250 people or more to calculate and publish on an annual basis their gender pay gap data. This must be based on figures as of 5th April each year. The specific information we're required to publish needs to include:

- Mean and median gender pay gap (based on hourly rate of pay)
- Mean and median bonus gender pay gap (considers bonus pay received in the past 12 month period)
- Proportion of men and women receiving bonus payments
- Proportion of men and women in each quartile pay band (looking at proportion in 4 pay bands when we divide our workforce into 4 equal parts). The gender pay gap is expressed as a percentage of male earnings (e.g. women earn x% less than men)

The results allow us to assess:

- The levels of gender equality in the workplace;
- The balance of male and female employees at different levels;
- How effectively talent is being maximised and rewarded.

Gender Pay Gap vs Equal Pay

A gender pay gap (GPG) is the measure of the difference between the average earnings of men and women (irrespective of roles or seniority). The gender pay gap is calculated as the difference between average hourly earnings (excluding overtime) of men and women as a proportion of average hourly earnings (excluding overtime) of men's earnings.

Equal pay is our legal obligation as an employer to give men and women equal pay for equal work. We are confident that our gender pay gap is not a result of equal pay issues, as we have a gender neutral pay approach across all levels of the company. We have equal pay for work of equal value. We regularly monitor pay to ensure we meet not only our legal obligations, but also our moral obligations.

Equality, Diversity & Inclusion at Shin-Etsu

Closing the gender pay gap is a key priority for Shin-Etsu. We are committed to encouraging equality, diversity and inclusion within our workforce. Our aim is to create a workforce that is truly representative of all sections of our society and our customers. Our commitment lies at the heart of our aim to ensure equality of opportunity and fairness in all areas of employment. All people who work with us should feel that they can bring their true selves to work, reach their potential, and feel respected in doing so.

Our purpose is to provide equality, fairness, and respect for all in our employment and for those who work with us. This includes in relation to pay and benefits.

Shin-Etsu's Gender Pay and Bonus Gap

Difference between men and women	Mean (average)	Median (middle)
Gender Pay Gap	13%	6%
Gender Bonus Gap	6.3%	0%

100%

of men

were paid a bonus

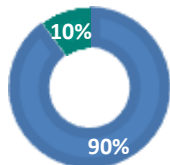
100%

of women

were paid a bonus

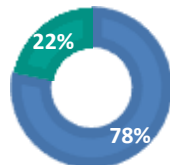
UPPER QUARTILE

■ Male ■ Female



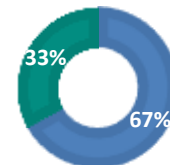
UPPER MIDDLE QUARTILE

■ Male ■ Female



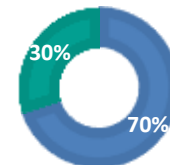
LOWER MIDDLE QUARTILE

■ Male ■ Female



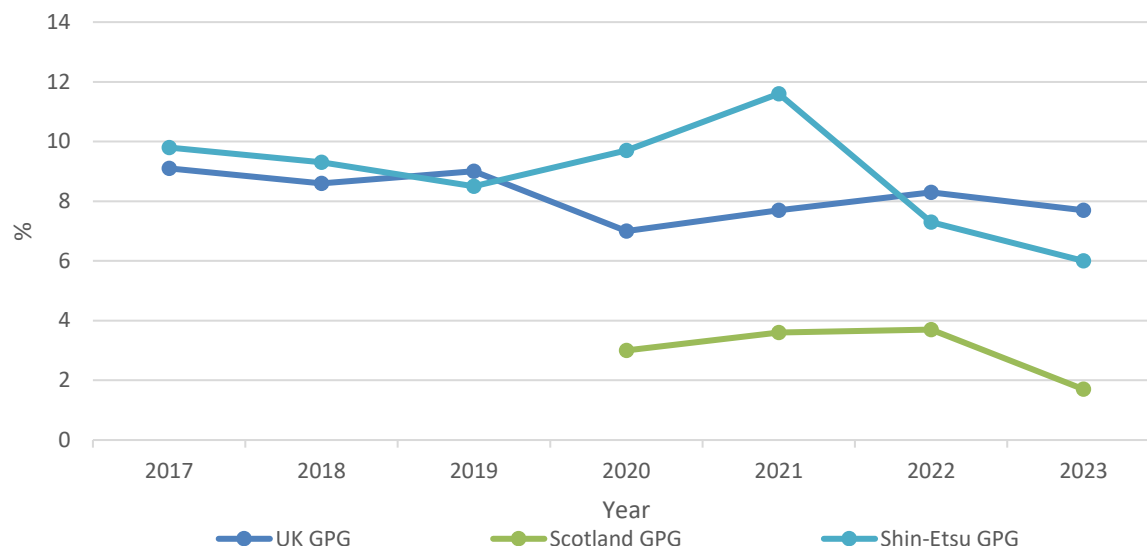
LOWER QUARTILE

■ Male ■ Female



How does Shin-Etsu compare?

Our GPG reduced 5.6% since 2021



Note: The pandemic influenced the GPG reporting through changes in composition of the workforce, the furlough scheme, data collection disruption and lower response rates. This made 2020-21 data interpretation difficult and caused uncertainty so it should be treated with caution. Therefore, it is important to look at the long term trend rather than year-on-year changes.

Causes of the Gender Pay Gap in UK Manufacturing & at Shin-Etsu

It is important to consider that a number of external and internal factors influence our GPG data.

Across manufacturing, male employees are dominant and occupy more of the senior positions, which typically attract higher rates of pay and increases the GPG for the sector. The GPG for UK Production Managers and Directors in manufacturing was 10.6% in 2023*. Manufacturers face the ongoing challenge of convincing women to pursue a career in the sector. Shift patterns and anti-social hours are some of the reasons the manufacturing workforce remains predominantly male, but there is also a fundamental challenge to overcome in encouraging women to train in subjects that provide the necessary skills to work in the sector. For example, there are far fewer female graduates in STEM subjects at university and the UK has the lowest percentage of female engineer professionals in Europe.

At Shin-Etsu, we encounter these industry challenges. We believe that the main influence of our internal GPG is due to lower female representation in the plant as a whole, and in leadership positions. Shin-Etsu's employee gender break down is **76% male** employees and **24% female** employees. This disparity influences the findings. We have low employee turnover in leadership positions so many of our leadership roles have been held for a number of years by mostly male employees with a long length-of-service.

Although our GPG is the lowest it has ever been, we acknowledge that it is going take time to completely close the gap.

*ONS report 'Gender Pay Gap in the UK: 2023' published Nov 2023

The Actions Taken and Planned by Shin-Etsu to Reduce the Gender Pay Gap

Shin-Etsu is committed to reducing the current gender pay gap and to building on the positive steps already taken to address the issue. We have worked hard to address and remedy the internal reasons for the GPG identified in this report and influence the external issues. As a result of our action, we've seen our gender pay gap reduce from 11.6% in 2021 to 6% in 2023 which we believe is a great deal of progress for 2 years.

Some of the actions we have taken and the actions we plan to take can be categorised into recruitment, retention and progression.

Recruitment

- We offer the option for all candidates to apply for flexible working opportunities. By communicating this, we hope that this encourages and attracts female applicants.
- We expanded our existing flexible working policies and introduced a hybrid working policy.
- We have provided unconscious bias training and education to our management involved in recruitment. This helps to ensure that they understand the value of equality, inclusion and diversity, and provides challenge to any unconscious assumptions on stereotypically gendered roles.
- We revised our recruitment strategy to align it with our objective of promoting of a more diverse culture. We open up recruitment more externally for professional positions.
- Other steps taken to ensure that our recruitment and selection processes are without bias include: using gender neutral language in our job descriptions; placing our adverts in a wide range of communication channels; including women (where possible) in shortlists and promotions.
- There is a need for wider societal change in attitudes towards women's careers in manufacturing and STEM subjects. Shin-Etsu aims to play a role in achieving this by actively engaging with our local community and continuing to maintain our professional relationships with local schools, colleges and universities.

Retention

- We are actively trying to remove the root causes of the gender pay gap by creating a workplace culture where all employees are provided the opportunities to thrive and are supported in achieving their goals. We conducted employee engagement activity during 2023 to help drive a more inclusive, open culture and encourage communication and feedback from our employees on how Shin-Etsu is performing.
- We continue to provide flexible working opportunities to support employees through changes in their life and in maintaining a work life balance.
- We support individuals returning to the workplace after a break in their career.
- We continue to review and update our policies with a focus on equality, diversity and inclusion.
- We externally benchmark salaries, particularly in the upper and middle upper quartile.
- We continue to support female employees through initiatives in our Healthy Working Lives group. In 2023 we held additional menopause in the workplace awareness sessions.

Progression

- We engage with, encourage and support female employees to apply internally for management and leadership positions as they become available, with a focus on ensuring that suitably qualified females applicants are shortlisted for interview.
- In 2022 we conducted a complete review of our appraisal system and launched this in 2023. The changes better support management to identify development needs, and help employees progress their career internally.

I confirm that the information contained in this report is accurate as at 5th April 2023.

A handwritten signature in black ink that reads "Martin Murray". The signature is written in a cursive, slightly stylized font.

Martin Murray – Senior Director of Business Administration

1st April 2024