

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 2023.

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

Many key decisions affecting SEHE's stakeholders are taken at Group level, but for the decisions made at Company level, the Directors of SEHE acknowledge that it is their individual and collective responsibility to perform their duties under s172. Through various channels and forums detailed in this report, the Directors are able to collate all the information necessary to consider the requirements of the various stakeholder groups in the decisions they make. The Board of Directors are collectively responsible for maintaining a reputation for high standards of business conduct and good governance and ensuring that the business operates in a responsible manner.

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. Directors are updated on how emerging topics and regulatory developments could affect their s172 duties throughout the year and this provides the directors with the relevant skills and knowledge to conduct their duties on an ongoing basis.

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"

Financial and strategic matters that are reserved for only the Director's approval are documented in a clear decision-making framework. 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 and Senior Managers meeting, the quarterly management review, various department reviews (Safety, Engineering, etc.) and the monthly accounts review meeting.

At the monthly directors meeting, the Directors monitor and maintain oversight of the company's performance including financial, sales, production, risk management, personnel, IT, governance and internal control processes. There are also regular reviews of the company performance against market and industry trends that help with forecasting in the long term and setting business objectives and strategy. Directors discuss the strategic decisions on these items, as well as high value investments and product development and consideration is given to the impact on stakeholders.

Annually, the Board reviews and updates the company's business objectives. In setting the objectives, the interests of the wider stakeholder groups are considered, as well as the long-term impacts.

The risk management framework also provides consideration of how existing and future risks could affect stakeholders over the long term. Through regular reviews, directors ensure that mitigation plans are 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)

In 2023, there was substantial machine investment as well as facilities investment. These changes were supported by area planning and the reorganisation of machinery. There was also a wider roll-out of cross training to better support department needs and develop employee skills. We have secured approval for further investment over the coming years so these long-term activities will continue to be expanded.

Following the cyber attack in 2022, there was also significant project planning and investment into our IT and cyber security systems throughout 2023.

We created video content for employee inductions and recruitment events to assist with attracting candidates and our thus, our overall succession planning. We also supported new apprenticeships through a local university.

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 that by communicating effectively with the workforce, a positive and engaging culture can be set and maintained. This year, eight Employee Forum sessions were held with production staff members. Key topics such as culture, leadership, communication, safety, training and development were discussed and valuable feedback was received from employees. Generally, the feedback received showed that we have been making significant improvements to grievances from previous years’ surveys. The 2023 feedback has enabled us to introduce a number of improvement activities and new initiatives for our employee’s wellbeing.

At the annual director-led performance presentations, the Directors and Senior Managers communicated the annual results to all employees and provided business and industry updates, with time for Q&A from employees. Directors considered feedback received during the presentations and used this to make improvements.

Employee on-boarding sessions allow new employees the opportunity to get to know the Company, the process and their colleagues, and feedback on their initial experiences working with us.

A number of workplace committees promote employee engagement. Our Healthy Working Lives committee aims to encourage 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. This year we also hosted a Financial Wellbeing Day, which offered our employees support and incentives on a range of finance related matters. The workplace Events Club offers benefits and discounts for all its members. The Pension Governance Committee offered resources and support to help employees plan for their future and in 2023, 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;
- The introduction of an employee benefits package was launched and our employees have saved 5-6% of their spending with partnered retailers;
- There was a redesign of the employee appraisal system with more emphasis on supporting development and career progression. The amount of engagement with employees increased through quarterly reviews and feedback;
- There were two ‘cost of living’ bonuses in Q1;
- A ‘Financial Wellbeing Day’ was held onsite with talks and resources available to employees to help support their financial wellbeing; and
- Support continues to be offered to employees through the Employee Assistance Scheme.

Strategic Report (continued)

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

SEHE is committed to fostering positive and successful business relationships with our customers, suppliers, auditors and various regulatory bodies. The frequency of external visits between these key stakeholders and our Procurement, Sales, Technical and Engineering personnel has increased again this year, after Covid restrictions were eased.

Through the Sales, Technical and Quality departments, SEHE maintains strong lasting relationships with customers. The acquired knowledge and understanding 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 SEHE’s ethical and sustainable supply chain responsibilities and, where possible, encourage improvements through localised supply chains and supplier assessments.

Throughout 2023, the Directors maintained awareness on the key developments, and the impact of increasing ESG requirements, to these relationships through the monthly Directors’ meetings. This understanding allowed the Board to consider our customer, supplier, and other stakeholder 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 SEHE’s operations, as well as the impact on the local community. SEHE’s work with the local community ensured the Company’s reputation as one of the leading local employers to help attract and retain the best talent for long- term success.

SEHE created opportunities to recruit and develop local people and worked closely with the local university, college and schools. In 2023 SEHE offered apprenticeship schemes, as well as attending career fayres, mock interviews and giving careers talks at local schools, with the aim to encourage young people into our industry and STEM roles.

Last year, we committed to contributing to Net Zero by 2050 and in 2023, we developed this plan as part of our ESG activities. The board monitored data and usage targets on energy, paper and water consumption, as well as carbon emissions and waste. We worked with the Scottish Environment Protection Agency (SEPA) on our statutory role in environmental monitoring of our process. The Combined Cooling Heating Power (CCHP) plant generated most of our energy requirements on site, which reduced energy usage as we avoid the very significant transmissions losses that would occur were we to rely 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, SEHE supported local charities and organisations to raise awareness and funds, this includes organising a McMillan coffee morning and food bank donations. The HWL group also worked closely with and supported a local group that aims to maintain the conservation of wildlife on SEHE land. This year, a group of employees participated in a tree planting day on our unused land where 300 trees were planted.

Strategic Report (continued)

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

SEHE 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 SEHE is performing to a standard compliant with ISO14001, ISO45001, and IATF16949. This helps to ensure the quality and sustainability of our product and operations, as well as the safety of employees, customers down the supply chain, the local community and environment. In 2022 and 2023, there was an increased focus on our safety culture and as a result, we achieved zero lost time injuries and zero reportable accidents during 2023.

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.

SEHE participates in the Responsible Business Alliance (RBA) and is committed to contributing to the UN sustainable development goals wherever possible. In 2023, the Board oversaw further action to promote ESG standards and prepare for increased ESG reporting to stakeholders.

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 SEHE is a wholly owned subsidiary of Shin-Etsu Handotai Co., Ltd (SEH). 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, financials, investments, and environmental, social and governance (ESG) arrangements are regularly exchanged through corporate questionnaires, corporate audits, monthly reporting and by attending an annual board meeting. During 2023, a number of Company audits were conducted.

On behalf of the board

Akihiko Tamura

Director

25 September 2024