# Strategic Report (continued)

**Section 172(1) Statement - Companies Act 2006**

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 collectively, that they have acted in good faith in a way that would be most likely to promote the success of the Company for the benefit of its member as a whole in the decisions taken during the year ended 31 December 2025.

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

***Overview of how the Board performed its duties within the financial year***

While certain key decisions are made at Group level, SEHE Directors uphold their individual and collective responsibilities under S172. Directors receive guidance on their statutory duties and governance obligations and remain informed of emerging regulatory and market developments. Regular updates ensure Directors are equipped to make informed decisions aligned with SEHE's long-term strategy and corporate responsibility commitments.

During 2025, the Company operated in a more challenging market environment, which required heightened focus on cost control, operational efficiency, and budget management. The Board carefully considered the impact of these conditions when making decisions, balancing the need to maintain financial resilience with the long-term sustainability of the business and the interests of stakeholders.

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

Decisions requiring Director approval follow a structured governance framework, ensuring transparency and accountability. Monthly Directors' meetings reviewed financial performance, operational risks, cost-reduction initiatives, and strategic priorities. These discussions enabled Directors to assess short-term pressures alongside longer-term implications for the business.

In response to market conditions, the Board approved a series of cost-down and efficiency initiatives designed to align the Company's cost base with current demand while preserving critical capabilities for future recovery. These actions were assessed not only for their immediate financial impact but also for their effect on operational resilience, workforce capability, and SEHE's long-term competitive position.

Targeted investment continued in essential areas, including IT infrastructure, cybersecurity, and equipment upgrades, where the Board determined that deferral would create longer-term risk. Workforce capability remained an important consideration, with continued support for cross-training, and upskilling initiatives to ensure organisational flexibility and knowledge retention.

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

Employees remain central to SEHE's long-term success. The Board recognises that transparent communication and fair treatment are particularly important during periods of organisational change.

During 2025, the Company undertook workforce reduction and organisational restructuring activities as part of wider cost-reduction measures. In considering these actions, the Board placed significant emphasis on supporting employees and mitigating the impact of change. These measures were intended to balance the needs of affected employees with the Company's responsibility to maintain financial sustainability.

Employee engagement continued through regular communications, including annual performance presentations led by Directors and Senior Managers, which provided updates on business conditions and strategic priorities. Employee feedback, including from employee forums, will guide future workplace initiatives and communication approaches.

Workplace committees continued to support employee wellbeing. The Healthy Working Lives committee delivered various wellbeing initiatives. SEHE's Employee Assistance Programme remained available, offering confidential support services. The Pension Governance Committee continued to provide information sessions to support employees in planning for their future.

# Strategic Report (continued)

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

SEHE values strong and collaborative relationships with customers, suppliers, auditors, and regulatory bodies. Regular engagement between Procurement, Sales, Finance, Technical, and Engineering teams supported continuity of supply, quality assurance, and mutual trust during a challenging trading period.

Customer engagement remained a priority, with feedback informing operational and process improvements. Supplier relationships continued to be managed responsibly, with a focus on ethical sourcing, sustainability considerations, and supply-chain resilience.

Environmental, Social, and Governance (ESG) considerations remained embedded in decision-making processes. The Board received regular updates on ESG matters, supporting ongoing alignment with stakeholder expectations and Group policies.

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

SEHE continued to engage with the local community as a key regional employer. Apprenticeships, careers events, and educational outreach activities supported skills development and awareness of manufacturing careers.

Environmental responsibility remained a focus, with the Company committed to contributing to Net Zero by 2050. The Company continued to monitor energy consumption, waste management, and emissions, implementing efficiency measures where feasible. The onsite Combined Cooling Heating Power (CCHP) plant continued to provide the majority of the site's energy needs, supporting efficiency and reduced reliance on the national grid. Additional initiatives included electric vehicle charging infrastructure and hybrid-electric pool vehicles.

SEHE also supported several local charities and community initiatives.

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

SEHE remains committed to maintaining high standards of business conduct, supporting its objective to be Europe's leading silicon supplier. The Company continues to operate in accordance with recognised international standards, including ISO 14001 (environmental management), ISO 45001 (occupational health and safety), and IATF 16949 (automotive quality management).

Health and safety remains a priority, supported by proactive risk management, training, and reporting processes. Corporate governance frameworks, including the Code of Conduct, Ethics & Compliance policies, and Modern Slavery Statement, underpin ethical and transparent operations.

SEHE continues to participate in the Responsible Business Alliance (RBA) and supports the UN Sustainable Development Goals (SDGs). During 2025, progress continued on ESG reporting and compliance with evolving regulatory requirements.

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

SEHE has a sole member to consider in decision-making, as a wholly owned subsidiary of Shin-Etsu Handotai Co. Ltd (SEH). The Directors comply with Group reporting and governance requirements, ensuring regular communication of strategy, performance, financial results, investments, and ESG matters.

During 2025, information was exchanged through corporate reporting, audits, questionnaires, and formal meetings with the Group and ultimate parent company. These processes supported informed oversight and alignment with Group objectives.

On behalf of the Board,
Akihiko Tamura
Director

13 August 2026