

Foundation Underpinning ESG Management



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Foundation Underpinning ESG Management

SEKISUI CHEMICAL Group is committed to strengthening the foundation of ESG management while working to realize both a sustainable society and the sustainable growth of the Group itself.

● Corporate Governance

Basic Concept

SEKISUI CHEMICAL Group has put in place a basic philosophy regarding corporate governance that lays out efforts for securing sustainable growth and increasing corporate value over the medium and long terms. To help achieve these goals, we are increasing the transparency and fairness of our management and pursuing swift decision-making and will do so while continuing to meet — through the creation of value for society that is part of our Corporate Philosophy — the needs of the five types of stakeholders the Group emphasizes: customers, shareholders, employees, business partners as well as local communities and the environment.

■ SEKISUI Corporate Governance Principles

The Company has established and disclosed the SEKISUI Corporate Governance Principles for the purpose of further evolving its corporate governance initiatives and communicating its corporate governance approach and initiatives to stakeholders.

In addition to the above Principles, the status of the Company's initiatives and its approach with respect to the Corporate Governance Code, consisting of the General Principles, Principles, and Supplementary Principles, are summarized and disclosed in the Initiatives to Each of the Principles of the Corporate Governance Code.

Details of SEKISUI CHEMICAL Group's Corporate Governance Report, SEKISUI Corporate Governance Principles, and Initiatives to each of the Principles of the Corporate Governance Code are available at the following address.

Corporate Governance

<https://www.sekisuichemical.com/about/outline/governance/>

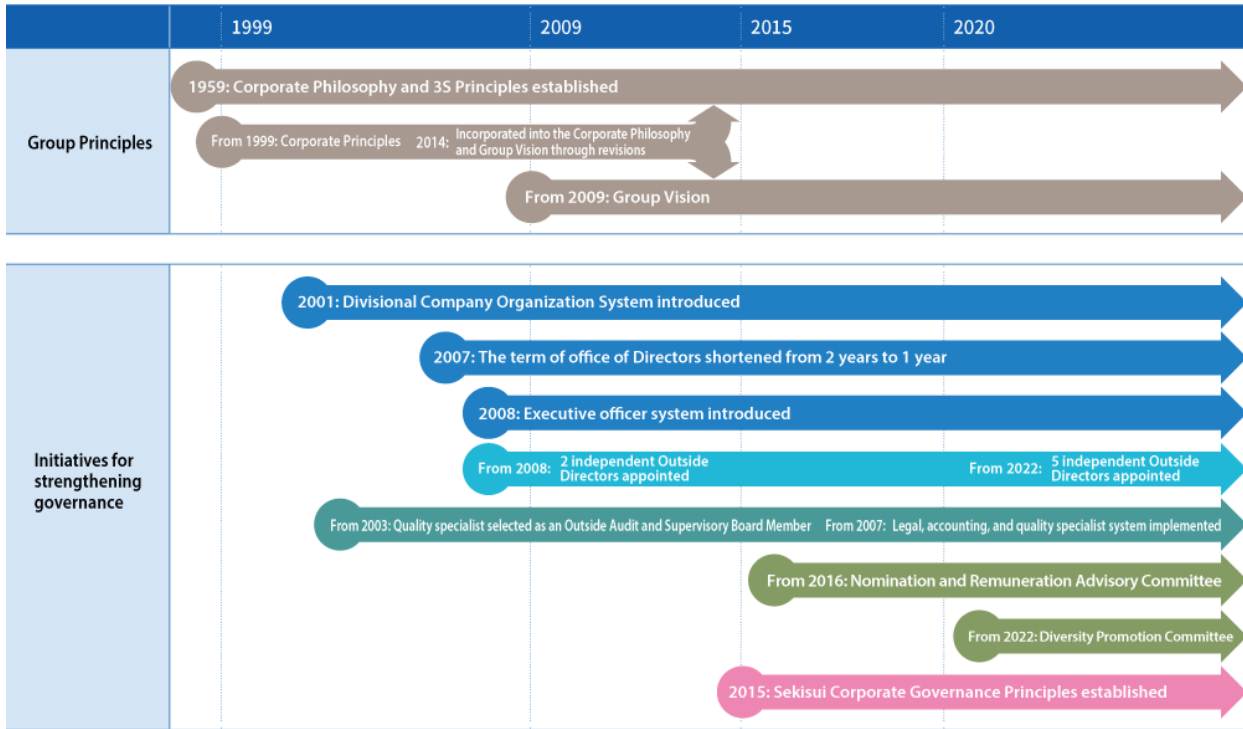
System

Organizational Structure

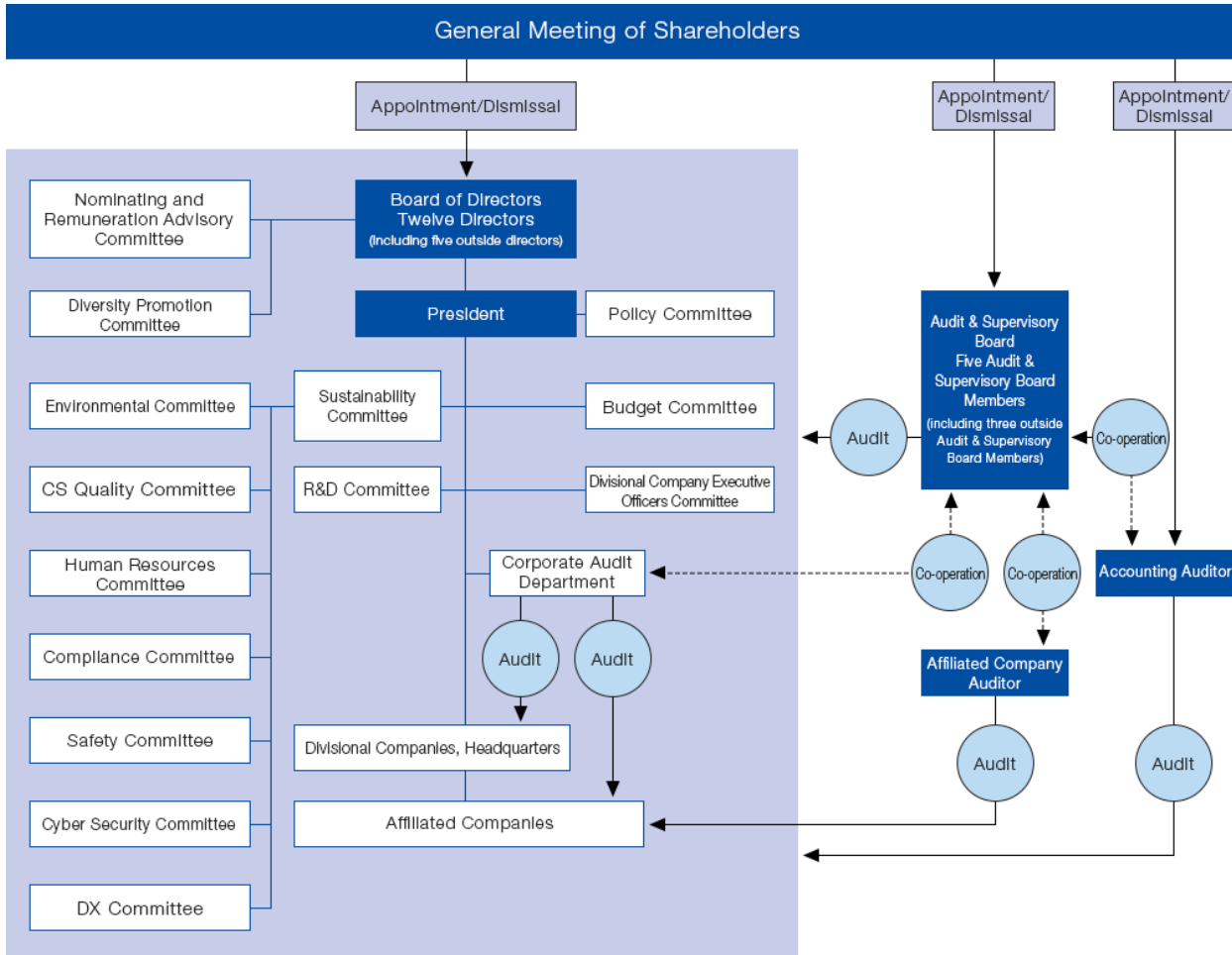
As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit and Supervisory Board. Under the Divisional Company Organization System, the Company has adopted the Executive Officer System in order to clearly distinguish the supervisory function of directors from the business execution function of executive officers.

Organizational structure	A company with an Audit and Supervisory Board
Total number of Directors	12 (In-house: 7; Outside: 5) * Three of whom are female
Ratio of Outside (independent) Directors	41.7%
Ratio of female Directors	25.0%
Director's term of office	1 year
Executive Officer system introduced	Yes
Organization to assist the president in making decisions	Policy Committee
Voluntary advisory board to the Board of Directors	Nomination and Remuneration Advisory Committee and Diversity Promotion Committee established

Initiatives Taken to Enhance Corporate Governance



Corporate Governance System Chart (As of March 31, 2023)



Board of Directors

Roles and Responsibilities of the Board of Directors

The Board of Directors is positioned as the body responsible for decision-making concerning the Company's fundamental policies and upper-level management issues as well as for supervising the execution of business.

In addition to the Company's Chairman, who is a non-executive director and serves as its chair, the Board of Directors has in place a highly effective supervisory system for Directors by appointing sufficiently experienced Outside Directors to ensure transparency in management and fairness in business decisions and operations.

Composition of the Board of Directors

The number of Directors shall not exceed 15, with several Directors appointed from outside the Company.

The Board of Directors shall consist of Directors who are of excellent character, have insight, and high moral standards in addition to knowledge, experience, and competence.

In addition, Audit and Supervisory Board members, including outside Audit and Supervisory Board members, shall attend meetings of the Board of Directors. With regard to the Audit and Supervisory Board, one or more members will have knowledge and expertise in corporate finance and accounting, and one or more will have knowledge and expertise in legal systems.

The Company ensures diversity among Board members and keeps the number of Directors at an optimal level for appropriate decision-making that is commensurate with its business domain and size.

The presidents of the divisional companies, who are the top management of each business and senior corporate officers with significant experience and strong expertise, are appointed as inside Directors. Together with the independent Outside Directors, who have broad knowledge and experience, and Audit and Supervisory Board members with strong expertise, the presidents of the divisional companies effectively perform the roles and responsibilities of the Board of Directors and maintain a balance with respect to diversity, optimal size, and capabilities.

Meanwhile, three female Outside Directors were appointed to the Company's Board of Directors at the Annual General Meeting of Shareholders held in June 2022.

Based on the aforementioned, SEKISUI CHEMICAL Group believes that the diversity of its Board members is ensured in terms of both skills and gender.

Attendance of Directors and Audit and Supervisory Board Members

Name	Position in the Company	Number of Years as of the Closing of the Annual General Meeting of Shareholders Held in June 2023	Attendance of Board of Directors Meetings of the Company (Fiscal 2022)	Attendance of Audit and Supervisory Board Meetings of the Company (Fiscal 2022)	Attendance of Nomination and Remuneration Advisory Committee Meetings of the Company (Fiscal 2022)	Attendance of Diversity Promotion Committee Meetings of the Company (Fiscal 2022)
Teiji Koge	Chairman of the Board and Director	18 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Keita Kato	President and Representative Director Chief Executive Officer	9 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	3 years	100% (17 out of 17)	—	—	100% (3 out of 3)
Yoshiyuki Hirai	Director Senior Managing Executive Officer	8 years	100% (17 out of 17)	—	—	—
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	4 years	100% (17 out of 17)	—	—	—
Ikusuke Shimizu	Director Senior Managing Executive Officer	4 years	100% (17 out of 17)	—	—	—
Kazuya Murakami	Director Executive Officer	2 years	100% (13 out of 13)	—	—	100% (3 out of 3)
Yutaka Kase	Independent Outside Director	7 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Hiroshi Oeda	Independent Outside Director	5 years	100% (17 out of 17)	—	100% (5 out of 5)	100% (3 out of 3)
Haruko Nozaki	Independent Outside Director	1 year	100% (13 out of 13)	—	100% (4 out of 4)	100% (3 out of 3)
Miharu Koezuka	Independent Outside Director	1 year	100% (13 out of 13)	—	100% (4 out of 4)	100% (3 out of 3)
Machiko Miyai	Independent Outside Director	1 year	85% (11 out of 13)	—	100% (4 out of 4)	100% (3 out of 3)
Hiroyuki Taketomo	Full time Audit and Supervisory Board Member	2 year	100% (17 out of 17)	100% (17 out of 17)	—	—
Toshitaka Fukunaga	Full time Audit and Supervisory Board Member	3 year	100% (17 out of 17)	100% (17 out of 17)	—	—
Kazuyuki Suzuki	Independent Outside Director	8 year	88% (15 out of 17)	94% (16 out of 17)	—	—
Ryoko Shimizu	Independent Outside Director	4 year	94% (16 out of 17)	100% (17 out of 17)	—	—
Yoshikazu Minomo	Independent Outside Director	1 year	100% (13 out of 13)	100% (12 out of 12)	—	—

Note: The list above does not reflect the full range of expertise possessed by each candidate.

About the Age-group Composition of Officers

		Under 30	30~39	40~49	50~59	60 or older
Number of Directors by Age	Male	0	0	0	2	7
	Female	0	0	0	0	3

Note: As of March 31, 2023

Outside Directors

The Group appoints to the Board Outside Directors with verified independence from the Company who contribute to the enhancement of corporate value by providing oversight and advice based on their extensive administrative experience and specialized knowledge gained in backgrounds different to those of the Company. Based on their diverse and objective perspectives, the Outside Directors provide counsel especially on priority management issues, such as global development strategy, business model revisions, and the strengthening of ESG management.

Yutaka Kase, Outside Director

Mr. Kase serves as Advisor at Sojitz Corporation. Mr. Kase has provided advice with respect to the business management of the Company and supervised business execution appropriately by leveraging his abundant experience and past achievements regarding global corporate management and business strategy fostered through his position as a corporate manager of a general trading company. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group and thus appointed him as a Director.

Hiroshi Oeda, Outside Director

Mr. Oeda serves as Corporate Special Advisor at Nisshin Seifun Group Inc. As Mr. Oeda has been a management executive of the largest milling company in Japan, the Company expects him to provide advice with respect to the business management of the Company and supervise business execution appropriately by leveraging his abundant experience and skill regarding global corporate management, business strategies, and M&A activities fostered through his positions. Therefore, the Company has judged that he would be able to contribute to enhancing the corporate value of SEKISUI CHEMICAL Group and thus appointed him as a Director.

Haruko Nozaki, Outside Director

Ms. Haruko Nozaki has experience in personnel affairs and education at HORIBA, Ltd. and deep insight on promotion of diversity, development of the next generation, etc., and currently serves as Executive Vice-President of Kyoto University and External Director of West Japan Railway Company. The Company expects she will provide pertinent advice at meetings of the Board of Directors regarding medium- to long-term issues based on her insight on human resources, and judging that she will contribute in this way to improving the corporate value of the Group appointed her as a director.

Miharu Koezuka, Outside Director

Ms. Miharu Koezuka held positions of Representative Director and General Manager of Planning Headquarters and General Manager of Sales Headquarters of Takashimaya Company, Limited, and was involved in management of the said company for many years as a member of the management team. Ms. Koezuka currently serves as Outside Director of Japan Post Holdings Co., Ltd., Nankai Electric Railway Co., Ltd. and Nippon Paint Holdings Co., Ltd. The Company expects that Ms. Koezuka will utilize her experience in diverse industries in Board of Directors meetings to provide multifaceted and pertinent advice, and judging that she will contribute in this way to improving the corporate value of the Group appointed her as a director.

Machiko Miyai, Outside Director

Ms. Machiko Miyai served as an executive at Panasonic Corporation and then as Director and the head of the marketing department at MORINAGA & CO., LTD. As such, Ms. Miyai has broad job experience mainly in consumer-conscious duties in industries that are different from that of the Group. The Company expects that Ms. Miyai will utilize her abundant experience and wide-ranging knowledge in Board of Directors meetings to provide pertinent advice, and judging that she will contribute in this way to improving the corporate value of the Group appointed her as a director.

Assessment Relating to the Board's Effectiveness

Each year, the Company conducts a survey for Directors and Audit and Supervisory Board members to assess the effectiveness of the Board of Directors.

Based on the results of the survey, the Company confirmed that the Board of Directors set appropriate agendas, ensured sufficient time for discussion, and allowed Directors and Audit and Supervisory Board members, including Outside Directors, to actively offer their opinions and suggestions at meetings. The Company has therefore determined that the current Board of Directors is contributing to enhancing the corporate value of the Group and is functioning properly.

In fiscal 2022, the Board of Directors engaged in thoroughgoing discussions of important management issues. Items of deliberation included the next Medium-term Management Plan, growth strategies (including R&D, large new businesses, and large-scale capital investments) and fundamental strategies (Sustainability Committee reports, digital transformation, safety, compliance, CS & Quality, and the environment).

The selection of candidates for the positions of Director and Audit and Supervisory Board member, individual evaluation, and such matters as compensation paid are deliberated by the Nomination and Remuneration Advisory Committee. The results of these deliberations are reported to the Board of Directors where decision are made. In fiscal 2022, the Nomination and Remuneration Advisory Committee met five times, deliberating on a wide range of matters including the composition and effectiveness of the Board of Directors as well as efforts to strengthen governance.

Support for and Collaboration with Directors and Audit and Supervisory Board Members

To enable the Outside Directors to enhance deliberations at Board of Directors' meetings, the Company continuously provides opportunities for them to deepen their understanding of the Group's businesses. This is done, for example, by the prior distribution of materials for Board of Directors' meetings and explanations given beforehand by the Executive Officer in charge of the secretariat, orientation visits at the time Outside Directors are appointed, business briefings several times a year, and inspections of business sites. To further enhance the effectiveness of management supervision by Outside Directors, the Company is making improvements to the deliberations that take place at the Nomination and Remuneration Advisory Committee, where the majority of the members are Outside Directors, and facilitating their dialogue with Audit and Supervisory Board members and accounting auditors. From a succession planning perspective, the Company is strengthening contacts between current management and next-generation management candidates, for example by having Outside Directors give lectures at Executive Officers Liaison Meetings that are held on a quarterly basis and providing opportunities for Directors, Audit and Supervisory Board members and Executive Officers to meet when the new management system is inaugurated following the Annual General Meeting of Shareholders.

Opportunities to deepen understanding of the Company's business

To deepen understanding of the Company and the characteristics of the Group's wide-ranging businesses, Outside Directors and Outside Audit and Supervisory Board members undertake business site visits every year. Business briefings are also conducted for Outside Directors and Outside Audit and Supervisory Board members. In fiscal 2022, visits were made to the MINASE INNOVATION CENTER of the HPP Company.

Grasp External Trends on Economic, Environmental, and Social Topics

At the quarterly Executive Officers Liaison meetings, the sharing of earnings announcements is combined with invited speakers from outside the Company, so that executive officers obtain the latest information on economic, environment, and social trends that are directly linked to management issues as well as knowledge from other companies and industries.

【Fiscal 2022 Executive Officers Liaison Meeting Lecture Topics】

- (1) Ryohei Yanagi
Chief Financial Officer
Eisai Co., Ltd.
Visiting Professor
Graduate School of Accountancy
Waseda University
Topic: The appeal of ESG and corporate value based on the Yanagi Model
—Making invisible value visible—
- (2) Haruko Nozaki
Outside Director
Topic: Are you working in an interesting and amusing manner?
—Toward an organization and culture that fosters challenge—
- (3) Miharū Koezuka
Outside Director
Topic: Working is living
- (4) Yoshikazu Minimo
Outside Audit and Supervisory Board Member
Topic: Learning from fraud case studies
Issues and Measures for Compliance Management

Nomination and Remuneration Advisory Committee

The Company has established an optional advisory committee concerning nomination and remuneration to further enhance the fairness and transparency of management.

The Nomination and Remuneration Advisory Committee deliberates on matters related to enhancing the effectiveness of the Board of Directors, including the nomination and non-reappointment of senior executives, including representative directors, the nomination of candidates for Director, and the system of remuneration and levels of remuneration for Directors. The Committee also deliberates on the appointment of former representative directors and presidents to the positions of advisors or executive advisors as well as other relevant factors as their treatment, and submits recommendations and advice to the Board of Directors.

The Nomination and Remuneration Advisory Committee comprises seven members, the majority of whom are independent Outside Directors. The Chairperson is elected from the independent Outside Directors.

Remuneration and Other Compensation for Officers

(1) Policy regarding determination of remuneration and other compensation

(1) Basic policy

The remuneration system policy for officers of the Company is defined as follows in keeping with the corporate philosophy of the Group.

- The policy should contribute to continuous growth and medium- to long-term improvement of corporate value for the Group
- Officers of the Company should share value with shareholders and increase their awareness of shareholder-focused management
- The remuneration policy should be highly-connected to business performance, providing motivation for officers of the Company to achieve management plan goals
- The policy should provide a framework and baseline which enables the Company to acquire and keep on staff with a diverse variety of management talent in order to increase the competitiveness of the Group

(2) Remuneration mindset

Remuneration and other compensation for executive directors of the Company is made up of basic remuneration, bonuses, and stock options.

For Outside Directors and Audit and Supervisory Board members, remuneration is made up of basic remuneration only.

<Basic Remuneration>

- Regular monthly remuneration*
- Remuneration within the framework of officer remuneration is a fixed payment determined by the roles and responsibilities of each Director.

* For executive directors, a portion of the basic remuneration is required to be used for the purpose of SEKISUI CHEMICAL Group's stock through the Officers Stock Ownership Plan.

<Bonuses>

In the event certain ROE and dividend payment amount criteria are met, the amount of bonuses paid are determined within the scope of payment rates (0% to 100%) linked to the level of target achievement for such financial indicators as operating income as well as ESG indicators.

<Share-based compensation>

Aimed at further raising motivation to help improve medium- and long-term business performance and SEKISUI CHEMICAL Group's corporate value.

Points awarded annually according to position, and shares equivalent to the accumulated points during the term of office are issued upon retirement.

(2) Determination Process for Officer Remuneration and Other Compensation

In order to achieve the goals of the officer remuneration system, the Company has established a Nomination and Remuneration Advisory Committee as an advisory organization to the Board of Directors. This committee deliberates on the structure and levels of Director remuneration and verifies the validity of remuneration for individuals, carrying out these processes with objectivity and transparency. Based on the above processes, the Board of Directors determines certain details including remuneration for each individual Director for the subject fiscal year in line with the policy regarding the determination of remuneration levels.

<Overview of the Nomination and Remuneration Advisory Committee and the Policy Regarding the Determination of Remuneration Levels>

- This committee is convened by the chairperson (an Outside Director).
- The agenda items of this committee are introduced by the committee members, and the secretariat compiles them and presents them to the chairperson.
- The deliberation results of this committee are reported to the Board of Directors by the chairperson.
- The Board of Directors carries out final determination of the policy regarding the determination of Director remuneration levels, respecting the report of this committee. In addition, the Directors and members of this committee must carry out these decisions from the perspective of whether or not they contribute to the corporate value of the Company and providing benefit to shareholders. Decisions must never have the goal of providing individual benefit to the Directors or committee members themselves, management ranks, or any other third party.
- The specific remuneration amount, payment date, payment method, and other matters are left to the discretion of the President and Representative Director. The reason for delegating this authority to the President and Representative Director is because this individual is best suited to evaluate each Director's responsibilities while overseeing the Company's overall performance. The Board of Directors receives reports from the Nomination and Remuneration Advisory Committee, as described above, to ensure that such authority is properly exercised.

Officer Remuneration in Fiscal 2022

(Amount: Millions of yen)

	Basic remuneration		Bonus		Share-based compensation		Total	
	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount
Directors	12	383	7	209	7	83	12	675
Of which Outside Directors	5	61	—	—	—	—	5	61
Audit and Supervisory Board members	6	76	—	—	—	—	6	76
Of which outside Audit and Supervisory Board members	4	36	—	—	—	—	4	36

Note1: The aforementioned includes one Audit & Supervisory Board member who retired at the conclusion of the 100th General Meeting of Shareholders held on June 22, 2022.

Note2: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to 68 million yen for Directors who concurrently serve as employees.

Notice of Convocation of the Annual General Meeting of Shareholders

https://www.sekisuichemical.com/ir/stock/shareholder_info/

Director Company Stock Ownership Guidelines

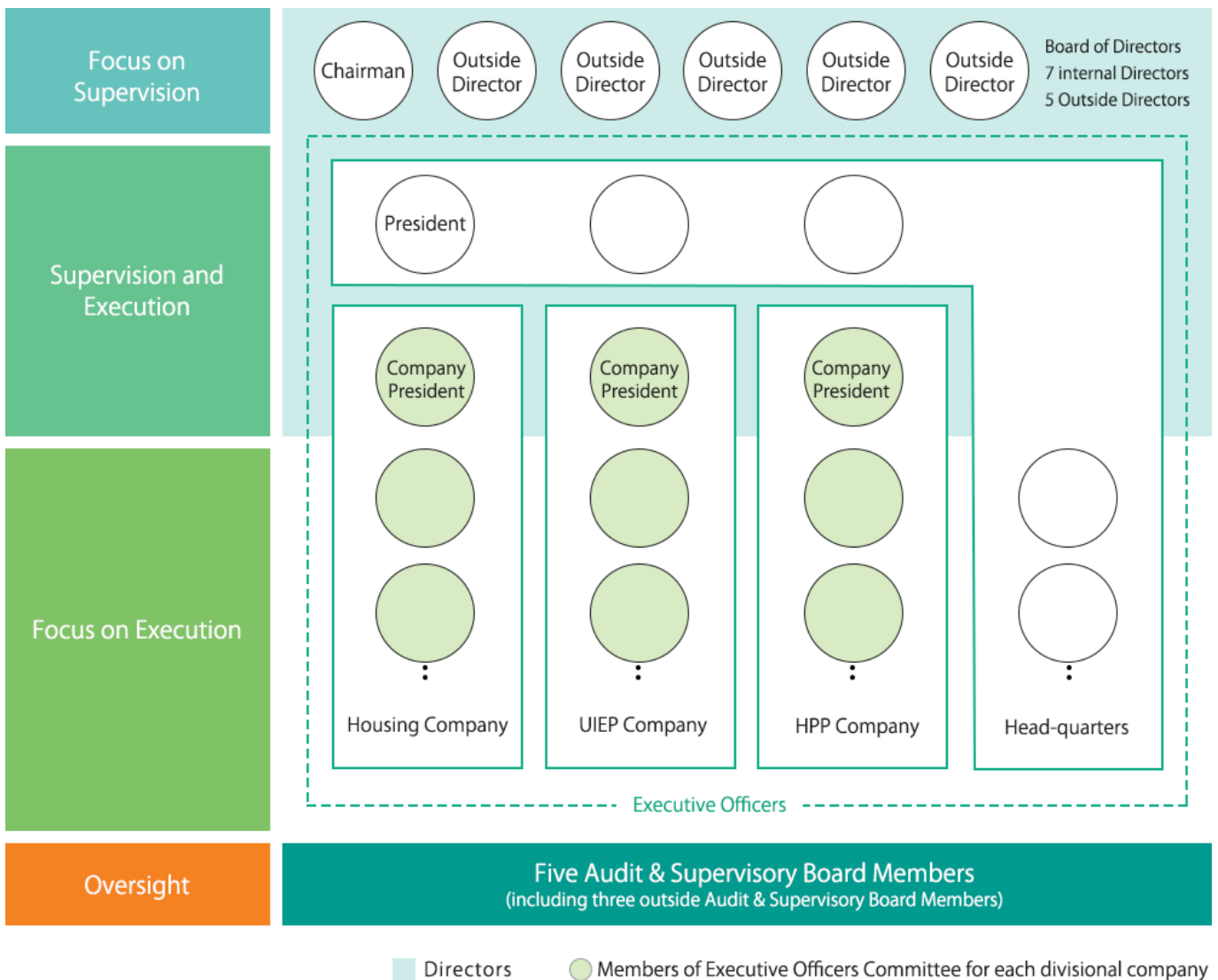
In addition to having introduced, for Directors (excluding Outside Directors) and divisional company Executive Officers, a share-based compensation plan to further raise motivation to contribute to the improvement of mid- and long-term business performance and improve the Group's corporate value, the Company has established "Company Stock Ownership Guidelines" for those who are holding more than a certain number of shares.

Executive Officer System and Executive Committee

To maximize corporate value, the Company has built its management structure based on the Divisional Company Organization System. Together with assigning to each divisional company Executive Officers specializing in business execution, an Executive Committee has been established to serve as the top decision-making body in each divisional company. Executive Committee members, whose term of office is deemed to be for one year, are appointed by resolution of the Board of Directors.

By transferring authority to the divisional companies, the Board of Directors strives to achieve continual improvements in corporate value as an organization responsible for decisions on basic policies of SEKISUI CHEMICAL Group’s management as well as high-level management decision-making and supervision of business execution.

Management System



Auditing System

Approach to Appointment of Audit and Supervisory Board Members

SEKISUI CHEMICAL Group maintains an Audit and Supervisory Board structure consisting of two full-time Corporate Audit and Supervisory Board members and three part-time Outside Audit and Supervisory Board members for a total of five Audit and Supervisory Board members. As far as the composition of the Audit and Supervisory Board is concerned, one or more members will have knowledge and expertise in corporate finance and accounting, one or more will have knowledge and expertise in legal systems, and one or more will have knowledge and expertise in manufacturing and CS & Quality, which are extremely important for manufacturers.

Officers with experience as Head of Legal Department and plant managers have been appointed as full-time Corporate Audit and Supervisory Board members in fiscal 2023.

A certified public accountant with experience working for an auditing firm, a lawyer with extensive experience in corporate law, and a university professor specializing in quality control have been appointed as Outside Audit and Supervisory Board members.

Internal Control System

In May 2006, the Board of Directors resolved to adopt a fundamental policy regarding the establishment of an internal control system for ensuring the appropriateness of the Group's business activities.

Based on the Corporate Activity Guidelines set forth in accordance with the Group corporate philosophy, the Company seeks to realize collaborative interaction concerning the supervision, directives, and communications of SEKISUI CHEMICAL Group (the Company and its subsidiaries), and SEKISUI CHEMICAL's duties include providing guidance and counsel, and undertaking evaluations of all SEKISUI CHEMICAL Group members to ensure that their business activities are being conducted in an appropriate manner.

Internal Control System Overview

In order to ensure the internal control system for the Company and Group companies is properly maintained and operated, our Corporate Audit Department carried out operation and accounting audits of the Company and Group companies based on a yearly auditing plan, investigating whether execution of operations is being performed appropriately and efficiently. The results of internal audits are regularly reported at management meetings, and such matters as the status of improvement of issues pointed out by internal audits is reported to the Board of Directors by the director in charge or the Corporate Audit and Supervisory Board member, as necessary.

Compliance

See Governance (Internal Control) Legal and Ethical Issues on p. 71.

Major Initiatives

Execution of Duties by Directors

In order to ensure that Directors carry out their duties efficiently, the Board of Directors met 17 times in fiscal 2022. In addition, discussions of important matters related to our management policies and strategies were carried out at meetings of the Policy Committee, which is made up of inside Director members charged with the responsibility of carrying out the executive function. Policy decisions were made by the Board of Directions following these discussions.

Execution of Duties by Audit and Supervisory Board Members

Audit and Supervisory Board members attended not only the Board of Directors meetings but also other important meetings, carrying out confirmation of the maintenance and operating conditions of the internal control system through operations such as investigation of related departments, including at Group companies, and confirmation of approval documents for major projects. In addition to personally visiting various sites for audits, they also receive reports from the Internal Auditing Department and each headquarters department that has jurisdiction over internal control. The Audit and Supervisory Board met 17 times in fiscal 2022 for the purpose of sharing the information from these reports. Audit and Supervisory Board members regularly exchanged opinions with accounting auditors, cooperating closely to improve the effectiveness of auditing efforts. Liaison meetings were held with related corporate auditors to improve coordination with auditors and enhance the quality of auditing. In addition, regular meetings were held with the Representative Director, and Audit and Supervisory Board members also exchanged opinions with Outside Directors.

Risk Management

See Governance (Internal Control) Risk Management on p.86.

Group Company Business Management

Through rules such as our domestic and overseas affiliate company handling regulations and decision-making authority standard requirements, we have constructed a framework for receiving decision-making and reports from Group companies to the Company. In addition, our Corporate Audit Department implements internal auditing and results of audits by Audit and Supervisory Board members of our Group companies are collected at Audit and Supervisory Board meetings.

● Stakeholder Engagement

Basic Concept

To build relationships of trust with its five stakeholders—customers, shareholders, employees, business partners as well as local communities and the environment—SEKISUI CHEMICAL Group considers that it is important to improve corporate value through constructive dialogue.

Positioning its stakeholders as partners in improving corporate value, having constructive dialogue with them, assessing their expectations and requests as well as solving social issues together with them, leads to great opportunities for SEKISUI CHEMICAL Group.

In addition, we will create a relationship of mutual prosperity with our stakeholders while continuing to promote sustainable growth.

In fiscal 2022, the ESG Management Department, which falls under the purview of the Representative Director, Senior Managing Executive Officer (Head of the ESG Management Department), took on the role of promoting constructive dialogue with all stakeholders. The various assessments and opinions of all stakeholders are reported to the Sustainability Committee, which is chaired by the Company president and made up of directors, and the Company strives to adequately reflect these views in its activities.

Moreover, SEKISUI CHEMICAL Group has formulated the Corporate Information Disclosure Regulations that encompass such items as the specific content of disclosure and disclosure systems based on its Principle of Corporate Information Disclosure in order to ensure the timely, appropriate and active disclosure of information. At the same time, the Company discloses information in accordance with its IR (disclosure) Policy.

There were no major concerns voiced by stakeholders through any of the engagements in fiscal 2022.

Responsibility of SEKISUI CHEMICAL Group to Each Stakeholder and Communication Methods

Stakeholders	SEKISUI CHEMICAL Group's Commitment	Contact	Communication Methods	Frequency
Customers	We take the voices of our customers seriously, offer prominent products and services and strive to build a long-term relationship of trust with our customers.	<ul style="list-style-type: none"> ● Departments in Charge of ESG ● Departments in Charge of Quality Control ● Sales Department 	<ul style="list-style-type: none"> • Customer Consultation Office(handles inquiries) • CS surveys (customer satisfaction surveys) • Sales activities • Website, social media • exhibition spaces, expos / events 	<ul style="list-style-type: none"> • Day-to-day • As necessary (carried out whenever needed at each divisional company, business site, or sales office) • Day-to-day • Day-to-day • As necessary(implemented through questionnaires and conversations at venues)
Shareholders	To meet the expectations of all our valued shareholders, we strive for highly efficient use of capital, fair ethical disclosure of information, adequate returns from profit, and increasing corporate value through sustainable growth.	<ul style="list-style-type: none"> ● Departments in Charge of General Affairs ● Departments in Charge of IR ● Departments in Charge of Public Relations ● Departments in Charge of ESG 	<ul style="list-style-type: none"> • General Meeting of Shareholders • Management briefings • Integrated reports • Responding to surveys from institutions that evaluate ESG 	<ul style="list-style-type: none"> • Once per year • 4 times per year • Issued once per year • As necessary (handled in order of inquiry)
Employees	We foster among our employees a spirit of taking on new challenges and are actively creating workplaces where every employee can stand out and diverse human resources can both excel and feel that their work is worthwhile.	<ul style="list-style-type: none"> ● Departments in Charge of Human Resources ● Departments in Charge of Safety ● Departments in Charge of Legal Affairs ● Departments in Charge of ESG ● Departments in Charge of Public Relations 	<ul style="list-style-type: none"> • Individual boss and subordinate interviews • Counseling • Labor-management meetings • Central Occupational Safety Committee • Internal whistle-blowing system • Employee satisfaction surveys • Various employee questionnaires • Dialogues with management • Intranet and internal newsletter 	<ul style="list-style-type: none"> • Regularly • As needed(counseling available upon request through an inhouse occupational counselor or external clinical psychologist) • Regularly • Once per year • As needed (handling for consultations and reports) • Once every three years • As needed(questionnaires implemented for internal publications, various types of training sessions, etc.) • Regularly • As needed(information updated when necessary), 4 times per year
Business partners	When procuring materials, we follow the fundamentals of being open, fair, compliant with the law and social norms, engaged in relationships of mutual trust, environmentally conscious, anti-corruption, and considerate of human rights. We aim to achieve coexistence and shared prosperity by building more robust partnerships with our business partners and engaging in fair trade. We are also engaged in promoting CSR based on cooperation with our business partners.	<ul style="list-style-type: none"> ● Departments in Charge of Purchasing ● Departments in Charge of Legal Affairs ● Departments in Charge of ESG 	<ul style="list-style-type: none"> • Purchasing activities • Explanatory meetings with suppliers • CSR procurement questionnaires • Points of contact for consultations from, and whistleblowing by, business partners • Website 	<ul style="list-style-type: none"> • Day-to-day • Regularly • Once per business partner every three year • As needed (handling for consultations and reports) • As needed (information updated when necessary)

Stakeholders	SEKISUI CHEMICAL Group's Commitment	Contact	Communication Methods	Frequency
Local communities	<p>We emphasize a perspective that encompasses contributions to the development of communities through our business, coexistence with communities, and environmental conservation.</p> <p>We think about how to make measures that are tailored to the needs of each community and practice business in ways that engender trust.</p>	<ul style="list-style-type: none"> ● Departments in Charge of ESG ● Factories and Offices ● Departments in Charge of Public Relations 	<ul style="list-style-type: none"> • Volunteering by employees • Dialogues with NPOs and NGOs • Support for learning(dispatching of instructors, factory tours, etc.) • News releases 	<ul style="list-style-type: none"> • Regularly • As needed(implemented as necessary before and after activities) • Regularly • As needed (latest information posted as necessary)
Global environment	<p>We are engaged in expanding and creating the market for Sustainability contributing Products, reducing our environmental impacts, and conserving the natural environment— all with the aim of realizing “earth with maintained biodiversity.”</p>	<ul style="list-style-type: none"> ● Departments in Charge of ESG ● Factories and Offices ● Departments in Charge of Sales ● Departments in Charge of Purchasing 	<ul style="list-style-type: none"> • Volunteering by employees • Dialogues with NPOs and NGOs • Sales operations • Purchasing activities 	<ul style="list-style-type: none"> • Regularly • As needed(implemented as necessary before and after activities) • Day-to-day • Day-to-day

Major Initiatives

Meeting with the President/Top Management in 2022, an Opportunity for Direct Dialogue between Top Management and Employees

In fiscal 2021, we worked to promote awareness of our Long-term Vision, Vision 2030, and ESG management, the key to realizing this Long-term Vision. To this end, the president and senior managing executive officer held Vision Caravan 2021 and a Live Panel Discussion: Power of SEKISUI, where the president and senior managing executive officer spoke with all Group employees in Japan and overseas.

In the past, management identified opportunities to engage in direct dialogue with employees. In similar fashion to fiscal 2020, however, these opportunities were postponed in fiscal 2021 due to the impact of COVID-19. Instead, 10 online Vision Caravan meetings were held in Japan and two online panel discussion meetings overseas (North America, Europe, East Asia, ASEAN, India, and Australia).

During these events for employees, the president and senior managing executive officer directly outlined their personal thoughts on how to realize Vision 2030 while also explaining the Group's ESG management. In response, employees took the opportunity to directly ask questions of management, and discussed among themselves and deepened their understanding toward how they should approach each business activity in order to realize Vision 2030. Taking into consideration a variety of factors, employees also looked into how they can link individual operations to the Group's ESG management.

In response to questions and presentations that arise from deliberations among employees, the president and senior managing executive officer provide comments and feedback, while promoting lively interactive dialogue.



The President and Senior Managing Executive Officer,
Head of the Business Strategy Department interacting online with employees

Direct Dialogue with Investors to Promote Mutual Understanding

SEKISUI CHEMICAL Group believes it is extremely important to engage in constructive dialogue with shareholders and investors in order to achieve sustainable growth and enhance corporate value over the medium to long term. We therefore have put in place Active Engagement Between Investors and Management as one of our key issues, while the President and Senior Managing Executive Officer, Head of the Business Strategy Department are taking the lead in proactively holding quarterly financial results briefings and direct dialogues with shareholders and institutional investors to leverage our management strategy to enhance corporate value. During fiscal 2022, we held 74 engagements.

We are strengthening information dissemination on our website with an awareness of fair disclosure while striving to reflect as much as possible the opinions and questions received through dialogue with shareholders and investors in the Integrated Report and other IR materials. In fiscal 2022, we held the Strategic Area Map & Life Science Business Briefing for institutional investors and analysts to deepen their understanding of SEKISUI CHEMICAL Group’s strategic areas of focus and the Life Science business. In addition, we made this briefing available on our website.

In recent years, interest in ESG investment has been growing globally, and ratings agencies are proactively undertaking surveys. SEKISUI CHEMICAL Group compiles and publishes its Sustainability Report based on rating agency questionnaires and third-party reviews, as well as referencing various report-drafting guidelines including GRI standards and considering the importance of the report to society and SEKISUI CHEMICAL Group.

Number of Times Active Engagement Conducted Between Investors and Management

	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Results
Number of engagements*	87	67	54	82	74

* The number of engagements represents the number of times the Company president and executives in charge of specific areas had dialogues with investors.

Promoting Understanding and Acceptance of ESG Management Concepts Among Employees

We are promoting a variety of initiatives to deepen the understanding and penetration of various issues including SEKISUI CHEMICAL Group's approach to ESG management.

In order to deepen awareness and understanding toward the Long-term Vision, Vision 2030, and ESG management among employees, SEKISUI CHEMICAL Group in fiscal 2022 renewed our website dedicated to this vision and prepared and deployed on a global basis materials that summarize the Long-term Vision (booklets and videos that explain the vision statement, ESG management, challenge, and other management keywords, and that summarize the relationship between these).

In addition, we created an ESG Management Conceptual Diagram and are promoting awareness and education of the overall picture of ESG management and how it is connected to individual operations and initiatives on our intranet.

Furthermore, SEKISUI CHEMICAL Group implements ESG management training for new employees, newly appointed managers, and others based on their position.

We also carried out training sessions in fiscal 2022 covering methods for incorporating and conveying department visions and policies for managers at all Group companies in Japan to ensure that the Long-term Vision was thoroughly understood and incorporated into each business and their operations. Going forward, we will integrate the content of these sessions into existing training programs in an effort to further entrench the Long-term Vision.

We also held President Workshop Meetings for the presidents of each local subsidiary outside of Japan. During these meetings, participants learned about methodologies for encouraging employees to take on the challenges required to realize the Long-term Vision, as well as about the most effective communication methods to use with local employees in each country.

Communication tools with employees

SEKISUI CHEMICAL Group has published an in-house magazine (including a series of special features on ESG management) and the SEKISUI CHEMICAL Group ESG Management Reader's Guide (introduction to ESG management), a tool to promote understanding of ESG management among all employees, in order to secure increased acceptance of the Group's ESG management.

These communication tools and ESG-related materials are freely available for employees to download from the intranet, and are also distributed to all employees, regardless of whether they are regular or non-regular staff, on an as needed basis, for example when employees join the Company or when implementing ESG-related educational programs.

In the US and Europe, regional headquarters distribute ESG-related information to employees of each Group company.

In Europe, information is posted on the intranet once a month, while we conduct ESG training based on position in the US. In addition, we regularly hold Lunch & Learn, an online event to showcase various initiatives of each company and exchange opinions.



SEKISUI CHEMICAL Group's ESG Management Readers' Guide (ESG Management Introduction)/ Japanese edition



SEKISUI CHEMICAL Group's ESG Management Readers' Guide (ESG Management Introduction)/ English edition

Distributing Value to Stakeholders

SEKISUI CHEMICAL Group calculates distribution status based on financial statements by stakeholder, using GRI and other standards as a reference.

(Unit: Millions of yen)

Stakeholders	Method of Calculating Amounts	FY2018	FY2019	FY2020	FY2021	FY2022
Shareholders	Dividends	20,615	22,401	22,193	23,177	25,100
Business partners	Cost of Sales, Selling Costs / General Administrative Costs (Excluding Personnel Costs)	840,514	829,809	778,554	858,944	926,822
Employees	Labor costs, Salaries and allowances as part of sales costs and general administrative costs, Provisions for bonuses, Provisions for retirement pay	206,511	211,675	210,705	210,122	224,034
Local communities	Donations	165	158	218	198	198
Global environment	Environmental conservation costs	21,882	17,850	16,207	27,522	26,373
Government and administrative bodies	Corporate taxes, local taxes, business taxes	22,261	22,619	19,902	31,099	28,727
Creditors	Interest paid as part of costs apart from sales	480	695	861	774	871

● Respect for Human Rights

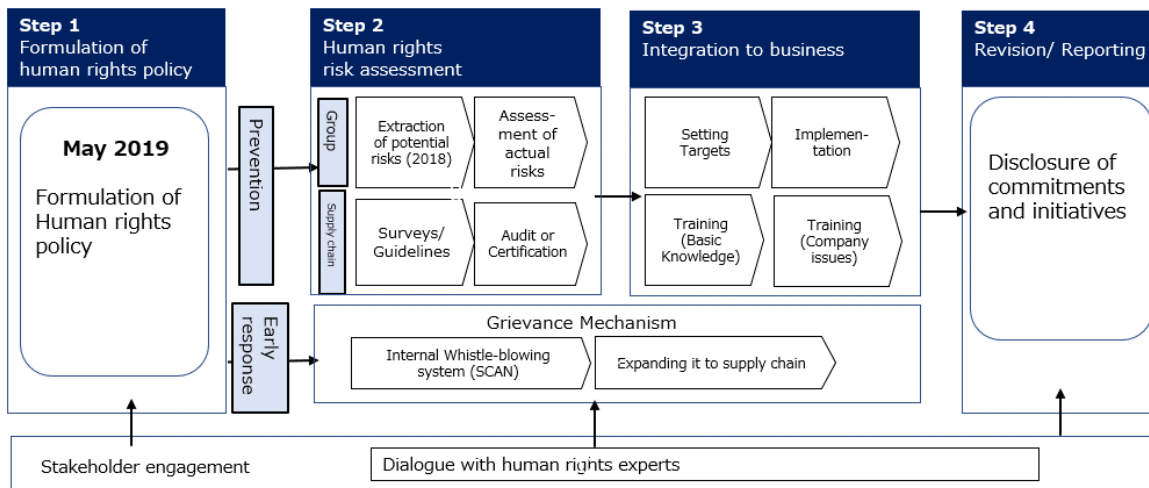
Basic Concept

At SEKISUI CHEMICAL Group, we consider human rights advocacy of all people affected by our business activities as our duty. Nowadays, the enactment of rules and laws related to human rights continues to progress both inside and outside of Japan, and human rights issues are getting increasing attention in society. In these conditions, we consider human rights initiatives for not only employees of the Group, but also our business partners and other stakeholders to be essential for solidifying our sustainable management platform.

Under this concept, SEKISUI CHEMICAL Group has organized human rights initiatives involving the Group based on the UN's Guiding Principles on Business and Human Rights in the following manner. Grounded in the SEKISUI CHEMICAL Group Human Rights Policy formulated in May 2019, we will work to build a cycle to evaluate human rights impacts, integrate human rights into business, make reports, and establish a grievance mechanism in an effort to identify, address, and remediate any human rights risks that may arise from the Group's business activities.

Under the current Medium-term Management Plan, the Human Rights Subcommittee was established by officers responsible for related departments of headquarters. With these departments taking the lead, steps have been taken to disseminate details of the Human Rights Policy, conduct due diligence within the Group and on its business partners, and put in place a grievance mechanism. In the next Medium-term Management Plan, we will steadily advance these business and human rights endeavors while strengthening our ability to execute initiatives at divisional companies and regional headquarters.

Overview of SEKISUI CHEMICAL Group's Human Rights Initiatives

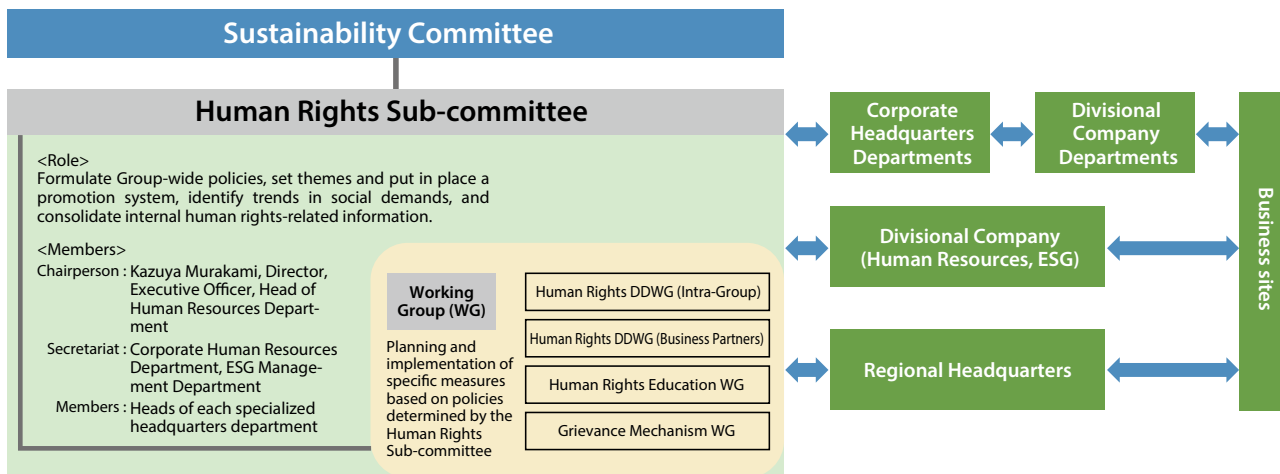


Targets

Current Medium-term Management Plan Targets	Results
<p>Implement human rights due diligence within SEKISUI CHEMICAL Group on a continuous basis</p>	<p><Fiscal 2020></p> <ul style="list-style-type: none"> Conducted human rights interviews at Higashi Nihon Sekisui Industry Co., Ltd. of the UIEP Company <p><Fiscal 2021></p> <ul style="list-style-type: none"> Conducted comprehensive global-scale human rights risk assessments (surveys) <p><Fiscal 2022></p> <ul style="list-style-type: none"> Drafted remediation plans at locations (6 locations) where issues were identified through the above risk assessments; measures taken at five locations; the remaining one location setting deadlines for implementing remediation plans in fiscal 2023 Conducted human rights interviews at Sekisui Industrial Piping Co., Ltd. (Taiwan) of the UIEP Company. Conducted human rights interviews at SEKISUI HEIM KINKI CO., LTD. of the Housing Company
<p>Disseminate guidelines among business partners and identify potential risks through surveys</p>	<p><Fiscal 2021></p> <ul style="list-style-type: none"> Formulated procurement guidelines (Supplier Code of Conduct) and obtained signatures for guideline compliance from approximately 61% of our key suppliers in Japan and overseas Received responses from 67% of companies surveyed (capital of at least ¥100 million, sales of at least ¥30 million) <p><Fiscal 2022></p> <ul style="list-style-type: none"> Conducted interviews at 13 companies identified as high-risk supplier candidates as a result of the surveys Promoted risk reduction activities in cooperation with one overseas company from among the above
<p>As part of human rights education, conduct the Business and Human Rights e-Learning course</p>	<ul style="list-style-type: none"> Conducted e-learning in eight languages for Group companies in Japan and overseas <p><Fiscal 2020></p> <ul style="list-style-type: none"> The response rate of Group companies in Japan: 64% <p><Fiscal 2022></p> <ul style="list-style-type: none"> The response rate of overseas Group companies: 75%
<p>Complete the global framework for the S.C.A.N. Intra-company Whistleblowing System as a step to build a grievance mechanism</p>	<ul style="list-style-type: none"> Completed SEKISUI CHEMICAL Group overseas deployment of whistleblowing contact points, except for Australia (Australia is scheduled for fiscal 2023)

System

To strengthen our response to a wide-ranging array of human rights issues in a cross-organizational manner, we established the Human Rights Subcommittee under the Sustainability Committee in fiscal 2022. Chaired by the Director and head of the Human Resources Department, this subcommittee is comprised of the heads of each specialized headquarters department, and assumes the role of formulating Group-wide policies regarding human rights. At the same time, four working groups linked to the Human Rights Subcommittee plan and execute concrete measures. Likewise, we promote our human rights initiatives throughout the Group by sharing the policies and measures established by the Human Rights Subcommittee and each working group among each of the relevant departments of the Company’s headquarters and divisional companies, and by applying these down to the business site level. In fiscal 2022, the Human Rights Subcommittee met 12 times.



Major Initiatives

Human Rights Due Diligence (SEKISUI CHEMICAL Group)

Overview of initiatives to Build a Human Rights Due Diligence*1 Framework

SEKISUI CHEMICAL Group launched initiatives aimed at building a human rights due diligence framework in November 2018. The major initiatives implemented up to fiscal 2022 are as follows.

- **From fiscal 2018 to fiscal 2019:**
Employed a specialized agency (Verisk Maplecroft*2) to analyze potential human rights risks in major businesses and conducted internal hearings based on the results of analysis.
- **Fiscal 2020:**
Implemented human rights interviews at domestic production sites.
- **Fiscal 2021:**
Conducted a survey-format human rights risk assessment on a global basis for management in all areas where the Group is located and for general as well as indirect employees at selected business locations.

- Human rights risk assessment implementation method:

- Survey format (two types: one for management and one for general employees)

- Targets:

- Management in all areas where the Group is located (North and Central America, Europe, Asia, Australia). (Production sites: 44)
- General employees in Thailand, China, and India and foreign nationality employees in Japan who were identified as high risk as a result of the latent human rights risk analyses and dialogue with experts conducted in 2018 (Both general employees and foreign nationality employees include indirect employees). (Production sites: 21)

- Objective:

- Select priority human rights topics by conducting an exhaustive survey and gathering the opinions of both management and general employees

- Results:

- Although no human rights issues requiring a critical or immediate response within the scope of the survey were revealed, priority human rights issues that were identified as requiring further review included working conditions for foreign nationality employees, fair wages, respect for religious practices, and inequalities in hiring and promotion.

• **Fiscal 2022:**

Remediated issues identified through the above risk assessments, and implemented human rights interviews at two locations in Japan and overseas.

*1 Human rights due diligence is the ongoing management process of identifying and assessing any potential negative impact on human rights (human rights risks) from a company's business activities, and if there are human rights risks, the process of creating mechanisms to prevent or mitigate the impact from such risks.

*2 A risk analysis and research corporation with a global perspective and knowledge of human rights, economic, and environmental risks.

Identified and remediated human rights risk based on global human rights risk assessments

In fiscal 2022, we confirmed the status of each situation on an individual basis for Group companies in Japan and overseas (total of six locations) at which issues were identified through the above human rights risk assessments. After formulating remediation plans to address the issues identified, steps were taken at five locations. (Remediation plan example: Draft employment agreements in workers' native languages in order to promote an understanding of employment agreements among foreign nationality workers employed at Group companies in Japan). In regard to the remaining location, we laid out a remediation plan execution deadline of fiscal 2023, and will therefore continue to confirm its status.

Human rights interviews with foreign nationality employees implemented at overseas production sites

We received comments during individual dialogue with overseas experts regarding the importance of conducting surveys as to whether overseas Group company migrant workers had suffered human rights violations. Similarly, as part of the human rights risk assessments conducted in fiscal 2021, we confirmed that many duties were being performed by Vietnamese migrant workers at a Group company located in Taiwan. In response, in fiscal 2022 we interviewed the Vietnamese employees for the purpose of investigating the actual labor environments of migrant workers within the Group.

- Targets

Vietnamese workers employed at Sekisui Industrial Piping Co., Ltd. (Taiwan) of the UIEP Company

- Implementation method

- 1) Conducted a survey of Vietnamese workers based on the Dhaka Principles, an international standard regarding the dignified immigration of foreign workers, as a preliminary review.
- 2) Based on the preliminary survey, Caux Round Table Japan* divided workers into groups of three or four, and interviewed each for around one hour.
- 3) Confirmed the living environment by observing the shared housing in which the Vietnamese workers live

- Survey content

Forced labor, freedom of association, the right to collective bargaining, equal pay, and prohibition of discrimination, etc.

- Results

Although this interview investigation did not reveal any notable negative impacts on the human rights of the Vietnamese migrant workers, it did identify preparing multilingual pay statements and internal factory signage, reducing the burden of living expenses, securing access to employee whistleblowing systems, and others as issues requiring priority action. In response to these issues, Sekisui Industrial Piping Co., Ltd. (Taiwan) formulated a remediation plan and will address these issues in stages.

* A non-profit organization with a network of various CSR initiative organizations both inside and outside of Japan and extensive experience with support programs for initiatives to reduce human rights risks within corporate supply chains.

Human rights interviews with foreign nationality employees implemented at domestic construction sites

In light of frequent comments from Japan and overseas regarding the high level of human rights risk in Japan related to the general labor environment for foreign nationality employees, we conducted interviews at domestic production sites in fiscal 2020. Following-up on this effort, in fiscal 2022 we conducted foreign national employment management assessments*, including employee interviews, at construction companies of the Housing Company.

- Targets

- 1) Two foreign nationality employees working at SEKISUI HEIM KINKI CO., LTD. of the Housing Company
- 2) Personnel and labor management supervisors for the aforementioned foreign nationality employees

- Implementation method

- 1) Conducted a preliminary survey consisting of 342 questions in 40 categories regarding human rights, and held interviews with personnel and labor management supervisors based on the survey results
- 2) Conducted interviews with two foreign nationality employees
- 3) Took remediation action in regard to the assessment results and matters indicated by third parties (Remediation action example: Always verify whether supervisory organizations and registered support organizations are certified bodies when hiring technical intern trainees and specified skilled workers).
- 4) Received an A-rating as a result of the assessment, were recognized as a business in good-standing for appropriately employing foreign nationality employees, and acquired a Certificate in Appropriate Employment Company of Foreign National Employees.

- Results

Having received high marks in labor, job satisfaction, and other categories, our approach to employment and work hours as part of foreign national employment was judged to be appropriate. On the other hand, under the category of human resources management, despite having a foreign national human resources career development system in place to some degree, including systematic new employee training, systematic safety training, and Japanese language education, we received comments indicating issues regarding training with an outlook for medium- to long-term work and specifying career paths. In the future, we plan to deploy assessments covering foreign nationality worker management for both Group companies and construction companies along the supply chain.

- * This assessment is designed to confirm whether foreign national human resources are appropriately employed. Involved in foreign national human resources recruitment, foreign national employment support, and Japanese language education support, One Terrace Co., Ltd. serves as the certification organization.

Human Rights Due Diligence (Our Suppliers)

Caring About Human Rights Issues Across the Entire Supply Chain

Until now, we have conducted CSR procurement surveys of our direct suppliers. To ensure that the Group's policies are understood throughout the entire supply chain, including secondary and tertiary suppliers, we formulated the SEKISUI CHEMICAL Group Sustainable Procurement Guidelines (Supplier Code of Conduct) in fiscal 2021. In addition to Japanese, we also prepared English and Chinese translations. Taking into account opinions of outside experts, the Supplier Code of Conduct is also intended to align with the United Nations Global Compact 10 Principles, the Guiding Principles on Business and Human Rights, and the SEKISUI CHEMICAL Group Human Rights Policy.

In addition to asking all our suppliers to extend this Code of Conduct to their secondary and tertiary suppliers, we have requested that suppliers sign on to acknowledge compliance with the guidelines. In this regard, we have obtained the agreement of approximately 61% of our key suppliers in Japan and overseas to work with us to achieve the Code of Conduct.

Details of human rights due diligence implementation in the supply chain

In order to enhance sustainable procurement, in fiscal 2021 we broadly revised the survey to include content that allows us to evaluate and confirm the compliance status and achievement status of the above Supplier Code of Conduct. Moreover, we began implementing the survey across the globe at the same time from fiscal 2021 in order to more rapidly address common global initiatives. As a result, we received responses from 67% of our suppliers that were subject to the survey.

In fiscal 2022, we conducted direct interviews with 13 companies with poor self-assessments on the above survey for the purpose of confirming whether there were any potential risks, and to confirm their situation. As a result, we determined that risk was low at 12 companies. We are implementing activities involving consultants in order to reduce the risk at the remaining company with its cooperation.

We also conducted investigations in regard to minerals that present the risk of human rights violations (child labor, etc.) at mining sites and wood that presents the risk of threatening the rights of indigenous people and the rights of workers as a result of deforestation. This move was taken as part of an effort to achieve sustainable procurement that respects human rights through revisions to the survey details and guideline formulation. The details are described in Responsible Procurement.

Human rights education

Human Rights Training for Group Employees

SEKISUI CHEMICAL Group conducts training and educational programs focusing on the theme of human rights for its employees. In this manner, the Group is endeavoring to engage in management that takes into consideration concerns regarding human rights. Training, especially at such milestones as when an employee enters the Company or is promoted, is designed to raise awareness of human rights issues including forced labor, child labor, and harassment, thereby promoting the importance of respecting human rights and our human rights policy.

Moreover, as part of our human rights education for employees in Japan and overseas, we began our Business and Human Rights e-Learning course in Japanese and English, which is available on the Company intranet, from fiscal 2020. In fiscal 2022, we prepared versions of the course in German, Spanish, Dutch, Chinese, Thai, and Indonesian, and expanded this initiative to employees in all areas (North America, Europe, and Asia) in which the Group operates. Through these training and education means, we are advancing awareness toward the importance of and need to respect human rights as well as our human rights policy.

Moreover, the compliance manual provided to all Group employees contains information on topics including respecting human rights, prohibiting discrimination, preventing harassment, and protecting personal information. In this manner, we are promoting an understanding of a broad spectrum of information on human rights and compliance among employees.

Implemented SEKISUI CHEMICAL Group Human Rights Week

In order to provide awareness-raising opportunities that enable employees to act with respect for human rights, since fiscal 2022 we have organized SEKISUI CHEMICAL Group Human Rights Week (slated for the week of December 4 to December 10 in conjunction with December 10 as the date the Universal Declaration of Human Rights was adopted) as a new initiative.

As part of the first such event, the president released a message indicating the Group’s stance on respecting human rights. At the same time, we displayed our Human Rights Poster to encourage each individual employee to question whether they have violated the human rights of any individuals involved in their everyday work, including colleagues, business partners, and customers. We translated the message from the president into 11 languages, and prepared the human rights poster in Japanese and English before distributing it to all areas in which SEKISUI CHEMICAL Group operates.



Grievance mechanisms

In order to take appropriate action intended to remediate any negative impacts on human rights that arise from our business activities, SEKISUI CHEMICAL Group has put various mechanisms into place to pick up on the feedback of stakeholders. These mechanisms include an internal whistleblowing system, reporting contact points for business partners, the Customer Consultation Office, and contact points for inquiries regarding sustainability.

SEKISUI CHEMICAL Group established the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistleblowing system for Group employees in 2002, since which time we have operated systems that can be used by all Group employees. Globally, we are proceeding with expanding the establishment of reporting points of contact to major overseas areas, and have completed their deployment to all areas except Australia. We aim to establish the reporting contact point for Australia in fiscal 2023.

Moreover, since fiscal 2015 we have established and operated reporting and consultation points of contact for our business partners that can be used by their executive officers and employees in Japan who are continuously conducting business transactions with SEKISUI CHEMICAL Group companies.

In order to establish systems that allow for access by a broader range of stakeholders, including foreign nationality employees and overseas business partners, going forward we will update the intra-company whistleblowing system to function in multiple languages, and will make efforts to further awareness of these systems and to establish reporting points of contact for overseas business partners.

Stakeholder Engagement

Dialogue with outside experts implemented by the Human Rights Subcommittee

As members of the Human Rights Subcommittee, the Director, Executive Officer, and Head of the Human Resources Department along with the heads of each specialized headquarters department met with outside experts (Caux Round Table Japan) to exchange opinions regarding social demands involving Business and Human Rights and the Group's related initiatives.

Through their exchange of opinions with the experts, the members learned about the latest trends in social demands on companies in regard to human rights, and received opinions on SEKISUI CHEMICAL Group human rights initiatives and advice on how to best develop our related activities moving forward.

Introduced human rights initiatives at a seminar for promoting the implementation of human rights due diligence at Japanese companies, organized by the Ministry of Foreign Affairs

SEKISUI CHEMICAL Group participated in a seminar organized by the Ministry of Foreign Affairs of Japan to promote the implementation of human rights due diligence at Japanese companies through the execution of action plans regarding Business and Human Rights. During the seminar, we introduced the activities based on the Guiding Principles on Business and Human Rights that we have implemented thus far as a case study for human rights initiatives taken by a Japanese company. As we expressed at the seminar, through cooperation with employees, business partners, customers, local communities, and various other stakeholders, the Group is engaged in an ongoing effort to prevent and correct any negative impacts regarding human rights that the Group has affected.

Information disclosure

Actions in regard to the UK Modern Slavery Act

SEKISUI CHEMICAL Group discloses a statement, adopted by its Board of Directors, regarding its efforts to prevent any form of modern slavery or human trafficking in any part of the Group's business or within its supply chains, in accordance with section 54 (1) of the UK Modern Slavery Act, which came into force in the UK in 2015.

SEKISUI CHEMICAL Group will also take appropriate measures to comply with human rights laws and regulations in countries and regions other than the UK that are relevant to its operations.

UK Modern Slavery Statement (Download PDF)

https://www.sekisuichemical.com/sustainability_report/pdf/update/English_Modern_Slavery_Statement_for_FY2021.pdf

● Responsible Procurement

Basic Concept

Based on the Vision 2030 Long-term Vision's Vision Statement of Innovation for the Earth: In order to realize a sustainable society, we support the basis of LIFE and will continue to create peace of mind for the future, we believe we must continue to stand accountable, be transparent, respect stakeholder interests, change, and evolve as part of procurement activities. In addition to the existing concept of Q (quality), C (cost), and D (delivery), we therefore revised and made additions to the Basic Procurement Policy, guidelines, and surveys during the current Medium-term Management Plan for the purpose of promoting responsible procurement that better considers society and the environment.

Under the next Medium-term Management Plan, we will work on listing all suppliers in our supplier due diligence, which considers the negative impacts that a company causes, contributes to, or is directly linked to, on people, the environment, and society. At the same time, we will consider the manner in which we can improve the efficacy of our due diligence. In addition, we will conduct a review in a timely and appropriate manner, taking into consideration trends in overseas statutory and regulatory requirements as well as directives, based on the understanding that the demands on companies from society will increase.

Revising the Basic Procurement Policy

Amid our efforts to promote CSR management, SEKISUI CHEMICAL Group formulated the existing SEKISUI CHEMICAL Group Basic Procurement Policy in October 2006 as our CSR procurement policy, which we also posted and disclosed on the Group website. In response to social issues and demands that emerged later on, we expanded the content in 2014 to cover conflict minerals, in 2018 to cover timber procurement, and in 2019 to consider the environment.

The existing SEKISUI CHEMICAL Group Basic Procurement Policy, however, fails to fully address further social issues and demands that have arisen in recent years, including human rights, sustainability, and anti-corruption issues that have emerged with the diversification in social demands on the supply chain.

For this reason, during the current fiscal year we investigated and formulated revisions to the Basic Procurement Policy, and posted these on the Group website on April 1, 2023*, to ensure broad recognition.

* For the Basic Procurement Policy, see p. 346.

Sustainable Procurement Guidelines (Supplier Code of Conduct)

Sustainable Procurement Guidelines (Supplier Code of Conduct) summarize the procurement objectives that SEKISUI CHEMICAL Group and its business partners aim to achieve. Sustainable Procurement Guidelines are in line with the UN Global Compact 10 Principles, UN Guiding Principles on Business and Human Rights, and SEKISUI CHEMICAL Human Rights Policy, as well as serves as the criteria that must be observed by all business partners involved with the Group and the production of its products.

We ask our business partners to understand and comply with the purpose and content of these guidelines as well as cooperate with us in our efforts to realize a sustainable society.

Targets

Crucial Action Items in the Current Medium-term Management Plan	Details	Targets	Results
Expand the management scope of priority risks	FY 2021		
	• Conduct CSR surveys of all domestic and overseas suppliers at once	Response rate 80%	Response rate 67%
	FY 2022		
	• Expand survey items related to conflict minerals, and survey overseas affiliates	Implementation rate 100%	Implementation rate 100%
Establish management regulations	FY 2021		
	• Procurement Guidelines (Supplier Code of Conduct)	Formulate	○
	• "Sustainable procurement" Survey Manual	(Revised edition)	○
	• "Sustainable timber procurement" Survey Manual	(Revised edition)	○
	• "Responsible Mineral Procurement" Survey Manual	(Revised edition)	○
	FY 2022		
	• Basic procurement policy	(Revised edition)	○
• "Sustainable Timber Procurement Guidelines"	Formulate	○	
Deploy use of self-audits and utilize external assessments	FY 2022		
	• Conduct interviews of 13 high risk supplier candidates identified from the results of the CSR survey	Implementation rate 100%	Implementation rate 100%
	• Conduct an audit together with an external organization regarding one overseas company from the above	Implement	○

System

As for SEKISUI CHEMICAL Group procurement, the Purchasing Group of Corporate Headquarters plays a central role in conducting transactions in accordance with Sustainable Procurement Guidelines and basic policies in cooperation with the purchasing departments of business sites and Group companies, as well as the Overseas Management Group.

In order to achieve more appropriate procurement throughout the supply chain, we encourage our secondary and tertiary suppliers to achieve and maintain socially responsible operations through our primary suppliers.

Cooperation with business partners is indispensable for promoting our initiatives, so we are working to foster their understanding regarding sustainable procurement and surveys. We have also made our Basic policy on Sustainable Procurement and Guidelines available on our website in English and Chinese for our overseas business partners.

Building Supply Chains based on Sustainable Procurement Surveys

SEKISUI CHEMICAL Group conduct sustainable procurement surveys to assess whether our business partners are operating in a socially responsible manner. These surveys are aimed at building responsible supply chains to achieve and maintain sustainable procurement. Based on the survey results, we work with our business partners to resolve any outstanding issues.

In fiscal 2021, we significantly revised the sustainable procurement survey, changing survey content from the original ISO-based format to the latest version of the CSR/Procurement Self-assessment Questionnaire formulated by the secretariat of Global Compact Network Japan (GCNJ). These revisions enable us to conduct more comprehensive surveys that include items related to human rights. In addition, the timing of the surveys had previously not been standardized, but we have made changes to ensure that surveys are conducted simultaneously worldwide. We plan to expand the scope of the survey as appropriate.

	Previous Surveys	Surveys from Fiscal 2021 Onward
Questionnaire	SEKISUI CHEMICAL Group's original questionnaire that referred to ISOs, etc.	Questionnaire using the latest version of the GCNJ CSR Procurement Self-Assessment Questionnaire
Survey scope	Purchasers with annual transactions of 30 million yen or more, cumulative top 80% of purchasers by Group company	Major purchasers possessing a defined amount of capital, with annual transactions of 30 million yen or more
Schedule	Sequential implementation (generally three years to complete surveys of all eligible companies)	Simultaneous surveys conducted every three years

| Sustainable Procurement Survey Process

Survey Scope: 1 Suppliers mainly of raw materials and materials (including packaging materials) that constitute or accompany products
 2 Utility-related business partners
 3 Production equipment-, construction work-related business partners
 4 Trading companies and actual manufacturers if the business partner is a trading company
 5 Not applicable if the business partner is a SEKISUI CHEMICAL Group company

Frequency: every time for new business partners and once every three years for existing ones

Survey method: surveys are conducted using the latest version of the CSR/Procurement Self-assessment Questionnaire

Survey structure: The Purchasing Group of Corporate Headquarters manages the entire survey, while business site and group company purchasing departments are responsible for requesting that business partners fill out questionnaires and collecting their responses. The Overseas Management Group and Group company purchasing departments are tasked with conducting surveys of business partners abroad.

Major Initiatives

| Fiscal 2022 Sustainable Procurement Survey

In regard to 13 suppliers who provided low self-assessments under the Sustainable Procurement Survey conducted in fiscal 2021, in fiscal 2022 we held direct interviews for the purpose of verifying the presence of any potential risks and confirmed their situation.

Based on the results, in regard to one overseas manufacturer that agreed to engage in improvements involving sustainable procurement in cooperation with the Group, we conducted interviews of local workers together with consultants to advance efforts toward improvement.

| Requests to Sign the Supplier Code of Conduct

We ask our suppliers to sign the Supplier Code of Conduct when conducting sustainable procurement surveys. The Supplier Code of Conduct is formulated to ensure that our suppliers maintain high standards of safe working conditions, fair and respectful treatment of employees, and ethical practices. We have included in the Supplier Code of Conduct a section that requires business partner supply chains (secondary and tertiary suppliers) to achieve and maintain socially responsible operations. In so doing, SEKISUI CHEMICAL Group will work to expand sustainable procurement.

Declaration of Partnership Building

In March 2022, SEKISUI CHEMICAL Group signed the Declaration of Partnership Building, declaring that the Group will focus on coexisting in mutual prosperity throughout the supply chain, forging new partnerships (inter-company collaboration, IT implementation support, expert personnel matching, green procurement, etc.), and adhering to promotion standards.

Declaration of Partnership Building

<https://www.biz-partnership.jp/declaration/8555-05-08-tokyo.pdf>(pdf: 152KB)

Fiscal 2022 Responsible Mineral Procurement Survey

In fiscal 2022 we conducted surveys based on the newly revised Responsible Mineral Procurement Survey Manual. In advance of these surveys, we held in-house training sessions to deepen the understanding of the surveys in regard to the background behind conflict minerals (minerals used by armed insurgents as a source of funds) to be surveyed and social changes (child labor and other human rights violations).

Upon surveying 35 domestic locations and 16 overseas locations that handle the surveyed minerals, of those raw materials containing the surveyed minerals, in Japan the results identified 90% at smelters, while 5% were undisclosed and 5% were unknown. Overseas, the results identified 78% at smelters, while 2% were undisclosed and 19% were unknown. In fiscal 2023, we will investigate actions in line with the risk levels of undisclosed and unknown raw materials.

Changes to the Responsible Mineral Procurement Survey

	Previous Surveys	Surveys from Fiscal 2021 Onward
Target risks	Whether they fund armed insurgents	<ul style="list-style-type: none"> • Whether they fund armed insurgents • Overall human rights violations including child labor
Target regions	The Democratic Republic of Congo and neighboring countries Total: 10 countries	<ul style="list-style-type: none"> • CAHRAs (EU Conflict Mineral Regulation): 28 countries • The Democratic Republic of Congo and neighboring countries: 10 countries Total 34 countries (due to duplication)
Target minerals	3TG (tantalum , tungsten, tin and gold)	3TG+ cobalt, mica
Target raw materials	Product raw materials for which customers have requested investigations	Raw materials containing target minerals
Report content	<ul style="list-style-type: none"> • No. of companies and products about which customers have made inquiries • No. of products containing 3TG among the above • Status of smelter identification for the above products containing 3TG 	<ul style="list-style-type: none"> • No. of companies and products about which customers have made inquiries • List of raw materials, names of target minerals, refineries, countries of origin, etc. • High risk level, response

Sustainable Timber Procurement

In the course of our business activities, the Group procures wood itself or wood-based raw materials and recognizes that this may have negative impacts with regard to human rights and the environment.

In addition, at COP26 in November 2021, leaders from over 100 countries, including Japan, signed a document committing to end deforestation by 2030.

In response to this, we significantly updated our existing due diligence procedures in fiscal 2022.

Specifically, we have set a new target of 2030: Zero Deforestation and revised our Timber procurement policy* to achieve this goal.

* For the timber procurement policy, see p. 347.

	Previous Policy	Policy for 2022 and Beyond
Environment	–	Promote the procurement of timber from forests that are properly managed for sustainable use.
	–	Promote the procurement of timber that does not lead to natural forests being converted to other uses.
	–	Procure timber from forests other than those with high conservation value, such as biodiversity conservation.
	–	Procure timber from non-threatened tree species.
	We will use timber- and wood-based materials that are already used in markets, as well as unused thinnings and branches.	Procure wood materials that contribute to resource circulation, such as recycled materials and unused thinned wood.
–	Proactively employ suppliers that are implementing activities that lead to an increase in forests.	
Society	–	Promote procurement in a manner that does not have a negative impact on local communities and respects local cultures, traditions, and economies in the sales channels, including logging and processing of timber products.
	–	Promote procurement that respects the rights of indigenous peoples.
	–	Promote procurement that respects the rights of all workers.
Governance	We make every effort to ensure that the timber used in products is logged in accordance with statutory and regulatory requirements.	Comply with all laws and regulations relating to forest procurement.
	We implement small quantity investigations on the logging area, tree species, and quantity of timber materials, in order to ensure traceability.	Ensure traceability of timber and timber products, and promote clear place of origin and problem-free procurement of timber and timber products.

And in order to realize procurement in line with the timber procurement policy, we have established new Sustainable Timber Procurement Guidelines, and have launched initiatives to reduce the negative impact of deforestation on the human rights and environment of indigenous peoples, performing legal timber procurement to date as a matter of course.

The details of these initiatives include conducting questionnaire surveys of 57 suppliers in regard to tree species and logging areas, holding interviews with suppliers among these 57 who handle raw materials that are endangered species and that are from countries with high-risk logging areas, and clarifying traceability. As a result of these surveys, we identified four suppliers along the supply chain that are at risk, although we do not purchase directly from them. We will continue to engage in efforts to reduce identified risks.

The procurement breakdown by region is shown as follows.

Timber Procurement Ratio by Area (Fiscal 2022)

