



TOPICS

■ Basic Concept

ESG Management for Realizing Sustainability ... p13

■ Foundation Underpinning ESG Management

- Corporate Governance p15
- Stakeholder Engagement p29
- Respect for Human Rights p37

■ Identifying Key ESG Issues p43

■ Key ESG Management Issues and KPIs p47

■ Promotion System p48

Basic Concept

In Realizing Vision 2030, SEKISUI CHEMICAL Group Is Promoting Measures Toward Sustainability That Are in Tune with Business Activities

ESG Management for Realizing Sustainability

By means of its ESG management, SEKISUI CHEMICAL Group is aiming to realize both a sustainable society and the sustainable growth of the Group itself. To this end, we are working together with stakeholders on the three steps: securing prominence, solving social issues, and creating peace of mind for the future.

< Three Steps >

Securing prominence

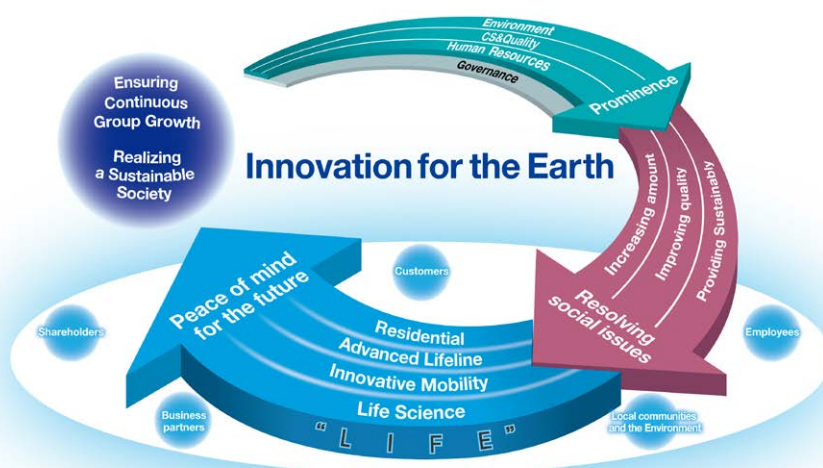
Putting in place a corporate structure that is trusted by society through Governance (Internal Control) and driven by the challenge of its prominence in human resources to create products and services that are overwhelmingly different in terms of the environment as well as CS & Quality.

Solving social issues

Based on its prominence, accelerating the solving of social issues by means of three approaches (increasing the quantity of contributions, improving the quality of contributions, and providing both quantity and quality in a sustainable manner).

Creating peace of mind for the future

Creating and expanding the value that delivers peace of mind for the future to all generations, including those of the future, through four domains (Residential, Advanced Lifeline, Innovative Mobility, and Life Science).



Conceptual Diagram of ESG Management

Foundation Underpinning ESG Management

Basic Philosophy and Framework for Corporate Governance

SEKISUI CHEMICAL Group (the 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, and 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 form of the Initiatives to Each of 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.

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

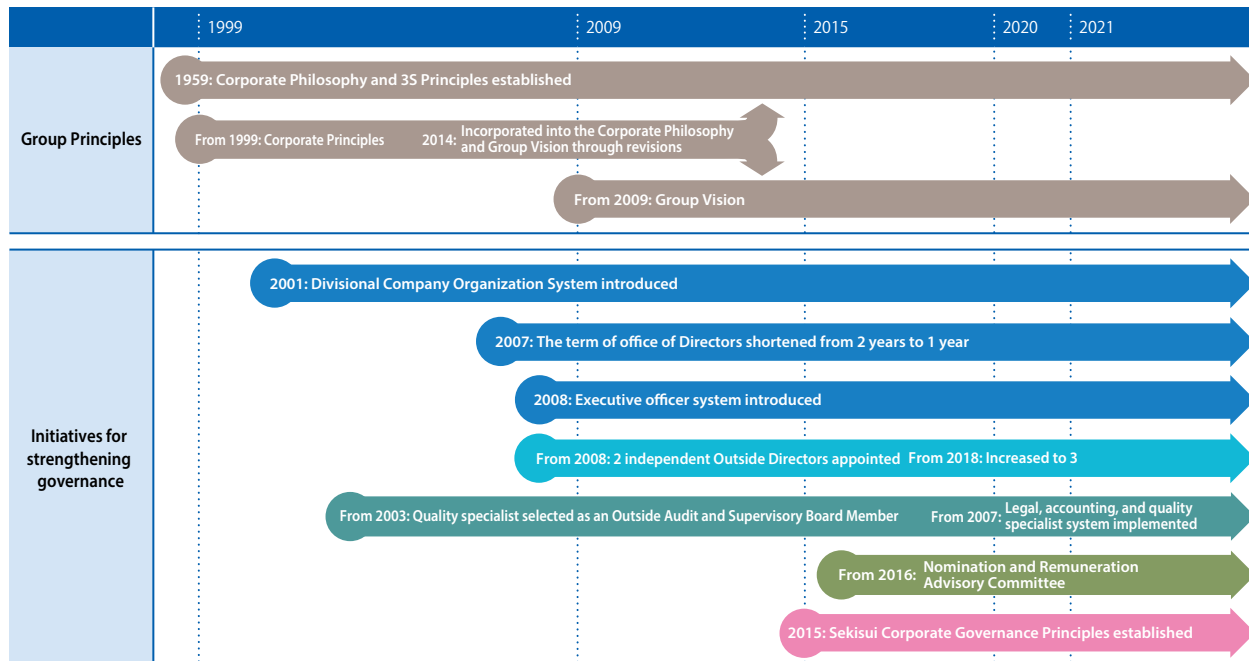
● Corporate Governance

| Organizational Structure

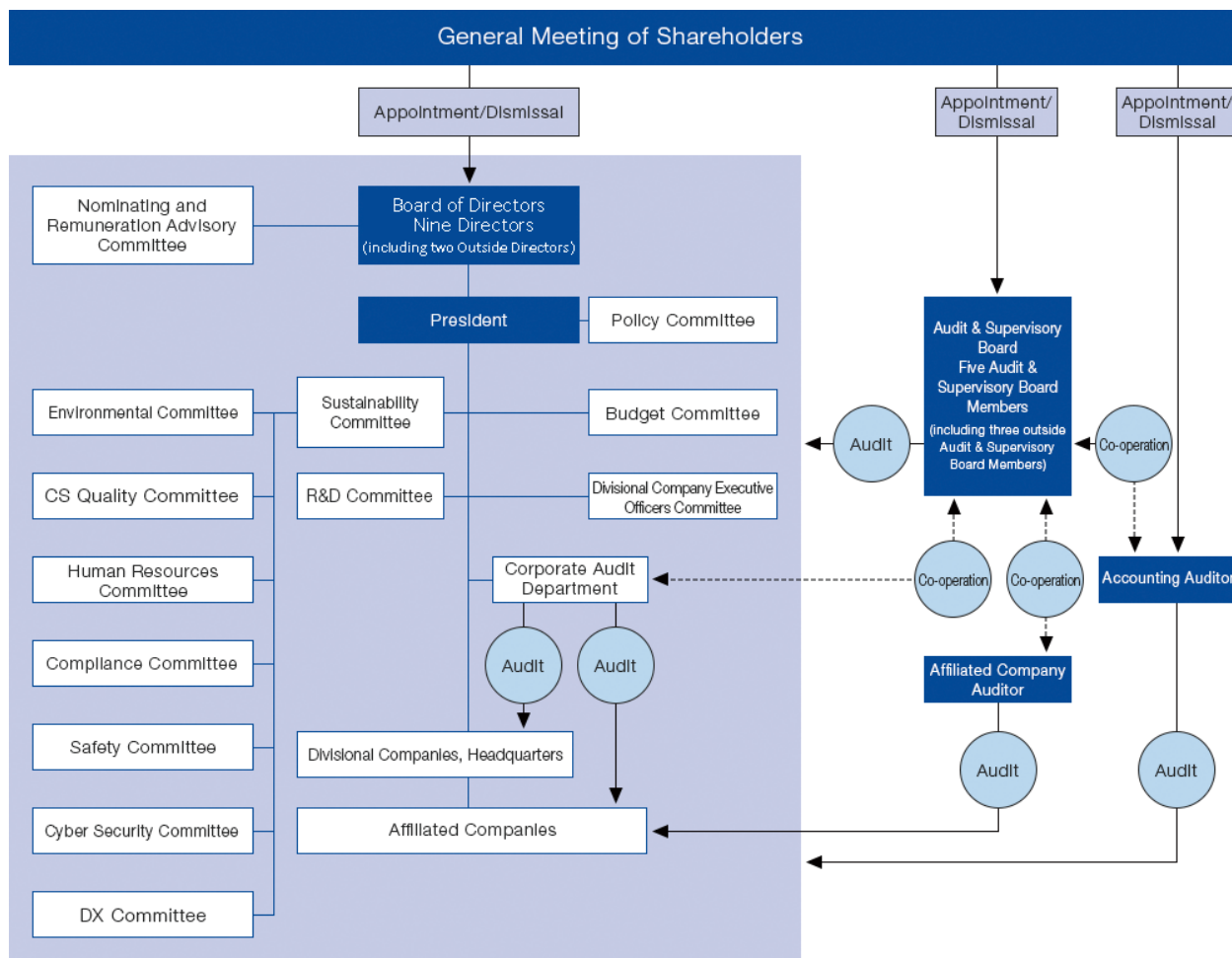
As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit and Supervisory Board. Under the Divisional Company Organization System, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function from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

Organizational structure	A company with an Audit and Supervisory Board
Total number of Directors	9 (In-house: 7; Outside: 2) * No female Directors
Ratio of Outside (independent) Directors	22.2%
Ratio of female Directors	0%
Director's term of office	1 year
Executive Officer system introduced	Yes
Organization to assist the president in making decision	Policy Committee
Voluntary advisory board to the Board of Directors	Nomination and Remuneration Advisory Committee established

Initiatives Taken to Enhance Corporate Governance



Corporate Governance System Chart (As of March 31, 2022)



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, and two or more of them shall be Outside Directors.

The Board of Directors of the Company 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 the 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 the 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, two male and one female Outside Directors for a total of three were appointed to the Company's Board of Directors at the Annual General Meeting of Shareholders held in June 2021. Despite her appointment, the female Outside Director resigned as of the end of August 2021 to take up a position at Japan's Digital Agency established on September 1, 2021. As of the end of March 2022, the number of Outside Directors stood at two.

Taking into consideration its Outside Director ratio and the need to secure diversity based on such wide-ranging criteria as gender, SEKISUI CHEMICAL Group has considered increasing the number of Outside Directors. As a result, the Company decided to submit an agenda item regarding the election of Directors including a proposal to increase the number of Outside Directors at its Annual General Meeting of Shareholders held in June 2022.

Name	Position in the Company	Number of Years As of the closing of the Annual General Meeting of Shareholders held in June 2022	Attendance of Board of Directors Meetings of the Company (Fiscal 2021)	Attendance of Audit and Supervisory Board Meetings of the Company (Fiscal 2021)	Attendance of Nomination and Remuneration Advisory Committee Meetings of the Company (Fiscal 2021)
Teiji Koge	Chairman of the Board and Representative Director	17 years	100% (17 out of 17)	—	100% (6 out of 6)
Keita Kato	President and Representative Director Chief Executive Officer	8 years	100% (17 out of 17)	—	100% (6 out of 6)
Yoshiyuki Hirai	Director Senior Managing Executive Officer	7 years	100% (17 out of 17)	—	—
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	3 years	100% (17 out of 17)	—	—
Futoshi Kamiwaki	Director Senior Managing Executive Officer	2 years	100% (17 out of 17)	—	—
Ikusuke Shimizu	Director Senior Managing Executive Officer	3 years	100% (17 out of 17)	—	—
Kazuya Murakami	Director Executive Officer	1 years	100% (13 out of 13)	—	—
Yutaka Kase	Independent Outside Director	6 years	100% (17 out of 17)	—	100% (6 out of 6)
Hiroshi Oeda	Independent Outside Director	4 years	100% (17 out of 17)	—	100% (6 out of 6)
Hiroyuki Taketomo	Corporate Audit and Supervisory Board Member	1 years	100% (17 out of 17)	100% (13 out of 13)	—
Toshitaka Fukunaga	Corporate Audit and Supervisory Board Member	2 years	100% (17 out of 17)	100% (19 out of 19)	—
Tetsuo Ozawa	Independent Outside Audit and Supervisory Board Member	8 years	100% (17 out of 17)	100% (19 out of 19)	100% (6 out of 6)
Kazuyuki Suzuki	Independent Outside Audit and Supervisory Board Member	7 years	94% (16 out of 17)	95% (18 out of 19)	—
Ryoko Shimizu	Independent Outside Audit and Supervisory Board	3 years	100% (17 out of 17)	100% (19 out of 19)	—

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	3	6
	Female	0	0	0	0	0

Note: As of March 31, 2022

Outside Directors

The Company 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.

Assessment Relating to the Board's Effectiveness

The Company evaluates the effectiveness of the Board of Directors every year.

Having set an appropriate agenda, the Board of Directors engages in sufficient discussion with opinions and recommendations actively provided by Directors (including Outside Directors) and Audit and Supervisory Board members. The Company has therefore determined that the current Board of Directors is contributing to enhancing the corporate value of the Group and functioning properly.

In fiscal 2021, the Board of Directors engaged in thoroughgoing discussions of important management issues. Items of deliberation included both growth strategies (including R&D and large new businesses) and fundamental strategies (Sustainability Committee reports, digital transformation, safety, compliance, as well as CS & Quality).

In addition, steps were taken to conduct questionnaires for Directors and Audit and Supervisory Board members to assess the effectiveness of Board of Directors meetings. While identifying important management issues that require further deliberation, energies were directed toward reviewing the setting of agendas to ensure that sufficient time is allocated for the deliberation of important issues. Once again to confirm that the Board of Directors has sufficient time to discuss and comments on important issues, measures were implemented to ascertain whether Directors including Outside Directors and Audit and Supervisory Board members were actively expressing their opinions and proposals.

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 2021, the Nomination and Remuneration Advisory Committee met six 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, and inspections of business sites several times a year. 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 dialog with Audit and Supervisory Board members and corporate auditors. From the point of view of succession planning, 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 light of the need to prevent further spread of COVID-19 infections, the following initiatives were implemented using a Web conference system in fiscal 2021.

(1) Online business site visits

Online inspection of the Shiga-Ritto Plant and the General Institute of the UIEP Company.

(2) R&D briefings

Briefings on the various R&D themes in progress at the Company's R&D Center.

(3) Business briefings on the Life Science field

Briefings on overall market conditions and R&D themes in progress in the Life Science field.

Consultations with Stakeholders 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 and social trends that are directly linked to management issues.

【Fiscal 2021 Executive Officers Liaison Meeting Lecture Topics】

Jitsuro Terashima

Topic: Overcoming COVID-19

—The Course for Japan's Economy and Industry in 2022—

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 five 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.

Note: 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 determined within the scope of payment rates (0% to 100%) linked to the level of target achievement for such parameters as operating income and business performance of each divisional company.

<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 2021

(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	11	340	7	161	7	76	11	578
Of which Outside Directors	3	34	—	—	—	—	3	34
Audit and Supervisory Board members	6	76	—	—	—	—	6	76
Of which outside Audit and Supervisory Board members	3	36	—	—	—	—	3	36

Note 1: The aforementioned includes one Director and one Audit & Supervisory Board member who retired at the conclusion of the 99th General Meeting of Shareholders held on June 23, 2021 as well as one Director who retired effective August 31, 2021.

Note 2: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to 86 million yen for Directors who concurrently serve as employees.

Notice of Convocation of the Annual General Meeting of Shareholders

https://www.sekisuichemical.com/ir/library/notice_of_convocation/index.html

Director Company Stock Ownership Guidelines

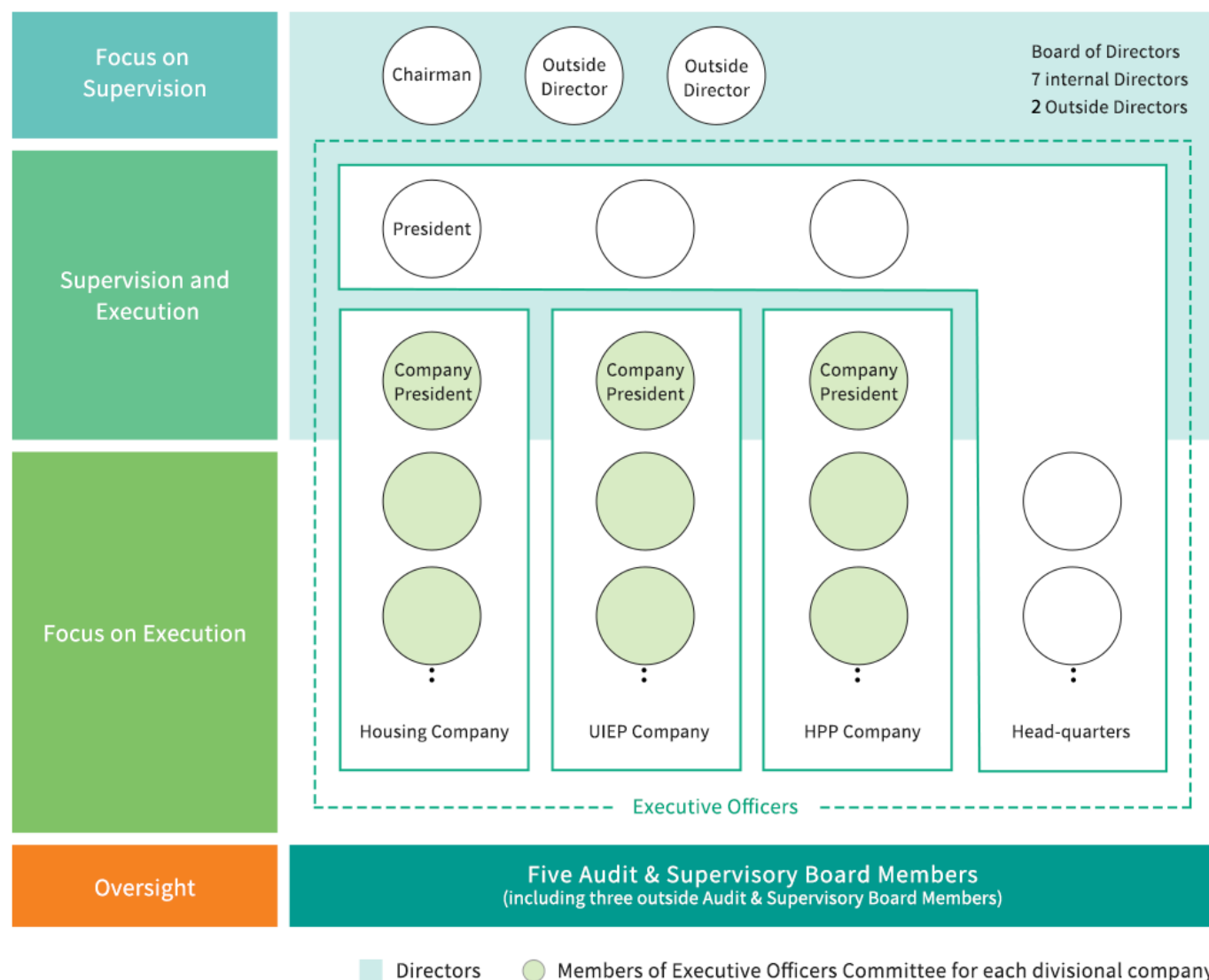
In addition to having introduced, for Directors (excluding Outside Directors) and divisional company Executive Officers, a share-based compensation plan to further raise motivation to contribute to the improvement of mid- and long-term business performance and improve the Group's corporate value, the 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 Technology & CS Promotion Department and Head of Legal Department have been appointed as full-time Corporate Audit and Supervisory Board Members in fiscal 2022.

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.

Compliance

We hold meetings of the Sustainability Committee chaired by the president and carry out deliberations on fundamental policies and other issues related to compliance. Also, as the operational arm of the Sustainability Committee, we operate a Compliance Sub-committee, which is chaired by the Executive Officer in charge of the Legal Department, which in turn serves as the secretariat. In addition to the heads of divisional company and headquarters departments, the Head of the Corporate Audit Department also serve as members on this sub-committee. This organization reports compliance activity results and matters for Compliance Advisory Board deliberation, as well as discusses future activity policy.

In similar fashion to the previous fiscal year, expansion of the applicable scope of our internal reporting system overseas and adjustment of SEKISUI CHEMICAL Group regulation were once again important working items in fiscal 2021. With cooperation from regional headquarters in the United States, China, Europe, and Thailand, we were able to carry out these activities.

October 2021 was named Compliance Reinforcement Month, and as part of the related activities we requested all top executives to issue compliance messages and submit reports related to their content. In addition, compliance training and other activities were carried out not only in Japan but also for local employees at overseas locations such as the United States, China, Europe, ASEAN, and India.

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 2021. 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. Policy decisions were made by the Board of Directors 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 19 times in fiscal 2021 for the purpose of sharing the information from these reports. Audit and Supervisory Board Members regularly exchanged opinions with corporate 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

SEKISUI CHEMICAL Group maintains a risk management structure for the integrated management of measures to prevent risk events from occurring (risk management) and to respond when risk events occur (crisis management).

In fiscal 2021, we identified 17 categories of risk that could lead to serious Company-wide incidents in the five areas of safety, quality, accounting, law, ethics, and information management as significant Company-wide risks. By incorporating this into our existing organization-specific risk management activities, positive steps have been taken to realize Company-wide enterprise risk management (ERM). Specific Company-wide risks and specific risks identified for each organization based on the SEKISUI CHEMICAL Group Risk Management Guidelines are analyzed and evaluated. We then determine countermeasures for these risks and carry out repeated periodic review and revisions, which will be run through the PDCA management cycle every year.

In the event of a major incident, crisis management activities are carried out based on the SEKISUI CHEMICAL Group Crisis Management Guidelines. Crisis Management Liaison Meetings are held regularly with each specialized department of headquarters and divisional company representatives in attendance to ensure appropriate handling measures are implemented rapidly, and we also carry out education and training sessions using case studies.

In addition, efforts were made to revise and formulate an initial response plan (ERP) that places the protection of human life as the highest priority for 143 organizations as a Groupwide initiative from fiscal 2021. Moreover, we are working to put in place a resource-based business continuity plan (BCP) as an all-hazard BCP that encompasses all types of crisis events at our major business organizations. During the current medium-term, we will work to establish a BCM system that can be periodically reviewed through training and other means within our own organization.

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

We are promoting stakeholder engagement using a variety of methods.

■ Promoting Constructive Dialogue with Stakeholders

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.

We will create a relationship of mutual prosperity with our stakeholders while continuing to promote sustainable growth.

In fiscal 2021, the ESG Management Department, which falls under the purview of the Director and 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.

There were no major concerns voiced by stakeholders through any of the engagements in fiscal 2021. In addition, in order to steadily practice the active disclosure of information in a timely and appropriate manner throughout the Group as a whole, we formulated the Corporate Information Disclosure Regulations, which specify the content and system of disclosure, guided by the Principle of Corporate Information Disclosure and are disclosing information in line with our IR (disclosure) policy.

Responsibility of SEKISUI CHEMICAL Group to Each Stakeholder

Stakeholders	Responsibility of SEKISUI CHEMICAL Group
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.
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.
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.
Business partners	When procuring materials, we follow the fundamentals of being open, fair, compliant with the law, engaged in relationships of mutual trust, and environmentally conscious. 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.
Local communities	We emphasize a perspective that encompasses contributions to the development of communities through our business, coexistence with communities, and environmental conservation. We think about how to make measures that are tailored to the needs of each community and practice business in ways that engender trust.
Global environment	We are engaged in expanding and creating the market for products to enhance sustainability, reducing our environmental impacts, and conserving the natural environment—all with the aim of realizing “earth with maintained biodiversity.”

Major Initiatives

Engagement with Stakeholders

SEKISUI CHEMICAL Group works diligently to promote communication with stakeholders through a variety of methods.

Main Responsibilities, Communication Channels, 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 • Twice 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), four times per year

Stakeholders	SEKISUI CHEMICAL Group's Commitment	Contact	Communication Methods	Frequency
Business partners	<p>When procuring materials, we follow the fundamentals of being open, fair, compliant with the law, engaged in relationships of mutual trust, and environmentally conscious.</p> <p>We aim to achieve coexistence and shared prosperity by building more robust partnerships with our business partners and engaging in fair trade.</p> <p>We are also engaged in promoting CSR based on cooperation with our business partners.</p>	<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)
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

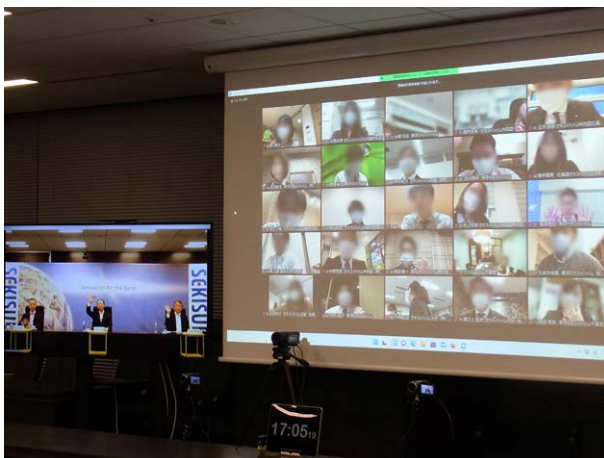
Vision Caravan 2021, an Opportunity for Direct Dialogue between Top Management and Employees

In fiscal 2021, we worked to promote awareness 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 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.



Vision Caravan 2020 event implemented online

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 director in charge 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 2021, we held 82 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 December 2021, we held an ESG Management Briefing for institutional investors and analysts to promote understanding of our ESG management initiatives aimed at ensuring SEKISUI CHEMICAL Group's sustainable growth. 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.

Active Engagement Between Investors and Management

	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Results 
Number of engagements*	88	87	67	54	82

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

Promoting Awareness and Understanding of ESG Management Concepts

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 2021 has created a website dedicated to this vision and conducts My Vision employee interviews, in which employees in Japan and overseas talk about their commitment to the Long-term Vision. 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 CSR training for new employees, newly appointed managers, and all subsidiary company employees based on their position.

Using a top-down approach, we also carried out training sessions for line leaders at all Group companies in fiscal 2021 to ensure that the Long-term Vision was thoroughly understood and incorporated into each business and their operations. Work site workshops were held at which each of these line leaders expressed their own vision for their workplaces 10 years from now and employees considered the kind of workers they want to become based on these visions.

Over and above the aforementioned, the following communication tools help promote increased awareness of the Group's ESG management among employees.

- In-house magazine (including a series of special features on ESG management)
- SEKISUI CHEMICAL Group ESG Management Reader's Guide (introduction to ESG management), a tool to promote understanding of ESG management among all employees

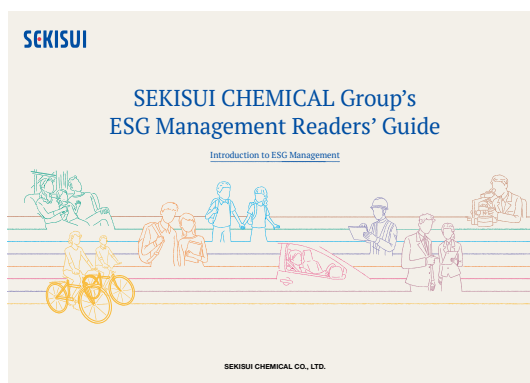
These communication tools and ESG-related materials are freely available for employees to download from the intranet, and are also distributed to all employees, regardless of whether they are regular or non-regular staff, on an as needed basis, for example when employees join the Company or when implementing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



English

Distributing Value to Stakeholders based on GRI Standards

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
Shareholders	Dividends	20,615	22,401	22,193	23,177
Business partners	Cost of Sales, Selling Costs / General Administrative Costs (Excluding Personnel Costs)	840,514	829,809	778,554	858,944
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
Local communities	Donations	165	158	218	198
Global environment	Environmental conservation costs	21,882	17,850	16,207	27,522
Government and administrative bodies	Corporate taxes, local taxes, business taxes	22,261	22,619	19,902	31,099
Creditors	Interest paid as part of costs apart from sales	480	695	861	774

● Respect for Human Rights

| Respect the Human Rights of All Individuals Affected by Business Activities

At SEKISUI CHEMICAL Group, we consider it our duty to advocate for the human rights of all people affected by our business activities.

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. When conducting human rights due diligence, including the identification of human rights issues, we will apply expert human rights knowledge from independent third parties and engage in earnest dialogue and consultation with our stakeholders.

| Understanding and Acceptance of the SEKISUI CHEMICAL Group Human Rights Policy

SEKISUI CHEMICAL Group formulated the SEKISUI CHEMICAL Group Human Rights Policy in May 2019. This policy is consistent with the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council and is distinguished by its commitment to firmly respecting human rights across the board, including the value chain beyond the Group.

The scope of human rights due diligence and education initiatives stipulated in the policy was expanded in fiscal 2021. Going forward, we will continue to work toward achieving an understanding of and instill this Human Rights Policy among all employees of the Group, as well as our suppliers and business partners.

See the following for details of the SEKISUI CHEMICAL Group Human Rights Policy.

For details see the SEKISUI CHEMICAL Group Human Rights Policy on P324.

| 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 (PDF download)

https://www.sekisuichemical.com/csr/pdf/English_Modern_Slavery_Statement_for_FY2020.pdf

SEKISUI CHEMICAL Group Endorses the My Declaration of Human Rights Project

In endorsing the My Declaration of Human Rights Project put forward by Japan's Ministry of Justice, SEKISUI CHEMICAL Group announced details of its declaration in September 2021.

This project is an initiative that encourages companies, organization, and individuals to declare their intention to behave in a manner that promotes mutual respect thereby ensuring the human rights of every member of society.

SEKISUI CHEMICAL Group's human rights declaration is as follows.

SEKISUI CHEMICAL Group's long-term vision is to support the basis of LIFE (existence, life, lifelines) and create peace of mind for the future. In order to contribute to the realization of a sustainable society, we will respect the human rights of all people affected by the Group and establish a framework to prevent and mitigate human rights violations on a global basis.



The Company's president promoting the SEKISUI CHEMICAL Group human rights declaration.

Major Initiatives

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. Initiatives implemented up to fiscal 2020 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. Conducted a new survey-based human rights risk assessment for management in all areas where the Group is located and for general as well as indirect employees at selected business locations in fiscal 2021.

^{*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.

Human rights interviews implemented at domestic production 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, employee interviews were conducted to confirm the working environment at the following domestic production sites, which have a relatively large number of foreign nationality employees, in December 2020.

- Targets

- 1) Foreign nationality employees working at Higashi Nihon Sekisui Industry Co., Ltd. a UIEP Company (including contract and dispatch employees)
- 2) Personnel and labor management supervisors for the aforementioned foreign nationality employees

- Implementation method

Although we initially planned to hold the interviews in person, business trips to the site were canceled due to the COVID-19 pandemic and they were conducted remotely instead. Caux Round Table Japan* interviewed the employees in groups of 1 – 4 for about one hour each.

- Results

Although no serious human rights risks were identified, a feedback reporting session was implemented with Higashi Nihon Sekisui Industry Co., Ltd. to share extracted issues for improvement such as the need for multilingual support for plant internal guidance and notices.

In addition to follow-up evaluations related to the handling of these issues, plans are in place to conduct interviews at sites where latent human rights risks were identified through risk assessments conducted in fiscal 2021. We will work to identify and mitigate human rights risks by continuously confirming onsite feedback firsthand.

- * 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.

Conducted comprehensive global human rights risk assessments

In fiscal 2021, SEKISUI CHEMICAL Group conducted human rights risk assessments of Group companies, including joint ventures, on a global basis.

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

Although the results of the assessment did not reveal any human rights issues requiring a critical or immediate response within the scope of the survey, 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.

For each site where the above issues were identified, we will confirm the status of each situation on an individual basis and take corrective actions as necessary.

In addition, the following were identified as issues that require stronger Group-wide management in order to prevent the emergence of human rights risks

- Promote awareness toward human rights policies on a thoroughgoing basis and provide human rights education and awareness training
- Supplier outreach, call on suppliers for social and environmental initiatives and support
- Grievance mechanisms

To address these Group-wide issues in a cross-organizational manner, we established the Human Rights Subcommittee, which is chaired by the Director and General Manager of the Human Resources Department and comprises the heads of each specialized headquarters department.

Assessing the Human Rights Situation at Our Suppliers**Caring About Human Rights Issues Across the Entire Supply Chain**

In order for our suppliers to understand the Group's procurement policy, including respect for human rights, we have produced English and Chinese translated versions as well as the Japanese version and are promoting the process of making procurement policies available in a variety of languages, such as by posting them in Japanese and English on our websites.

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. Taking into account opinions of outside experts, our procurement guidelines are also in line 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 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.

Conducting CSR Procurement Surveys for Business Partners

Guided by its procurement policy, SEKISUI CHEMICAL Group looks to ascertain the status of our suppliers' human rights considerations as well as environmental conservation and social responsibility initiatives through surveys.

Although we have conducted surveys at SEKISUI CHEMICAL and Group companies as well as in each overseas region up until now, we changed to a general global survey from fiscal 2021 in order to more rapidly address common global initiatives.

We formulated sustainable procurement guidelines that cover the UN Global Compact 10 Principles in order to enhance sustainable procurement in fiscal 2021. Surveys conducted were significantly revised to allow suppliers to evaluate and confirm their own compliance and achievement of the guidelines. In substantially increasing the number of questions and making it more difficult to reply, 336 of the 499 domestic and overseas companies surveyed responded in fiscal 2021.

Engagement with External Stakeholders

SEKISUI CHEMICAL Group engaged in individual dialogue* with overseas experts in October 2021, speaking with specialists in human rights from the Institute for Human Rights and Business (IHRB) and the United Nations Development Programme (UNDP) about the Group's human rights initiatives. Discussions included advice on how the Company could best develop its related activities moving forward.

While commenting favorably on the human rights risk assessments conducted for foreign nationality employees in Japan this fiscal year as an effective initiative, experts pointed out the importance of conducting surveys targeting overseas Group immigrant workers and the need to ascertain whether human rights have been violated.

Looking ahead, we will continue to promote human rights initiatives on a systemic basis in accordance with the Guiding Principles on Business and Human Rights while drawing on the opinions of these stakeholders.

* Individual dialogue: Organized by Caux Round Table Japan.

Human Rights Training and Education for 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. In order to prevent power, sexual, maternity, and other forms of harassment, SEKISUI CHEMICAL Group continues to address harassment-related topics during employee rank-based training, including new employee and newly appointed manager training. In this way, we provide knowledge for preventing harassment tailored to each rank and position. In addition to periodically providing harassment training as part of field-based educational programs, we also implement such initiatives as e-learning. In fiscal 2021, 1,383 employees participated in harassment training.

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 2021, the decision was made to expand this initiative to all areas (North America, Europe, and Asia) in which the Group operates.

Currently, we are promoting efforts to provide education in German, Spanish, Dutch, Chinese, Thai, and Indonesian. 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.

Over and above the aforementioned, the compliance manual for domestic Group companies and the global compliance manual for overseas Group companies, which are provided to all Group employees, contain information on a wide range of topics including respecting human rights, prohibiting discrimination, preventing harassment, and protecting personal information. In this manner, we work diligently to promote understanding of a broad spectrum of human rights and compliance issues.

Shifting from the Issue of Conflict Minerals to Responsible Mineral Procurement

SEKISUI CHEMICAL has been concerned about the issue of conflict minerals in the Democratic Republic of Congo and neighboring countries and has conducted surveys on the use of conflict minerals throughout the supply chain from a CSR perspective.

However, in light of recent events, we reviewed our Conflict Minerals Survey Guidelines that have been in effect since April 2017 and began applying new Responsible Mineral Procurement Survey Guidelines. From fiscal 2021, we have conducted surveys that include cobalt and mica in Japan. In addition to conventional sources for the funding of armed forces, we will identify smelters and respond in accordance with risk levels in order to eliminate the procurement of minerals related to such risks as child labor and other human rights abuses.

Through a tin, tantalum, tungsten or gold (3TG) survey, SEKISUI CHEMICAL Group identified that 98% of smelters and refineries in Japan and 99% overseas were Conformant (have passed or are undergoing Responsible Minerals Initiative (RMI) audits). While identifying 83% of domestic cobalt smelters, we are yet to identify any mica processors. We will strengthen our activities from the next fiscal year both in Japan and overseas.

Identifying Key ESG Issues

SEKISUI CHEMICAL Group Has Identified the Key Issues to be Addressed in Its ESG Management Efforts

Extracting and Identifying Key Issues

To strengthen still further ESG management, which is the key to realizing the Long-term Vision, Vision 2030, SEKISUI CHEMICAL Group has taken a revised look at important ESG issues and is promoting measures centered on Governance (Internal Control), DX, the environment, human resources, and fusion.

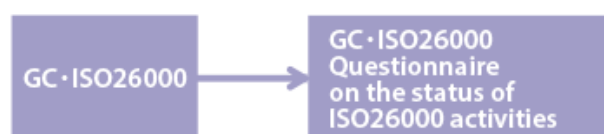
Identification Process for Key ESG Issues

Key ESG issues were identified based on the following processes.

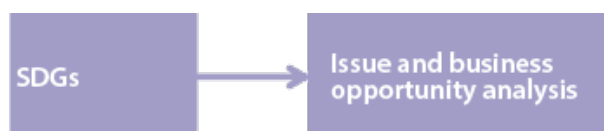
Step 1. Consider issues from the global guidelines, etc.

- (1) Identify candidate issues from the UN global compact (GC) and ISO26000

While adhering to the 10 principles in the GC, we examine the status of involvement within the Group for relevant activities and aspirations concerning each of the seven main core issues in ISO26000, and identify the points where involvement was insufficient.



- (2) Identify candidate issues by considering the boundaries both inside and outside the Group while considering the relationship between SEKISUI CHEMICAL Group and business regarding the economics, environmental, and social items described in the GRI standard.



- (3) Analyze the social issues described in SDGs, and select the issues that provide business opportunities for SEKISUI CHEMICAL Group. In contributing to these solutions, we identify initiatives required for their success.

Step 2. Identify issues from ESG/CSR surveys and other companies' trends**(1) Identify candidate issues from ESG/CSR surveys**

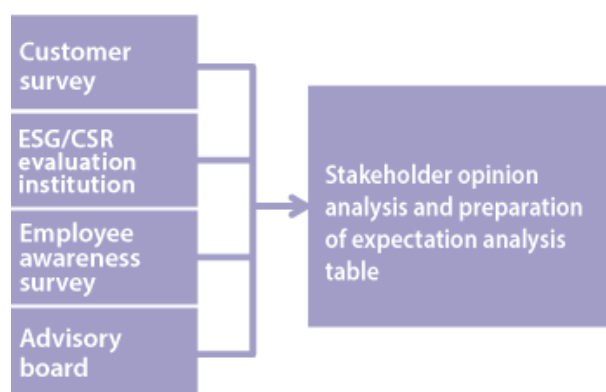
We analyze issues based on the details of replies and evaluation results to each ESG and CSR survey, and identify candidate key ESG issues where future involvement can be considered important.

**(2) Analyze other companies' ESG/CSR involvement and information disclosure trends**

We examine involvement by other advanced ESG/CSR companies and trends in their disclosure using ESG/CSR reports, etc., and identify issues where improvements to SEKISUI CHEMICAL Group's future involvement and information disclosure are to be desired.

**Step 3. Analyze stakeholder opinions and expectations****(1) Sort major stakeholder opinions**

We collect and sort the main opinions regarding ESG/CSR from the results of talking to various stakeholders such as customers, shareholders, investors, employees, trading partners, and local communities, etc.

**(2) Analyze major expectations by stakeholder**

We factor in the main opinions from the various stakeholders described in (1) above, and analyze the main stakeholder expectations from their relationship to SEKISUI CHEMICAL Group business and ESG/CSR involvement.

Step 4. Identify key ESG issues**(1) Sort key ESG candidate issues**

We add the CSR issues in which we have previously been strategically involved to the candidate ESG issues identified in steps 1 to 3 above to organize the candidates for key issues in ESG management.

(2) Evaluate the importance of key ESG candidate issues

We evaluate the key ESG candidate issues sorted in (1) along two axes: A. Importance to stakeholders and B. Importance to SEKISUI CHEMICAL Group management, and identify the key ESG issues.

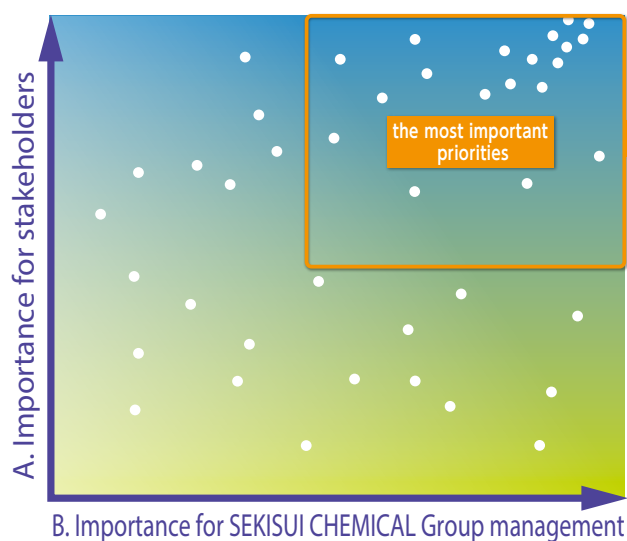
We then rank the key ESG issues that had been identified by priority. A. Importance to stakeholders is evaluated based on the viewpoints of stakeholder expectations, global trends, and positive and negative impact on the planet and society, and B. Importance to SEKISUI CHEMICAL Group management is based on the viewpoints of Conformance to management policy and management strategy, extent of compliance with ESG issues, risk and reputation, and priority considered on the time axis. Based on the Long-term Vision, Vision 2030, we evaluate A. Importance to stakeholders with the new application of the Sekisui Environment Sustainability Index*1 and B. Importance to SEKISUI CHEMICAL Group management with the added approach of using the SEKISUI Sustainable Spread*2 (taking ROIC and capital cost into consideration).

*1 Please refer to Integrated Index on P162

*2 Please refer to Realizing Vision 2030 on P7

(3) Identify key ESG issues

The key ESG issues are discussed at Company management meetings, with items for implementation and management targets reviewed by the main departments before final internal approval is granted. Key management targets and items for implementation that have been approved are given suitable management through the PDCA cycle. As a rule, the key ESG issues will be reviewed and items for implementation and management targets will be set every three years when the medium-term management plan is created, though revisions will be discussed each year based on business conditions as well as social expectations and requirements.

**Governance (Internal Control)**

- Reducing serious incidents (safety, quality, accounting, legal /ethical, information management)
- Risk management, BCP

DX

- Visualization and standardization
- Increase productivity
- Sophistication

Environment

- Adapt to and mitigate climate change
- Promote a circular economy
- Reduce water risks

Human Resources

- A challenging corporate culture and evolution toward active employee participation (culture and human resource development, system design)

Fusion

- Create and expand the market for products to enhance sustainability
- Promote open innovation

Key ESG issues (2020-2022)

Issues where the importance for stakeholders is extremely high,
and is also extremely high for management of SEKISUI CHEMICAL Group

Governance (Internal Control)

- Reducing serious incidents (safety, quality, accounting, legal/ethical, information management)
- Risk management (BCP)

DX

- Visualization and standardization (standardize operations, introduce ERP, renew infrastructure and network)
- Increase productivity (automation / unmanned shifts, improve operational efficiency through the use of digital technology, ICT and AI)
- Sophistication (increase the sophistication of operational control, Governance (Internal Control) and the supply chain)

Environment

- Adapt to and mitigate climate change
- Promote a circular economy
- Reduce water-related risks

Human Resources

- Evolve toward a challenging corporate culture and active employee participation (culture and human resource development, system design)

Fusion

- Create and expand the market for products to enhance sustainability
- Promote open innovation

Issues where the importance for stakeholders is high,
and is also high for management of SEKISUI CHEMICAL Group

- Strengthen intellectual property strategies
- Promote activities that contribute to the solving of issues through cooperation with local communities
- Implement human rights due diligence
- Reduce environmental degradation
- Promote globalization
- Promote diversity management
- Promote health management
- Strengthen the equipment maintenance system
- Reduce supply chain risk

Key ESG Management Issues and KPIs

Scope of coverage is on a consolidated basis.

								Objective	KPI	Fiscal 2021 Targets	Fiscal 2021 Results	Medium-term (FY2020-FY2022)Targets	Reference Page(s)
Outputs		Products to enhance sustainability and the premium framework						Drive the ability to create profit, contribute to solving social issues, and achieve sustainable management	Net sales of products to enhance sustainability	¥750 billion	¥772.4billion	¥800 billion	P.64
								Net sales of products to enhance sustainability that are categorized as Premium	—— * ²	¥381.2billion	—— * ²	P.55-56	
Key Issues (Materiality)	Risk mitigation/ avoidance	Governance (Internal Control)	Prevention of serious incidents in the 5 fields					Prevent or minimize the impact of serious incidents on our corporate value	Number of serious incidents				
			Safety	Quality	Accounting	Legal/ ethics	Information management		•Workplace accidents resulting in a fatality	0	0	0	P.111
									•Major quality issues	0	1 * ¹	0	P.115,120
									•Serious non-compliance and negligence	0	0	0	P.122
									•Cybersecurity incidents	0	0	0	P.132
			Risk management (BCP)					Mitigate the impact of earthquakes, pandemics, and other incidents	BCP establishment and operating rate	BCP (Initial action) establishment rate 100%	100%	BCP operating rate 100% (establishment of PDCA)	P.135
	Investment for minimizing future costs (Improving sustainability KPI)	DX					Become the driver that transforms work processes and business models	Net sales per direct employee	—— * ²	—— * ²	Fiscal 2030: Direct productivity 15% increase (vs. fiscal 2019)	P.146	
								Net sales per indirect employee			Fiscal 2030: Indirect productivity 40% increase (vs. fiscal 2019)		
		Environment					Address climate change	Renewable energy as a percentage of purchased power	10%	19.7%	20%	P.192	
		Human Resources					Aim to be an excellent and vibrant company where employees thrive on challenges	Degree of challenging behavior expression	15%	13%	17%	P.249	
		Fusion					Promote internal and external fusion of technologies and business opportunities	Increase in net sales from fusion	—— * ²	Up ¥29.9 billion (vs. fiscal 2019)	Up ¥50 billion (vs. fiscal 2019)	P.294	

*1 Based on individual standards of divisional company *2 Undisclosed *3 Virus infection, information leakage, backbone system outage, or other incident resulting from cyber attacks that have a significant impact.

Promotion System

SEKISUI CHEMICAL Group is promoting ESG management on a Group-wide basis in a bid to realize both a sustainable society and sustainable growth for the Group.

Sustainability Committee and Sub-committees

In its efforts to promote ESG management on a Group-wide basis, SEKISUI CHEMICAL Group has established the Sustainability Committee. Under the umbrella of this Committee, we have also put in place seven subcommittees related to the Group's materialities covering the environment, CS & Quality, human resources, safety, compliance, cyber security, and DX.

Chaired by the President, the Sustainability Committee's membership also includes the Senior Managing Executive Officer Responsible for the ESG Management Department serving as deputy chairperson, as well as the presidents of the Housing Company, the UIEP Company, and the HPP Company. Meeting two times each year, the Sustainability Committee identifies risks and opportunities that the Group may face in the future, and reviews materiality as appropriate. At the same time, the committee determines Group-wide policies and KPIs, formulates Group-wide action plans, and monitors the status initiatives. Discussions by the committee, major items determined, and Group-wide risks are reported to and deliberated by the Board of Directors.

Meeting two times each year, each subcommittee is chaired by the executive in charge of Corporate Headquarters and includes the executives of each divisional company as well as general managers of divisional companies, Corporate Headquarters, and the Medical Business, which falls under the umbrella of Corporate Headquarters. Each subcommittee drafts specific measures for each divisional company based on details determined by the Sustainability Committee. These measures are incorporated into action plans and the status of progress monitored. The chairperson of each subcommittee participates in meetings of the Sustainability Committee to report on and discuss results.

Sustainability Committee / Sub-committee Structure (from fiscal 2021)

