

# CSR Management of Hodogaya Chemical

# Group Toward 2020

## Basic approach

The Hodogaya Chemical Group identifies CSR (Corporate Social Responsibility) as one of the policies of our mid-term management plan, "HONKI 2020."

Under this policy, we consider CSR as "a social responsibility that a company must fulfill through its business operations beyond the interest of the company with focus on its relationship with the various stakeholders including the local community, partner companies, shareholders, and employees." All officers and employees are carrying out various activities under the three pillars of Corporate Governance, Responsible Care, and Stakeholder Communication.

## Basic policy

Maintain and deepen the trust held in us by all stakeholders, and contribute to social development.

## Key targets and plans of CSR activities

In formulating the key targets of our CSR activities, we used the seven core subjects addressed in ISO 26000\* as priority areas for our stakeholders and defined "How we want to be in 2020" and what we need to do in reference to the "HONKI 2020."

Among them, we identified the key targets that are most important to the Company and developed an annual plan on which we base our actions.

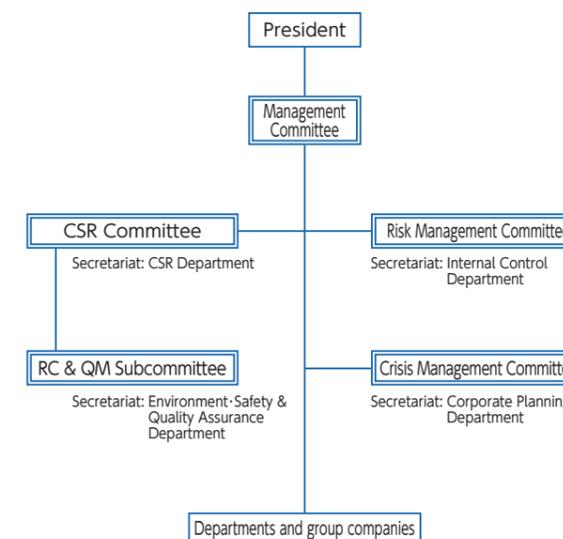
## CSR promotion organization

The Hodogaya Chemical Group has the CSR Committee within the organization to promote CSR more actively. The CSR Committee deliberates and decides on specific measures in accordance with the basic policy.

In order to promote the Responsible Care (RC) activities (→p.25) as part of the CSR activity, the Group structures the RC & QM Subcommittee as a subordinate organization of the CSR Committee.

We also consider corporate governance as an important element of our CSR activity. In particular, to manage risks (→p.23) we have the Risk Management Committee in charge of identifying risks and developing and implementing key risk control measures to prevent risks in advance.

If a "management crisis" that may inflict damage on the company occurs, we will set up the Crisis Management Committee to respond immediately to the crisis and to take actions in accordance with our CSR basic policy.



| CONTENTS                              | ISO 26000<br>7 core subjects  | How we want to be in 2020  | Related SDGs  | Key targets  | FY2017 results   | FY2018 plans  |
|---------------------------------------|---|--|---|--|--|---|
| Mid-term Management Plan              |   | Having achieved the mid-term plan, and making stable and continuous dividend payments  | 8   | To achieve the mid-term management plan  | Implemented solutions to various issues based on the six policies  | Ensure implementing various policies  |
| Governance<br>p.21-                   | Organizational governance   | Having a good balance between "defensive governance" to avoid risks and "offensive governance" to obtain upside opportunities while maintaining growth | 16  | To improve corporate governance  | Formulated & released Corporate Governance Report in July  | Continue to abide by the Corporate Governance Code  |
|                                       |   | Compliance awareness is widespread, and the Group is capable of responding to the changing social norms  | 16 17   | To spread compliance mindsets  | Conducted compliance training sessions in Aug. 2017 and Feb. 2018  | Conduct compliance training sessions  |
|                                       |   | Departments having contact with partner companies have particularly strong compliance awareness  | 16 17   | To increase knowledge on business compliance   | All management personnel took the Examination of Compliance Proficiency for Practical Business                             | Increase the number of personnel passing the Examination of Compliance Proficiency for Practical Business |
|                                       |   | The CSR mindset is widespread, and the Group has achieved ESG management   | 16 17   | To cultivate CSR activities  | Conducted CSR education using the Integrated Report  | Improve CSR mindset   |
| Responsible Care<br>p.25-             | Environment   | Efforts to reduce environmental impact are regarded by society   | 6 11 12 14  | To promote reduction of environmental impact   | Obtained Eco Rail Mark certification   | Reduce emission of substances of concern  |
|                                       |   | The Group contributes to society by having achieved reduction of intensity and total amounts of electricity usage and water usage                      | 6 7 9 13  | To promote energy-saving   | Installed energy-saving models for equipment upon renewal  | Promote installation of energy-saving equipment   |
|                                       |   | Complying with laws and regulations on chemical substances, and appropriately managing chemical substances   | 3 12  | To enhance the management of chemical substances                                       | Expanded the architecture of the chemical substance integrated management system to cover all group companies              | Enhance the voluntary management initiatives for chemical substances                                      |
|                                       |   | Continuing to achieve accident-free, disaster-free operation, the Group is trusted by society  | 8   | To ensure security and disaster prevention   | Conducted education under the RC implementation plan at each plant according to plan                                       | Conduct facility maintenance education and safety education   |
| Consumer issues                       | Continuing to supply safe, high-quality products, the Group is regarded by partner companies  | 12   | To supply safe, high-quality products                           | Environmentally-friendly products were released from manufacturers using our materials | Strengthen our quality control system  |   |
|                                       | Developing and propagating products that contribute to the environment and society, the Group is regarded by partner companies  | 8 9 12 17  | To develop socially-beneficial products                         | Undertook collaborative research for product development with universities             | Undertake collaborative research with universities and companies   |   |
| Stakeholder Communication<br>p.33-    | Fair business practices   | Having improved "customer-first" attitude, operational knowledge and skills within the account lines, the Group is regarded by partner companies       | 4 12  | To improve the service levels of employees dealing with partner companies              | Conducted education and training by job position and capacity according to plan  | Conduct education and training by job position and capacity   |
|                                       |   | Disclosing information in a timely and appropriate manner, and pursuing in-depth "dialogues (engagements)" with shareholders and investors             | 12 16 17  | To enhance information disclosure and promote "dialogues"                              | Published the first Integrated Report in Dec. 2017   | Continue the publication of Integrated Report   |
|                                       | Conducting procurements in accordance with the CSR Procurement Policy, taking into consideration the environment, human rights and labor practices of partner companies | 1 8  | To promote CSR throughout the supply chain                      | Set forth the Procurement Policy and the Procurement Guidelines in March 2018          | Instill our Procurement Policy in suppliers  |   |
|                                       | Human rights  | Respect for human rights are in place, and no harassment exists  | 1 5 10  | To promote human rights enlightenment activities                                       | Conducted human rights education at compliance training sessions   | Continue to conduct human rights education  |
|                                       | Labor practices   | Having promoted work-life balance, employees are successfully combining work and daily living (including child-raising and nursing care)               | 5 8 10 12   | To create a pleasant workplace   | Introduced the first Reemployment Applicants Registration System   | Promote work-life balance   |
|                                       |   | Employees are healthy and working actively   | 3   | To promote employee health management  | Continued to conduct mental health checkups  | Strengthen health maintenance and care system   |
| Community involvement and development | Due to promotion of diversity and a fair and equitable personnel system, the workplace is activated and global-minded talents are nurtured                              | 4 5 8 10   | To promote human resource development and vitalization programs | Conducted various education programs according to plan                                 | Conduct various education programs   |   |
|                                       | Having promoted social contribution activities in the offices, the Group is acknowledged and regarded in the community  | 4 6 11 17  | To promote community contribution activities                    | Leased out part of the plant site for free to a communal facility                      | Conduct various contribution activities  |   |
|                                       |   | The volunteer mindset has been improved and employees are actively participating in various volunteering activities                                    | 4 6 15 17   | To initiate and promote volunteering activities  | Conducted visiting chemistry classes at a nearby elementary school under the theme of nurturing children through chemistry | Identify and conduct new volunteering activities appropriate for the Company                              |

\*ISO 26000: An international standard published in 2010 which provides guidance on social responsibility to contribute to sustainable environmental and social development.