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Corporate Governance

Basic Approach

The Company recognizes that the cornerstone of management is to increase corporate value as a global corporation that is trusted by and meets the expectations of its shareholders and various other stakeholders.

Based on this fundamental awareness, the Company will work to enhance its corporate governance by making the right decisions through speeding up the management decision making process, ensuring transparency, strengthening its internal control functions and by making accurate decisions from stakeholders' standpoint.

Basic Principles

(1) Ensuring shareholders' rights and equality

We strive to maintain an environment where shareholders can properly exercise their rights by respecting such rights and ensuring equality for all, including minority and overseas shareholders.

(2) Appropriate cooperation with all stakeholders, in addition to shareholders

We strive to uphold appropriate cooperation with all stakeholders other than just shareholders, while working towards creating sustainable growth and medium to long-term corporate value for the company.

(3) Ensuring disclosure and transparency of appropriate information

We strive to ensure that all information is useful and easy for users to understand, while making sure details are properly disclosed based on the relevant laws and regulations. We also independently provide various other information.

(4) Responsibilities of the Board of Directors

We strive for the appropriate implementation of the roles and responsibilities of the Board of Directors based on our fiduciary responsibility to shareholders.

(5) Dialogue with shareholders

We strive to make constructive dialogue with shareholders, and understandably explain our management policies in order to make sure they are properly understood.

Corporate Governance System

Shin-Etsu Polymer adopts an Audit & Supervisory Board system. The Board of Directors and the Audit & Supervisory Board are the two institutions that supervise and audit business execution in multiple layers, thereby providing a functional and effective managerial supervisory function as well as a supervisory and audit function that ensures objectivity and neutrality.

As of June 23, 2023, the Board of Directors is composed of five directors, two of whom are outside directors who have extensive experience and deep insights accumulated over many years, one as a corporate executive and the other as an accounting and tax specialist. The Board of Directors delegates part of its executive authority to the Board of Executive Officers, thereby making it easier to exert its supervisory functions for operational execution.

 Report on Corporate Governance
<https://www.shinpoly.co.jp/en/ir/governance.html>

Nomination & Compensation Committee

To bolster independence, objectivity and accountability of the functions of the Board of Directors in relation to the nominations and compensations of directors, etc., Shin-Etsu Polymer established the Nomination & Compensation Committee under the Board of Directors for appropriate engagement and advice. The Nomination & Compensation Committee is comprised of two internal directors and two outside directors, assuring the independence of the Committee.

As requested by the Board of Directors, the Committee deliberates on the nomination of directors, auditors and executive officers, the compensation system of directors and executive officers, and the process of compensation decisions and reports on the results of deliberations to the Board of Directors.

Evaluation of the Effectiveness of the Board of Directors

In addition to the Nomination & Compensation Committee, Shin-Etsu Polymer strives to enhance its supervisory function by ensuring the Board's independence and objectivity by establishing an Advisory Committee for Transactions with Parent Company. In fiscal 2022, two meetings of the Nomination & Compensation Committee and one meeting of the Advisory Committee for Transactions with Parent Company respectively took place, with all committee members in attendance.

The Board of Directors of Shin-Etsu Polymer is composed of directors with diverse values and perspectives that are endorsed by a wide range of expertise in each field and overseas work.

To improve the performance of the Board of Directors as a whole, the Company's Board conducted a questionnaire for all Directors and Audit & Supervisory Board members on the effectiveness of the Board in fiscal 2022 and implemented a self-assessment at a Board meeting in May 2023. As a result, it was confirmed that the Board of Directors generally functions in a timely and appropriate manner, making swift decisions following open and constructive discussions and that the effectiveness of the Board of Directors is by and large assured.

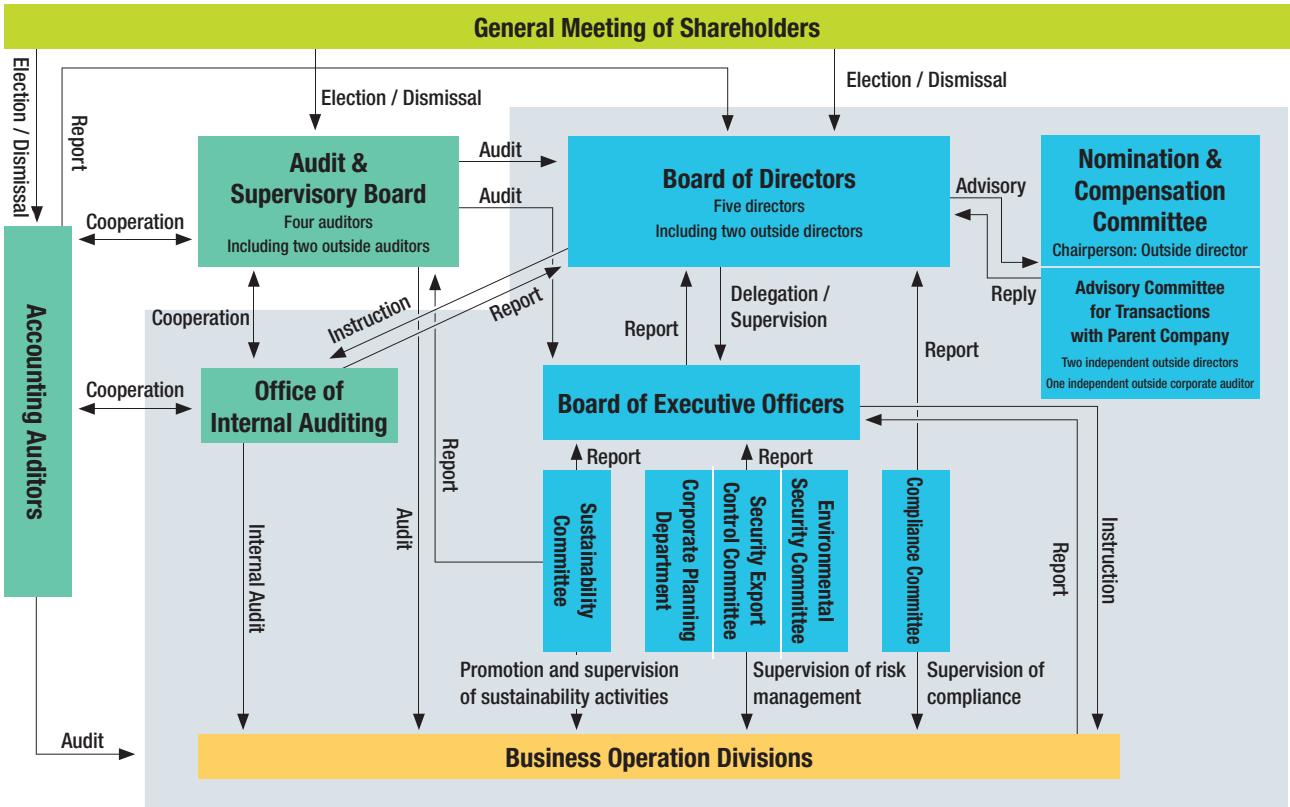
With regard to sustainability-related issues and diversity management, we will strive to further improve the effectiveness of the Board of Directors by enhancing discussions aimed at resolving issues.

In response to an effectiveness evaluation of the previous fiscal year, one outside female auditor was selected at the General Meeting of Shareholders this fiscal year.

Audit System

As of June 23, 2023, the Audit & Supervisory Board consists of two inside and two outside Audit & Supervisory Board members and is conducting audits independently of business execution. Audit & Supervisory Board members fulfill their functions of supervising management by attending Board of Directors meetings and other important meetings, and also hold regular and extraordinary Audit & Supervisory Board meetings to discuss important auditing matters arising from reports from each Audit & Supervisory Board member. In addition, two Standing Auditors visit business operation divisions including those of subsidiaries for inspections as necessary, enhancing the precision and effectiveness of auditing.

Audit & Supervisory Board members receive reports on accounting auditing plans and implementation status from accounting auditors every quarter, attend the audit with accounting auditors where appropriate, and closely cooperate with each other through exchanges of opinions and consultation, striving to improve the effectiveness and efficiency of auditing. In addition, they regularly exchange information with the Office of Internal Auditing, which is an internal audit department. The Office of Internal Auditing conducts the audits and investigations of management and operational systems and operational execution status from the viewpoint of legitimacy, rationality and efficiency and reports to the Audit & Supervisory Board members as necessary.



Corporate Planning Department

Manages company-wide issues and risks, evaluates control policies and the situation of the entire company, and puts appropriate measures in place. Furthermore, it cooperates with other divisions and operates as a contact center in the case of an emergency.

Security Export Control Committee

Deliberates over and decides on compliance matters related to export control laws and regulations.

Environmental Security Committee

Deliberates over and decides on matters related to environmental security, disaster management and occupational health and safety.

Compliance Committee

Deliberates over and decides on matters related to compliance policies, measures and situational awareness.

Support System for Outside Officers

Outside directors and outside Audit & Supervisory Board members are informed in advance of the schedule and agenda of important meetings such as the Board of Director meetings. We have been striving to increase the frequency and improve the quality of information provision to outside directors and outside auditors by, for example, holding liaison meetings with outside directors and Audit & Supervisory Board members on a regular basis.

Also, the General Affairs Department and Office of Audit & Supervisory Board Members respectively extend support to outside directors and outside auditors by distributing materials from Board of Director meetings and meeting minutes. All outside officers were in attendance for Board of Director meetings, Board of Auditors meetings and special committees in fiscal 2022 and 2023.

Expertise of Directors and Corporate Auditors

To ensure proper and flexible decisions and supervision of business activities, Shin-Etsu Polymer's Board of Directors is composed of those who have expertise and experience in individual business fields and those who have diverse perspectives of stakeholders and knowledge about governance, thereby ensuring a balance and diversity of knowledge, experience and abilities as the Board of Directors as a whole.

Officer Composition and Skills Matrix

	Name	Attributes	Main knowledge / Experience / Abilities, etc.						
			Corporate management	Global	Technology	Marketing	Financial affairs / Finance	Legal affairs / Governance	Human resources management
Directors	Yoshiaki Ono		○	○	○				○
	Toshiaki Deto		○	○		○			○
	Satoru Sugano				○	○			○
	Shigemichi Todoroki	Outside and independent					○	○	
	Osamu Miyashita	Outside and independent	○	○		○			
Auditors	Hideaki Hirasawa			○			○	○	
	Yoshiaki Torimaru			○		○		○	
	Tatsuo Yoshihara	Outside and independent	○	○	○				
	Tomoko Moriya	Outside and independent					○	○	

*Position names are as of June 23, 2023.

*Does not represent all knowledge, experience, abilities, etc. of individual officers.

Relationship with Parent Company

Shin-Etsu Chemical Co., Ltd., the parent company of Shin-Etsu Polymer, is a controlling shareholder holding 53.1% of the total number of outstanding shares of our company. Shin-Etsu Polymer maintains close cooperation with Shin-Etsu Chemical by exchanging information on product technical development and sharing management policies and improves corporate value by demonstrating its collective strengths as a member of the Shin-Etsu Chemical Group. In addition, we procure raw materials from Shin-Etsu Chemical, but for transactions, we negotiate with them on the basis of market prices and determine transactional conditions in a fair and appropriate manner. As for personal relationships, our officers do not concurrently hold an office with Shin-Etsu Chemical.

In October 2021, as a voluntary special committee, we established an Advisory Committee for Transactions with Parent Company. For important transactions and practices with the parent company and its group companies, the Committee guarantees the fairness of such transactions and practices. To protect the profit of general shareholders, the Committee deliberates on important transactions and practices in view of said purpose and reports to the Board of Directors. To enable fair and neutral judgments, committee members are required to be objectively and materially independent from the parent company and are composed of three members in total, i.e., two independent outside directors and one independent outside corporate auditor.

Dialogues with Shareholders and Investors

Basic Approach

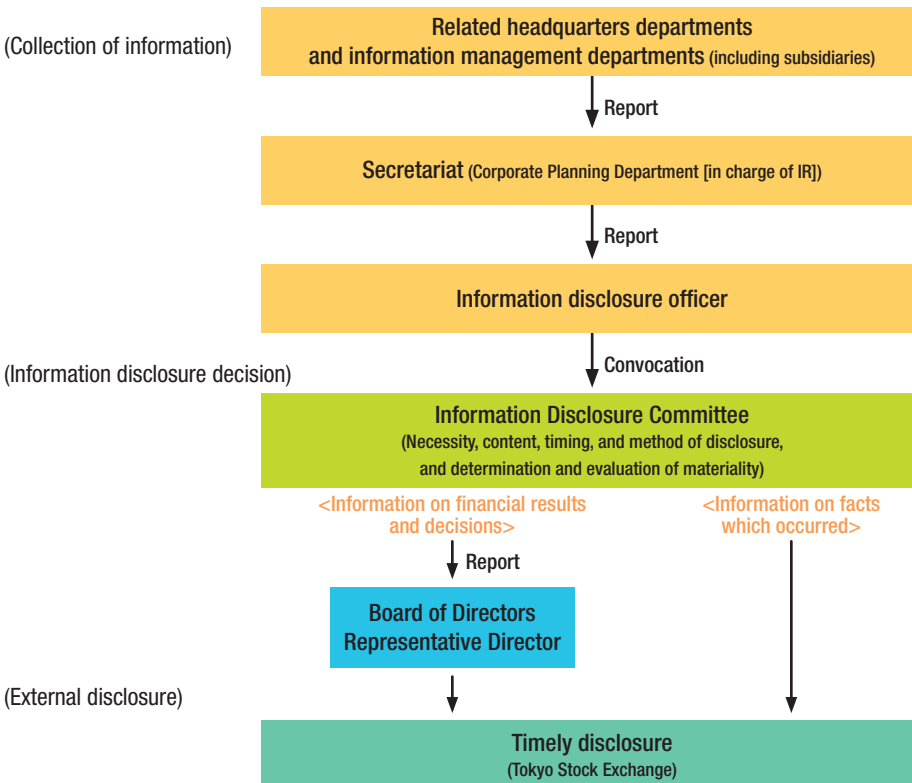
To achieve sustainable growth and increase medium- to long-term corporate value, Shin-Etsu Polymer recognizes that it is important to engage in active dialogue with shareholders and investors on a daily basis, reflecting the opinions and requests obtained into business management to grow as a company alongside them. We strive to ensure that our management policies and strategies are properly understood by disclosing management information appropriately on a timely basis and engaging in constructive dialogue with shareholders and investors.

Information Disclosure System

We operate with a constant awareness of enhancing corporate governance and securing transparency of management. We also strive to provide fair, timely, and appropriate information disclosure to shareholders and investors in accordance with all applicable laws and regulations in relation to financial instruments trades and the rules of the Tokyo Stock Exchange.

The Shin-Etsu Polymer Group has established the Information Disclosure Rules and the Information Disclosure Committee, chaired by the information disclosure officer. With the General Manager of the Corporate Planning Department at the head, the Information Disclosure Committee is composed of members of the Corporate Planning Department, Accounting Department, General Affairs Department, and other related departments to form a flexible information disclosure system. Any corporate information that is subject to disclosure standards as stipulated by Securities Listing Regulations of the Tokyo Stock Exchange (“TSE”) is in principle disclosed on the Timely Disclosure network (“TDnet”) operated by the TSE upon approval and report by the Board of Directors, and as necessary, is announced to the media and/or published on our website.

Internal System for Timely Information Disclosure (As of June 23, 2023)



Communication with Shareholders and Investors

Dialogues with shareholders and investors are managed by the Corporate Planning Department (formerly the Office of the President) as IR activities, with individual meetings handled by the director in charge, the general manager, and IR staff. As an opportunity to describe our business situation to shareholders and investors, we hold briefings for analysts and investors after the term-end and interim financial results have been announced. Furthermore, we strive to improve dialogue through the issuance of business reports and annual reviews, in addition to prompt and fair disclosure of information through our website, including news releases, financial summaries, presentation materials, notices of General Meeting of Shareholders, and notices of resolutions.

 Investor Relations
<https://www.shinpoly.co.jp/en/ir.html>

Efforts to Invigorate the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

We are engaged in various initiatives that include the following:

- **Early delivery of convocation notices for the General Meeting of Shareholders**

Notices are sent three weeks prior to the day of the General Meeting of Shareholders

- **Avoiding overlaps with other companies' General Meeting of Shareholders**

63rd Annual General Meeting of Shareholders: June 23, 2023

- **Exercise of voting rights using an electromagnetic method**

Exercise of voting rights using an electromagnetic method via the Internet adopted

- **Effort to improve voting environment**

Participation in electronic voting platform

- **Delivery of notice to General Assembly of Shareholders meetings (summary)**

A summary of each notice to the Annual General Meeting of Shareholders is prepared in English and posted on the website.

Compliance

Basic Approach

The Shin-Etsu Polymer Group considers conducting corporate activities based on compliance as one of the most important tasks that a company should perform on a permanent basis. Through such corporate activities, we make efforts so that the Group maintains trust as a member of society.

We also strive to operate appropriate and efficient internal controls based on the establishment and maintenance of a compliance system.

Compliance System

As its compliance promotion system, the Shin-Etsu Polymer Group has established compliance principles and a compliance manual, and the Compliance Committee responds to compliance issues across the company. To bolster activities by the Compliance Committee as part of the Financial and Non-financial Strategy in the Medium-term Management Plan enacted in May 2023, Shin-Etsu Polymer established a system to enable subsidiaries and individual departments to set targets to be independently handled and to execute them with priorities together with the Secretariat.

We also strive to promote group-wide corporate activities based on compliance, including the implementation of compliance education and the establishment of an internal reporting system (hotline).

Improving Compliance

• Establishment of the Supplier Hotline

In January 2021, the Supplier Hotline was established as a contact point for those outside the Group to make reports. Though this was only available in Japanese, in 2023, we established a contact point in English. The hotline allows suppliers to report whenever they recognize any violations of laws, regulations, and compliance by the Group's officers and employees during transactions with our Group.

Through such initiatives, we strive to maintain and develop appropriate business relationships by ensuring transparency and fairness in suppliers' transactions with the Group.

• Internal Reporting System

The Group has established an internal reporting system that includes the Supplier Hotline mentioned above. We distribute pocket cards that describe the internal reporting system to employees of Group companies in Japan and abroad in the hope that they will lead to the discovery of improper acts. In addition, we are also complying with the amendment to the Whistleblower Protection Act enforced on June 1, 2022, and by establishing internal and outside contact points as well as accepting anonymous whistleblowing, whistleblowers can feel more secure in reporting any concerns.

● Awareness-Raising Through Compliance Training

To facilitate the Group's officers and employees in understanding and putting into practice the specific standards of action in compliance, we distribute a compliance manual as well as provide training through web streaming on a regular basis. These initiatives are designed to further raise compliance awareness within the Group so as to build a business culture to eliminate improper acts.

Training Items in FY2022

Training name	Description	Designated participants	Number of participants
New Employee Education	<ul style="list-style-type: none"> ● General compliance ● Internal control system 	New employees	23
Mid-Career Hire Employee Education		Mid-career hire employees	35
Training on Compliance with Anti-Monopoly Act	<ul style="list-style-type: none"> ● Understanding of and response to Anti-Monopoly Act 	People necessary for operational reasons	About 260

● Conducting Compliance Surveys at Production Contractors

According to Guidelines on Respect for Human Rights as set forth by the Ministry of Economy, Trade and Industry and with human rights due diligence becoming increasingly mandatory in the UN and EU, we have started to conduct a survey on the uptake of compliance at production contractors and other partners both in Japan and overseas since fiscal 2021. The survey indicated that while there were no issues that would immediately lead to a violation of laws or regulations, there was room for further action, such as the establishment of an internal reporting system and documentation of various rules and regulations. Moving forward, we will continue to support these measures.

Risk Management

Basic Approach

Recognizing that risk management is a crucial issue for the sustainable growth of a company, the Shin-Etsu Polymer Group has established a risk management system to prevent and respond to risks that do materialize to ensure smooth business operations.

Risk Management System

On the recognition that risk management is a crucial issue for the sustainable growth of a company, the Group has established a system driven by four committees, including the Sustainability Committee, and five risk management departments led by the Corporate Planning Department to control critical risks across the entire Group in an organized manner. The Board of Directors deliberates on critical company-wide risks and passes the necessary measures to prevent them.

Furthermore, all departments at headquarters, as well as domestic and overseas production and sales bases, periodically assess individual critical risks and take appropriate measures to reduce such risks.

Risk Management Regulations

The Group has established risk management regulations for the purpose of contributing to smooth business operations by developing a control system to prevent risks that have arisen or may arise within the Group.

• Definition of Risks

The Group defines risks as factors that may inhibit the achievement of organizational goals and the implementation of business activities. It identifies the following two types of inhibitors: issues related to business processes, such as manufacturing and marketing; and non-business-related events, such as social changes and natural disasters.

The Corporate Planning Department manages risk control while the leaders of individual departments at headquarters, plants and subsidiaries in Japan and overseas (or their appointees) assume responsibility for controlling risks of relevant departments. If an emergency occurs and a corporate-wide response is required, a task force will be established.

• Risk Control Procedure

- (1) Identifying risks: Identify and understand risks related to business and operations of individual departments, etc.
- (2) Evaluating risks: Evaluate magnitude, scope, etc. of identified and understood risks
- (3) Controlling risks: Control magnitude, scope, etc. of evaluated risks
- (4) Establishment of contingency plan: Establish contingency plan for risks when they actually occur
- (5) Audit/Examination: Evaluate current status and confirm response measures, etc.

Business Continuity Management (BCM)

A business continuity plan (BCP) defines pre-emptive and post-disaster measures and is one of the key factors for supporting business continuity. To practice this more effectively, we recognize that it is important to continually improve and manage business continuity management (BCM) for all activities.

Basic BCP Policy

- 1 Protect the safety and security of employees, families and residents in communities
 - (1) Secure safety of workplaces.
 - (2) Improve safety of employees and their families.
 - (3) Support security of employees and their families.
 - (4) Extend assistance to residents in communities.
- 2 Make utmost efforts for continuity or early recovery of business for customers and employees
 - (1) Protect trust in customers.

● Preparation and Improvement of BCP Action Procedure Documents

Since fiscal 2019, the preparation of BCP action procedure documents from an initial response to when a disaster occurs to the creation of recovery plans has been handled at individual production bases and executed at three domestic bases in fiscal 2022. The goal in the preparation of “Group Action Flow” and “Action Checklist” is to clarify what each department should do and enable them to take prompt action in the case of a disaster.

We will continue to review and update procedure documents, and through training, etc., improve the effectiveness of BCP.



Scene from workshop

• Information Security Policies and Rules

As for our corporate information security policies, we examine the impact range of risks in information security regarding company information assets, establish goals to maintain and manage information security, and aim towards achieving such goals.

Information security essentially involves maintaining the confidentiality, completeness, and availability of information assets. Our management goals include the following:

Information Security Policies

- (1) Clarifying responsibilities for protection, utilization, management, and operation of information assets.
- (2) Informing every one of their responsibilities so they can act with an awareness of them.
- (3) Properly recognizing risks to ensure that effective countermeasures are taken.
- (4) Maintaining information system security for each employee who carries out operations.
- (5) Thoroughly observing social ethics and all applicable laws and regulations.

• Information Security System

Information security is possible only when each individual employee understands the authority and responsibility granted to them in accordance with their work and role, and properly carries out their responsibilities. Information security is handled by the Information Systems Department under the direction of the information systems officer.

In each department, there is an IT leader in charge of the management of IT assets, communication pertaining to system operations, initial action when a security incident occurs, etc. Any matters in relation to the corporate-wide management of information security are communicated to each department via this IT leader.

• Cybersecurity

To prepare for a cyberattack, the internal network and outside is completely separated by a firewall. All necessary security countermeasures, including monitoring with intrusion detection services 24 hours a day, 365 days a year are continuously taken. In addition, by separating information and control networks, we can minimize the impact in the case of an occurrence.

Targeted mail training and information security education via e-learning are regularly conducted, taking countermeasures from system and human perspectives.