

Shin-Etsu Polymer

# Sustainability Report 2020



# Shin-Etsu Polymer Group Corporate Mission Statement

The Group strictly complies with all laws and regulations, conducts fair business practices and contributes to people's daily lives as well as to the advance of industry and society by creating value through providing key materials and technologies.

Shin-Etsu Polymer Group places safety and fairness first in its business and targets becoming a group of companies that develops together with society.



## Basic CSR Policy

- 1 We will do our best to increase the Group's corporate value through sustained growth and make multifaceted contributions to society.
- 2 We will carry out all of our company activities by making safety always our utmost priority.
- 3 We will constantly pursue energy-saving, resources-saving and reduction of environmental impact, and seek to help create a sustainable future world in which we all live in harmony with the Earth.
- 4 We will endeavor to contribute to the prevention of global warming and the conservation of biodiversity by means of our cutting-edge technologies and products.
- 5 We will strive to respect human dignity, assure equality in employment opportunities and support the self-fulfillment of our employees.
- 6 We will appropriately disclose information in a timely manner.
- 7 We will carry out trustworthy corporate activities that are based on the integrity of the Group's ethical values.

## Corporate Action Policy

- 1 We have pride and awareness as employees of Shin-Etsu Polymer Co., Ltd. and its Group companies and do our best to become a company trusted by society by always maintaining a law-abiding spirit, complying with laws, regulations, internal codes and rules and conducting fair and highly transparent corporate activities.
- 2 We disclose a comprehensive range of corporate information where necessary and appropriate and promote communication with society as well as stakeholders, investors, customers, and communities as an "open company."
- 3 We respect the histories, cultures, customs, etc. of individual countries and regions, work at developing business based on mutual trust, and make efforts to coexist with communities.
- 4 We recognize global environmental preservation as one of our first priority challenges and, by fulfilling our social responsibilities, actively participate in the establishment of a recycling-oriented economic society aiming for sustainable development.
- 5 Through business activities, we try to develop and manufacture environmentally friendly products with high performance, contribute to an affluent society and preserve the environment. Furthermore, we implement green procurement, properly control chemical substances, and comply with regulations on substances contained in products.
- 6 We commit ourselves to meet the requirements of customers and consumers and make efforts to provide attractive, safe, and quality products and services that are highly satisfactory. Furthermore, we carefully handle personal information associated with customer's privacy and strictly control such information so that no information leakage or illegal use should occur.
- 7 We respect the principle of free competition and always promote fair trade. We also build transparent, fair, and healthy relations with customers and consumers.
- 8 We respect human rights, personality, and diversity of employees, realize fair treatment, and establish a working environment where they can exert their abilities, skills, and vitality. We comply with occupational laws and regulations and conduct no inhumane labor practice such as child or forced labor.
- 9 We maintain healthy and normal relations with governments and their administrations.
- 10 We confront antisocial groups and organizations that threaten social order and security with a resolute attitude.
- 11 We, as "good corporate citizens" carry out social action programs in a positive manner.

## Editorial Policy

The Shin-Etsu Polymer Group began publishing Environmental/Social Reports in 2001. Renamed “Sustainability Reports” from 2017, these reports show our group’s CSR activities for the purpose of achieving a sustainable society. The editorial policies for the 2020 version are as follows:

- 1 In the Special Feature, we introduce biodegradable resin-related products which belong to one of our core technologies, “functional materials.”
- 2 The CSR Report sums up the group’s organization and activities in relation to engagement with “governance,” “customers,” “employees,” “communities” and the “environment” in a configuration that is easy to read and understand for all stakeholders.
- 3 The information in this Report (including the English Version) and details of environmental data are all disclosed on our website. We also provide additional information on our website.
- 4 For this 2020 version, we received third-party comments from Mr. Kozuma, Professor of Sophia University, as was the case with previous editions. We will take advantage of them for our future efforts and initiatives.

### About our CSR initiatives

<https://www.shinpoly.co.jp/en/environment.html>

#### • Period covered by this report

April 2019 – March 2020

#### • Issued

September 2020 (Next issue: September 2021 (Scheduled))

#### • Organizations covered by this report

Shin-Etsu Polymer Group

#### • Fields covered by this report

This report covers the fields of environmental conservation and social activities. For an overview of the business, please refer to our corporate profile.

#### • References

- 1)Environmental Reporting Guidelines 2018 by the Ministry of the Environment
- 2)GRI Sustainability Reporting Standards 2016/2018

#### • Contact

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## Editors' Note

The Shin-Etsu Polymer Group renamed its annual “Environmental/Social Report” to “Sustainability Report” in 2017. In order to realize a sustainable society, we have stepped up our activities under the guidance of the CSR Committee. Although we haven’t yet done enough in the areas of corporate governance, environmental load reduction and CSR procurement, we tried to cover what we did in an easy-to-understand manner in this report. We are looking forward to receiving many opinions and comments from readers.

\* Due to the COVID-19 pandemic, discussions for this year’s report were held online.

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## Business Overview of the Shin-Etsu Polymer Group

### •Company profile

Corporate name:	Shin-Etsu Polymer Co., Ltd.
Established:	September 15, 1960
Headquarters address:	Sotetsu Kandasudacho Building 1-9 Kanda-Sudacho, Chiyoda-ku, Tokyo 101-0041 Japan
Paid-in Capital:	¥11,635million
Number of Employees:	Consolidated: 4,655 (1,865 male employees, 2,790 female employees) Non-consolidated: 1,030 (814 male employees, 216 female employees) (As of March 31, 2020)
Domestic production bases:	Tokyo Plant, Nanyo Plant, Kodama Plant, Shiojiri Plant, Itoigawa Plant
Subsidiaries:	15 (including non-consolidated subsidiary)

### Domestic Non-Production Base

Shin-Etsu Finetech Co., Ltd.

### Overseas Production Bases

Suzhou Shin-Etsu Polymer Co., Ltd.  
Dongguan Shin-Etsu Polymer Co., Ltd.  
Shin-Etsu Polymer (Malaysia) Sdn.Bhd.  
PT. Shin-Etsu Polymer Indonesia  
Shin-Etsu Polymer India Pvt. Ltd.  
Shin-Etsu Polymer Hungary Kft.  
Hymix Co., Ltd.\*

### Overseas Non-Production Bases

Shin-Etsu Polymer Shanghai Co., Ltd.  
Shin-Etsu Polymer Hong Kong Co., Ltd.  
Shin-Etsu Polymer (Thailand) Ltd.  
Shin-Etsu Polymer Singapore Pte. Ltd.  
Shin-Etsu Polymer America, Inc.  
Shin-Etsu Polymer Europe B.V.  
Shin-Etsu Polymer Vietnam Co., Ltd.

\*As Hymix Co., Ltd. is a non-consolidated subsidiary, it is not covered in this report.

### •Main Business Activities

We were established as a polyvinyl chloride (PVC) processing manufacturer in 1960 and have continued to work on the development and application of basic technologies such as materials and composition, design, manufacturing processes and evaluation and analysis of various resins including silicone rubber. We support various customer needs in a comprehensive range of fields from automobiles and information equipment to semiconductors and construction.

### Electronic Devices Business

- Input devices  
Automobile key switches, laptop PC touch pads, remote control input devices, electronic home appliance switches
- Display-related devices  
Electronic device connectors, privacy filter prevention films for ATMs/PCs
- Component-related products  
Waterproof products for smartphones, parts inspection connectors

### Precision Molding Products Business

- Semiconductor-related containers  
Wafer cases, semiconductor-related containers
- Carrier tape-related products  
Embossed carrier tapes, top cover tapes
- OA equipment parts  
Various rollers for printers, faxes and PPCs
- Silicone rubber molded products  
Medical catheters, silicone plugs, adhesive plates, fire-proof gaskets

### Living Environment and Life-Related Materials Business

- Wrapping films and other packaging material related products  
Wrapping films for fresh food, self-adhesive films
- Functional Compounds  
Items for various electrical cables (communication cables, robot cables etc.), interior and exterior equipment for automobiles
- PVC pipe-related products  
Water supply and sewerage piping, general drain piping, agricultural piping, piping joints
- Exterior material-related products  
PVC/Polycarbonate corrugated sheets

### Others

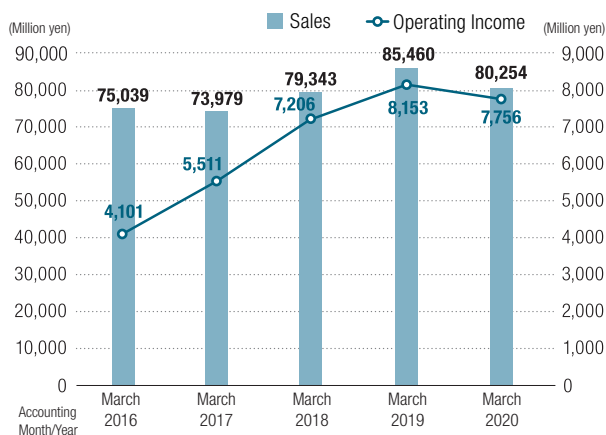
- Construction  
Shop and store design and construction, interior and exterior design and construction of commercial facilities, bathrooms, etc.
- Packaging Materials  
Industrial trays, packaging for fruit, agricultural materials, shopping bags, container washing

## Summary of Key Performance Indicators

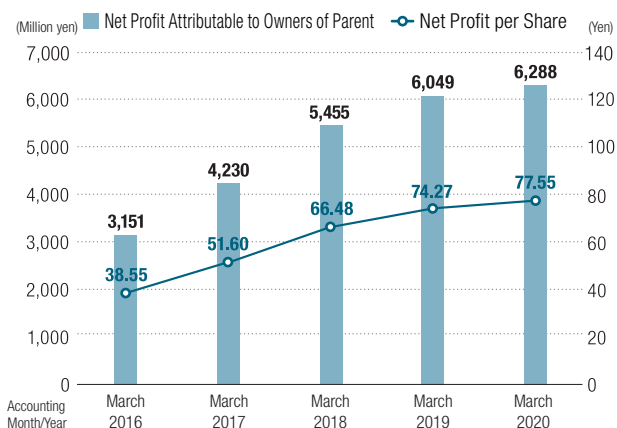
The business environment surrounding our group has been sluggish due to stagnation in the semiconductor and electronics industries, as well as demands in automotive-related segments remaining at the same level as the previous year.

Under these circumstances, we conducted domestic and international sales activities to expand sales volumes of growth products, while enhancing and improving production and supply systems.

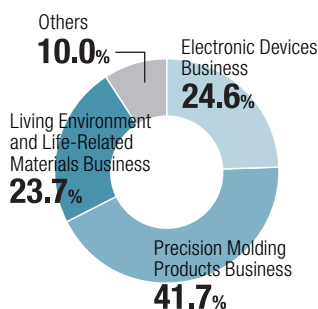
### Sales/Operating income (consolidated)



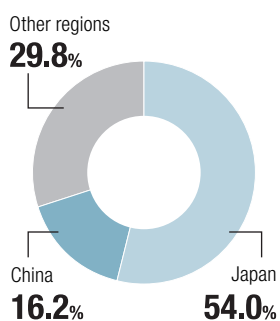
### Net profit attributable to owners of parent/ net profit per share



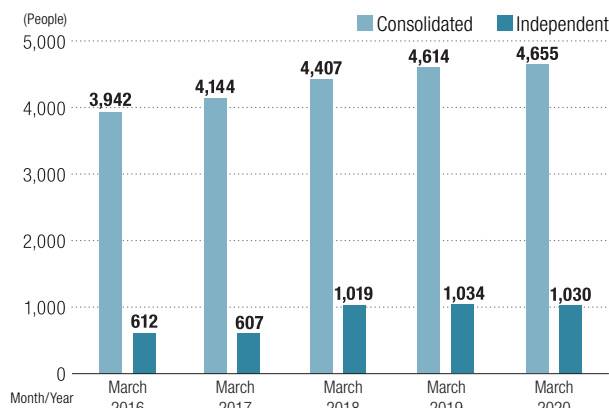
### Distribution of consolidated sales by business segment



### Composition ratio of consolidated overseas sales and shipping destinations



### The number of employees



\*For the actual split between male and female employees, refer to page 26.  
\*Figures after March 2018 are post-merger.

Period (Fiscal Year End)	56th Period (Ending in March 2016)	57th Period (Ending in March 2017)	58th Period (Ending in March 2018)	59th Period (Ending in March 2019)	60th Period (Ending in March 2020)	
Net Sales (Million Yen)	75,039	73,979	79,343	85,460	80,254	
Operating Income (Million Yen)	4,101	5,511	7,206	8,153	7,756	
Total Assets (Million Yen)	92,845	96,061	103,667	107,032	105,378	
ROE (%)	4.4	5.9	7.3	7.7	7.6	
Domestic Basic Units of CO <sub>2</sub> Emissions against Produced Weight (t-CO <sub>2</sub> /t)	0.6678	0.6542	0.6812	0.7123	0.7049	
Overseas Basic Units of CO <sub>2</sub> Emissions against Produced Weight (t-CO <sub>2</sub> /t)	6.721	6.978	6.491	5.958	6.121	
Domestic Basic Units of Waste Disposal against Produced Weight (kg/t)	56.67	57.28	55.44	55.92	58.30	
Overseas Basic Units of Waste Disposal against Produced Weight (kg/t)	432.8	419.9	418.1	355.2	373.3	
Domestic	Accident frequency ratio	1.29	3.68	2.28	4.49	2.78
	Lost time injury frequency rate	0.64	0.00	0.57	0.56	1.67
Overseas	Accident frequency ratio	0.50	1.20	0.45	1.27	0.59

1. Sales do not include consumption tax.  
2. For other key management indicators etc., please refer to our financial report.  
3. CO<sub>2</sub> emissions are calculated by using our emission coefficient (0.555kg-CO<sub>2</sub>/kWh).

4. All accident frequency ratios and lost time injury frequency ratios are calendar year values.  
5. The basic units and accident frequency ratios for domestic production facilities have been retroactively revised to improve data accuracy.

Top Commitment

# Contributing to the Realization of a Sustainable Society by Proactively Promoting CSR Activities

President



Shin-Etsu Polymer was established in 1960 as a resin processing company of Shin-Etsu Chemical Co., Ltd. It develops raw materials together with the Shin-Etsu Chemical Group and provides high value-added products for silicone rubber and various other plastics.

## CSR-Based Management

With various risks, such as extreme weather as a result of climate change, natural disasters, and the COVID-19 pandemic, more attention than ever is being paid to the SDGs adopted by the United Nations in 2015. The SDGs aim for harmony between economy, environment, and comfort, and companies are expected to play a big role in achieving them.

By prioritizing resolutions to issues to achieve SDGs, we would like to contribute to the realization of a sustainable society through our business.

Our business activities are based on CSR, and under our Basic

CSR Policy (refer to page 2), we have identified eight key issues (refer to pages 8-9). In FY2018, among other goals, we designated “Promoting CSR procurement” and “Respect for human rights, and the development of human resources” as our priorities, and have been enhancing our CSR management while actively tackling other issues as well.

### Promotion of CSR procurement and diversification of supply sources

- Sharing of Basic CSR Policies and CSR Procurement Guidelines with partner companies
- Investigating CSR activities by partner companies

CSR has become more significant not only for our company but also for the entire value chain. Cooperation with partner companies in particular is a critical factor. We will implement proper CSR

## Prologue

procurement, while also addressing a number of key issues pertaining to our company.

(Refer to page 25: Together with Our Business Partners)

### **Respect for human rights, development of human resources and promotion of diversity**

- Thoroughly promoting our human rights policy across the entire Shin-Etsu Polymer Group
- Conducting surveys on human rights and labor issues

To enable group companies to perpetually continue respecting human rights, we comply with all international codes of conduct and promote only activities that respect human rights.

(Refer to pages 26 to 28: Together with Employees)

### **Ensuring the health and safety of employees and contractors**

We aim to achieve zero labor accidents, occupational diseases and environmental accidents.

(Refer to page 29: Together with Employees)

### **Saving energy and resources and reducing the impact on the environment**

To achieve the 6th mid-term goal of the Green Activities, we implement measures to prevent global warming and effectively utilize resources.

(Refer to pages 32 to 44: Together with the Environment)

### **Improving product quality and product safety management**

We will continue to improve customer satisfaction based on our quality policy.

(Refer to page 24: Responding to Customers)

### **Accurate and timely information disclosure and communication with stakeholders**

We will continue to improve corporate governance and disclose all necessary information in an appropriate manner to stakeholders.

(Refer to pages 18 to 23: Governance)

## Solving Management Issues for Sustainable Growth

In order to achieve sustainable growth, we focus on the following two objectives.

### **•Expanding sales and production capabilities of existing businesses**

In addition, we will establish an efficient production system and promote thorough rationalization as a means to reduce overall costs.

### **•Developing high value-added products and differentiating with competitors**

This report introduces our competitive strengths in relation to biodegradable resin products.

(Refer to pages 13 to 17: Special Feature)

To meet all of our customers' needs and to also solve social issues, we will continue to provide products that contribute to society by using our basic technologies, in addition to developing new technologies. We will also increase corporate value by contributing to the realization of a sustainable society.

The details of these are explained in this report along with targets and results of Key Performance Indicators (KPI). We would very much appreciate any feedback, opinions or comments from stakeholders. As with the previous edition, we have also received a third-party comment from Mr. Yoshinao Kozuma, Professor Emeritus at Sophia University. We will take advantage of this feedback for future efforts and initiatives. Thank you in advance for your continued guidance and support.

## Our Basic Approach to CSR

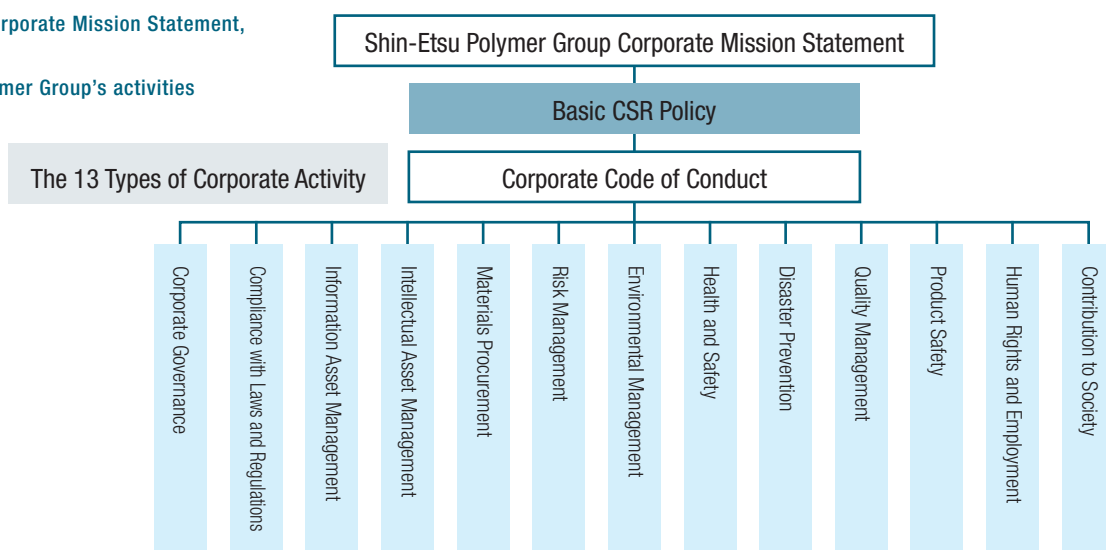
Based on its corporate philosophy, the Shin-Etsu Polymer Group strives to be a business that continues to grow with society by putting safety and fairness at the forefront of its management.

The Group will contribute to the realization of a sustainable society by aiming to solve social issues through its business while meeting the demands and expectations of society.

### •Our Basic CSR Policy and Corporate Code of Conduct

With Shin-Etsu Polymer Group's Corporate Mission Statement as our guide, our group lays out and puts into practice 13 specific types of corporate activity in line with the Basic CSR Policy and the Corporate Code of Conduct.

Hierarchy of the Corporate Mission Statement, Basic CSR Policy, and Shin-Etsu Polymer Group's activities



### •CSR Promotion System

The Shin-Etsu Polymer Group has always been engaged in CSR activities with departments and group companies each playing a role, setting up and holding the CSR Promotion Committee to further strengthen its promotion of CSR management.

Under this framework, our ability to respond to ESG-related risks and opportunities has been strengthened through defining a CSR activity policy and establishing a system for carrying out CSR activities across the whole Group.

CSR Promotion Structure Chart


















## Key CSR Issues

The Shin-Etsu Polymer Group has set out and is promoting initiatives for its Key CSR Issues as important issues the Group needs to address based on social demands and expectations from its stakeholders.

A subcommittee has been set up and is prioritizing activities to tackle, in particular, promoting CSR procurement and the diversification of supply sources, as well as the promotion of respect for human rights, the development of human resources and the promotion of diversity, as key challenges among the CSR issues.

### • Major Initiatives in FY2019

In fiscal 2019, we implemented the following initiatives. We also began an e-learning program for Group employees to learn about CSR in general, such as CSR trends, ESG investment, and the SDGs, in order to further everyone's understanding of CSR.

	Key issues	Committees and meetings	Details of activity	Target SDGs
1	Employees and contractor health and safety	<ul style="list-style-type: none"> <li>Environmental Security Committee</li> </ul>	We conducted environmental security inspections at each business site to check environmental activities, which cover health and safety, disaster and fire prevention, environmental protection, and legal compliance.	
2	Energy-saving, resource-saving and environmental load reduction	<ul style="list-style-type: none"> <li>Green Activities Promotion Committee</li> </ul>	Through understanding and support of "Environmental Performance" such as measures for global warming prevention and the effective use of resources, as well as education and training, we aimed to promote preservation of the environment and environmental management.	  
3	Product quality improvements and safety controls	<ul style="list-style-type: none"> <li>Global Quality Assurance Meeting</li> </ul>	In order to provide safe and reliable products, we established a group-wide quality assurance system and all group companies engaged in quality improvement activities such as Quality Month, site inspections for preventing quality-related misconduct, thorough quality education, and global quality assurance meetings.	
4	Promoting CSR procurement and the diversification of supply sources	<ul style="list-style-type: none"> <li>Company Procurement Meeting</li> <li>CSR Procurement Subcommittee</li> </ul>	Distributed and disclosed CSR Procurement Guidelines to suppliers and held study sessions for procurement employees to promote understanding both inside and outside the Company.	
5	Respect for human rights, development of human resources and promotion of diversity	<ul style="list-style-type: none"> <li>CSR Human Affairs Sub-committee</li> </ul>	We conducted a survey on the employment of foreign workers and their work environments at sites in Japan and overseas. In addition, we worked hard to promote the utilization of in-house systems and rules to cope with the diversity of workstyles.	  
6	Respecting and protecting intellectual property	<ul style="list-style-type: none"> <li>Patent Committee</li> </ul>	In the Patent Committee, we gave reports on activities like the protection of intellectual property acquired through industrial property rights systems and how we are working to respect competitors' intellectual property rights.	
7	Social contribution activities	<ul style="list-style-type: none"> <li>CSR Committee</li> </ul>	We worked on eco-products promotional activities through the development of products that contribute to the environment as well as society, and aimed to grow closer to local communities by donating our Shupua products to institutions and organizations.	  
8	Accurate and timely information disclosure and communication with stakeholders	<ul style="list-style-type: none"> <li>Information Disclosure Committee</li> </ul>	We strived to provide fair, timely, and suitable information disclosure and a full range of IR and public relations activities.	—

### • Initiatives for Achieving SDGs

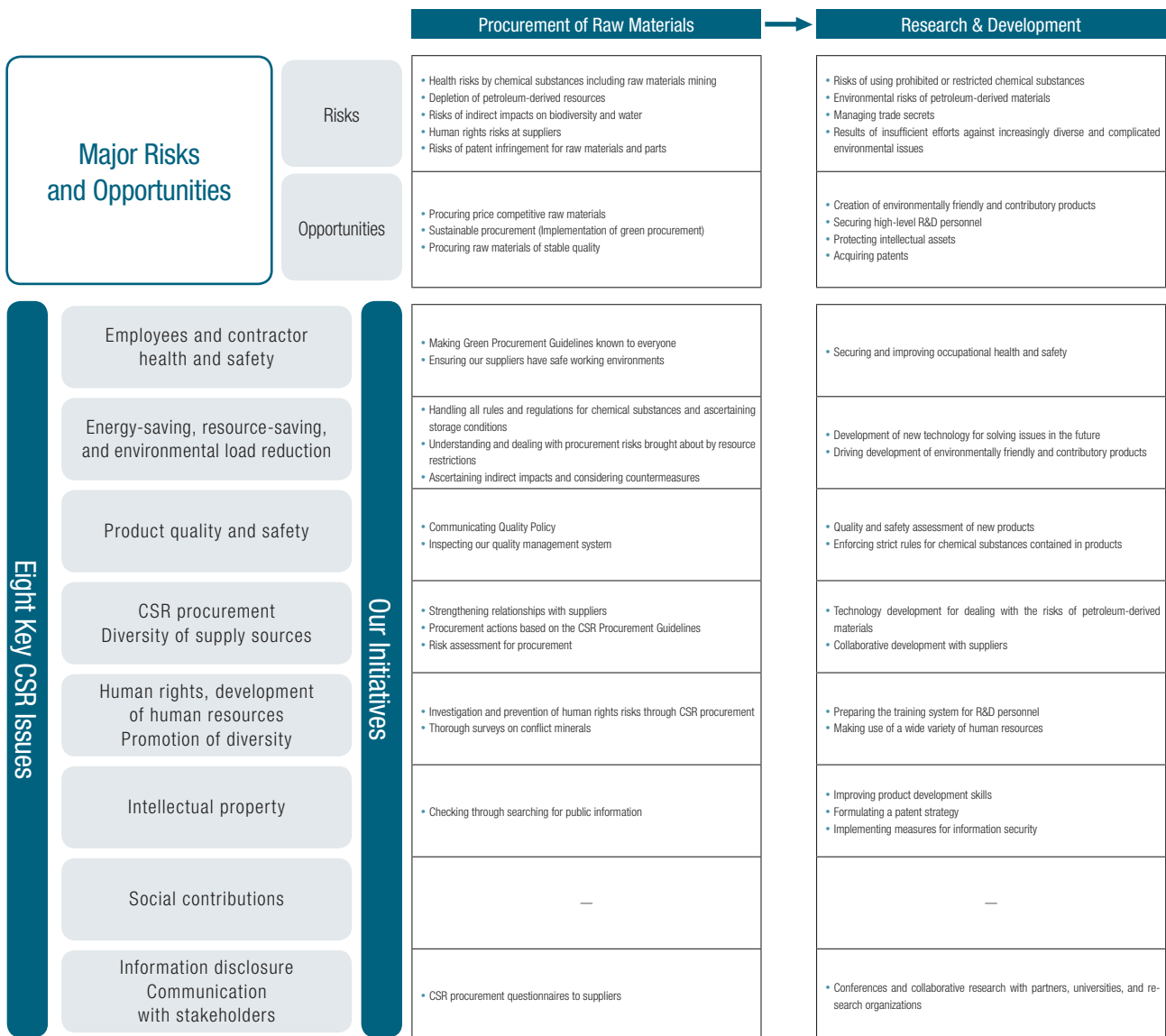
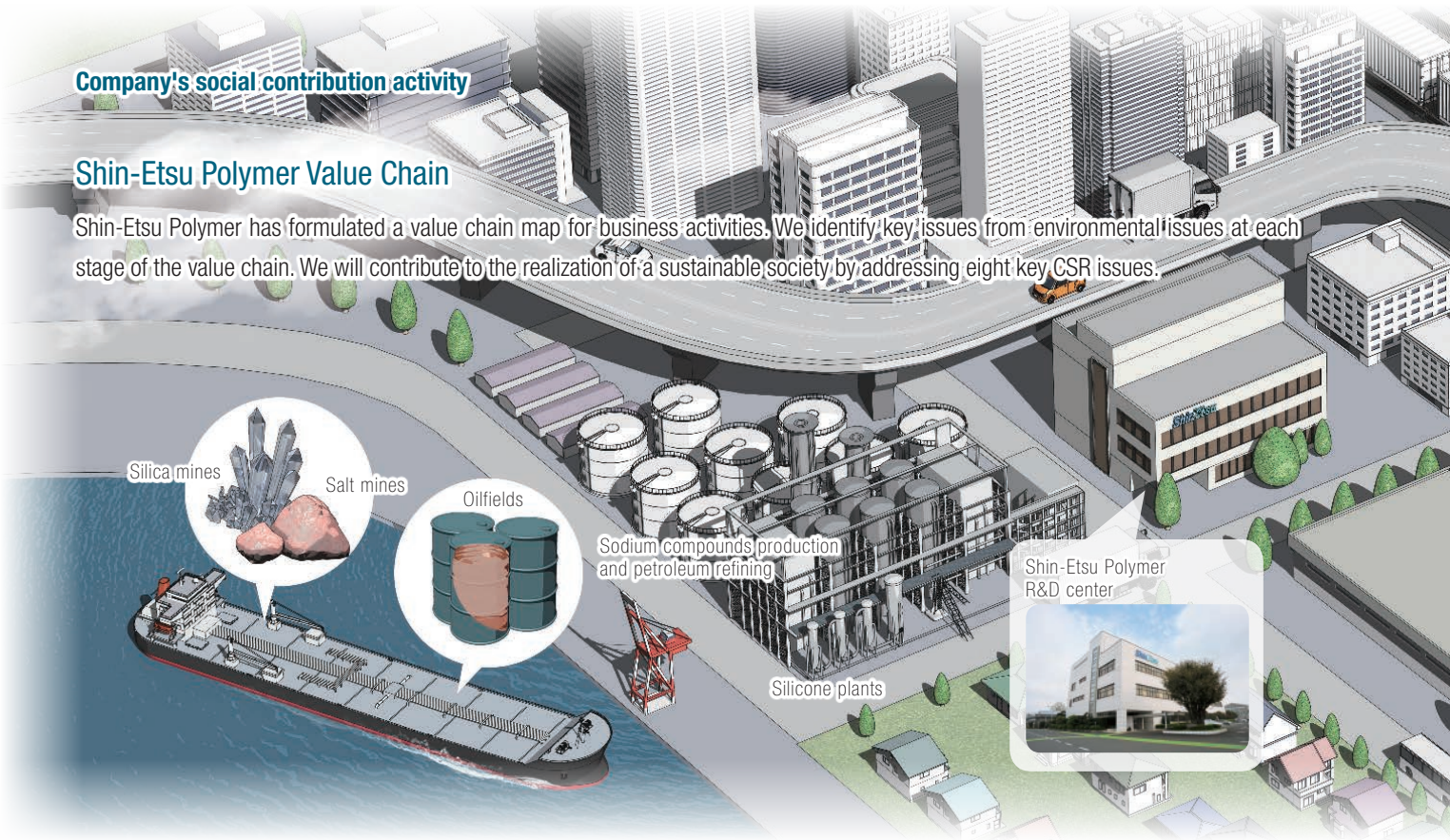
Our group is focusing on product development that can contribute to achieving SDGs. In CSR activities, we also promote actions in accordance with key CSR issues and aim at the achievement with the entire group.

(Refer to page 12: Towards Establishing a Recycling-Oriented Economic Society)

Company's social contribution activity

Shin-Etsu Polymer Value Chain

Shin-Etsu Polymer has formulated a value chain map for business activities. We identify key issues from environmental issues at each stage of the value chain. We will contribute to the realization of a sustainable society by addressing eight key CSR issues.





Production	Logistics and Supply	Using, Disposing and Recycling
<ul style="list-style-type: none"> <li>Risks of CO<sub>2</sub> emissions and water</li> <li>Occupational accident risks</li> <li>Outflow of production technology and knowhow</li> <li>Human rights risks in workplaces</li> <li>Suspending production due to natural disasters or accidents</li> </ul>	<ul style="list-style-type: none"> <li>Risk of transport accidents</li> </ul>	<ul style="list-style-type: none"> <li>Complaints or recalls due to product defects</li> <li>Contamination by harmful chemical substances</li> </ul>
<ul style="list-style-type: none"> <li>Enhancing quality assurance systems</li> <li>Ensuring and improving quality</li> <li>Accumulating and passing on skills</li> <li>Improving productivity by reducing energy usage and waste</li> </ul>	<ul style="list-style-type: none"> <li>Reducing CO<sub>2</sub> and energy consumption</li> <li>Securing good logistics</li> </ul>	<ul style="list-style-type: none"> <li>Identifying customer needs that we can contribute to</li> <li>Product improvements and innovation</li> </ul>
<ul style="list-style-type: none"> <li>Creating comfortable work environments</li> <li>Promoting health management of employees</li> <li>Securing and improving occupational health and safety</li> <li>Risk control and prevention of disasters</li> </ul>	<ul style="list-style-type: none"> <li>Improving occupational health and safety with transport companies</li> </ul>	<p>—</p>
<ul style="list-style-type: none"> <li>Promoting group-wide Green Activities (Energy-saving and recycling)</li> <li>Understanding and reducing environmental impacts of materials including chemical substances</li> </ul>	<ul style="list-style-type: none"> <li>Using larger vehicles and enhancing the loading efficiency</li> <li>Promoting the modal shift</li> </ul>	<ul style="list-style-type: none"> <li>Provision of environmentally friendly and contributory products</li> <li>Calculating Scope 3 emissions</li> <li>Identifying and reducing environmental impacts</li> </ul>
<ul style="list-style-type: none"> <li>Reinforcing quality assurance systems</li> <li>Improvements through global quality assurance meetings</li> </ul>	<ul style="list-style-type: none"> <li>Consideration of adopting optimal transport methods depending on the season</li> </ul>	<ul style="list-style-type: none"> <li>Acquiring customer's safety assessment information</li> <li>Enforcing strict control of chemical substances</li> </ul>
<ul style="list-style-type: none"> <li>Strengthening occupational health and safety management systems on sites, including at partner companies</li> </ul>	<p>—</p>	<p>—</p>
<ul style="list-style-type: none"> <li>Human rights awareness</li> <li>Training and development by creating a system to help employees grow</li> <li>Adapting to the Act on Promotion of Women's Participation and Advancement in the Workplace</li> <li>Employment of people with disabilities and the re-employment system</li> </ul>	<p>—</p>	<ul style="list-style-type: none"> <li>Utilizing information about product usage</li> <li>Making the most of customer feedback</li> </ul>
<ul style="list-style-type: none"> <li>Patenting manufacturing processes (Prevention of plagiarism by competitors)</li> <li>Accumulation and management of production technology and expertise</li> </ul>	<p>—</p>	<p>—</p>
<ul style="list-style-type: none"> <li>Participation in local communities</li> <li>Social contribution activities</li> </ul>	<p>—</p>	<p>—</p>
<ul style="list-style-type: none"> <li>Issuing internal newsletters and the Sustainability Report to employees, partner companies, as well as local communities and governments, and engaging in volunteer work and social contribution activities</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening communication with transport companies</li> </ul>	<ul style="list-style-type: none"> <li>Responding to opinions and feedback sent to our customer service helpdesk</li> </ul>

# Towards Establishing a Recycling-Oriented Economic Society



## • Supply of Environmentally Friendly/Contributory Products

Per our Basic CSR Policies (page 2) and Basic Environmental Principles (page 32), we promote an eco-friendly product system that develops products to reduce environmental burdens and solve social issues, thus contributing to the sustainability of society. We also develop products as a means to achieve SDGs.

## • Concept of environmentally friendly/contributory products

Based on our Environmental Action Policy (page 32), the concept behind our Group's environmentally friendly/contributory products is as shown on the right.

**Concept** Environmentally friendly and contributory products in our Group are new or existing products that solve customer challenges and, upon confirmation that they are needed by society and the environment (social needs), they are evaluated and certified according to seven items.

## • Evaluation standards for environmentally friendly/contributory products




















Our evaluation criteria determine whether a product can contribute to reducing the Group's environmental footprint or reducing environmental or operational burdens for our customers.

We have a total 97 evaluation criteria in place for seven categories: (1) Resource saving, (2) Energy saving, (3) Waste reduction, (4) Recycling, (5) Environmental pollutants, (6) Safety and (7) Protection of biological diversity. From April 2013, we started internal certifications of environmentally friendly and contributory products by assigning grades according to these evaluation items.

## • Certification targets for environmentally friendly/contributory products

We are aiming to triple the number of our certified products by the end of FY2020 compared with FY2014. Five products were certified in FY2019, and we will be able to achieve our target with just three more products certified.

Group products contributing to SDGs	UN Sustainable Development Goals (SDGs) and Targets
 Biodegradable runner clips	 Goal #2: Zero Hunger Target 2.4
	 Goal #12: Responsible Consumption and Production Target 12.2
	 Goal #15: Life on Land Target 15.1
 Medical catheters	 Goal #3: Good Health and Well-being Target 3.8
 Food wrapping films	 Goal #3: Good Health and Well-being Target 3.d
 Vinyl chloride pipe/joints	 Goal #6: Clean Water and Sanitation Target 6.4
	 Goal #9: Industry, Innovation and Infrastructure Target 9.4
 Semiconductor wafer transport containers	 Goal #7: Affordable and Clean Energy Target 7.3
 Resin tape frames for wafers	 Goal #7: Affordable and Clean Energy Target 7.3
 Silicone rollers for office automation	 Goal #7: Affordable and Clean Energy Target 7.3
 shupua	 Goal #7: Affordable and Clean Energy Target 7.3

Group products contributing to SDGs	UN Sustainable Development Goals (SDGs) and Targets
 Functional compound EXELAST SX Series	 Goal #7: Affordable and Clean Energy Target 7.3
	 Goal #9: Industry, Innovation and Infrastructure Target 9.4
 Touch switches (Input devices)	 Goal #9: Industry, Innovation and Infrastructure Target 9.4
 Self-bonding silicone rubber tape [Mizumore Goyo]	 Goal #9: Industry, Innovation and Infrastructure Target 9.4
 Toilet booths	 Goal #11: Sustainable Cities and Communities Target 11.3
 Embossed/Blister carrier tape	 Goal #12: Responsible Consumption and Production Target 12.5
 HSP	 Goal #12: Responsible Consumption and Production Target 12.5
 Polycy Tough Corrugated board	 Goal #12: Responsible Consumption and Production Target 12.5
 SEPLEGYDA (Conductive paint)	 Goal #12: Responsible Consumption and Production Target 12.2
 Fumigation sheets	 Goal #15: Life on Land Target 15.1

\*Products in blue are certified as environmentally friendly and contributory products.

\*For further details on individual products, please refer to the following website.

• <https://www.shinetsu.co.jp/en/sustainability/sdgs/>

**Special Feature**

# Biodegradable Plastic Products That Help Reduce Plastic Waste and Workloads

Reducing plastic waste, including the microplastics that have been drawing attention across the world in recent years, is thought of as a serious issue for all countries. One of the materials that will help solve the problem is biodegradable plastic. In this section, we will introduce two of our products made of biodegradable plastics.

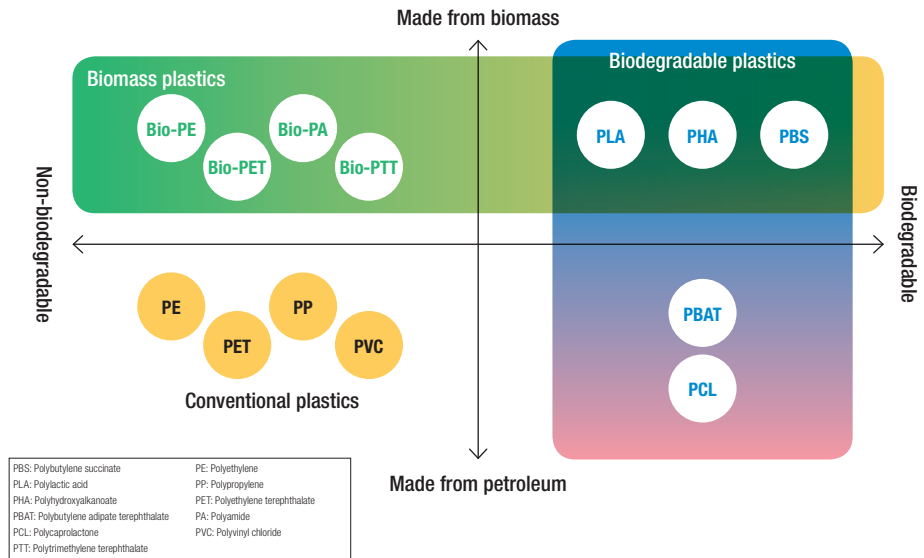


## What is biodegradable plastic?

Biodegradable and biomass plastic category chart



**Kosuke Shirakata**  
Division Director, Sales & Marketing  
Division IV, Sales Unit



Biodegradable plastics are plastics decomposed by microorganisms into water, carbon dioxide, and so on. They are attracting attention as eco-friendly plastics, together with biomass plastics which are made from biomass sources instead of petroleum. As biomass plastics do not include petroleum, they are said to be able to help reduce CO<sub>2</sub> emissions and promote a recycling-oriented society.

Although some types of biodegradable plastics include materials made from petroleum, they will be decomposed into natural materials, and thus reduce plastic waste. In response to the negative impacts of microplastics on marine life, the

trend of replacing single-use plastic products with biodegradable plastic ones is picking up steam in many countries, particularly those in Europe. We first developed biodegradable plastic products over 20 years ago and have produced and sold them ever since. In addition to their biodegradability, our products are easy for customers to use and also reduce cost and labor as it is not necessary to collect them after use. We will continue our product development, constantly striving to be a resin processing manufacturer capable of offering customers various options including products made from biodegradable or biomass materials.

# Biodegradable Plastic Products That Help Reduce Plastic Waste and Workloads



## Part 1

# Biodegradable runner clips that improve efficiency in agriculture

Using a biodegradable runner clip can let runners, also known as stolons, creep along the soil surface without damaging them

Biodegradable runner clips make full use of the characteristics of biodegradable plastics and are widely used at farms such as those growing strawberries. An employee from development as well as one from sales talk about the features and promise of this product.

## Decomposition reduces waste and saves collection labor

—What is a runner clip?

**Murayama:** It is a farming tool used when separating roots and replanting crops that produce runners creeping horizontally across the ground, like strawberries and melons. Sticking runner clips into the soil to fix runners can make the work easier. Our runner clip is shaped like a straw with an outside diameter of 2.3 millimeters, and has its ends cut diagonally. To use the clip, you bend it into U-shape before pushing it into the soil.

**Suzuki:** The biggest feature of our runner clips is that they are made of PBS, a biodegradable plastic. After use, they will gradually be weathered away by ultraviolet rays and hydrolysis losing their original shape within one to two years, and being broken down. Plowed and mixed with the soil, they will be decomposed into water and carbon dioxide by microorganisms, meaning that they neither become waste nor are harmful to the soil. It is not necessary to collect them and save farmers a lot of work. PBS is also a biomass plastic. It is estimated that the runner clips we shipped in FY2019 helped reduce CO<sub>2</sub>



Hideki Suzuki  
Development Unit



Shinji Murayama  
Manager, Film Group, Fukuoka Branch

emissions by 2 tons; this will be accurately calculated later by the Ministry of the Environment through its investigation on the shipment volume of biomass plastics in Japan. As such, the products also contribute to global warming prevention.

**Murayama:** Some of our competitors' products are made of plastics or wire that cannot be decomposed. These materials do not turn into soil, so farmers need to collect hundreds of clips one by one after use. Forgotten clips will be left in the soil forever. Our runner clips are soil-friendly and can save this labor, and so are also effective in combatting the aging problem and labor shortages that farmers in Japan suffer from.

### The blending ratio of raw materials is what keeps our products popular

—What areas did you focus on when developing this product?

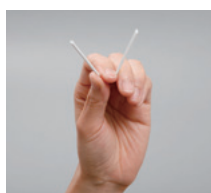
**Suzuki:** We put a lot of thought into making them user friendly. As they are like straws and are hollow, they are both strong and easy to bend. The diagonally cut ends allow them to be easily stuck into the soil. Thanks to our splendid forming technology and blending ratio of raw materials, they are not too stiff or flexible, and thus avoid making users feel stressed or tired.

**Murayama:** It is also worth noting that they can be easily bent to match the shape of runners. If you use clips that do not fit the runners, the crops may be damaged and could also become diseased. With our product, there is no need to worry about these issues, as they are also suitable for growing delicate crops.

**Suzuki:** This runner clip is one of our longest-selling products and has been available for more than 20 years. Before commercialization, employees involved in the development visited many farmers and conducted tests on actual agricultural sites, improving the product countless times to come up with the current shape. After its launch, we continued improving productivity and quality, and also filed a patent. We have continued production ever since, and have never experienced any quality-related problems.



Before use



Bending it into a U-shape



Sticking it into the soil



Decomposing and turning back into soil

### Aiming to inform many customers about the features of biodegradable plastics

—Please tell us about the future of the product.

**Murayama:** We sell about 15 million of these runner clips per year through plant nurseries all around Japan, mainly in strawberry-producing areas such as Tochigi Prefecture and the north of the Kyushu Region. While sales go up and down depending on the production volume of strawberries in Japan, we feel we can safely say that we have continuously supported farmers over many years. As a number of farmers still use runner clips made of plastics that cannot be decomposed, there is room for us to further increase our share in the future. The high repeat purchase rate shows just how convenient farmers find biodegradable runner clips once they start using them.

**Suzuki:** Due to its nature, this product will deteriorate and become fragile in one or two years even if it is not used, so we ask customers to use them within one and a half years of production as indicated on the product label. Some users may prefer standard products that will not degrade and that can be used multiple times, but with a view to reducing waste in the long term and saving the time and effort of collecting them one by one, many others will certainly appreciate our product.

**Murayama:** In order to spread our product further, I think it is important to give farmers a better understanding of biodegradable plastic itself. If we can convey to them that it is designed to degrade because it is eco-friendly, in addition to the fact that this material can contribute to solving environmental issues and reducing workloads for farmers, we believe we will be able to enhance customer satisfaction.

**Suzuki:** Now that reducing plastic waste has become a serious concern across the world, customers will find the issue all the more important. We believe this product holds great promise and hope to make it even more well-known.

## Biodegradable Plastic Products That Help Reduce Plastic Waste and Workloads

“Fumigation Yosaku Sheet” is a biodegradable sheet used for fumigation, a method used to protect pine trees from pine wilt disease. We interviewed employees that engaged in the development and marketing of the product about its characteristics and future potential.



### Biodegradable sheet that protects pine trees from harmful insects

—What kind of product is the “Fumigation Yosaku Sheet”?

**Nishikawa:** Pine wilt disease is one of the major issues that the Japanese forestry industry has been fighting. The disease is passed on by an insect called the Japanese pine sawyer, and not only does it make the tree wilt, but it also spreads to the entire pine forest and causes serious damage. In order to prevent this disease, the fumigation method is used, where infected pine trees are cut down, covered with sheets, and the insects exterminated with fumigants. Yosaku sheets are used for covering the logs so that the gas will not leak during the fumigation process.

—What is special about this product?

**Nishikawa:** Biodegradable fumigation sheets are produced by other companies as well, but portability is a feature unique to our product. We are the pioneers of fumigation sheets that combine the sheet itself with a carrying case, and our products

### Part 2

Protecting pine woods in Japan

## Fumigation Yosaku Sheet





completely outdo competitors' with their solidly executed cases and the usability of the sheet. The backpack-type case allows for hands-free transportation, and we have received many positive responses for these features, as well as their generally high quality.

## Developing a thinner and lighter product that is also easier to use

### — How was the new fumigation sheet developed?

**Asou:** We have been working on the development of a new product as there were demands from those in the forestry industry for lighter fumigation sheets. To achieve this, we needed to make the sheet thinner. We found the best blend of raw materials through trial and error, and launched the product as the "Fumigation Yosaku Sheet High Barrier."

**Nishikawa:** We couldn't just make the sheet thinner; we had to reduce the thickness while maintaining its gas barrier properties which keep the fumigation gas contained. If the sheet is too thin, it can be ripped by branches when covering the trees. We had to find the perfect balance between thickness and durability.

**Asou:** We then considered using a new biodegradable plastic with better gas barrier properties. This material was difficult to process, but after many attempts, we managed to perfect the product by using a three-layered structure and mixing in certain amount of this material, leading to better gas barrier properties. As a result, we were able to reduce the thickness by 20% compared to our conventional sheets while still maintaining the same performance. The new sheet was developed through a culmination of our raw material blending technology and multi-layering technique, and we have also acquired a patent for it.

**Nishikawa:** We were able to create a thin and lightweight product while maintaining its price and functions.

**Asou:** Through these modifications, we were also able to increase the percentage of biomass plastics included in the raw material to 33%. As it also leads to reduced use of petroleum-based materials, this new product allows us to contribute to solutions for environmental issues such as oil depletion as well as the shift to a recycling-oriented society.

**Nishikawa:** We first launched our conventional sheet at 12 kg, which was 3 kg lighter than its competitors, and we received a huge amount of positive feedback for it. With the new product, we managed to lower the weight by a further 3

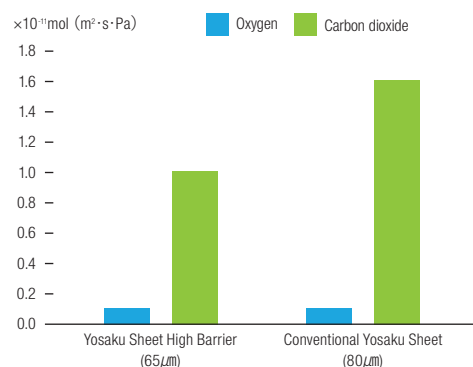


Exterminating the insects by cutting down pine trees infected with pine wilt disease, covering them with fumigation sheets, and carrying out the fumigation process



Sheets can be easily packed into a backpack-type case for transportation

### Comparison of gas barrier properties



kg, and now our sheet is only about 9 kg. Many of our customers are already looking forward to trying it out.

## Contributing to the Japanese forestry industry through our products

### — Please tell us about potential issues and your aspirations.

**Nishikawa:** Pine wilt disease used to be found mainly in the southern part of Kyushu, but it is now spreading across the Tohoku area as a result of global warming. For this reason, I think the demand for fumigation sheets will increase in Japan. In order to contribute to the Japanese forestry industry, we will further expand our market share by promoting our "Fumigation Yosaku Sheet High Barrier."

**Asou:** I think our "Fumigation Yosaku Sheet" is a good example of a product utilizing its biodegradability for both the environment and forestry. However, biodegradable plastics have their drawbacks too. As someone who is engaged in R&D, I would like to expand the usage of biodegradable products by taking full advantage of their strengths. I believe biodegradable plastics, as well as biomass plastics, have the potential to greatly contribute to solutions for environmental problems. I will continue to engage in product development while always taking various possibilities into consideration.

As a global company that is trusted by and carries the expectations of various stakeholders including shareholders, the Shin-Etsu Polymer Group fully recognizes that improving corporate value is the basis of management. With this basic awareness, we are continually working to enhance corporate governance by making decisions properly and carrying them out through prompt decision-making, transparent management and improved internal control functions.

# Governance



## Corporate Governance

### 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 is a company with corporate auditors. The Board of Directors and the Audit & Supervisory Board are the two institutions that supervise and audit business execution on multiple layer, thereby providing a functional and effective managerial supervisory function as well as a supervisory and audit function that ensures objectivity and neutrality.

The Board of Directors is responsible for important management decisions and appropriately supervises the directors in executing their duties. As of June 24, 2020, the Board of Directors is composed of 11 directors, 2 of whom are outside directors (both independent officers).

The outside directors have extensive experience and deep insight accumulated over many years, one as a corporate executive and the other as an accounting and tax specialist, which allows for a broad perspective in conducting objective and appropriate supervision of Shin-Etsu Polymer management.

[WEB Corporate Governance Report](https://www.shinpoly.co.jp/en/ir/governance.html)

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

## 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 number of shares (issued treasury stock). Shin-Etsu Polymer is a part of the Shin-Etsu Chemical Group.

We recognize that maintaining close cooperation with ShinEtsu Chemical and all the companies of the Group, demonstrating our collective strengths, will lead to improved corporate value for us. As such, we have established a collaborative relationship with Shin-Etsu Chemical for the purpose of exchanging information on the development of raw materials and management information.

However, we have not received any license from Shin-Etsu Chemical for our products. In addition, when we purchase raw materials from Shin-Etsu Chemical, we makes fair and appropriate decisions through negotiations based on standard terms of sale.

And regarding personnel, no director at Shin-Etsu Polymer serves as an executive at Shin-Etsu Chemical.



Based on the above, we are in a situation where we can make our own choices with regard to such things as decisions on management policy, etc. We therefore recognize that we have a certain degree of independence from our parent company.

### Improving the Effectiveness of the Governance System

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 2019, and implemented a self-assessment survey at a Board meeting held in May 2020.

As a result, it was confirmed that the Board of Directors is composed of directors with diverse values and perspectives that reflect the wide range of expertise in each field and overseas work. Moreover, the Board of Directors generally functions in a timely and appropriate manner, making quick decisions or open and constructive discussions, including the raising of issues by outside directors, confirming that the effectiveness of the Board of Directors is by and large assured.

In addition to its role as an executive body, issues were identified that further discussions are required on the medium term management plan and strategies, and on strengthening governance as a listed subsidiary. With respect to these management issues, we will continue to deepen and improve discussions to solve the issues and work to further improve the effectiveness of the Board of Directors.

### Audit System

Three outside auditors comprise the Board of Auditors, and they conduct audits completely independent of business execution. In their role of monitoring management, auditors attend various meetings, including the Board of Directors, and hold Board of Auditors' meetings, which are necessary to discuss important audit-related issues based on reports provided by individual auditors.

As for internal audits, the Office of Internal Auditing audits the control/operation system and status of business execution from the viewpoint of legality, rationality and efficiency.

With regard to accounting audits, auditing firms conduct quarterly reviews and provide accounting advice as necessary.

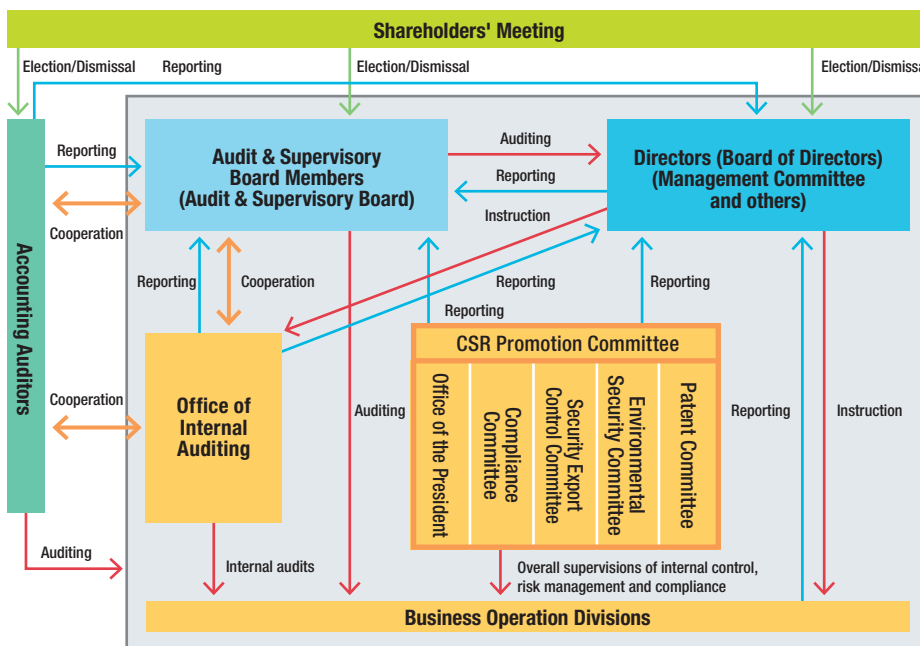
The Board of Auditors, internal auditors and auditing firms closely collaborate and exchange information to improving audits.

### Support System for Outside Directors (Outside Corporate Auditors)

The General Affairs Department provides support to outside directors, while the Auditors' Office supports outside auditors.

We inform outside directors and outside auditors of the schedule and agenda of important meetings such as the Board of Directors meeting in advance. Since FY2016, we have been striving to improve the frequency and quality of information supplements by, for example, holding liaison meetings for outside directors and auditors every month.

Shin-Etsu Group Corporate Governance System (As of June 24, 2020)



#### Office of the President

Manages corporate-wide challenges and risks, establishes management policies, evaluates the company's overall situation and puts appropriate measures in place. Furthermore, cooperates with other divisions and operates as a contact center in the case of an emergency.

#### Compliance Committee

Deliberates over and resolves matters related to compliance policy, measures and situational awareness.

#### Security Export Control Committee

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

#### Environmental Security Committee

Deliberates over and resolves matters related to environmental security and disaster management, in addition to occupational health and safety.

#### Patent Committee

Deliberates over and resolves matters related to industrial property rights.



## Dialogs with Shareholders and Investors

### Information Disclosure System

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

For our information disclosure system, based on the Basic Information Disclosure Policies, we appoint an information disclosure officer, who chairs meetings of the Information Disclosure Committee. The Information Disclosure Committee is made up of personnel from the Office of the President (In charge of IR/PR), the Accounting Department and the Legal Department as well as other related departmental personnel. Meetings are held as necessary to disclose information in a flexible and prompt manner.

**WEB Basic Information Disclosure Policies**  
<https://www.shinpoly.co.jp/en/ir/policy.html>

### Communication with Shareholders and Investors

As an opportunity to describe its business situation to shareholders and investors, the Company holds briefings for analysts, investors and the media after the financial results for the end of each fiscal year and second quarter have been announced. Furthermore, the Company also uses its website as a means to provide swift and fair information disclosure to its shareholders and investors, providing information such as news releases, financial summaries, presentation materials, annual reviews, Annual Meeting of Shareholders materials, and resolution notices.

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

- **Early delivery of convocation notices for the General Assembly of Shareholders**  
 Notices are sent three weeks prior to the day of the General Assembly of Shareholders
- **Avoiding overlaps with other companies' General Assembly of Shareholders**  
 60th General Assembly of Shareholders: June 24, 2020
- **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

## Compliance

### Basic Approach

Based on the idea that for our group to obtain trust as a member of society, it is essential that we “comply with all laws and regulations, act sincerely, and respect social values and ethics,” our group promotes thorough compliance and refuses any relationships with antisocial forces.

Additionally, we strive to operate and maintain an appropriate and efficient internal control system, positioning the establishment, improvement and operation of said internal control system as an important management responsibility.

### Compliance Promotion System

“Our Group strictly complies with all laws and regulations, conducts fair business practices and contributes to people’s daily lives as well as to the advance of industry and society.” Based on this mission statement, the Shin-Etsu Chemical Group has established the group’s compliance principles and compliance manual, and the Compliance Committee responds to compliance issues in an organic manner.

We also promote groupwide corporate activities based on the compliance manual, including the implementation of compliance education and the establishment of an internal reporting system (Hotline).

### Improving Compliance

#### • Tokyo Principles for Strengthening Anti-Corruption Practices

In February 2018, the Shin-Etsu Chemical Group became the first company to sign the Global Compact Network Japan’s Tokyo Principles for Strengthening Anti-Corruption Practices. These principles also contributes to the achievement of the UN’s 16th SDG, “Peace, justice and strong institutions.” As a member of the Shin-Etsu Chemical Group, our group strive to raise awareness that anti-corruption is an important factor in business activities and observes the principles set up by the GCNJ.

#### • Cutting Ties with Anti-social Forces

As the standard of action, our group confronts antisocial forces with a resolute attitude based on our Corporate Code of Conduct and Code of Ethics. The General Affairs Department is responsible for confronting antisocial forces, centrally collecting and controlling information on antisocial forces, working together with relevant departments in the company, and confronting all unjust demands with a resolute attitude. In addition, we work closely with the relevant authorities, lawyers and other external professional organizations to prepare for any unjust demands from antisocial forces.

#### • Internal Reporting System

Our group has established an internal reporting system based on internal reporting rules, prohibiting any disadvantageous treatment due to reporting and stipulating punishment for any person who handles such reporting in a disadvantageous manner.



## Respect for Human Rights

### Basic Approach

Based on the “Shin-Etsu Chemical Group Human Rights Policy,” Shin-Etsu Chemical Group engages in various initiatives related to its stakeholders’ human rights through its business activities.

The Shin-Etsu Chemical Group is committed to its corporate philosophy of being a company that “contributes to people’s daily lives as well as to society and industry by creating value with our key materials and technologies, adhering to fair business activities in compliance with all laws and regulations.” The foundation of this is respect for human rights.

The Shin-Etsu Chemical Group respects the human rights of all people. To ensure that all Group companies always respect human rights, we strongly promote activities for respecting human rights in compliance with international codes of conduct (such as the Universal Declaration of Human Rights, ILO International Labor Standards, UN Guiding Principles on Business and Human Rights and the Ten Principles of the UN Global Compact).

#### 1 Prohibition of discrimination

We do not discriminate on the basis of nationality, race, ethnicity, gender, religion, personal views, beliefs, age, social status, disability, sexual orientation, gender identification, labor union participation, health, marital status, political opinions or any other status.

#### 2 Prohibition of damaging human dignity

We do not conduct sexual harassment, power harassment, maternity harassment or any other acts that damage human dignity.

#### 3 Protection of privacy

We protect the privacy of individuals and handle personal information properly in accordance with the applicable laws and regulations of each country.

#### 4 Respect for basic labor rights

We respect workers’ right to organize, the right to collective bargaining, and further rights given to workers to establish, maintain and improve trust and good cooperative relationships through dialogue between labor and management.

#### 5 Prohibition of child and forced labor

We prohibit operations in all countries and regions from using child labor in accordance with the applicable laws and regulations of each country. We also prohibit the use of forced labor.

### Activities for Respecting Human Rights

#### 1 Human rights awareness

The people responsible for human resources at each Group business site and company strive to develop a proper understanding of human rights and an awareness of respect for human rights through activities including education for employees on human rights.

#### 2 Human resources development

The Group will create an environment in which diverse individuals can work at their full capacity and give all employees equal opportunities aligned with their aptitudes to develop and utilize their abilities.

#### 3 Working environment

The Group will make efforts to create sound and comfortable working environments and to ensure safety.

#### 4 Prevention of human rights infringements

The Group will make efforts to prevent the infringement of human rights in the course of business activities by conducting due diligence\* in accordance with the UN Guiding Principles on Business and Human Rights.

#### 5 Measures for handling issues

If there are concerns regarding human rights infringement in our business activities, the Group will take appropriate measures to promptly resolve them.

#### 6 Promotion of respect for human rights

The Group will encourage all people associated with the Group to comply with international standards for human rights.

\* Due diligence: To constantly identify and evaluate risks to human rights, put preventative or corrective measures in place, monitor the situation, and disclose information in accordance with the Group’s human rights policy.

(See Business Principle on page 2)

### Initiatives for Respect of Human Rights across the Value Chain

As part of CSR procurement, we conduct investigations of business partners with human rights as one of the items in our CSR investigation category. For our employees, we have long carried out activities to spread knowledge about human rights and prevent child and forced labor.

(See “Together with Our Business Partners” on page 25 and “Together with Employees” on pages 26 through 29)



## Risk Management

### Risk Management System

Recognizing that risk management is a crucial issue for the sustainable growth of a company, our group has established a system driven by five risk management departments (five committees including the CSR Committee and the Office of the President) to control critical risks across the entire group in an organized manner. The Board of Directors deliberates on critical companywide 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.

### Business Continuity Management (BCM)

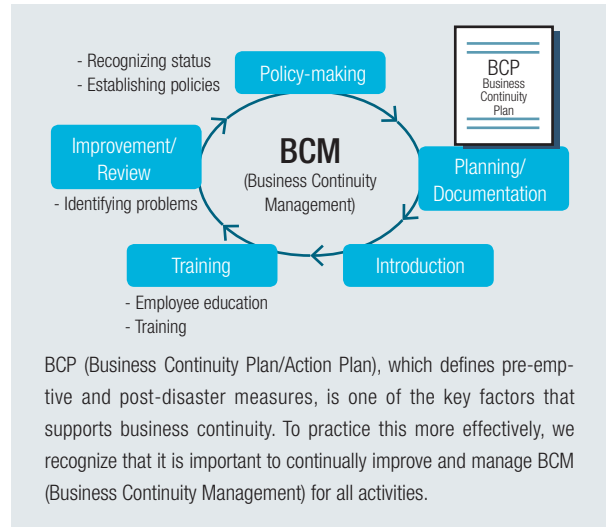
#### Basic BCP Policy

1. Ensuring reliability and safety of employees, their family members and local residents.
  - 1) Ensuring workplace safety.
  - 2) Improving the safety of employees and their family members.
  - 3) Offering support to employees and their family members.
  - 4) Offering support to local residents.
2. Aiming for continuation and early recovery of business for customers and employees.
  - 1) Ensuring our customers' trust.

#### Disaster Countermeasures and Business Continuity Manual (BCM manual)

Our Disaster Countermeasures and Business Continuity Manual (BCM Manual) includes an outline of a business continuity plan and clearly states our aim for the continuation and early recovery of business for employees, their family members, neighboring residents and customers. The manual is updated every year, based on the Basic BCP Policy. At each site, nine standard documents are also updated and managed by the President's Office.

#### BCM system



BCP (Business Continuity Plan/Action Plan), which defines pre-emptive and post-disaster measures, is one of the key factors that supports business continuity. To practice this more effectively, we recognize that it is important to continually improve and manage BCM (Business Continuity Management) for all activities.

### Preventive Measures against COVID-19

In response to the global outbreak of COVID-19, Shin-Etsu Polymer Group has been carrying out various measures on a global scale in order to ensure the safety of our employees and their families, while also keeping the impact on our business to a minimum.

<b>System</b>	<ul style="list-style-type: none"> <li>• Established Task Force Headquarters at Head Office (March 2020)</li> <li>• Countermeasures planned and executed based on administrative policies and infection status in various countries</li> <li>• Manufacturing activities carried out that comply with instructions and permissions from local governments</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Reports and notifications given for production and delivery updates</li> <li>• Safety management measures conducted in relation to the delivery</li> </ul>
<b>Local community</b>	<ul style="list-style-type: none"> <li>• Infection prevention products launched, such as face shields, applying technology used for existing products</li> </ul>
<b>Partner companies</b>	<ul style="list-style-type: none"> <li>• Notifications given concerning our infection prevention measures</li> <li>• Delivery and inventory management carried out in case of delivery delays and inventory shortage</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Remote work and flexible working hour schemes introduced for sales, back-office, and administration-related departments</li> <li>• Measures implemented to avoid the 3Cs as much as possible at production sites</li> </ul>



## Establishment of the BCP Action Plan

In response to the issues identified through BCM Training, which was held at all production sites until FY2018, we held a workshop this year to formulate the BCP Action Plan at Tokyo Plant with the aim of clarifying how to act during emergencies.

We created an “overall action flow” for a scenario where the Tokyo Plant is struck by a major earthquake, which lays out the processes from the initial disaster response to restoration and the resumption of business, as well as a “to-do check list” for each related division.

With the aim of improving the effectiveness of BCP, we will continue working to resolve the issues identified through this workshop.



Sharing the goals of the workshop with other participants



Group discussion

## Information Security

### • Information Security Policies and Rules

As for our corporate information security policies, we examine the permissible range of risks in information security regarding company information assets, establish goals to maintain and manage information security and position the achievement of such goals as a real challenge for the company. Information security essentially involves maintaining confidentiality, completeness and maintaining available information assets. Our management goals include the following:

- (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 can only be realized when each individual employee understands the authority and responsibility granted to them in accordance with his or her functions and roles and properly carries out the responsibilities he or she bears. Information security is handled by the Information Systems Department under the direction of the information systems officer. Matters concerning corporate-wide management of information security are communicated via IT leader meetings. The Information Systems Department also provides guidance on information security for Shin-Etsu Polymer and affiliated companies.

The Shin-Etsu Polymer Group believes it is important to maintain a high quality and stable supply so that our customers can use our products with confidence. To that end, we aim to improve customer satisfaction by establishing and improving a quality assurance system for the entire group.

## Responding to Customers



### Initiatives for Quality Control

#### Shin-Etsu Polymer Group Quality Policy

Through manufacturing, we will contribute to society by providing high-quality products that are trusted by customers.

- 1 We will always incorporate market needs into our products and strive to improve customer satisfaction.
- 2 We will continue efforts to improve quality and hone our technology, as we aim to become the company of choice for our customers.
- 3 We will conduct thorough field management to continuously provide a stable supply of high-quality products.

#### • Third Quality Month

During the third quality month in November 2019, we announced a special President message, conducted plant evaluations, and gave awards for the best mottos about quality submitted by our employees. We also published a special article in our in-house magazine about quality control.

This year's theme for the plant evaluations was "Review of the sporadic and chronic defect control system." We also expanded the target of the evaluations to overseas plants, and we will be holding plant evaluations sequentially at all plants over a three-year period. This time, we held plant evaluations at Kodama Plant, Itoigawa Plant, Shin-Etsu Polymer (Malaysia) Sdn. Bhd., and Shin-Etsu Polymer India Pvt. Ltd.



Plant evaluation at Shin-Etsu Polymer (Malaysia) Sdn. Bhd.



Plant evaluation at Shin-Etsu Polymer India Pvt. Ltd.

#### • Fourth Global Quality Meeting

We were planning to conduct a training seminar focusing on defect management, but it was postponed due to COVID-19. The program is now scheduled to be held during the next Global Quality Meeting.

#### • QC KENTEI (Quality Management and Quality Control Examination)

In September 2019, a total of 12 members from the Production Department were certified for Grade 2 and Grade 3. We aim to improve our QC skills in the mid- to long-term by making the QC KENTEI mandatory for all new employees, engaging candidates from the Development Division, and eventually spreading the initiative to the whole company.

#### • Quality Control Training for New Employees

The Office of Quality Assurance has been in charge of the training of new employees in administrative departments since 2015, but this time we updated the program to include the QC KENTEI as a goal, and held two company-wide sessions.

Training programs for new employees in administrative divisions are also held at each plant, and we have updated these programs to include the QC KENTEI as well.

#### • Preventive Measures against Misconduct

In order to prevent misconduct, it is important that leaders take the initiative to create an atmosphere that allows employees to express their opinions freely and show their determination to fight against it. In FY2019, the Office of Quality Assurance visited sites for on-site audits, but this time all on-site audits were conducted by Plant Managers at domestic offices, and by Presidents at overseas offices.

[WEB](https://www.shinpoly.co.jp/en/technology/quality.html) List of ISO 9001 certifications

<https://www.shinpoly.co.jp/en/technology/quality.html>

### Initiatives to Secure Product Safety

#### • Product Safety Activities

When we receive information from our customers that presents a high risk, such as information that threatens product safety, we promptly notify management and ensure that those in charge inform the Office of Quality Assurance so an appropriate response can be taken.

SM: Shin-Etsu Polymer (Malaysia) Sdn.Bhd.

SD: Shin-Etsu Polymer India Pvt. Ltd.





We have cooperated with our business partners to conduct initiatives for environmental problems based on our original green procurement standards. As the stock market and ratings agencies have begun placing an emphasis on CSR when evaluating companies, any environmental problem discovered on our supply chain could potentially lead to risks such as boycotts. Therefore, CSR procurement is a key issue for the CSR Committee.

## Together with Our Business Partners



### CSR Procurement Promotion Activity

Under the Basic Procurement Policy of the Shin-Etsu Polymer Group, we consider it important to promote CSR activities across the entire supply chain. To achieve this goal, we aim to solicit understanding from business partners and promote CSR activities in tandem on the basis of the Shin-Etsu Chemical Group's CSR Procurement Guideline.

#### • Basic Policy and Guidelines to Promote CSR Procurement

##### Basic Procurement Policy

- |  |   |
|--|---|
| 1 Abiding by the law                           | 3 Selection of vendors  |
| 2 Promotion of corporate social responsibility | 4 Meeting the needs of suppliers and conducting performance reviews |

##### [WEB](https://www.shinetsu.co.jp/en/sustainability/assets/pdf/sustainability/esg_supply/management/csr_guideline.pdf) CSR Procurement Guideline

[https://www.shinetsu.co.jp/en/sustainability/assets/pdf/sustainability/esg\\_supply/management/csr\\_guideline.pdf](https://www.shinetsu.co.jp/en/sustainability/assets/pdf/sustainability/esg_supply/management/csr_guideline.pdf)

#### • CSR Procurement Promotion System

We established a CSR Procurement Subcommittee consisting of eight members mainly from the Purchasing Department and hold meetings regularly.

#### Main Activities in FY2019

- Review of the Basic Procurement Policy
- Distributed CSR Procurement Guidelines to promote activities to business partners
- Held a CSR procurement training seminar for our procurement representatives
- Conducted business partner survey using a CSR procurement investigation questionnaire
- Study of evaluation methods
- Review of how to provide feedback about an evaluation

#### • Business Partner Survey

We prepared a questionnaire based on the CSR Procurement Guide-

lines and the RBA Version 6.0, and conducted a survey in FY2018 to better understand the current status of our business partners' CSR activities.

##### Survey overview

Survey categories: Six items (Human rights, compliance with laws and regulations, safety and disaster prevention, environmental conservation, information asset management and management) 104 questions

Survey format: Self-check where respondents give responses to questionnaire without on-site audit

##### Results

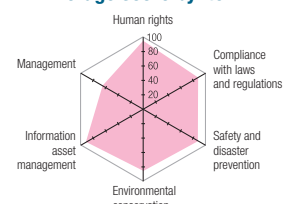
Almost 90% of companies met the requirements for each item. The categories that were deemed to require additional support were CSR management (setting of CSR policy and goals, etc.) and supply chain management.

##### Future activities

We will tackle the following items, while also promoting activities.

- Review of the CSR procurement investigation questionnaire
- Expand the range of the survey to overseas partners
- Promote better understanding of the Procurement Guidelines among business partners
- Conduct risk assessments based on survey results

##### Average score by item



### Response to Conflict Minerals

The Shin-Etsu Polymer Group has established a policy on how to respond to conflict minerals. Under this policy, the entire supply chain, including business partners, maintain initiatives to ensure zero use of any conflict minerals or minerals from OECD conflict and high-risk areas across the supply chain, thereby promoting responsible procurement.

##### [WEB](https://www.shinpoly.co.jp/en/environment/mineral.html) Shin-Etsu Polymer Group Conflict Material Policy

<https://www.shinpoly.co.jp/en/environment/mineral.html>

RBA: Responsible Business Alliance



The Shin-Etsu Polymer Group believes that safety and environmental preservation are the foundation of all corporate activities and one of the most important issues for management. We proactively work on activities to realize human- and environmentally-friendly workplaces with a goal of eliminating workplace and environmental accidents. In addition, we strive towards creating work environments where each and every employee can be themselves, develop and grow at the same time.

## Together with Employees



### Current Employment Situation

\* Note: Figures for FY2017 and subsequent years in the three tables below are post-merger.

#### Changes in number of employees

(Unit: People)

End of FY	Personnel (Non-Consolidated)			Personnel (Consolidated)		
	Male	Female	Total	Male	Female	Total
2015	504	108	612	1,694	2,248	3,942
2016	498	109	607	1,742	2,402	4,144
2017	805	214	1,019	1,859	2,548	4,407
2018	821	213	1,034	1,892	2,722	4,614
2019	814	216	1,030	1,865	2,790	4,655

\* Employees refers to full-time employees.

#### Managerial positions

(Unit: People)

End of FY	Managers		Officers	
	Male	Female	Male	Female
2015	293	4	15	0
2016	314	5	15	0
2017	304	7	15	0
2018	309	8	15	0
2019	305	9	14	0

#### Number of new graduates hired

(Unit: People)

FY	University graduates		High school/other graduates	
	Male	Female	Male	Female
Joined in April 2016	7	2	1	0
Joined in April 2017	6	1	6	1
Joined in April 2018	8	2	11	6
Joined in April 2019	5	3	9	2
Joined in April 2020	8	1	10	0

### Respect for Human Rights

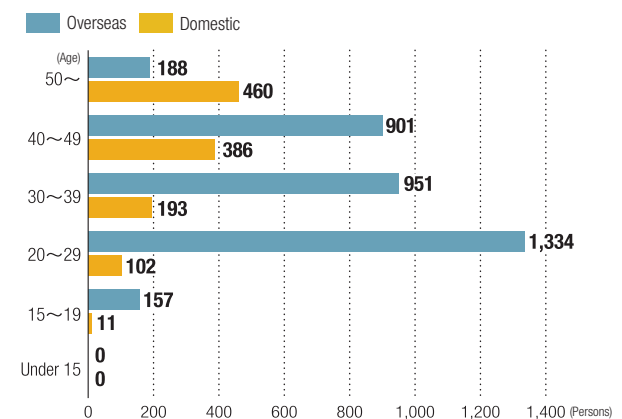
#### •Raising Awareness of Human Rights

Based on respect for human rights, the Shin-Etsu Polymer Group does not discriminate in terms of race, gender, academic background, disabilities, place of birth, ethnicity or religious beliefs. We conduct human rights awareness training for all employees as part of our efforts to promote an understanding of social integration and prevent problems such as sexual or power harassment.

#### •Elimination of Child/Forced Labor

In accordance with global laws and regulations related to labor, our Group prohibits child and forced labor in all countries and regions. We have surveyed all group companies including those located overseas and confirmed that there is no child or forced labor.

#### Labor distribution by age group (Our group)





## Work-Life Balance

We strive to create environments where all employees can work comfortably and thrive.

### • Childcare

Our Group revised the rules for childcare leave in October 2016. The revised rules allow employees to take childcare leave until a child reaches the age of three and/or work shorter hours until the child reaches third grade in school. This particular revision was based on opinions that were collected through interviews conducted with employees who raised or are currently raising children. In FY2019, 11 employees took childcare leave and 19 employees used the reduced working time system to care for their children. Reductions in time varied from 30 minutes to 120 minutes based on the needs of individuals. We will continue to cooperate with employees to create environments that are conducive to working while raising children and where employees can easily maintain their employment status.

### • Nursing Care

We revised our standards for nursing care leave in October 2016 prior to an official legal amendment in 2017. For example, in addition to 93 days of nursing care leave, employees can also opt for shorter working hours. We have revised various rules regarding nursing care. As the system dealing with nursing care is expected to become increasingly important, we will strive to create environments where employees involved in nursing care can work in the most comfortable manner possible.

### • Promoting the Use of These Systems

Following revisions to rules and systems, we carry out briefing sessions at all sites to explain the changes. In addition to explanations of new systems, we also monitor the usage of existing systems. Should usage begin to stagnate, we once again provide explanations and encourage employees to take advantage of these systems.

## Usage of maternity, childcare and nursing care leave

End of FY	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of employees who took maternity leave (People)	5	7	7	7	5
Number of employees who took childcare leave (People)	4	10	19	12	11
Number of male employees who took childcare leave (People)	0	0	0	1	0
Number of female employees who took maternity leave (%) (Leave takers/ Number of births ×100)	100	100	100	100	100
Number of employees who used reduced working time system to care for children (People)	3	4	13	15	19
Number of employees who took nursing care leave (People)	0	1	0	0	0

\* This data is applicable to Shin-Etsu Polymer Co., Ltd. only.

## Usage of annual paid leave

End of FY	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Average annual paid leave granted (Days)	19.2	19.2	19.1	19.0	19.0
Usage of annual paid leave (Days)	11.1	10.8	11.8	11.4	14.0
Annual paid leave taken (%)	57.8	56.3	61.8	60.0	73.7

\* Figures for FY2017 and subsequent years are post-merger.

We encourage employees at each workplace to regularly take annual paid leave. If it has expired, employees can still use a certain amount of it as paid leave in cases of non-occupational injury and illness, nursing care, childcare, participation in social contribution activities, and the like.

## Overtime

FY	FY 2017	FY 2018	FY 2019
hours / month	11.9	11.7	11.5

\* In comparison to set working hours.



## Diversity of Working Styles

### •Act on Promotion of Women’s Participation and Advancement in the Workplace

At our company, the average years of service by female employees are 22.7 years for administrative positions and 14.7 years for non-managerial positions\*<sup>1</sup>, and differences from those of male employees are 5.5 years and 2.4 years, respectively. In FY2019, there were 56 female employees in managerial positions. In FY2020, this number increased to 66\*<sup>2</sup>, indicating that more women with long years of service are rising to leadership positions and thriving in the workplace. We will continue to work on creating systems that further develop human resources.

\*1 As of the end of March 2020. The figures are applicable to Shin-Etsu Polymer Co., Ltd. only.

\*2 This includes 10 female managers who joined our company as a result of the merger in April 2017. Applicable to Shin-Etsu Polymer Co., Ltd. only.

### •Employment Status of People with Disabilities and Initiatives for Their Continuous Employment

In FY2019, we hired one more person with a disability, but the total number of employees with disabilities decreased. We are still actively engaging in the employment of people with disabilities. We once again accepted several interns from a special needs school; those from the school and members from a number of our plants visited each other. An external lecturer was also invited to provide training and help our employees better understand the employment of people with disabilities.

End of FY	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of employees with disabilities (People)	14	17	23	23	22
Employment rate of people with disabilities (%)	2.02	2.34	1.98	1.96	1.87

\* Figures for FY2017 and subsequent years are post-merger.

\* The employment quota for people with disabilities for private companies was 2.2% in FY2019.

### •Re-employment System

In accordance with the Amendments to the Act for Stabilization of Employment of Older Persons that came into effect in April 2013, we have updated our re-employment system to allow retired employees to return to work if they wish to do so. These older employees possess knowledge, expertise and experience cultivated over many years of regular employment and can pass on valuable skills to the next generation. In FY2019, the re-employment rate reached 93.3%, and we employed all retired employees who wished to return to work. We will continue to update our systems in accordance with all laws and regulations to enable employees of all age groups to play active roles.

### •Career Self-assessment System

We have begun implementing a career self-assessment system for employees aged 50 years and older to help them reassess the challenges and knowledge required to continue working after reaching retirement age and to improve their motivation. Additionally, we invite outside instructors to conduct Pension Seminars to improve understanding of financial planning following retirement.

## Human Resources System

Our Group is continually working on personnel systems to facilitate any challenges being faced by employees. We have adopted a trackbased personnel system consisting of three tracks for managerial staff (based on expected roles) and three tracks for general staff (based on duties and/or work locations). In conjunction with this, we have revised the personnel evaluation system, placing a higher importance on fairness and persuasiveness. This new personnel evaluation system focuses not only on achievements but also on the underlying abilities and attitudes that drive employees toward greatness. In addition to personal achievements, it also acknowledges contributions made to the organization and teamwork. We will continue to focus on creating systems that facilitate any and all employee challenges.

## Training and Development

We believe that helping our employees grow contributes to business continuity. In addition to OJT, we offer a variety of programs that support employees at major career turning points such as promotions.

### •Tutor System

Each new hire is assigned a one-on-one tutor who focuses on training them for their new position. These tutors serve as role models and confidantes for new employees joining the workforce for the first time. The tutors themselves also grow and develop through working with new employees.

### •Management Training

Since FY2015, group employees have participated in rank-specific training (managerial and senior staff level) to learn about the concepts and techniques of group-wide management. We also provide in-group promotion training for employees newly elevated to managerial positions to provide additional support for growth.

## Physical and Mental Health Care

### •Employee Assistance Program (EAP)

The Shin-Etsu Polymer Group has introduced the Employee Assistance Program (EAP) to help employees and their families lead healthy lives, both physically and mentally. Through this program, employees can consult professionals in various fields on a variety of topics including mental and physical health, raising children, nursing care and also legal and financial matters. Toll-free calls and e-mail are used to maintain privacy. We also have a consulting service for sexual harassment. In addition, we regularly deliver useful health-related information via our internal network to raise awareness about mental health and health management.



## Environmental Security Management System

### •Environmental Security Policy

Our Group recognizes that safety, disaster management and global environmental protection are top priority issues. Consequently, as a group, we work on:

- (1) creating safe, comfortable and eco-friendly workplaces with the aim of eliminating occupational accidents, occupational diseases and environmental accidents,
- (2) observing all relevant laws and regulations,
- (3) preventing disasters and environmental accidents by promoting risk management and minimizing risks (promotion of risk assessments),
- (4) raising awareness of safety, disaster prevention and environmental conservation via education, and
- (5) obtaining trust from society by openly disclosing information about the current status of all our environmental security activities.

### •Eliminating Workplace Accidents

In addition to performing regular risk assessments of facilities and operations based on our occupational health and safety management system, we promote safety proposals, near-miss elimination activities and risk prediction training. We aim to completely eliminate workplace accidents by establishing safety as part of our corporate culture and creating workplaces with a high level of safety awareness.

In FY2020, we are working to promote risk assessments in all production plants and strengthen 5S activities.

### •Environmental Security Audits

We regularly conduct environmental security audits to confirm whether environmental security activities (safety, disaster prevention, environment and compliance) at all business offices are being properly implemented.

During audits in FY2019, we focused on reviewing countermeasures for previously identified issues and identifying new issues.

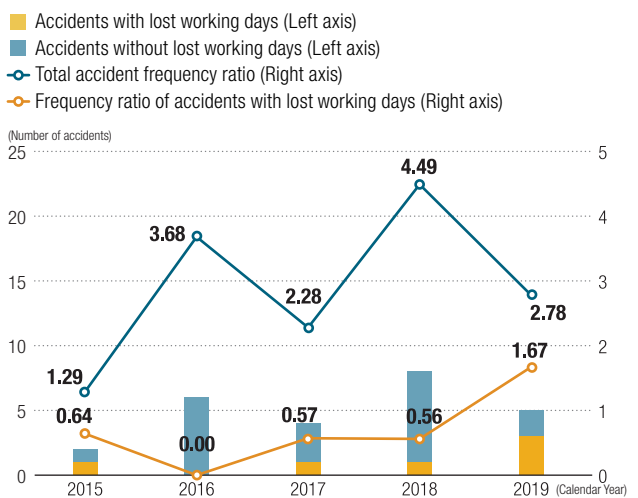
As for overseas production sites, Shin-Etsu Polymer India Pvt. Ltd. and PT. Shin-Etsu Polymer Indonesia underwent audits to confirm that environmental security activities are being properly executed, along with Shin-Etsu Polymer (Malaysia) Sdn. Bhd., Suzhou Shin-Etsu Polymer Co., and Ltd., and Dongguan Shin-Etsu Polymer Co., Ltd. which are audited every year.

In addition to the five audits mentioned above, Shin-Etsu Polymer Hungary Kft. will also undergo an audit in FY2020.

### •Work Time Accidents Report for 2019

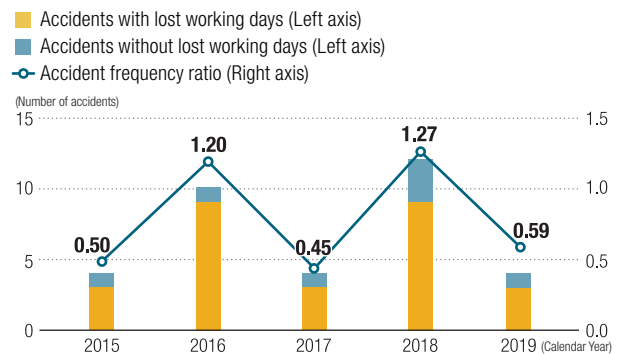
The number of accidents that occurred at 12 domestic and overseas production plants was 9, including 5 in Japan (3 accidents with lost working days) and 4 overseas (3 accidents with lost working days). Most victims were young employees with less than a year of work experience and middle-aged employees with more than 25 years of work experience. As most of the accidents were caused by human error, we are promoting safety education, risk prediction training, and the like, thereby improving safety measures at individual workplaces. In addition, as the percentage of falling accidents was as high as the previous year, we will continue engaging in a number of preventive measures including repairing bumpy surfaces, and clearly marking height differences.

#### Number and frequency of workplace accidents (Domestic plants)



\* This fiscal year, in order to improve the precision of data, we retroactively revised data from previous years.

#### Number and frequency of workplace accidents (Overseas plants)



An environmental security audit at Shin-Etsu Polymer India Pvt. Ltd.



Based on the concept of “making efforts to coexist with local communities,” we carry out health and safety, communication with communities, and humanitarian/disaster relief activities to promote coexistence and mutual prosperity. In relation to the implementation status of such activities, we openly disclose all relevant information.

# Together with Local Communities



## Communication with Communities

### • Social Contribution through 『shupua』 Products, Cups Made of High Transparency Silicone Rubber

As part of our CSR and social contribution business, we began donating 『shupua』 cups made of high transparency silicone rubber to institutions and organizations in September 2019. In FY2019, we presented them to nursing facilities, special-needs schools, and after-school day care centers. We frequently receive comments about how soft this product is, and how it makes it easy and safe for elderly people and children to use.

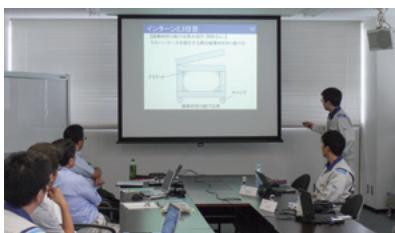


A 『shupua』 cup being used at a special-needs school. It matches the shape of the lips and liquid is less likely to spill.

### • Acceptance of Workplace Experience Participants

Each production site provides opportunities for students to gain on-the-job experience. Three sites accepted a total of nine students this fiscal year.

Tokyo Plant	5 people
Shiojiri Plant	2 people
Itoigawa Plant	2 people



A graduate student giving a results briefing on the last day of their internship at Itoigawa Plant

### • Acceptance of Plant Tour Participants

Production sites regularly welcome plant tour participants. Five different sites accepted a total of 272 people this fiscal year.

Tokyo Plant	22 people
Kodama Plant	61 people
Itoigawa Plant	15 people
Suzhou Shin-Etsu Polymer Co., Ltd.	150 people
Shin-Etsu Polymer (Malaysia) Sdn. Bhd.	24 people



Addressing tour participants at Itoigawa Plant

### • Beautification Activities

Some production sites conducted beautification activities in their local areas, with 351 employees from five bases participating.

Tokyo Plant	22 people
Kodama Plant	78 people
Shiojiri Plant	111 people
Itoigawa Plant	70 people
Dongguan Shin-Etsu Polymer Co., Ltd.	70 people



**Shiojiri Plant**  
During the Eco Walk Shiojiri, they conducted beautifications covering a stretch of about four kilometers, along with local citizens.



**Itoigawa Plant**  
Cleaning around the plant, held as part of Environment Month in June



## Health and Safety

### •Blood Donation

We hosted blood donation drives at both our domestic and overseas sites, with 225 employees from five different sites participating. The breakdown is as follows:

Tokyo Plant	36 people
Kodama Plant	24 people
Shiojiri Plant	20 people
Suzhou Shin-Etsu Polymer Co., Ltd. (SC)	43 people
Shin-Etsu Polymer (Malaysia) Sdn. Bhd. (SM)	102 people



SC  
Donating blood



SM  
Donating blood at plant

### •Praised for Our Hazardous Material Security Management System

As for security management at hazardous material facilities, we received a certificate of commendation from the governor of Saitama Prefecture and Saitama Prefecture Association for Safety of Hazardous Materials in May 2019, being praised for our efforts towards preventing accidents related to hazardous materials. This certificate is presented to companies that the Fire Bureau recognizes as exemplary offices, and we were among the five offices awarded it in Saitama Prefecture.



Mr. Hiruma , Manager of the Environment & Safety Section, holding the certificate

### •Traffic Safety

Each production site engages in initiatives to improve safety awareness. The Young Drivers Clubs of Tokyo Plant and Shiojiri Plant conduct regular activities, such as seat belt checks for commuters and traffic safety workshops, and frequently participate in traffic safety activities during national traffic safety campaigns. At Suzhou Shin-Etsu Polymer Co., Ltd., 104 employees attended a study meeting for traffic safety held by Sampo Insurance China Co., Ltd.



Tokyo Plant  
Every time, more than 100 employees participate in the traffic safety workshop



Shin-Etsu Polymer (Malaysia) Sdn. Bhd.  
Staff members being instructed by an external lecturer at a safety training event for motorcyclists

### Shin-Etsu Polymer India Pvt. Ltd. (SD)

Six employees from SD took part in the Road Safety Campaign run by the Japanese Chamber of Commerce & Industry, Chennai. At Elliots Beach in Chennai and under the guidance of local police officers, we urged drivers and motorcyclists to wear seatbelts and helmets and not to talk on their phones while driving. We distributed cards showing the purpose of the activity along with our company's name, in addition to a DRIVE SAFELY strap.



The staff members from SD participating in the Road Safe Campaign



Based on its Basic Environmental Principles, the Shin-Etsu Polymer Group addresses challenges such as combating global warming, energy saving, resource saving, waste reduction and recycling, listing them as some of the group-wide Green Activities and promoting the protection of the environment by reducing environmental burdens.

# Together with Environment



## Basic Environmental Principles

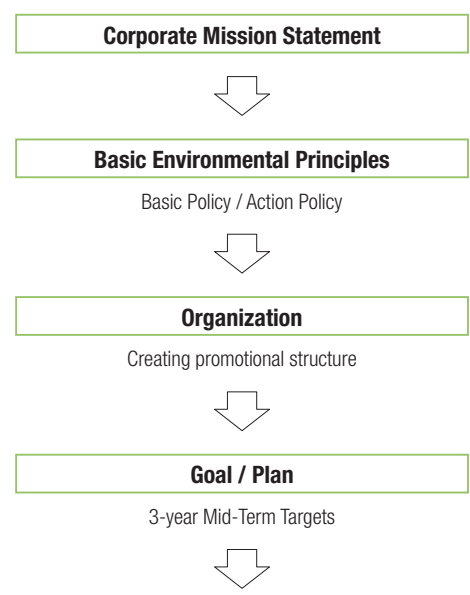
### •Basic Policy

Shin-Etsu Polymer Group recognizes that work towards environmental conservation is one of the highest priority issues for our operation. Therefore, we are working hard to become a part of building a recycling economic society through responsibilities we are expected to uphold.

### Action Policy

- 1 We are rebuilding the organization and systems to work for efficient and continuous environmental activities.
- 2 We observe laws and regulations for resource conservation, energy saving, waste reduction, recycling, and the proper handling of environmentally harmful substances. In addition, we set challenging goals and try to achieve them in our own manner with technical and economic resources.
- 3 We evaluate the environmental impacts of all phases from purchase and production through to usage and disposal during the new product development stage and thus reduce any environmental impacts.
- 4 We strive for the conservation and sustainable use of biological diversity by understanding, evaluating, and reducing the impact on ecosystems caused by business activities.
- 5 We provide internal education programs to achieve understanding and awareness of basic environmental policies for all employees.
- 6 We disclose the information of our environmental activities and make efforts to coexist with local communities.

## Environmental Management System Diagram



Activity: Green Activities	
Environmental management system	Acquired certification for environmental management system
Environmental performance	Countermeasures against global warming
	Measures for effective use of resources
	Measures to reduce substances that place a burden on the environmental
	Creation of environmentally friendly / contributory products
Publicity	Bio-diversity protection
	Sustainability report
	Environment accounting
Education / Training	Environmental education
	Auditing
	Company-wide briefing

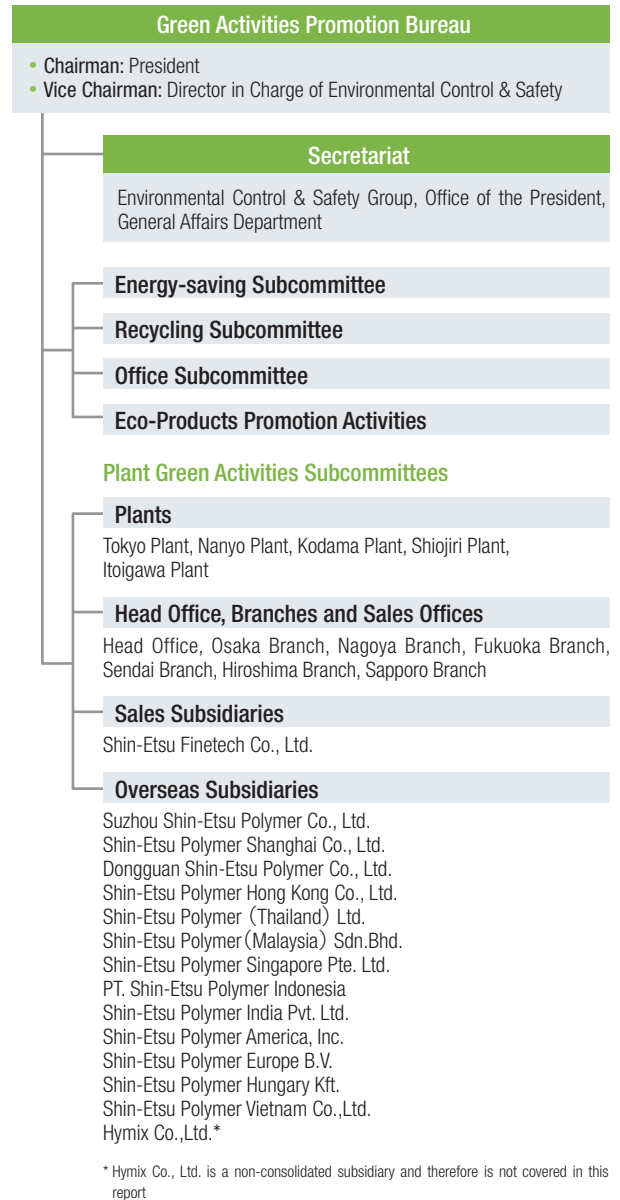




## Green Activities Organization

Green Activities refer to activities including the acquisition of an environmental management system certificate, understanding and support of “Environmental Performance” such as countermeasures against global warming and measures for the effective use of resources, public relations as represented by environmental and social reports, as well as education and training in the form of company-wide briefings. We also draw up mid-term plans every three years, with FY2019 being the second year of our 6th Mid-Term Plan.

### Green Activities Organization (As of March 31, 2020)



\* Hymix Co., Ltd. is a non-consolidated subsidiary and therefore is not covered in this report

### •Certifications of Environmental Management System

We have been awarded with ISO14001 certifications at all Japanese and overseas production sites. Based on the concept of complete compliance with all environmental laws and regulations, we aim to reduce burdens on the environment and engage in continuous environmental improvement activities by efficiently utilizing the management systems we have in place.

\* Please visit our website for further information on registration card numbers, certification bodies and various other data.

## List of Plants & Subsidiaries Approved by the Sony Green Partner Environmental Quality Approval Program

### Shin-Etsu Polymer Co., Ltd. ID: 410A

Factory Code	MC Name	FC Name	Expiry Date
FC014187	Dongguan Midas Electronic Co., Ltd.	Dongguan Midas Electronic Co., Ltd.	20210831
FC007726	Shin-Etsu Polymer Co.,Ltd.	Itoigawa Plant	20210831
FC002586	Shin-Etsu Polymer Co.,Ltd.	Kodama Plant	20210831
FC002584	Shin-Etsu Polymer Co.,Ltd.	Shiojiri Plant	20210831
FC007742	Shin-Etsu Polymer Co.,Ltd.	Tokyo Plant Production Department I	20210831
FC014180	Shin-Etsu Polymer Co.,Ltd.	Tokyo Plant Production Department II	20210831
FC013450	Suzhou Shin-Etsu Polymer Co.,Ltd.	(No Factory Name)	20210831

\* Confirmed: July 17, 2019

\* Each name is as stated on the Notification of Green Partner Certification.



## FY2019 Results of the 6th Mid-Term Targets (2018-2020) for the Shin-Etsu Polymer Group's Green Activities (As of April 1, 2020)

### Countermeasures Against Global Warming

**FY2019 Activities**

•We had planned to reduce the basic unit of CO<sub>2</sub> emissions by reducing the basic unit of energy, but this was not achieved partly because of a decrease in the production weight.

**FY2020 Challenges**

•We will continue with our FY2019 activities and engage in a variety of further measures to achieve our 6th Mid-Term Targets in the final year.

	Indicator	The 6th Mid-Term Targets (2018-2020)	FY2019	
			Results	Achievement level
Reduction of CO <sub>2</sub> emissions (Domestic plants as a whole) See page 38 for a graph	Basic unit of production weight (t-CO <sub>2</sub> /t)	3% reduction (compared to FY2017)	3.5% increase (from 0.6812 to 0.7049)	Not achieved
Reduction of energy converted to crude oil (Domestic plants) See page 38 for a graph	Basic unit of production weight (kℓ/t)	3% reduction (compared to FY2017)	Max. increase: 11.8% Max. reduction: 6.2%	Achieved at 2 plants Not achieved at 3 plants

**CY2019 Activities**

•Measures for saving energy such as by improving the production yield rate began bearing fruit.

**CY2020 Challenges**

•We will continue with our FY2019 activities and engage in a variety of further measures to achieve the 6th Mid-Term Targets in the final year.

	Indicator	The 6th Mid-Term Targets (2018-2020)	CY2019	
			Results	Achievement level
Reduction of CO <sub>2</sub> emissions (Overseas plants as a whole) See page 38 for a graph	Basic unit of production weight (t-CO <sub>2</sub> /t)	—	2.7% year-on-year increase (from 5.958 to 6.121)	—
Reduction of energy converted to crude oil (Overseas plants) See page 38 for a graph	Basic unit of production weight (kℓ/t)	3% reduction (compared to CY2017)	Max. increase: 5.0% Max. reduction: 20.1%	Achieved at 4 plants Not achieved at 2 plants

**FY2019 Activities**

•They are tenant offices, but we engaged in several activities and are likely to achieve the Mid-Term Targets.

**FY2020 Challenges**

•We will continue with our FY2019 activities and engage in a variety of further measures to achieve the 6th Mid-Term Targets in the final year.

	Indicator	The 6th Mid-Term Targets (2018-2020)	FY2019	
			Results	Achievement level
Reduction of energy converted to crude oil (Domestic non-plant business bases)	Basic unit of floor space (kℓ/m <sup>2</sup> )	3% reduction (compared to FY2017)	3.6% decrease (from 0.0331 to 0.0319)	Achieved

**FY2019 Activities**

•We carried out a modal shift (from trucks to railway containers) for film products that require long-distance transport.

**FY2020 Challenges**

•To continue the modal shift and use larger-sized vehicles.

	Indicator	Target	FY2019	
			Results	Achievement level
Reduction of energy consumed for logistics See page 39 for a graph	Basic unit of transport weight (kℓ/1,000tkg)	1% year-on-year decrease	1.5% year-on-year decrease (from 0.0469 to 0.0462)	Achieved

### Effective Use of Resources

**FY2019 Activities**

•Thoroughly sorting and promoting recycling.

**FY2020 Challenges**

•We will consider recycling the landfilled materials due to sudden troubles.

	Indicator	The 6th Mid-Term Targets (2018-2020)	FY2019	
			Results	Achievement level
Emission rate (Group domestic plants) See page 40 for a graph	(Amount of landfill + simple incineration) / total waste emissions × 100 (%)	Less than 1%	0.20%	Achieved
Emission rate (Domestic plants)	(Amount of landfill + simple incineration) / total waste emissions × 100 (%)	Less than 1%	Min. 0.00% Max. 0.96%	Achieved at all plants



## Together with Environment

**FY2019 Activities** •Reduction of start-stop losses, improvement of process yields, and promotion of recycling.

**FY2020 Challenges** •Further improvement of process yields and reduction of sudden trouble.

	Indicator	The 6th Mid-Term Targets (2018-2020)	FY2019	
			Results	Achievement level
Reduction of waste emissions (Group domestic plants) See page 40 for a graph	Basic unit of production weight (kg/t)	3% reduction (compared to FY2017)	5.2% increase (from 55.4 to 58.3)	Not achieved
Reduction of waste emissions (Domestic plants)	Basic unit of production weight (kg/t)	3% reduction (compared to FY2017)	Max. increase: 24.3% Min. reduction: 22.1%	Achieved at 2 plants Not achieved at 3 plants

**CY2019 Activities** •Improvement of production yields and promotion of recycling.

**CY2020 Challenges** •Further improvement of process yields and reduction of sudden trouble.

	Indicator	Our 6th Mid-Term Targets (2018-2020)	CY2019	
			Results	Achievement level
Reduction of waste emissions (Group overseas plants) See page 40 for a graph	Basic unit of production weight (kg/t)	—	5.1% year-on-year increase (from 355.2 to 373.3)	—
Reduction of waste emissions (Overseas plants)	Basic unit of production weight (kg/t)	3% reduction (compared to CY2017)	Max. increase: 54.9% Max. reduction: 46.2%	Achieved at 3 plants Not achieved at 3 plants

**FY2019 Activities** •5 products newly certified.

**FY2020 Challenges** •Promoting proposals of products for applications, working with relevant departments.

	Indicator	Target	FY2019	
			Results	Achievement level
Creation of environmentally friendly / contributory products	Number of certified products compared to 8 in FY2014	To be tripled by the end of FY2020 to 24 products	5 new products certified	3 more products to reach the target

## Control of Chemical Substances

**FY2019 Activities** •Large reductions owing to decreased orders for products requiring Class I Specified Chemical Substances.

**FY2020 Challenges** •Further reduction of usage by reconsidering cleaning methods and exploration of alternative materials.

The control values in the table represent results in FY2018. We targeted a reduction compared to the previous year for FY2019.

Control item	Indicator	FY2019		
		Control value	Results	Increase/decrease
PRTR registration	Registered amount See page 42 for a graph	1,152kg	184kg	84% year-on-year decrease (968kg decrease)
	Basic unit of production weight	0.030kg/t	0.005kg/t	83% year-on-year decrease
	Class I Specified Chemical Substances	127kg	114kg	10% year-on-year decrease (13kg decrease)
VOC 20 substances (Target substances of 4 organizations in electronics industry)	Emissions into atmosphere See page 42 for a graph	14.8t	10.0t	32.4% year-on-year decrease
	Basic unit of production weight	0.385kg/t	0.264kg/t	31.4% year-on-year decrease

## Water Resources

**2019 Activities** •Efficient production, use of circulating water systems, and optimization of wastewater treatment.

**2020 Challenges** •Investigation of water risks around each plant and implementation of countermeasures.

The control values in the table represent results in 2018. We targeted a reduction compared to the previous year for 2019.

Control item	Indicator	2019		
		Control value	Results	Increase/decrease
Domestic use of industrial water See page 43 for a graph	Total amount use at all domestic plants (thousand m <sup>3</sup> )	467	445	5% year-on-year decrease (22,000 m <sup>3</sup> decrease)
	Basic unit of production weight at all domestic plants (m <sup>3</sup> /t)	12.2	11.7	4% year-on-year decrease
Overseas use of industrial water See page 43 for a graph	Total amount use at all overseas plants (thousand m <sup>3</sup> )	189	186	2% year-on-year decrease (3,000 m <sup>3</sup> decrease)
	Basic unit of production weight at all overseas plants (m <sup>3</sup> /t)	27.7	27.1	2% year-on-year decrease

\* For the above total numbers, domestic data is taken from the fiscal year from April 2019 to March 2020, while overseas data is taken from the calendar year January 2019 to December 2019.



## Real Examples of Environmental Protection Activities

### • Optimizing the Number of Compressors in Operation



**Satoshi Yamada**

Production Technology Section,  
Shiojiri Plant

As an energy-saving target for Green Activities this term, we announced and implemented a project to optimize the number of compressors in operation, as they consume a large amount of electricity.

At Shiojiri Plant, we manufacture a wide range of products in five factory buildings. There are a lot of air supply facilities, and three compressors always used to be in operation. Based on our product order schedule and an investigation into the operating status of facilities carried out over several months, we calculated the required amount of compressed air. We felt it was possible to reduce the number of operating compressors by one, and so took action.

Consequently, our electricity consumption decreased by 162,881 kWh annually from 488,643 kWh to 325,762 kWh. CO<sub>2</sub> emissions were also reduced annually by 90.4 t-CO<sub>2</sub>.

We will continue aiming to save energy through Green Activities and become a more environmentally friendly company.



An inverter-driven compressor that can save energy  
(Top Runner Motors are used)

### • Saving Energy and Reducing Waste by Optimizing Plant Operations

In 2019, SH\* succeeded in saving energy and reducing waste through a company-wide effort to optimize plant operations.

In terms of plant management, we focused on three points below throughout the company.

1. Optimizing the number of production lines
2. Changing work shifts
3. Reconsidering where to place machines

As a result of these efforts, we were able to reduce wasted energy, shorten heating times, and use air conditioners more efficiently during the heating process at production facilities. Lower energy consumption led to a 0.03 kg-CO<sub>2</sub> reduction in emissions for each product compared to 2018. In addition, we came to start and stop facilities less often, and waste decreased by 0.09 g for each product compared to 2018.

In 2020, we will promote further energy savings by replacing lighting at the production site with LED lamps, and will also work on the reduction of waste.

\*Shin-Etsu Polymer Hungary Kft.



Our worksite  
Mr. Agoston, Plant Manager and the leader of this project, is on the left





## Environmental Burdens Related to Our Business Activities

We believe that accurately understanding all environmental burdens associated with our business activities is the real basis for environmental conservation activities. We use relevant figures to formulate plans that effectively and continually promote environmental conservation activities.

\* This fiscal year, in order to improve the precision of data, we retroactively revised data from previous years.

### INPUT

#### Resources and energy

Domestic figures represent fiscal year, while overseas figures are for the calendar year.

Year	Usage amount	Domestic		Overseas		Group total
		Production locations	Non-production locations	Production locations	Non-production locations	
2019	Energy (Converted to crude oil) (kℓ)	12,076	110	19,483	32	31,701
2018		12,349	115	18,866	35	31,365
Ratio compared to previous year (%)		97.8	95.7	103.3	91.4	101.1
2019	Water consumption (thousand m3)	445	—	186	—	631
2018		467	—	189	—	657
Ratio compared to previous year (%)		95.2	—	98.5	—	96.2
2019	Chemical substances subject to PRTR (t)	98.7	—	—	—	98.7
2018		94.3	—	—	—	94.3
Ratio compared to previous year (%)		104.7	—	—	—	104.7

#### Raw materials

- PVC (Polyvinyl chloride)
- Silicone rubber
- Other synthetic resins
- Other materials

### Shin-Etsu Polymer Group

#### Business activities (Resin molding and processing)



### OUTPUT

#### To the environment

Domestic figures represent fiscal year, while overseas figures are for the calendar year.

Year	Emissions	Domestic		Overseas		Group total
		Production locations	Non-production locations	Production locations	Non-production locations	
2019	CO <sub>2</sub> (t-CO <sub>2</sub> ) *	26,738	236	42,039	69	69,082
2018		27,350	249	40,704	73	68,376
Ratio compared to previous year (%)		97.8	94.8	103.3	94.5	101.0
2019	Total waste emissions (t)	2,211	—	2,564	—	4,775
2018		2,147	—	2,427	—	4,574
Ratio compared to previous year (%)		103.0	—	105.6	—	104.4
2019	Amount of recycled of waste (t)	2,207	—	—	—	2,207
2018		2,138	—	—	—	2,138
Ratio compared to previous year (%)		103.2	—	—	—	103.2
2019	Amount of unrecycled of waste (t)	4	—	—	—	4
2018		8	—	—	—	8
Ratio compared to previous year (%)		53.1	—	—	—	53.1
2019	Emission rate (%)	0.20	—	—	—	0.20
2018		0.39	—	—	—	0.39
Ratio compared to previous year (%)		51.3	—	—	—	51.3
2019	Waste water (thousand m3)	396	—	148	—	544
2018		419	—	154	—	573
Ratio compared to previous year (%)		94.5	—	96.4	—	95.0
2019	PRTR emissions / Reported amount of target substances (t)	0.184	—	—	—	0.184
2018		1.152	—	—	—	1.152
Ratio compared to previous year (%)		16.0	—	—	—	16.0

\* The conversion coefficient of CO<sub>2</sub> emissions is calculated using our own emission factors.



## Countermeasures Against Global Warming

In order to contribute to the prevention of global warming, we actively promote energy conservation on all business sites.

We conducted Green Activities as part of our energy-saving promotion activities, and this year, the second year of the 6th Mid-Term Plan, we promoted activities at both domestic and overseas business locations. In terms of logistics, we implemented energy-saving initiatives through modal shifts and efficient site operations.

\*This fiscal year, in order to improve the precision of data, we retroactively revised data from previous years.

### • Domestic Plants

#### Domestic Plants Overall

In FY2019, both the basic unit of produced weight energy and the basic unit of CO<sub>2</sub> emissions against produced weight were down 1% from FY2018.

In order to reduce energy consumption and CO<sub>2</sub> emissions at our plants, we conducted various initiatives such as optimization of compressors and water heaters, modification of facility control systems, and installation of LED lightings. We will continue to contribute to the prevention of global warming by improving yield, promoting various energy-saving activities, and reducing CO<sub>2</sub> emissions.

#### Individual Plants

The target for basic units of produced weight energy for FY2019 was a 2% reduction compared to the reference year (FY2017). Two plants managed to achieve this target, while three plants unfortunately did not.

(Refer to page 36: Together with Environment)

### • Overseas Plants

#### Overseas Plants Overall

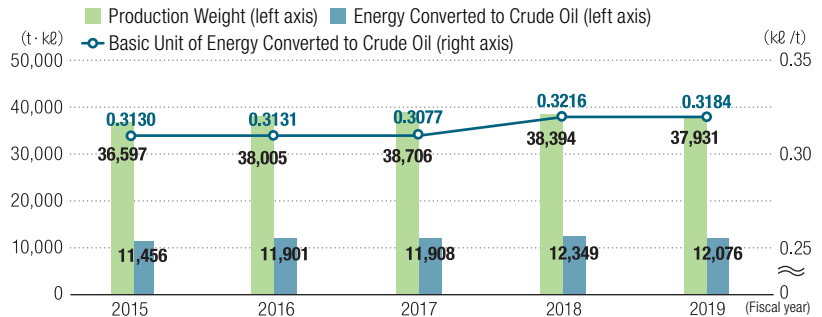
Both the basic units of produced weight energy and the basic unit of CO<sub>2</sub> emissions against produced weight in 2019 were 2.7% lower than that of 2018 at all overseas plants.

#### Individual Plants

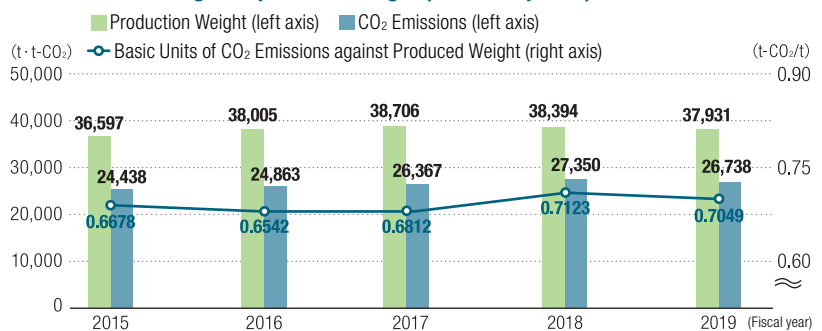
The target for basic units of produced weight energy in 2019 was a 2% reduction compared to the reference year (2017). Four plants managed to achieve this, but unfortunately two did not.

(Refer to page 36: Together with Environment)

#### Energy converted to crude oil and basic units of energy converted to crude oil (Domestic plants)

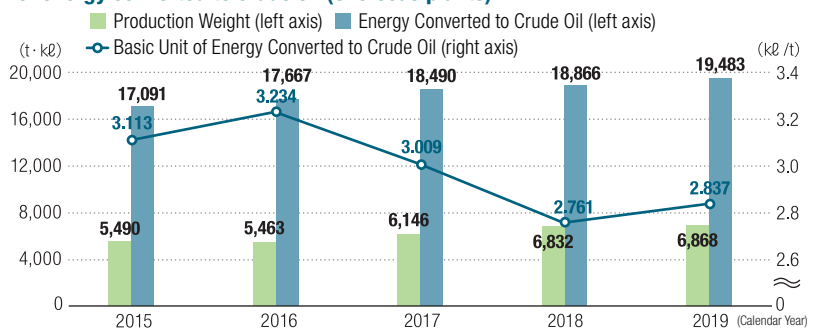


#### CO<sub>2</sub> emissions and basic units of CO<sub>2</sub> emissions against produced weight (Domestic plants)

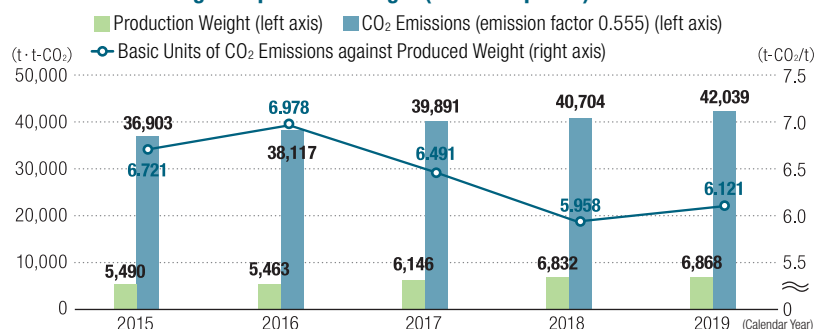


\*CO<sub>2</sub> emissions are calculated based on the emission factor of our company (0.000555t-CO<sub>2</sub>/kWh)

#### Energy converted to crude oil and basic units of energy converted to crude oil (Overseas plants)



#### CO<sub>2</sub> emissions and basic units of CO<sub>2</sub> emissions against produced weight (Overseas plants)



\*CO<sub>2</sub> emissions are calculated based on the emission factor of our company (0.000555t-CO<sub>2</sub>/kWh)



• GHG Scope 3 emissions

Our group calculates Scope 3 emissions based on guidelines from the Ministry of Environment and compares values to the previous year. Scope 3 emissions in FY2019 saw a 2% decrease from the previous fiscal year at 180,600 t-CO<sub>2</sub>, which accounted for 72% of the total supply chain. We will continue to work on reducing the overall GHG emissions of our supply chain.

Category		FY2018	FY2019	Compared to previous FY
Our group	(Scope 1) Direct emissions	1.3	1.4	8%
	(Scope 2) Indirect emissions from energy sources	68.4	69.1	1%
1	Purchased products / services	68.4	62.8	-8%
2	Capital goods	7.6	0.0	—
3	Energy-related activities outside of Scope 1 and 2	4.5	4.5	0%
4	Transportation and shipping (upstream)	59.4	54.9	-8%
5	Waste generated in operations	1.1	1.1	0%
6	Employee business travel	1.7	1.5	-12%
7	Employee commuting	2.2	2.2	0%
8	Leased assets (upstream)	—	—	—
9	Transportation and shipping (downstream)	14.6	16.8	15%
10	Processing of sold products	—	—	—
11	Use of sold products	—	—	—
12	End-of-life treatment of sold products	39.5	36.8	-7%
Subtotal of Scope 3		199.0	180.6	-9%
Total		268.7	251.1	-7%
Percentage (Scope 3)		74%	72%	-2%

\*1 Category 1-8 belong to upstream in the supply chain, and Category 9-12 belong to downstream

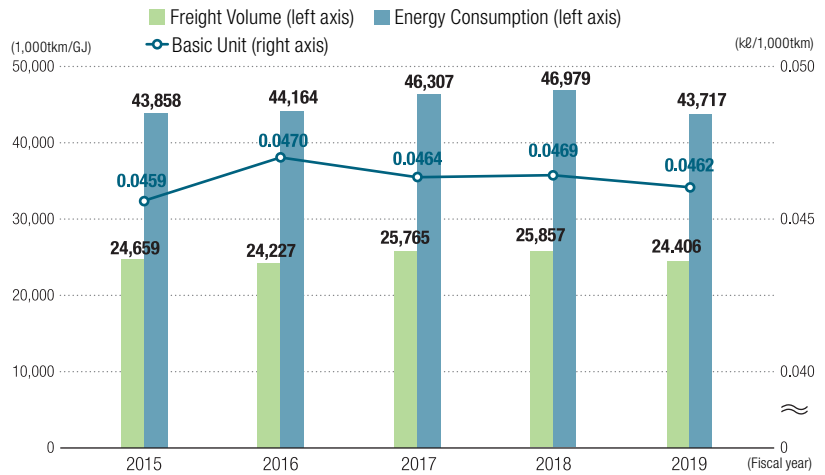
\*2 If not indicated, the unit for figures is 1,000t-CO<sub>2</sub>.

\*3 This fiscal year, in order to improve the precision of data, we retroactively revised data from previous years.

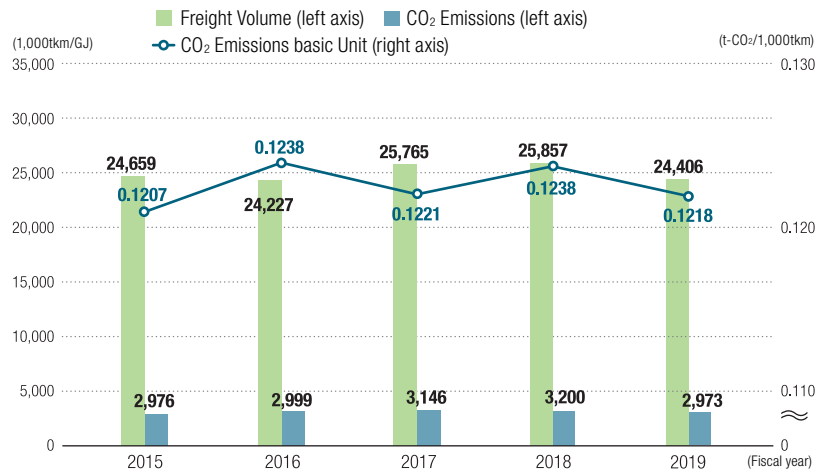
• Energy-saving Activities Related to Transportation

Basic units of energy consumption for freight volumes in FY2019 saw a 1.5% decrease compared to that of FY2018. Due to heavy rains and the typhoon that occurred in July 2018, some of the railway transportation routes were closed for around four months, and we were forced to use trucks instead of railway services for transporting products between warehouses. From November 2018, we started using railway services again and the basic units improved. Going forward, we will work on reducing the basic units while continuously promoting a modal shift.

Basic unit of heat and energy consumption for freight volumes



Basic unit of CO<sub>2</sub> emissions rate and CO<sub>2</sub> emissions for freight volumes





## Waste Reductions and Recycling

Under the 6th Mid-Term Plan (FY2018 to FY2020), we are promoting activities with a goal of “maintenance and continuation of zero emissions” and a “3% reduction in the basic units of waste emissions against produced weight compared to FY2017.”

### Approaches to Waste Reduction and Recycling

With the keywords “zero landfills and simple incineration by promoting waste recycling,” we are engaged in activities to achieve and maintain zero emissions (less than 1% emission rate) with the control indicators of 1) basic units of waste emissions and 2) emission rate.

### Key Initiatives

In terms of waste reduction activities, we tackle the improvement of pass rates and the reduction of start-stop losses, while also working on waste disposal in the form of deterioration preventive measures of inventory, and the recovery and reuse of liquid silicon material residue. In addition to promoting the reduction and recycling of waste plastics through these activities, we also regularly conduct on-site inspections of waste disposal contractors to make sure that the wastes are properly disposed of.

### Results for FY2019

#### Domestic Plants

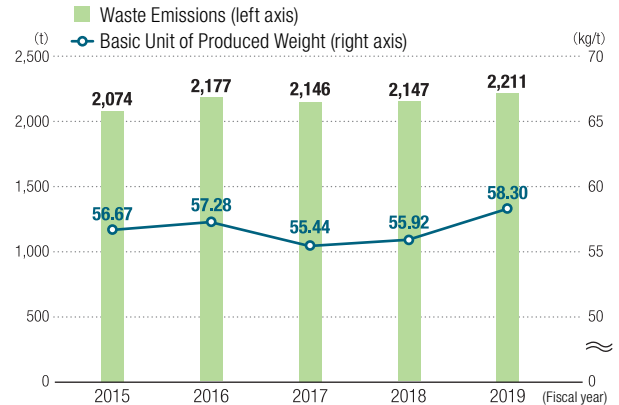
The total volume of waste in FY2019 was 2,211 tons, which was a 3% increase from the previous fiscal year. The basic unit of waste emissions against produced weight was 58.3 kg/t, which did not achieve the targeted amount with a 5.2% increase from the previous fiscal year. The emissions rate was 0.20%, thereby achieving the target rate of less than 1.0%.

Category wise, the percentage of plastic waste and cardboard increased. In addition, we disposed PCB waste properly in compliance with the law concerning Special Measures Against PCB Waste.

#### Overseas Plants

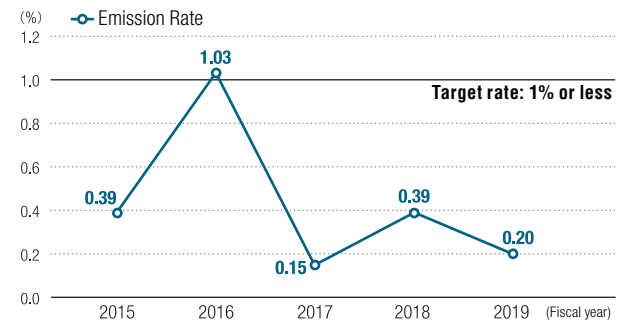
The total volume of waste in 2019 was 2,564 tons, which was a 5.6% increase from the previous year. The basic unit of waste emissions against produced weight was 373.3 kg/t, which was a 10.7% decrease compared to the base year (2017).

### Annual waste emissions (Domestic plants)

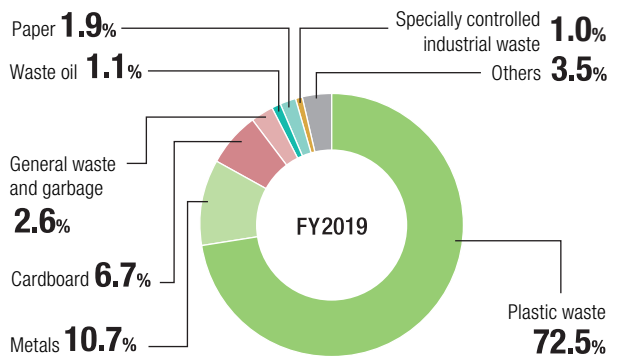


\*This fiscal year, in order to improve the precision of data, we retroactively revised data from previous years.

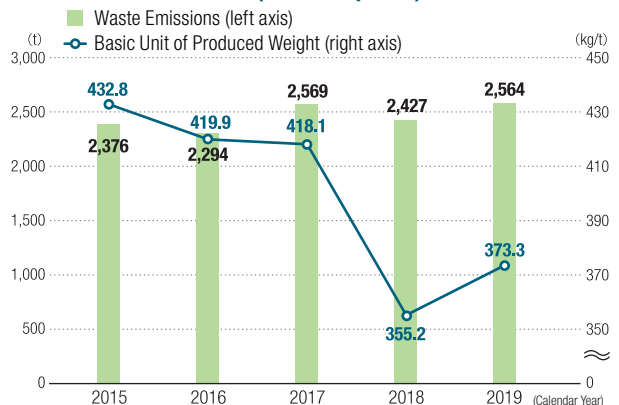
### Annual emissions rate (Domestic plants)



### Sorted by category (Domestic plants)



### Annual waste emissions (Overseas plants)



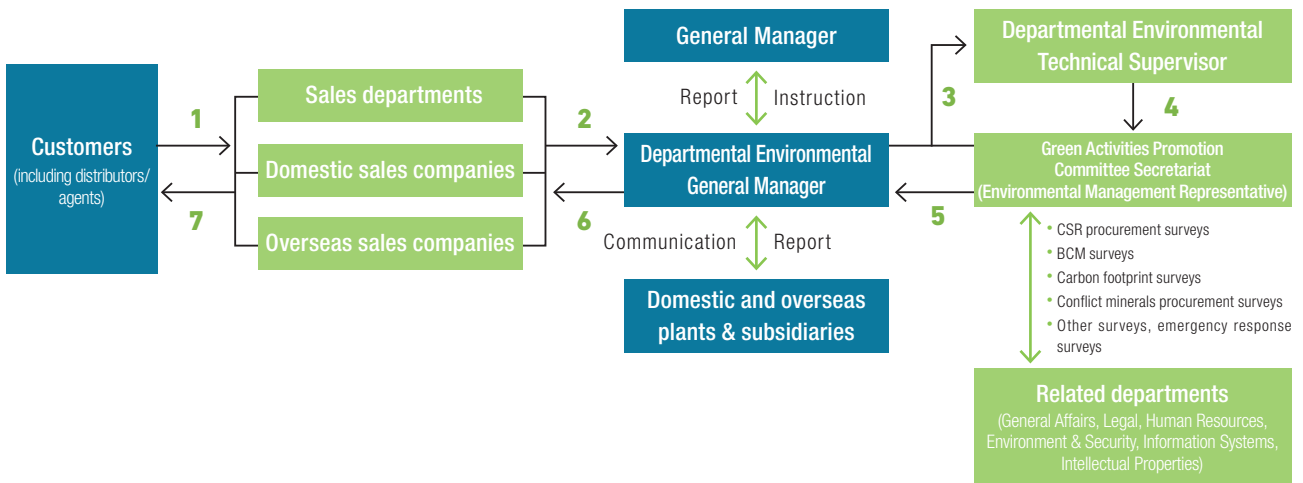




## Control of Chemical Substances

### Global Environmental Communication System (G-Environmental System)

- 1 An “Environmental Management Representative” for our Group is appointed who represents the Group regarding customer’s requirements in relation to the environmental quality of our products.
- 2 An “Environmental General Manager” and the “Environmental Technical Supervisor” are appointed in each division and manage issues associated with the environmental quality of products from their respective divisions.
- 3 Submissions of documents such as Green Procurement Survey Responses, certificates of non-use of environment-related substances, confirmation forms of changes in management or analysis data are conducted in accordance with the rules set forth in the Global Environmental Communication System.
- 4 Materials with low environmental burdens (raw material, parts/components, packing material, etc.) are purchased from suppliers that promote environmental considerations in accordance with “Green Procurement Guidelines” and “Control Standards of Chemical Substances Contained in Products.”
- 5 This system is applied to CSR and Risk Management Surveys from customers on human rights/labor, safety and welfare, environment, fair trade and ethics, quality and safety, information security and social contributions.



### Control Standards for Chemical Substances Contained in Products

Based on the Control Rules of Chemical Substances Contained in Products, our Group stipulates our own Control Standards for Chemical Substances Contained in Products (Version 4.0). According to these standards, we target the reduction of chemical substances in all finished products and purchased materials.

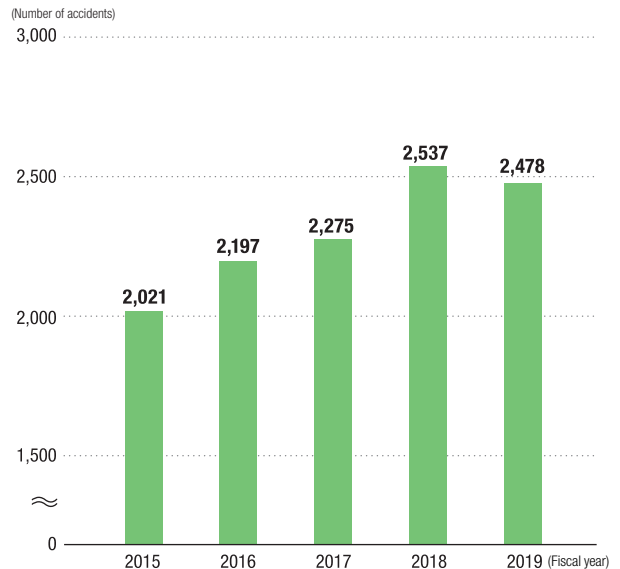
Prohibited substances	<ol style="list-style-type: none"> <li>1) <b>Chemical Substances Control Law:</b> Class I Specified Chemical Substances</li> <li>2) <b>Industrial Safety and Health Law:</b> Hazardous substances prohibited in production, etc.</li> <li>3) <b>Poisonous and Deleterious Substances Control Law:</b> Specific poisons</li> <li>4) <b>TSCA:</b> Substances based on Section 6</li> <li>5) <b>POPs regulation:</b> Annex I</li> <li>6) <b>REACH regulation:</b> Annex X VII</li> <li>7) <b>GADSL</b> Reference List (Classifications: P and D/P)</li> </ol>	<p><b>Intentional use prohibited</b></p> <p><b>Cannot be contained as impurities</b></p>
Controlled substances	<ol style="list-style-type: none"> <li>1) <b>ELV Directive:</b> Designated substances</li> <li>2) <b>RoHS Directive:</b> Designated substances</li> <li>3) <b>REACH Regulations:</b>SVHC</li> <li>4) <b>IEC62474</b></li> </ol>	<p><b>Intentional use prohibited</b></p> <p><b>Must be below the threshold when contained as impurities</b></p>
Reportable substances	<b>GADSL</b> Reference List (Classification: D)	<b>Report only</b>

\*Please visit our website for further details. (<https://www.shinpoly.co.jp/ja/environment/chemical.html>)

### Investigations on Chemical Substances Contained in Products

At our group, we have been conducting investigations on the chemical substances contained in products since 2000. In recent years, we have received more than 2000 requests for investigations annually. The results of the investigations are reported based on the Global Environmental Communication System.

#### Number of investigations on chemical substances contained in products



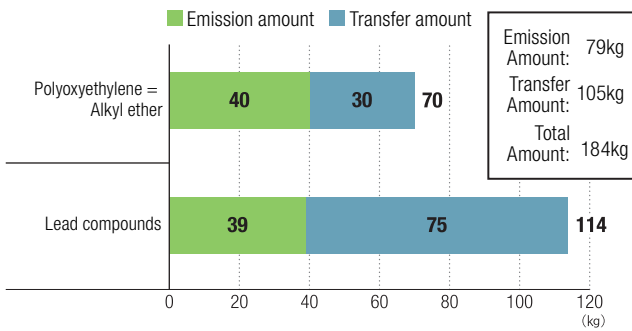


•FY2019 PRTR Registration

Tokyo and Nanyo Plants made PRTR registrations. In FY2019, we made registrations for 184kg of two substances (79kg for emissions and 105kg for transfers). As part of this, we registered 114kg (39kg for emissions and 75kg for transfers) of lead compounds (lead-based stabilizer for PVC products), a Class I Specified Chemical Substance.

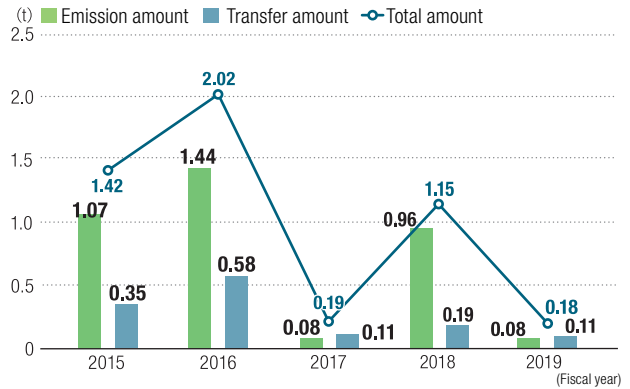
Due to a decrease in orders, toluene usage weight fell below 1000kg and was thus excluded from our registrations in FY2019. This resulted in a drastic decrease in the overall number of registrations.

FY2019 PRTR registration results



\*Registered amount = Amount of emissions + amount of transfers

Total results of PRTR registrations



\*The amount of PRTR registration fluctuates based on the total production volume.

•FY2019 VOC Emissions into the Atmosphere

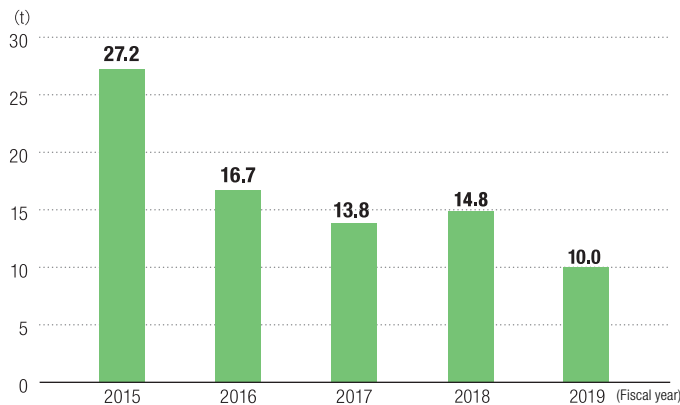
The amount of domestic VOC emission into the atmosphere (t/year) was 10.0 tons, a 32.4% decrease from the previous year (14.8 tons) in FY2019. Substances making up a large volume of emissions included ethanol, isopropyl alcohol, and toluene.

(Unit: t/year)

	Tokyo Plant	Nanyo Plant	Kodama Plant	Shiojiri Plant	Itoigawa Plant	Total
Total amount of emissions into atmosphere	0.0	0.0	3.6	4.0	2.4	10.0
Facilities	1.Painting	0.0	0.0	0.0	0.0	0.0
	2.Adhesion	0.0	0.0	0.0	0.0	0.0
	3.Printing	0.0	0.0	0.0	0.0	0.0
	4.Chemical products production	0.0	0.0	0.0	0.0	0.0
	5.Industrial cleaning	0.0	0.0	0.0	0.0	0.0
	6.VOC storage	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0
Facilities other than these six	0.0	0.0	3.6	4.0	2.4	10.0

\*Subject VOCs are the 20 substances of four electrical and electronic organizations exceeding 1,000 kg.

Annual VOC20 emission volumes





## Activities for Bio-diversity Protection

Our group address activities such as global warming countermeasures, effective utilization of resources, thorough management of chemical substances, effective use of water resources and pollution prevention that affect bio-diversity protection, as we strive to reduce environmental burdens.

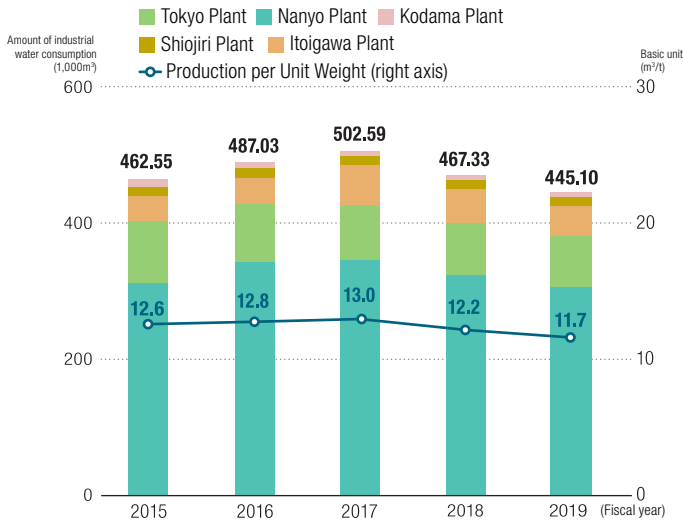
### Efficient Use of Water Resources

At domestic plants, production volume remained at the same level, while industrial water consumption was reduced to 95% and basic units were reduced to 96% compared to the previous year. In addition, basic units were reduced to 98% at overseas plants as well.

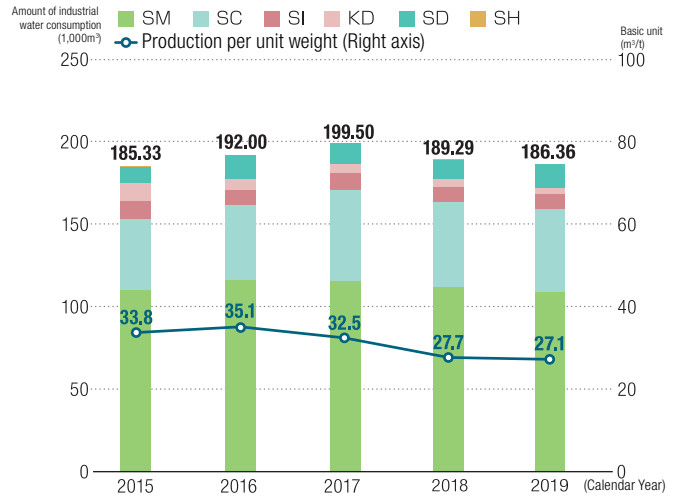
We will continue to ensure we have a proper understanding of the number of basic units at each site and promote the most efficient use of water resources.

\*This fiscal year, in order to improve the precision of data, we retroactively revised data from previous years.

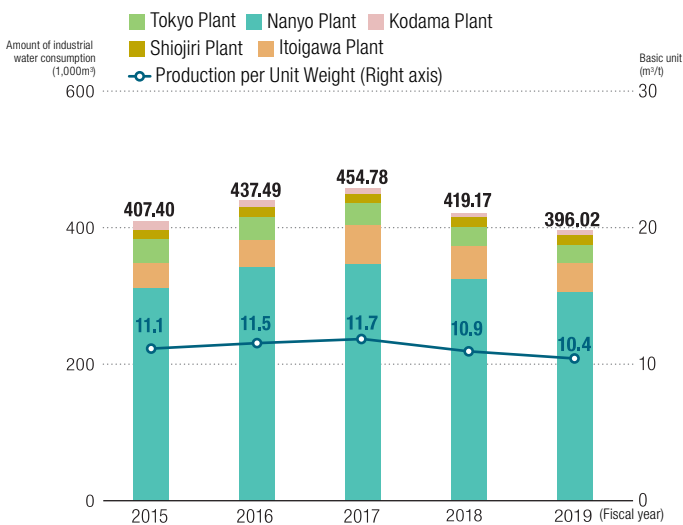
#### Water waste use status (Domestic plants)



#### Waste water use status (Overseas plants)

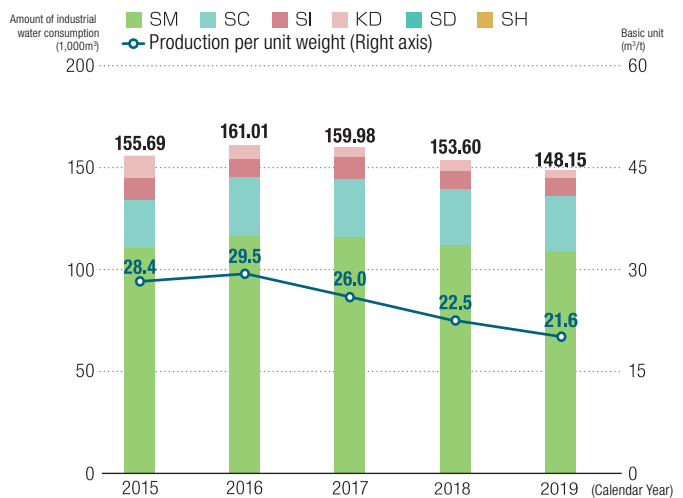


#### Water discharge status (Domestic plants)



#### Water discharge status (Overseas plants)

\*No water discharge in SD



SM:Shin-Etsu Polymer (Malaysia) Sdn.Bhd.  
 SC:Suzhou Shin-Etsu Polymer Co., Ltd.  
 SI:PT. Shin-Etsu Polymer Indonesia

KD:Dongguan Shin-Etsu Polymer Co., Ltd.  
 SD:Shin-Etsu Polymer India Pvt. Ltd.  
 SH:Shin-Etsu Polymer Hungary Kft.



## Together with Environment

### •Air Pollution Prevention

We have no equipment that is subject to regulations, yet we do stipulate self-control standards when deemed necessary and work on reducing emission amounts. We periodically measure the emission concentration of VOCs in order to confirm that the value is below the limit.

### •Water Pollution Prevention

We check that the quality of discharged water satisfies the standard specified in the Water Pollution Prevention Act both voluntarily and in accordance with laws and regulations. We are also working on reducing the basic units of water use and aiming for conversion to circulated water.

### •Soil Contamination Prevention

We perform monitoring based on the Soil Contamination Countermeasures Act. We also conduct surveys on soil and underground water where necessary to confirm that there is no contamination.

## Environmental Accounting

### Costs borne for environmental conservation

(Unit: Million yen)

Category		Main initiatives	Investment amount	Cost <sup>1</sup>
1. Costs within business	1-1. Pollution prevention costs	Regular inspections of equipment, noise measurements, etc.	61.9	26.8
	1-2. Global environmental conservation costs	Introduction of high-efficiency air conditioners, LED lighting, etc.	44.1	154.8
	1-3. Recycling costs	Collection and recycling of resources, conversion into raw materials or fuel, etc.	0.0	0.0
Sub-total			106.0	181.6
2. Upstream and downstream costs <sup>2</sup>		Costs related to control of chemical substances contained in products, etc.	0.0	3.3
3. Control activity costs		EMS maintenance, education, greening with plants, etc.	0.0	34.0
4. R&D costs <sup>3</sup>		Development of products that are friendly to and contribute to the environment such as input components for automobiles, etc.	0.0	35.5
5. Social activity costs		Donations, etc.	—	0.6
6. Environmental damage prevention costs		N/A	0	0
<b>Total</b>			<b>106.0</b>	<b>255.0</b>

\*1. Costs = Actual costs – costs in the case of not conducting an activity. When the total difference  $\leq 0$ , 0 is the assumed value.

\*2. Registration costs for recycling outsourcing agreements are not included.

\*3. R&D costs are calculated based on our own standards.

### Effects of environmental prevention

Items for environmental burden reductions	Unit	Annual amount of reduction
A. Energy consumption	t-CO <sub>2</sub>	297
B. Waste discharge amount	t	1,645
C. Chemical substances consumption	t	0.0
D. Amount of purchased paper	1,000 sheets	1
E. Others	—	0

### Economic effects in accordance with environmental conservation measures

Items for environmental burden reductions	Unit	Cost
A. Energy costs	Million yen	13.9
B. Waste disposal costs	Million yen	8.2
C. Material purchase costs (Raw materials + subsidiary materials)	Million yen	0.3
D. Profit from the sales of valuables	Million yen	16.5
E. Others	Million yen	0.0
<b>Total</b>	<b>Million yen</b>	<b>38.9</b>

## Thoughts from Outside the Company

For this report, we asked for opinions and comments from third parties to help further enhance our group's environmental and social activities.



### Comments from a third party on the "Sustainability Report 2020"

**Yoshinao Kozuma**  
Professor Emeritus, Sophia University

After reading the Group's "Sustainability Report 2020" and interviewing certain people involved, I would like to say the following in relation to the environmental, social efforts and initiatives by the Shin-Etsu Polymer Group.

#### 1. Progress with Supply Chain Management

In order to make ESG-based management succeed, it needs to be executed throughout the value chain, and CSR procurement is a very effective way of managing risks in the upstream processes. The Shin-Etsu Polymer Group has established a CSR procurement system, and in line with the full-scale operation of this system, they have conducted a survey to assess supplier risk. This year, analytical data of the survey results was reported, and based on the contents, it is clear that Shin-Etsu Polymer has fulfilled most of the environmental conditions necessary for supply chain management. Also, the Scope 3 emissions which remained unchanged in previous years are on a downward trend, suggesting that the CSR procurement system is functioning effectively. In addition, it was reported that human rights due diligence was conducted for foreign workers in domestic and overseas plants. This is a valuable first step towards building a process for human rights and environmental due diligence in the supply chain, where restrictions are anticipated to be tightened on a global scale. It is one of the most highly anticipated initiatives.

#### 2. Results of Diversity Promotion Initiatives

In relation to the Act on Promotion of Women's Participation and Advancement in the Workplace, an interesting tendency was identified from the employment data. While the number and the gender ratio of employees remain at the same level, the number of female employees in managerial positions has been increasing over the past few

years. Also, the data indicated that the number of employees opting for shorter working hours and using paid leave is gradually increasing, while overtime work remains at a lower level. This means that the work environment at Shin-Etsu Polymer is becoming more friendly to female employees as a result of diversity promotion measures and work-style reforms. I hope Shin-Etsu Polymer keep up their efforts and continuously work on improving the situation.

#### 3. Certification Targets for Environmentally Friendly/Contributory Products

Obvious improvements have been made in terms of certification of environmentally friendly/contributory products. These are products that comply with the environmental certification system, which was established with aims of resolving customers' problems and improving shared social values. Shin-Etsu Polymer's goal was to triple the number of certified products between FY2014 and FY2020. At the end of FY2019, they were only three products away from the goal, and it is almost certain that they will be able to achieve the goal within FY2020. I highly appreciate the progress they have made as a result of their company-wide efforts.

#### 4. Future Challenges

Continuing from the previous year, the employment rate of people with disabilities was below the necessary quota. This is a challenge that cannot be overcome easily, but the fact that the employment rate is decreasing over the years is problematic. Also, as the seventh mid-term of the Green Activities will start from FY2021, it is desirable that they set goals for important environmental issues such as climate change at overseas plants as well, so that integrated environmental management will be possible at both domestic and overseas plants.



**Toru Takayama**  
Senior Director;  
Assistant Chairman,  
Green Activities  
Promotion Bureau

## In Response

With guidance from Professor Kozuma, Shin-Etsu Polymer Co., Ltd. has been working on CSR activities towards the realization of a sustainable society. We intend to work on the challenges he identified as follows:

#### 1. Supply Chain Management

We will work on establishing a process of "human rights/environmental due diligence" where restrictions are globally expected to be tightened, including upstream risk management in CSR procurement and an implementation report on human rights due diligence for foreign workers.

#### 2. Employment Rate of People with Disabilities

We have been working on this issue since 2018, but still haven't achieved our goals. However, we were able to identify

target organizations (schools, etc.) for each business office. Going forward, we will work on sharing available positions along with our target employment rate with them in order to fulfill the goal.

#### 3. Green Activities (Environmental Management)

We have reached a level where we can implement "integrated environmental management" not only at domestic sites but also at overseas sites. Going forward, we will instruct employees to share environmental targets on a global scale.

We will continue to keep in close communication with our stakeholders and create an environment where we can develop together.

# Shin-Etsu

Shin-Etsu Polymer Group

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## About the symbol mark

The symbol mark expresses our feelings of creating our brilliant value in a “green environment” with the green leaf and bright morning dew.



The combination of indigo water, green trees and blue sky symbolizes our commitment to “continuously develop vitality,” while the Shin-Etsu colors provides an image of the development of Shin-Etsu Polymer.



## About the design

The Shin-Etsu Polymer Group is striving to make a sustainable society with the community a reality. Since the 2017 Sustainability Report, the cover designs have depicted endangered species within a circle representing the earth, with an “S” for Shin-Etsu wrapped around it. The FY2017 report featured grassland animals based on a spring theme and in the FY2018 report, we used sea creatures based on a summer theme. The FY2019 report featured autumnal harvest celebrations and animals, and for this year it features winter motifs such as polar bears.

