



Sekisui Chemical Group Modern Slavery Statement for Financial Year (FY) 2021

This Statement sets out the steps taken by Sekisui Chemical Co., Ltd. in FY2021, ending March 31, 2022, as well as steps planned for in FY2022 and beyond.

This Statement additionally reports on the effect of the COVID-19 pandemic and the current situation at the time of writing.

1. About this statement

Sekisui Chemical Co., Ltd. (hereafter referred to as the “Company”) makes this statement pursuant to section 54 (1) of the UK Modern Slavery Act 2015 (hereafter referred to as the “Slavery Act”). It sets out the actions taken by Sekisui Chemical Group, which is a corporate conglomerate managed by the Company as the parent company, to prevent any forms of modern slavery and human trafficking in any part of its business or its supply chains.

The Company hereby declares that it remains fully committed to opposing slavery and human trafficking in any part of its business or its supply chains. The concepts of slavery and human trafficking used in this statement are as defined in the Slavery Act.

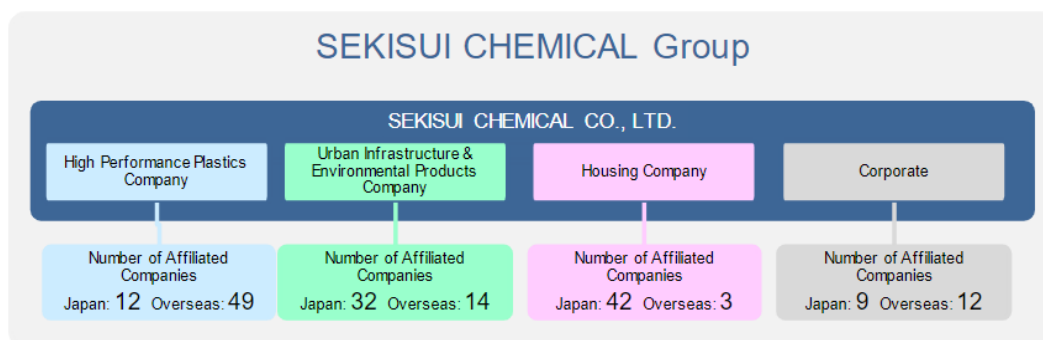
2. Outlines of our business and structure

Since its establishment in 1947, Sekisui Chemical Group has continued to open up new frontiers of “residential and social infrastructure creation” and “chemical solutions,” utilizing its prominent technology and quality, thereby contributing to enrich people’s lives and the social infrastructure. In 2001, we adopted the Divisional Company Organization System, which consists of three Divisional Companies and Headquarters.

Sekisui Chemical Group’s products are sold around the world. The Group, which has its head office in Japan, has 173 Group companies in 19 countries and regions. It has 26,419 employees and consolidated sales of 1 trillion 157.9 billion yen.

- Divisional Companies and Major lines of business

- Housing Company
Major lines of business:
Housing, Stock business, Town and community development, Residential services
- Urban Infrastructure & Environmental Products Company
Major lines of business:
Piping and infrastructure, Building and living environment, Advanced materials
- High Performance Plastics Company
Major lines of business:
Electronics, Mobility, Building and infrastructure materials, Industry
- Headquarters
Life science and other businesses



- Business in the UK
In the United Kingdom, multiple companies that are part of Sekisui Chemical Group, including Sekisui Diagnostics (UK) Limited, are operating businesses. Major lines of business: Manufacture and sales of enzymes, Clinical Chemistry and Coagulation systems & reagents, Infectious Disease Rapid Tests, Sales of polyolefin foam, etc.

3. Outline of our supply chains

We source raw materials from suppliers across the world based on our [Basic Procurement Policy](#), which we have drawn up and implemented founded on five key concepts of openness, impartiality and fairness, compliance with laws and regulations, mutual trust, and environmental considerations.

In FY2021, we have formulated “SEKISUI CHEMICAL Group Sustainable Procurement Guidelines (Supplier Code of Conduct)” in fiscal 2021, which compiled list of items as standards which we request all

suppliers involved with the Group and production of the Group’s products to comply with. The guidelines include items on “compliance with the concepts and definitions of the Slavery Act”.

Furthermore, we ask our suppliers to take additional steps concerning risks that have been identified in relation to procurement of raw materials.

4. Policies related to prevention of slavery and human trafficking

In May 2019, Sekisui Chemical Group drew up the Sekisui Chemical Group “Human Rights Policy”, based on the United Nations Guiding Principles on Business and Human Rights, to prevent all forms of slavery and human trafficking in our business and supply chains. The “Human Rights Policy” was adopted by the Board of Directors of the Company and signed by the President and Representative Director of the Company. The next steps will include thoroughly informing all employees and business partners of Sekisui Chemical Group about the “Human Rights Policy” and fully implementing the Policy.

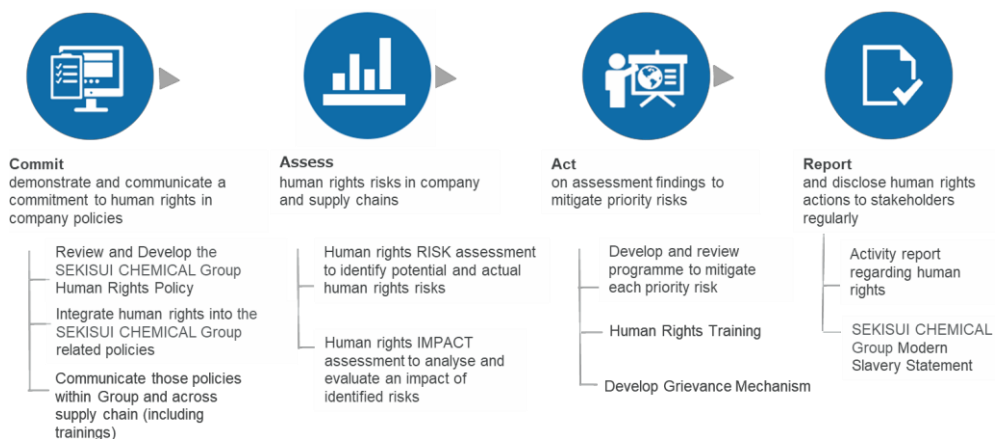
[Sekisui Chemical Group “Human Rights Policy”](#)

(Sustainability Report 2022 p.324-325)

In March 2009, Sekisui Chemical Group signed the United Nations Global Compact and, together with all of our Group companies, is supporting the Ten Principles of the UN Global Compact.

5. Our due diligence process

The Company will establish a mechanism for human rights due diligence as shown below, in accordance with the processes detailed in the United Nations Guiding Principles on Business and Human Rights. This mechanism will guide our future actions.



6. Human rights risks and due diligence

1) SEKISUI CHEMICAL Group

SEKISUI CHEMICAL Group launched initiatives aimed at building a human rights due diligence framework in November 2018. Initiatives implemented up to fiscal 2020 are as follows.

- From fiscal 2018 to fiscal 2019:

Employed a specialized agency (Verisk Maplecroft*2) to analyze potential human rights risks in major businesses and conducted internal hearings based on the results of analysis.

- Fiscal 2020:

Implemented human rights interviews at domestic production sites.

In FY2021, we conducted a new survey-based human rights risk assessment for management in all areas where the Group is located and for general as well as indirect employees at selected business locations.

- Human rights interviews implemented at domestic production sites (FY2020)

- Targets

(1) Foreign nationality employees working at Higashi Nihon Sekisui Industry Co., Ltd. an Urban Infrastructure & Environmental Products Company (including contract and dispatch employees)

(2) Personnel and labor management supervisors for these foreign nationality employees

- Reason for selecting this site

Organizations both inside and outside of Japan have frequently indicated a high level of human rights risks in Japan related to the general labor environment for foreign nationality employees while Japan is not considered a country with high latent risks based on the aforementioned risk assessment. Since this production site has relatively higher ratio of foreign nationality employees compared to other Group domestic locations, we considered that implementing the interview here would be meaningful.

- Implementation method

It was conducted remotely due to COVID-19 pandemic.

- Results

Although no serious human rights risks were identified, a feedback reporting session was implemented with Higashi Nihon Sekisui Industry Co., Ltd. to share extracted issues for improvement such as the need for multilingual support for plant internal guidance and notices. In addition to follow-up evaluations related to the handling of these issues, plans are in place to conduct interviews at sites where latent human rights risks were identified

through risk assessments conducted in fiscal 2021. We will work to identify and mitigate human rights risks by continuously confirming onsite feedback firsthand.

- Conducted global human rights risk assessments
 - In fiscal 2021, SEKISUI CHEMICAL Group conducted human rights risk assessments of Group companies, including joint ventures, on a global basis.
- Implementation method: Survey format (two types: one for management and one for general employees)
- Targets:
 - (1) Management in all areas where the Group is located (North and Central America, Europe, Asia, Australia)
 - (2) General employees in Thailand, China, and India and foreign nationality employees in Japan who were identified as high risk as a result of the latent human rights risk analyses and dialogue with experts (Both general employees and foreign nationality employees include indirect employees).
- Objective: Conduct a global survey to gather the opinions of both management and general employees in order to
 - (1) Identify high-risk sites with respect to human rights issues and take actions as necessary.
 - (2) Identify human rights issues that require stronger group-wide management.

Although the results of the assessment did not reveal any human rights issues requiring a critical or immediate response within the scope of the survey, priority human rights issues that were identified as requiring further review included working conditions for foreign nationality employees, fair wages, respect for religious practices, and inequalities in hiring and promotion.

For each site where the above issues were identified, we have confirmed the status of each situation on an individual basis and developed countermeasures for all high-risk events that were determined to require remediation. From now on, follow-up evaluations will be conducted to ensure that the countermeasures have been implemented and the situation has been improved. As for the human rights issues that require stronger group-wide management, please see “10. Plans for the future” of this statement.

2) Supply Chain

- Surveys on Sustainable Procurement

We have requested 499 global raw material suppliers to sign on to acknowledge compliance with “SEKISUI CHEMICAL Group Sustainable Procurement Guidelines (Supplier Code of Conduct)”. In addition, we have requested these suppliers to answer the surveys which allows them to evaluate and confirm their own compliance and achievement of the guidelines, and analyzed the result.

The response rate was 82% in Japan and 47% overseas. The results of the surveys revealed that although the average score rate for each major item was above the passing mark in all areas, scores for supply chain, coexistence with local communities, and human rights tended to be low. Suppliers with particularly low scores will be interviewed individually to confirm their status, and if any problems related to sustainable procurement are identified, we will discuss with them and promote efforts for improvement.

-Refer to: Sustainability Report 2022 (p.41)

[Foundation Underpinning ESG Management > Respect for Human Rights > Conducting CSR Procurement Surveys for Business Partners](#)

- Surveys on Raw Materials (Timber and Conflict Minerals)

- Surveys on Timber Procurement

The previous surveys were conducted on tree species, traceability of origin, legality, and forest certification such as FSC certification for each procurement unit, but from FY2021 onward, in addition to the previous surveys, surveys on "forest sustainability" including FSC certification or direct engagement will be conducted. On top of this, the company has established new "Guidelines for Sustainable Timber Procurement," which clearly stipulate that procurement must respect the rights of indigenous peoples and workers, not to mention legality, as a necessary condition for procurement. The results for FY 2021 are currently under investigation based on these guidelines.

-Refer to: Sustainability Report 2022 (p.334)

[SEKISUI CHEMICAL Group's Policies > Basic Procurement Policy \(Timber Procurement\)](#)

- Surveys on Responsible Mineral Procurement

We have been conducting annual surveys on conflict minerals (gold, tantalum, tungsten, and tin = 3TG), which are concerned to become a source of funds for armed groups.

In light of recent events, we have revised the manual in July 2021, to include cobalt and mica, where human rights violations (e.g., child labor)

are a concern, as subject of surveys. The results for FY2021 are currently under investigation based on the revised manual.

-Refer to: Sustainability Report 2022 (p.42)

[SEKISUI CHEMICAL Foundation Underpinning ESG Management > Respect for Human Rights > Shifting from the Issue of Conflict Minerals to Responsible Mineral Procurement](#)

7. Engagement with external stakeholders

In October 2021, we held an individual dialogue with human rights experts from abroad who had been invited to attend the [2021 Business and Human Rights Conference in Tokyo](#), which was hosted by CRT Japan. In the dialogue, we briefed the experts on the Company's human rights efforts (the experts were from the Institute for Human Rights and Business (IHRB) and the United Nations Development Programme (UNDP)), and had their advice on how the Group should develop activities in the future. We will systematically promote human rights activities in accordance with the Guiding Principles on Business and Human Rights, while taking into consideration the views of external experts obtained from the above engagement.

8. Establishment of a supplier hotline

In 2002, Sekisui Chemical Group established the in-house whistleblower system called Sekisui Compliance Assist Network (S.C.A.N.), which can be used by any employee of the Group. Globally, we are proceeding with expanding the establishment of reporting points of contact to major overseas areas. So far, we have deployed the system in North America, China, the EU, ASEAN, South Korea, and Taiwan. In FY2015, access to S.C.A.N. was also expanded to executive officers and employees of business partners in Japan that transact with the Group.

-Refer to: Sustainability Report 2022 (p.125)

[Legal and Ethical Issues > Promotion and Operation of the S.C.A.N. Intra-Company Whistle-blowing System](#)

9. Education about slavery and human trafficking

- Human rights training programmes for Group employees

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

Moreover, as part of our human rights education for employees in Japan and overseas, we began our Business and Human Rights e-Learning course in Japanese and English, which is available on the Company intranet, from fiscal 2020. In fiscal 2021, the decision was made to expand this initiative to all areas (North America, Europe, and Asia) in which the Group operates. Currently, we are promoting efforts to provide education in German, Spanish, Dutch, Chinese, Thai, and Indonesian. Through these training and education means, we are advancing awareness toward the importance of and need to respect human rights as well as our human rights policy.

-Refer to: Sustainability Report 2022 (p.42)

[Foundation Underpinning ESG Management > Respect for Human Rights > Human Rights Training and Education for Employees](#)

10. Plans for the future

As mentioned above, the results of the human rights risk assessment conducted on a global scale in FY2021 identified several sites that required further investigation. For such sites, we have confirmed the status of each situation on an individual basis and developed countermeasures for all high-risk events that were determined to require remediation. From now on, follow-up evaluations will be conducted to ensure that the countermeasures have been implemented and the situation has been improved.

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

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

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

● Implementation of human right risk assessment and impact assessment

In the aforementioned "Individual Dialogue with Experts on human rights" we received an evaluation that the implementation of human rights risk assessment for foreign national employees at domestic production sites was an effective

initiative. In addition, it was pointed out that it is necessary to investigate in the future, whether migrant workers in overseas groups are also suffering from human rights violations. Given this comment, in FY2022, we plan to conduct an impact assessment (human rights interview) at our group company in Taiwan, where we have confirmed that foreign national employees are working.

- Addendum: On the effect of COVID-19

Although not required under the scope of the Statement, this section has been added as an addendum to the Statement. COVID-19, which was declared a pandemic by WHO in March 2020, has had an impact on our business activities as well as our supply chains. Sekisui Chemical Co., Ltd. and its Group companies in Japan are following the guidelines of the Japanese Government, while overseas business sites follow guidelines of their respective governments, working to ensure the safety of all of our workers and to sustain and continue our business activities. As the end of the pandemic is not yet in sight, our current forecast is that its effect will be felt over the long term and that its impact on our supply chains will increase. We intend to uphold the spirit of the Modern Slavery Act in our handling of the effects of COVID-19.

This statement was adopted by the Board of Directors of the Company and signed by Keita Kato, President and Representative Director of the Company.

September 12th, 2022
Keita Kato



President and Representative Director
Sekisui Chemical Co., Ltd.