

Communication on Progress 2021

Implementing UN Global Compact principles in
Nissan Chemical Corporation



Nissan Chemical
CORPORATION

1. Introduction

Nissan Chemical was founded in 1887 as Japan's first chemical fertilizer manufacturer.

We contributed to a dramatic increase in domestic food production by the enthusiasms and efforts of our pioneers under the founding spirits "to dedicate ourselves to prosperity of the nation by agricultural fertility".

The pioneering spirit has been still very much alive in Nissan Chemical where we have been working to expand our business horizons with innovative technologies and projects that will make the world a better place for all.

Nowadays, we provide products and services globally in the four business domains of Information & Communication, Life Sciences, Environment & Energy, and Chemical & Affiliates, while also refining our core technologies that we have cultivated over the years. We are striving to create products that meet society's demands.

2. Corporate Ethos Structure

Mission Statement (Our Values)

"Contribute to society with excellent technologies and products"

Corporate Philosophy (Corporate Purpose)

We contribute to society in harmony with the environment, based on our excellent technologies, products and services.

Corporate Vision

A corporate group that contributes to human survival and development.

Basic CSR Policy

- (1) Conduct sensible business activities as a member of the international community in compliance with laws and regulations.
- (2) Enhance corporate value by providing safe and useful products and services.
- (3) Strive to achieve no-accidents & no-disasters and protect the global environment.
- (4) Disclose information appropriately with a focus on communication with stakeholders.
- (5) Create a cheerful and pleasant workplace by respecting the individuality and personalities and promoting health of employees.
- (6) Conduct ourselves as good corporate citizens and decent members of society.



[Note]: Company introduction and some information about activity for the ten principles are written in Nissan Chemical Integrated Report 2019 and corporate CSR website.

Integrated Report: https://www.nissanchem.co.jp/eng/ir_info/archive/ar/ar2020.pdf

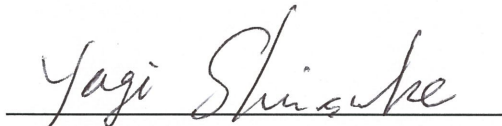
Corporate CSR website: https://www.nissanchem.co.jp/eng/csr_info/index.html

3. Commitments Statement by Chief Operating Officer

I am pleased to confirm that Nissan Chemical Corporation reaffirms its support of the ten Principles of the United Nations Global Compact in the area of Human Rights, Labour, Environment and Anti-Corruption.

In this our second annual Communication on Progress, we describe our actions to integrate the Global Compact and its principles into our business strategy, culture and daily operations. We are also committed to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

A handwritten signature in black ink, reading "Yagi Shinsuke", is written over a horizontal line.

YAGI Shinsuke

Representative Director, President & COO

April 2, 2021

4. Our approach to the ten principles

*Most of reported activity in this COP are done in FY 2019. Many results of activity in 2020 under counting

4.1 Human Rights

Policy and goals

In April 2019, our group formulated the Nissan Chemical Group Human Rights Policy (this "Policy") with advice of outside experts and approved by the Board of Directors, in accordance with the principles of fundamental rights listed in the International Bill of Human Rights, the International Declaration on Fundamental Principles and Rights at Work and other international norms concerning human rights. This Policy covers all individuals and groups that may be affected through the business activities of our group.

Refer to: https://www.nissanchem.co.jp/eng/csr_info/management/hrp.html

Implementation

I. Launching Human Rights Due Diligence

Our group is working to establish a system for human rights due diligence to identify and mitigate negative impacts on human rights. In FY2020, with the cooperation of outside experts, we identified and assessed risks that could have a negative impact on human rights through our business activities in major businesses and their value chains (risk mapping). We also exchanged opinions with stakeholders with the purpose of confirming consensus and difference in views on the results and incorporating the opinions of stakeholders. These opinions were reflected in the results of the evaluation, and we identified the risk which we need to prioritize for the Group.

<Evaluation Process of Human Rights Risk>

1) Investigation of Human Rights Risk

Based on UNEP FI (United Nations Environmental Programme Financing Initiative) Human rights Guidance Tool and other guidance on various human rights, as well as our existing internal information such as risk assessment, we investigated human right risks that could arise in our business activities, and identified which stages of our value chain could occur and what impact they could have on anyone.

2) Human Rights Risk Assessment

We assessed the "impact on human rights" and "links with us" for each identified risk. "Impacts on human rights" was assessed based on "impact (severity)" and "probability" based on the Guiding Principles on UN Business and Human Rights (UNGPs). "Relations with the Group" was evaluated based on the concept of the "Arc of Human Rights Priorities" of the Institute for Human Rights in Denmark.

3) Dialog with stakeholder including experts

Based on the risk assessment results, we had dialogues with stakeholders including experts. In keeping with the opinions and advices, we conducted a reassessment of human rights risks and created the human rights risk map.

4) Identification of risks to be prioritized

According to the human rights risk map, we identified risks which we need to prioritize. The result was discussed by the CSR Committee and resolved by the Board of Directors.

<Dialogues with Stakeholders>

■ Ms. SATO Akiko

Type as stakeholder:

Attorney at Law (Japan), Kotonoha Law Office

Deputy Secretary General of Human Rights Now (HRN)

Japan Program Coordinator at Business & Human Rights Resource Center

Comment (excerpt):

- 1) We Japanese should recognize that “long working hours” could be regarded internationally as forced or compulsory labor, then severity of this risk should be high.
- 2) Under the circumstance of spread of COVID-19, countermeasure in the company is emphasized. The WHO and other organizations are also paying attention to the risks of health conditions in new situations, such as different work styles and increased mental health issues associated with remote work.
- 3) We believe it is important to include “the right to access to remedy” in human rights risks. This risk should be in considering responses to salient or potential human rights risks.

■ Mr. SEKI Masao

Type as stakeholder:

Senior Advisor on CSR with Sompo Japan Nipponkoa

Associate Professor at the School of Business Administration, Meiji University

Chair of the Keidanren Committee on Business & Human Rights Task Force

Steering Committee Chairman of the Council for Better Corporate Citizenship (CBCC)

Comment (excerpt):

- 1) It is necessary to prioritize human rights risks to consider countermeasures, but we should always be aware of the importance of an overall understanding of the International code of conducts as stipulated in International Bill of Human Rights, etc. and an understanding of what is being sought by corporates.
- 2) Regarding newly established manufacturing bases in India, we should examine the

human rights risks of each region in India. It would be good to gather information on the human rights risks of each country by utilizing various means, such as international lawyers and international NGOs and human rights organizations.

- 3) While human rights due diligence is needed to prevent risks in advance, we hope that we will continue to advance our efforts in line with SDGs philosophy, “no one left behind”. We should consider not infringing on human rights, but also creating a positive impact for realizing human rights.

■ Nissan Chemical Labor Union

Comment (excerpt):

- 1) The “health and safety” of Group employees has been an area in which efforts have been made and is of high priority. In order to disseminate these efforts throughout every employees, we would like to ask the Group to invest more management resources (people, money, goods).
- 2) We would like the Group to set specific targets (such as inventory of work) and take systematic countermeasure for “long working hours” which is becoming normal. Especially in the three-shift workplace, various examinations will be necessary in future from the viewpoint of health impact and decent work by the long-time work.
- 3) We believe that workplace activity is linked to performance. Continuing efforts to create a comfortable working environment and a pleasant working environment is important in reducing human rights risks. To this end, it is necessary to involve not only Corporate Planning Department and Human Resources Department, but also more division and commit to risks throughout the Group, and I look forward to active efforts in “employee education, etc.” in the future.

<Risks to be prioritized>

Based on the risk assessment and the exchange of opinions with experts and stakeholders, the following issues have been identified as the Group's risks to be prioritized.

In the future, we will investigate the current status of priority risks for countermeasures, and take countermeasures when corrective actions are required.

In addition, we plan to continuously review human rights risk assessments and its countermeasure.

Risks to be prioritized	Group could be affected	Major human rights risks
Access to remedy	All stakeholders	Lack of appropriate action when human rights violations occur
Employee health	Employees of the	Danger, harsh working environment (related to overall

and safety	Group	occupational health and safety, including mental illness), fire and explosion
Community health and safety	Local communities	Damage to local communities and health due to fires, explosions, chemical leaks and pesticide spraying
Product Safety	Customers	Sales of unsafe products, including misuse.
Responsible Marketing	Customers	Interference with consumer choice due to lack of adequate product information, inadequate explanation of health risks, inadequate response to unexpected product-related crises
Health and Safety in the Supply Chain	Suppliers	Danger, harsh working environment (related to overall occupational health and safety, including mental illness), fire and explosion
Child Labor in the Supply Chain	Suppliers	Labor of children under legal working age/under 15 years old, placement in hazardous work, harsh working environment
Conflict minerals	Local communities	Procurement and use of raw materials containing conflict minerals

II. Safety and Disaster Prevention, and Occupational Health and Safety

Nissan Chemical has been signatory of Responsible Care® (RC) that is global, voluntary initiative developed autonomously by chemical industry to commit ourselves to improve our performances in the fields of environmental protection, occupational safety and health protection, plant safety, product stewardship and logistics, as well as to continuously improve dialogue with their neighbors and the public, independent from legal requirements. We have set up RC management system (Plan Do Check Act: planning annual activity, internal audit, corrective measures, reporting the results to officers) to carry out risk assessment, process risk predictions and facility risk predictions by prior assessment for manufacture with the aim of ensuring safety, achieving stable operations, and improving process safety capability. And through this system, we prevent occupational accidents, promote the good health of staff, and build a comfortable workplace environment in our efforts to improve the level of safety and health at each business location.

In addition, we carry out various drills and training sessions annually with the aim of ensuring safety achieving stable operations, and improving our process safety capability to make us ready to respond to emergencies or accidents in a reliable manner to avoid violation

of human rights of worker.

Refer to: https://www.nissanchem.co.jp/eng/csr_info/responsible_care/management.html
https://www.nissanchem.co.jp/eng/csr_info/responsible_care/safety.html

III. Human Rights in supply chain

Nissan Chemical asks its business partners and suppliers for on-going support and respect of Nissan Chemical Group Human Rights Policy. We entreat our suppliers to answer our CSR Supply Chain Questionnaire which contain the questions about human rights.

Refer to: https://www.nissanchem.co.jp/eng/csr_info/communication/supply.html
https://www.nissanchem.co.jp/eng/csr_info/management/materiality.html

Outcome

- i. We reached the first step for human rights due diligence in 2020. We will analyze if there is gap among the specified risks and actual situations and take action for each risk as fast and much as possible in next year.
- ii. 31 times RC audits were conducted. The number of audit was lower than that of record in last year because of COVID-19 situation in Japan. Through the RC audit, we founded some issues in action of employees which could be health damage of themselves. We will re-educate employees to protect themselves.
- iii. We set the target as achieving CSR questionnaire survey coverage of 90% in terms of monetary base in FY2021, and we have achieved 69% in FY2019. It is because of the composition of supplier was changed based on the monetary purchase and we expect that we will achieve the target in FY2021. We have not find severe violation of human rights at supplier who replied so far, though we recognized that everyone should consider if there is someone who is left behind.

4.2 Labour

Assessment, Policy and goals

Nissan Chemical supports the ILO Declaration on Fundamental Principles and Rights at Work and clarified our stances for labour in the “Nissan Chemical Group Human Rights Policy”. Each company of the Group has employment regulation respectively following the legal restrains of the country where the company located. For example, regarding child labour, we have a rule that the eligible employment has to be over 15 years old (completed mandatory education) and he/she has to submit graduation certificate to Nissan Chemical to confirm the employment does not violate the declaration.

Refer to: https://www.nissanchem.co.jp/eng/csr_info/management/hrp.html

Implementation

I. Safety and Disaster Prevention, and Occupational Health and Safety

As reported at the paragraph II. Safety and Disaster Prevention, and Occupational Health and Safety of section 4.1 Human Rights, Nissan Chemical prevents occupational accidents, promote the good health of staff, and build a comfortable workplace environment through RC management system.

We have been aiming to achieve zero accident by promoting risk assessment, risk predictions training, HHK (Hiyari-hatto and Kigakari, mean near miss incident and alarming individually), 5S (Sort, Set, Shine Standardize, Sustain respectively), and appropriate wearing of protective equipment and by raising awareness of safety through the safety meeting and occupational safety newspapers.

Refer to: https://www.nissanchem.co.jp/eng/csr_info/responsible_care/safety.html

II. Creation of a comfortable workplace

With recognition of growing concern for a lack of workers due to the declining birth rate and population aging as well as diverse working styles, our Group promotes initiatives that enable employees to work in a highly productive manner and achieve a good work-life balance. We intend to evolve not only how to balance work and life, but also how to set up virtuous cycle which work enriches the life and life develop the work through trial and error. In FY2019, the Group has taken measures to prevent COVID-19 infection, including maximizing the amount of home-based work performed by our employees.

Refer to:

https://www.nissanchem.co.jp/eng/csr_info/communication/employee/dialogue.html

III. Labour Union

The employees have right to join NISSAN Chemical Workers UNION which belongs to JEC Union (Japanese Federation of Energy and Chemistry Workers' Unions). In 2019, the UNION and CSR & Public Relations Office, Corporate Planning Dept. had dialogue about human rights and labor. The opinions from the UNION were reflected in the specified risks which should be

prioritize, as reported in at the paragraph I. Human Rights Due Diligence of section 4.1 Human Rights.

Nissan Chemical Workers UNION and Nissan Chemical strive to improve labor conditions and develop systems through discussions as good partners to the management by taking a range of measures, including holding periodic meetings for reporting business results and initiatives for better work-life-balance.

Refer to:

https://www.nissanchem.co.jp/eng/csr_info/communication/employee/dialogue.html

IV. Labour in supply chain

Nissan Chemical asks its business partners and suppliers for on-going support and respect of Nissan Chemical Group Human Rights Policy which includes labour. We entreat our suppliers to answer our CSR Supply Chain Questionnaire which contain the questions about labour.

Outcome

- i. 31times audits have been done. There are three cases of accidents requiring staff time off which were caused by human error in FY2020. We will increase educational time for every staff to make employees be protected by themselves.
- ii. There was no disease cluster in the Group as results in the measures to prevent COVID-19 infection, including home-based work.
- iii. Based on the dialogue between NISSAN Chemical Workers UNION and the Company, we found there is no sever issues about labour, but we concluded that the UNION and Company should consider what we can do for decent work continuously.
- iv. As reported at the paragraph I. Human Rights Due Diligence of section 4.1 Human Rights, we set the target as achieving CSR questionnaire survey coverage of 90% in terms of monetary base in FY2021, and we have achieved 69% in FY2019. It is because of change of the supplier composition based on the monetary purchase and we expect that we will achieve the target in FY2021. All suppliers who replied the questionnaire has no serious problem about labor so far.

4.3 Environment

Assessment, Policy and goals

*Following report is the results in FY2019. The results in FY2020 will be available in July 2021)

As reported at the paragraph IV. Safety and Disaster Prevention, and Occupational Health and Safety of section 4.1 Human Rights, Nissan Chemical is promoting RC activity as a signatory of Responsible Care®. This activity aims to secure EHS (Environment, Health and Safety) performance on voluntary basis throughout entire process, from the development of chemical substances to manufacture, distribution, use, final consumption and disposal/recycling.

Nissan Chemical had set up the plan in FY2016 to FY2021 (Mid-term plan) about environmental protection and countermeasures to address climate change and strive to improve continuously.

Mid-term plan

- (1) Reducing GHG (Greenhouse gas) and improving GHG emission rate (emission/sales)
GHG emission: 20% of reduction from FY2011 level by FY2021
GHG emission rate: 40% of improvement from FY2011 level by FY2021
- (2) Improving the energy consumption rate (amount of energy consumption/sales)
30% of improvement from FY2011 level by FY2021
- (3) Reducing industrial waste: 99.5% or higher of recycling rate by FY2021
- (4) Conducting CSR supply chain management (green procurement) system continuously
- (5) Strengthening measures for biodiversity conservation
- (6) Promoting development and sales of environmentally friendly products

Refer to: https://www.nissanchem.co.jp/eng/csr_info/responsible_care/management.html

Implementation

I. GHG emissions and GHG emission rate reduction

In FY2019, we achieved 27% reduction of GHG emissions compared to FY2011, exceeding our mid-term target, by such as switching from naphtha and heavy oil, which are raw materials and fuels for ammonia-derived products, to natural gas at the Toyama Plant. In the context of these circumstances, we have set new long-term target in FY2020, as reducing GHG emissions by 30% from FY2018 level by FY2030

Refer to:

https://www.nissanchem.co.jp/eng/csr_info/responsible_care/environment/reduction.html
https://www.nissanchem.co.jp/eng/news_release/release/en2021_01_14.pdf

II. Biodiversity

We have promoted activities for biodiversity based on biodiversity action guidelines.

Refer to: https://www.nissanchem.co.jp/eng/csr_info/responsible_care/conservation.html

III. Products and Services

We are working on development and sales of products for environmentally-friendly technology.

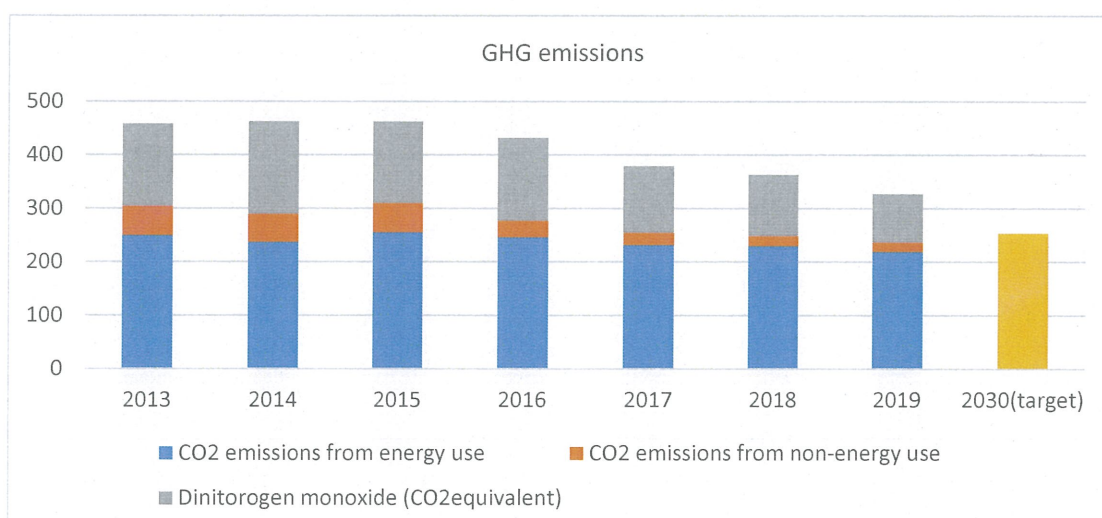
Refer to: https://www.nissanchem.co.jp/eng/csr_info/contribution/environment.html

VI. Environment in supply chain

Nissan Chemical asks its business partners and suppliers for on-going support and respect of RC activity. We entreat our suppliers to answer our CSR Supply Chain Questionnaire which contain the questions about environment.

Outcome (Following results is the data in FY2018. The results in FY2018 will be available in July 2020)

i. GHG emission and emission rate went down year to year as follows.



ii. Unfortunately, we could not join biodiversity activity such as clean-up activity in FY2020 because of COVID-19 spread, but have monetary support them as same as last year.

v. Chemicals, Performance Materials, Agricultural Materials and Advanced Material & Planning divisions have been providing society with some products which contribute to mitigation of climate change and other negative impact on environment as follows.

Chemicals Division

- **AdBlue®** is a high-grade urea solution used in “urea SCR system”, a technology for purifying emissions. When sprayed onto emissions from diesel vehicles, it breaks down

nitrogen oxide (NOx) into harmless nitrogen and water, which helps to reduce environmental impact.

- **Venus® Oilclean** is a microorganism formulation that decomposes oils and fats in wastewater from food factories and other facilities. Compared to the pressurized floating facility, which is a typical oils and fats in wastewater treatment system, the facility using Venus® Oilclean significantly reduces odors and workload as well as waste with simple equipment.

For sustainable procurement (not only for environment but also human rights and labour), we became a member of RSPO (Roundtable on Sustainable Palm Oil) in FY2020 because we have a product which contain palm oil.

Performance Materials Division

- **HYPERTECH®** is nucleating agent, which makes it possible to reduce the amount of metal used for wiring in items such as flexible printed substrates or touch panels by more than 90%. This in turn minimizes the amount of metal plating required.
- **SNOWTEX®, Aluminasol, Organo silica sol, NanoUse® ZR (inorganic sol)** can be used for a wide range of purposes, including saving energy from transformers, improving the efficiency of natural energy, purifying emissions, and extending the life of motors.

Agricultural Material Division

We supply lightweight and compact agrochemical formulations that contain a high concentration of active ingredients, including WG (Water dispersible) and Jumbo (floating granules, containing active ingredients, wrapped in a soluble film). This helps in ways such as reducing packaging materials, waste products, and CO2 emissions from manufacturing and shipping.

Planning and Development Division

- **ECOPROMOTE®** is a crystal nucleating agent for polylactate. Combining the properties of a bioplastic, made from plant instead of oil, and a biodegradable plastic that is broken down into water and carbon dioxide by microorganisms, polylactate is the foremost carbon neutral synthetic resin in terms of practical application.
- **FairCurrent®** is undercoat material for lithium-ion batteries (LiB) containing highly dispersed nanomaterial. This material is able to improve LiB performance which means the material contribute to growth of the renewable energy in society.

vi. As reported at the paragraph I. Human Rights Due Diligence of section 4.1 Human Rights, we set the target as achieving CSR questionnaire survey coverage of 90% in terms of monetary base in FY2021, and we have achieved 69% in FY2019. It is because of change of the supplier composition based on the monetary purchase and we expect that we will achieve the target in FY2021. Some of supplier could not met our request and we have plan to co-work with them to improve their activity step by step.

4.4 Anti-Corruption

Assessment, Policy and goals

We support international norms such as the United Nations Global Compact. We have established compliance rules from various viewpoints including anti-corruption, and “Restricted contributions and political donation,” “Conduct fair transactions with suppliers,” “Prohibit excessive entertainment and gifts” and “Prohibit bribery of foreign officials, etc.” are typical rules of them.

Besides, to promote initiatives aimed at anti-corruption, we formulated the “Nissan Chemical Group Anti-Corruption Policy” in 2019.

Refer to: https://www.nissanchem.co.jp/eng/csr_info/communication/employee/acp.html
<https://www.nissanchem.co.jp/eng/profile/compliance.html>

Implementation

I. Education of Employees on How to address Corruption and Bribery of Foreign Officials

We have held in-house workshops on how to address corruption and bribery of foreign officials for employees of Nissan Chemical Group Companies including those of overseas affiliates every one-to-two years since 2016. For the fiscal years 2019 and 2020, we held the workshops in December each year, where we had outside legal counsel as a speaker of the workshops.

II. Support Overseas Affiliates in educating Local Staff by providing Workshop Materials translated into Local language

For the purpose of supporting and assisting overseas affiliates in China in educating their local staff regarding the prevention of the corruption and bribery, we provided such overseas affiliates with the Chinese translation of the Workshop Materials.

Outcome

- i. The in-house workshops were attended by more than 100 employees from Nissan Chemical Group Companies. Since then, we haven't received any concerns on bribery and corruption from the participants of the workshops. We will continue our efforts to strive to educate employees to prevent bribery and corruption in Nissan Chemical Group Companies on a regular basis.
- ii. No incidents of bribery and corruption, fines charged nor settlement fees for bribery and corruption have been confirmed in FY2020.
- iii. We haven't received any internal report regarding bribery and corruption from employees through our whistleblower system (company hotline) in FY2020.