

Communication on Progress 2019

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 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 sprits 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 product 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 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 principle are written in Nissan Chemical Integrated Report 2018.

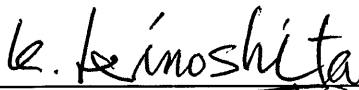
https://www.nissanchem.co.jp/eng/ir_info/archive/ar/ar2018.pdf

3. Commitments Statement by Chief Executive 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 first 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 "K. Kihoshita", written over a horizontal line.

Kojiro Kihoshita

Representative Director, President & CEO

April 10, 2019

4. Our approach to the ten principles

4.1 Human Rights

Assessment, Policy and goals

Nissan Chemical supports international norms such as the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.

We have established compliance rules from various viewpoints including human rights, and “Respect human rights; prohibit discrimination”, “Prohibit sexual harassment”, “Protect privacy” and “Ensure the health and safety of the workplace” are four of them. Especially harassment related pregnancy, childbirth, childcare leave and family care leave etc., sexual harassment and power harassment are subject to disciplinary action in our rules.

Besides, to promote initiatives aimed at respecting the human rights of all stakeholders, including officers, employees and business partner, Nissan Chemical Corporation formulated the “Nissan Chemical Group Human Rights Policy” in April 2019.

Implementation

I. Establishment of the “Nissan Chemical Group Human Rights Policy”

The Nissan Chemical Group supports international standards including the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, and any other relevant standards for human rights. This Nissan Chemical Group Human Rights Policy (this “Policy”) has been established to promote efforts aimed at respecting human rights of all relevant stakeholders including employees.

This Policy complements the Nissan Chemical Group’s position with respect to compliance and respect for human rights, and shall apply to all officers and employees working for the Nissan Chemical Group.

1) Respect for Human Rights

The Nissan Chemical Group shall respect the dignity and human rights of all people, and shall not discriminate, for whatever reasons, on the basis of, including, but not limited to, origin, nationality, race, ethnicity, beliefs, religion, gender, gender identity, age, all kinds of disability, preference, academic background, pregnancy, language, economic background and political views.

2) No Infringement of Human Rights

All officers and employees of the Nissan Chemical Group shall not infringe upon the human rights of others or engage in discrimination, and endeavor not to participate, directly or indirectly, in infringement of human rights. It shall ask its business partners and suppliers for on-going support and respect of this Policy.

3) Employment and Labor

<Prohibition of Forced Labor and Child Labor>

The Nissan Chemical Group shall not employ children under the legal working age stipulated in the law of the relevant countries or regions. It shall prohibit any labor by forced labor, slave labor and/or trafficking. It

shall ask its business partners to do the same. Moreover, it shall not impose unreasonable restrictions on the employees' freedom of moving in and around the facilities provided by the Nissan Chemical Group. It also shall not impose unreasonable restrictions on the employees when they wish to leave their post or terminate their employment.

<Good Labor-Management Relations>

The Nissan Chemical Group promises to respect the freedom of association and the right to collective bargaining.

< Fair and Equitable Remuneration>

The Nissan Chemical Group shall comply with any and all applicable laws and regulations regarding wages, including the laws on minimum wage, overtime work, and welfare benefits required by law, and shall pay fair and equitable remuneration to employees.

<Elimination of Discrimination>

The Nissan Chemical Group shall endeavor to ensure equal employment opportunities in recruitment, job assignment, promotion and development of skills.

4) Remediation

In the event that the Nissan Chemical Group causes or contributes to an adverse impact on human rights in the course of its business activities, it shall make efforts to remedy and correct such impact through appropriate means.

II. Training about harassment (Employee care overseen by line manager) for manager

III. Training about power harassment for associate employee (team leader)

IV. Addition of outside corporate auditors as contact for consultation hotline and introduction of in-house leniency system.

V. Audit about EHS (Environment, Health and Safety) at workplace for the worker by Environment, Safety Quality Assurance Dept.

VI. Launching CSR supply chain measurement by cooperation with business partner by CSR questionnaire including human rights

Outcome

i. We will start to assess visible and/or potential risk as first step for human rights due diligence in FY2019.

ii. More than 90% of manager took the line care training. No whistle-blowing about harassment in FY2018.

iii. More than 100 employees (associate class) have undergone power harassment training since 2013.

iv. The number of consultation hotline report was zero in FY2017.

v. 43 times audits were conducted. Lost work time accidents frequency rate and Lost work time severity rate are lower than average of chemical industry's.

vi. Some of business partners replied to questionnaire and we have not found adverse impact based on their answers in FY2018.

4.2 Labour

Assessment, Policy and goals

Nissan Chemical supports the ILO Declaration on Fundamental Principles and Rights at Work.

Regarding child labour, we have a rule that the eligible for 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.

Even though, we didn't figure out we had not had specific policy labour clarified by the United Nations Global Compact until when we signed up for the initiative.

Hence, Nissan Chemical Corporation clarified our stances for labour in the "Nissan Chemical Group Human Rights Policy" in April 2019.

Implementation

- I. Establishment the policy about labour as written in 4.1 Human Rights
- II. Open dialogue between Nissan Chemical and Nissan Chemical Labour union for mutual understanding
- III. Fair personnel evaluation by dialogue between manager and subordinate to enhance transparency and employees' satisfaction.
- IV. Respect for diversity and personal characteristics for promotion and recruitment (no sexual discrimination and nationality)

Outcome

- i. Assessment about labour will be conducted as part of human rights due diligence in FY2019.
- ii. The number of the Nissan Chemical Labour union is around 1,465 including those from some affiliates. The meetings were held more than 18times in FY2017.
- iii. Manager and subordinate discuss and decide the annual target plan. Manager interview his/her subordinate biannually to evaluate their performance. There are several trainings and capability development programs held by Human Resource Dept.
- iv. The number of women and foreigner employee is increasing. Proportion of women among new graduates in the main career track is 28.3% currently (target is 30% by FY2021), and three foreign people joined in April 2018.

4.3 Environment

Assessment, Policy and goals

As a Chemical company, Nissan Chemical promotes RC, which is the activity to secure EHS performance on voluntary basis throughout the entire process, from the development of chemical substances to manufacture, distribution, use, final consumption and disposal/recycling. We believe this activity complies with the principle of the United Nations Global Compact.

We have also signed the Responsible Care Global Charter, which was revised in 2014.

The priority matters which relate to the environment in all stages of our business activities have been set in “Mid-term Plan (FY2016-2021)”, based on our RC Basic Policy in accordance with the Principles of the Japan Chemical Industry Association regarding the Environment, Health and Safety.

Implementation

- I. Reduction of greenhouse gas (GHG) emissions and improving the GHG emissions and emission rate
- II. Improvement of energy consumption rate
- III. Target setting of the recycling rate to reduce industrial waste
- IV. EHS audit in supplier
- V. Measures for biodiversity conservation
- VI. Promotion of development and sales of environmentally friendly products
- VII. Launching CSR supply chain measurement by cooperation with business partner by CSR questionnaire including the environment

Outcome (Following results is the data in FY2017. The results in FY2018 will be available in July 2019)

- i. GHG emissions reduced by 53,000 tons from FY2016t as CO₂ equivalent (by 15% from FY2011 level), and GHG emission rate improved by 36% from FY2011 level. Target in F2018 is 16% of emissions reduction from FY2011 level and 37% of emission rate reduction from FY2011 level.
- ii. Energy consumption rate improved by 24% from FY2011 level. Target in FY2018 is 25% of reduction from FY2011.
- iii. Recycling rate was 97.9% in FY2017. The target in FY2018 is 98.5% or higher.
- iv. Audits were conducted in main suppliers. Environment, Safety & Quality Assurance Dept. clarified visible and/or potential problem related EHS and promoted improvement in response as necessary. We will expand the coverage of EHS audits in FY2018.
- v. We have been managing Bio-Park in Toyama Prefecture, participating in “Fujimae-Higata Clean-up Activities” (conservation of tideland), and participating in efforts to protect and restore the Pinus pentaphylla, which was selected as the endangered species by Chiba Prefecture.
- vi. We launched sales new environmentally friendly product that helps to reduce the waste derived from oil. We strive to develop new environmentally friendly products continuously.

4.4 Anti-Corruption

Assessment, Policy and goals

Nissan Chemical supports international norms such as the United Nations Global Compact and so on. We have established compliance rules from various viewpoints including anti-corruption, and “Restrict 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, Nissan Chemical Corporation formulated the “Nissan Chemical Group Anti-Corruption Policy” in April 2019.

Implementation

I. Establishment of the “Nissan Chemical Group Anti-Corruption Policy”

The Nissan Chemical Group supports international standards, including the United Nations Global Compact, and establishes the Nissan Chemical Group Anti-Corruption Policy (this “Policy”). This Policy complements the Nissan Chemical Group’s position on compliance with respect to anti-corruption, and shall apply to all officers and employees working for the Nissan Chemical Group.

1) Definitions

“Corruption” means the abuse of entrusted official authority for personal or company gain, including bribery.

“Bribery” means that, when company conducts its businesses,

- any of its officers or employees provides improper benefits to a third party for the purpose of inducing a third party to conduct fraudulent or illegal acts, or upon request from a third party, or
- any of its officers or employees demands or receives improper benefits from a third party.

2) Commitment to Anti-Corruption

The Nissan Chemical Group has zero tolerance for corruption of any kind.

It shall not engage in any form of corruption relating to public officials, governmental agencies and any other clients (“Business Partners”). It shall also continuously ask the Business Partners not to engage in any corruption.

3) Compliance with respect to Anti-Corruption

The Nissan Chemical Group shall comply with and require the Business Partners to comply with domestic and international laws and regulations concerning the prohibition of bribery and corruption, such as the Unfair Competition Prevention Act, the U.S. Foreign Corrupt Practices Act and the Anti-Unfair Competition Law of the People’s Republic of China (commercial bribery rules). It shall also keep and maintain accurate financial records relating to business transactions involving itself.

4) Remediation

In the event that the Nissan Chemical Group violates this Policy in the course of its business activities, it shall make efforts to remedy and correct the said violation through appropriate means and fully cooperate with investigations by the relevant authorities.

- II. In-house training, Dissemination by in-house newsletter for Anti-bribery
- III. Establishment of the “Anti-Corruption and Bribery Policy” at Nissan Chemical Product (Shanghai) Co., Ltd. that is new group company of Nissan Chemical
- IV. Addition of outside corporate auditors as contact for consultation hotline and introduction of in-house leniency system
- V. Launching CSR supply chain measurement by cooperation with business partner by CSR questionnaire including anti-corruption

Outcome

- i. We will start to assess visible and/or potential risk about anti-corruption.
- ii. The employees who are in charge of oversea business attended the in-house training.
- iii. The policy of anti-corruption disseminated in Nissan Chemical Product (Shanghai) Co., Ltd.
- iv. The number of consultation hotline report was zero in FY2017.
- v. Some of business partners replied to questionnaire and we have not found adverse impact based on their answers in FY2018.