Communication on Progress 2020

Implementing UN Global Compact principles in
Nissan Chemical Corporation

Nissan Chemical
CORPORATION

1. Introduction

Nissan Chemical was funded in 1887 as Japan's first chemical fertilizer manufacture.
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 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.

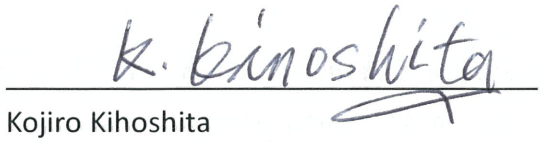
Integrated Report: https://www.nissanchem.co.jp/eng/ir_info/archive/ar/ar2019.pdf
Corporate CSR website: https://www.nissanchem.co.jp/eng/csr_info/index.html

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 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,



Kojiro Kihoshita
Representative Director, President & CEO
April 10, 2020

4. Our approach to the ten principles

4.1 Human Rights

Policy and goals

Nissan Chemical supports international norms such as the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.

We started due diligence for human rights based on "Nissan Chemical Group Human Rights Policy" established last year.

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

Implementation

I. Identification of Risks as the first step of human rights due diligence

(1) Sorting out the general risks for human rights

Based on UNPE FI Human Rights Guidance tool and other guidance related to human rights, we sorted out the risks of human rights specifically chemical industry and our business activities, such as Chemicals, Performance Materials, Agricultural Chemicals, and Pharmaceuticals including location of manufacturing, sales and value chain.

(2) Reviewing the ERM risk assessment

We clarified the risks related human rights in the results of our ERM risk assessment that had implemented in 2018.

(3) Listing the risk of human rights

We listed the risks of human rights combine the results of (1) and (2) as above.

(4) Evaluating the risks

Based on United Nations Guiding Principles on Business and Human Rights, we evaluated the materiality and probability of the risks in the list. Also, taking into account the Arc of Human Rights Priorities from Danish Institute for Human Rights, we checked the connection to corporate.

We are working on making the tentative risk map based on the evaluation, and have a plan to discuss with knowledgeable person for human rights. Afterword, we will review the risk map about its propriety with reflection of the opinion from knowledgeable person, and dialogue with stakeholder about adequacy of riskmap.

II. Education of human rights to employers and employees

As we mentioned above, we started the human rights due diligence but some of employers and employees don't recognize what kind of things can be salient/potential risk for human rights. Therefore, CSR &Public relations office hold a lecture meeting about human rights including United Nations Guiding Principles on Business and Human Rights as contents by knowledgeable person for heads of each division. Also, we have a plan to introduce e-learning system for employees who don't join the lecture meeting.

III. Promotion of diversity

We believe that a diverse range of individuals have been actively contributing to the Group with their excellent talents in a wide range of fields irrespective of the age, gender, nationality, race, ethnicity, or other factor. Especially we set the target of proportion of women among employees in the regular position and ratio of employees with disabilities.

IV. 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

V. 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

Outcome

i. We are working on making risk map for human rights as the first step of human rights due diligence.

ii. Heads of each division of Nissan Chemical, including CEO, CFO, CRO and auditors, total 26 people participated the lecture meetings of human rights.

iii. Proportion of women in main career track achieved 20% at new graduate in FY2018 and that of disabilities achieved 2.21%.

iv. 44 times RC audits were conducted. Lost work time accidents frequency rate and Lost work time severity rate are lower than average of chemical industry's. We could not find other infringement of human rights.

v. Some of suppliers replied to questionnaire and we have not found adverse impact based on their answers

in FY2019.

vi. The number of consultation hotline report was zero in FY2019.

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 IV 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.htmll

II. Creation of a comfortable workplace

We believe that good work-life balance enrich the life and evolve our business. To avoid overtime work, Nissan Chemical introduced new system for work time management that enables timely monitoring and visualization of working hours and remaining annual leaves, and we have set up no overtime day program twice per month. Regarding annual leave, we encourage employees to take five days annual leave at least.

We have introduced a wide variety of systems and measures that enable employees to achieve a good work-life balance. We have introduced flextime, childcare leave, nursing care leave, shorter working hours, half-day leave, planned leave, hourly annual leave, annual leave accumulation, refreshment leave, re-employment refreshment leave, re-employment refreshment leave, overseas business trip leave, family care leave and so on. In addition, we encourage male employees to participate in childcare by providing paid paternity leave.

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 conducted an anonymous survey about company engagement to recognize the current situation of employees and clear the issues to be improved.

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. 44times audits have been done. We have six cases of accidents not requiring staff time off and zero accidents requiring staff time off. From FY2016 to FY2018, we invested 350million yen over the three-annual period and it results in reducing falls/overturning accidents.

ii. Generally, the employees take advantage of the several programs.

The average of monthly overtime work is below 20 hours, the rate of employees taking annual leave maintains 70%, and more than 10 people including male took childcare leave. Our encouragement male employee to participate in childcare was recognized by the "Act on Advancement of Measures to Support Raising Next-Generation Children" and we were granted the Next Generation Accreditation Mark (as known as Kurumin). Other programs are also utilized by employees and ratio of returning work after taking maternity/childcare leave maintain 100%.

iii. The number of member of Nissan Chemical Workers UNION is 1,570 as of March 31, 2019. Nissan Chemical and the Union have built a good relationship based on mutual understanding and trust. More than 16times meetings were held among the Company, the Union and Health Insurance Union.

The results of engagement survey were generally good, but we need to improve some issues, such as communication and harassment.

iv. Some of suppliers replied to questionnaire and we have not found adverse impact on labour based on their answers in FY2019.

4.3 Environment

Assessment, Policy and goals

***Following report is the results in FY2018. The results in FY2019 will be available in July 2020)**

As reported at the paragraph IV 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

Conversion of the fuel for heating furnaces of cyanuric acid plant from heavy oil to natural gas, which generate GHG, helped to reduce GHG emissions from energy use and non-energy use. Also, we work together with Nissan Butsuryu Co., Ltd. for the shipping of products. Nissan Butsuryu promotes modal shift to reduce CO2 emission.

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

II. Energy saving

We improve the equipment capacities and renewal aging facility for energy saving. Especially for Toyama plant, electricity is supplied by electric power corporations and Toyama Kyodo Jikahatsuden Co., Ltd., which was established through investment by companies in the Toyama Prefecture, including the Company. Toyama Kyodo Jikahatsuden Co., Ltd. uses the abundant water from the Jinzu River System to generate hydroelectric power at the Miza / Kuzuyama Power Station in Takayama City, Gifu Prefecture. At the Toyama Plant, purchased electricity generated at these hydroelectric power stations is used at approximately one-third of the entire electricity consumption. We will continue to use environmentally friendly natural energy in the future.

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

III. Industrial waste reduction

With the development of socio-economics, there is a call to move away from the "mass production, mass consumption, mass disposal" system and reduce resource consumption by promoting efficient use and recycling of substances from production to distribution, consumption, and disposal to form a “recycling society” which will have less impact on the environment.

Therefore, our Group is further promoting the 3Rs (Reduce, Reuse, Recycle) through responsible care activities, striving to reduce waste and make effective use of it.

Furthermore, with regard to the emission of chemical substances generated by production activities into the atmosphere, waters, and soil, appropriate management shall be conducted to comply with emission standards set forth by various laws and regulations as well as regulatory values based on local agreements to reduce the burden on people's health and the environment

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

IV. 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

V. 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. In accordance with the "Act on the Rational Use of Energy", we collect data on the amount of energy consumed at all of our business establishments and submit this data to the national government, along with

data on our energy consumption rate. Our energy consumption (crude oil equivalent) in FY2018 increased slightly with the increase in production compared to that of previous fiscal year. We have a product matrix that covers a wide range of products, from commodity chemicals to agrochemicals, pharmaceuticals and functional products for electronic materials. This is why we calculate it not based on simple quantity of production but based on sales. This consumption rate improved from the previous fiscal year by 1.7%.

iii. We thoroughly implement control measures to ensure the proper disposal of waste, and are striving to reduce industrial waste. We also applied electronic manifests using legal compliance system for waste. Waste water discharged in the manufacturing process accounts for the majority of our industrial waste. We treat this waste internally by means of combustion. The industrial waste generated in FY2018 decreased compared to that of FY2017. Although the recycled volume increased, the final disposal volume increased slightly. As a result, the recycling rate was 97.7%, a slight decrease from the previous fiscal year. The reason for this transition is decrement in capacity of recycling plastic due to a global plastic pollution issue. Since the reduction of final disposal volume is not expected in the future, we have revised the target of recycling rate for FY2019 downward to 98% of the current state.

iv. Nissan Chemical promote biodiversity activity in five prefectures where our plants or laboratories.

In Toyama prefecture, Nissan Bio-Park Nishi-Hongo is a biotope which has been operated by the Toyama Plant since October 2008 for the purpose of "creating spaces with biodiversity, mainly waterfront and community-based forests, to provide places where employees of the plant and local residents can relax" and has wetlands, ponds, brooks, lawn plazas and flower fields in approximately 2 hectares of land.

In Saitama prefecture, since FY2016, we have supported "Kurohama-numa Shuhen no Shizen wo Taisetsu ni Suru Kai (Society for Cherishing the Natural Environment around Kurohamanuma Pond)", an NPO in Hasuda City, Saitama Prefecture. For many years, this organization has been engaged in activities for conserving the biodiversity of the area around Kurohamanuma Pond, which is designated as the No.11 Land for Conservation by Trust (Trust Hozen 11-gou chi) by the Saitama Greenery Trust Association of Saitama Prefecture. In 2019, in order to deepen the understanding of the recent safety and environmental considerations of agrochemicals, we had a dialogue with the members of this NPO at Biological Research Laboratories, and organized a tour of greenhouses and safety testing facilities that conduct a variety of tests for agrochemicals.

In Nagoya prefecture, since May 2016, the Nagoya Plant has participated in the Fujimae-Higata Clean-up Activities (twice a year in spring and autumn) with cooperation by employees of Nagoya Plant and subcontractors to conserve the tideland registered under the Ramsar Convention. In 2004, four citizen collectives formed the Fujimae-Higata Clean-up Activities Planning Committee in cooperation with the government and companies to conduct a clean-up activities by river basin citizens and citizen's groups with the objectives of "making Fujimae-Higata free from shame in the Ramsar Convention," "restoring tidal flats and rivers that children can play with peace of mind," and "forming a network to think about the waste and water of the entire river basin".

In Chiba prefecture, Sodegaura Plant has participated in efforts to protect and restore the Pinus pentaphylla, which was selected as the endangered species by Chiba Prefecture. It grew up smoothly, and a new leaf came out. We also have laboratories located in this prefecture, which was originally rich in nature. In recent years, however, the use of residential land has progressed due to the convenience of

transportation. Since its establishment in 1971, Chemical Research Laboratories has been engaged in conservation activities to preserve pine forests, which had spread to the south of the premises.
In Yamaguchi prefecture, Onoda plant is implementing activities related to (7) the conservation and creation of familiar greenery and (8) the conservation of water quality (clear stream), described in the program 1 "Promotion for Rich Biodiversity Conservation and Regeneration" under the section 3 "Conservation of Biodiversity that Supports Life and Living" of the Yamaguchi prefecture's basic plan for the environment (The third plan, 2013-2020). As efforts of conservation and creation of familiar greenery, we have been planting at prefectural roads, participating in the Japanese Archipelago Clean-up Activity, and maintaining and improving the greenery of the site. In addition, we have been cleaning the coast of Ariho River as an effort of conservation of water quality.

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.

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 CO_2 emissions from manufacturing and shipping.

Advanced Material & Planning 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. Some of suppliers replied to questionnaire and we have not found adverse impact on environment based on their answers in FY2019.

4.4 Anti-Corruption

Assessment, Policy and goals

Nissan Chemical Corporation supports 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 year 2019, we held the workshops in December, where we had outside counsel as a teacher of the workshops.

II. Compliance Awareness Survey to Employees

We conducted a compliance awareness survey including anti-corruption related questionnaires to approximately 3,400 employees (including temporary employees) of Nissan Chemical Group Companies in November 2019, aiming at assessing our organizational climate and culture on compliance. The survey was carried out through an external organization to ensure objectivity.

III. Anti-Bribery and Corruption in Suppliers

We have conducted a CSR Supply Chain Questionnaire to our suppliers as part of a supply chain management throughout the year 2019 from January, aiming at assessing how well they are addressing bribery and corruption issues.

Outcome

i. The in-house workshops were attended by more than 80 employees from Nissan Chemical Group Companies. Since then, we haven't received any concerns on bribery and corruption from the participants. 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. More than 3,000 employees from Nissan Chemical Group Companies answered the compliance awareness survey, achieving a response rate of approximately 88%. The survey results on anti-bribery and corruption achieved positive outcomes as a whole and were reported to our management. We are going to feed back the survey results to each of Nissan Chemical Group Companies after April 2020 subsequently.

iii. Some of suppliers replied to questionnaire and none of answers indicated any concerns on bribery and corruption issues.

iv. No incidents of bribery and corruption, fines charged nor settlement fees for bribery and corruption were confirmed in FY2019.

v. We didn't receive any internal report regarding bribery and corruption from employees through our whistleblower system (company hotline) in FY2019.