



Sekisui Chemical Group Modern Slavery Statement for Financial Year (FY) 2019

This Statement sets out the steps taken by Sekisui Chemical Co., Ltd. in FY2019, ending March 31, 2020, as well as steps planned for in FY2020 and beyond.

The COVID-19 pandemic began towards the end of FY2019. This Statement additionally reports on the effect of the 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 190 Group companies in 20 countries and regions. It has 27,003 employees and consolidated sales of 1 trillion 129.2 billion yen.

- **Divisional Companies and Major lines of business**

- **Housing Company**

Major lines of business:

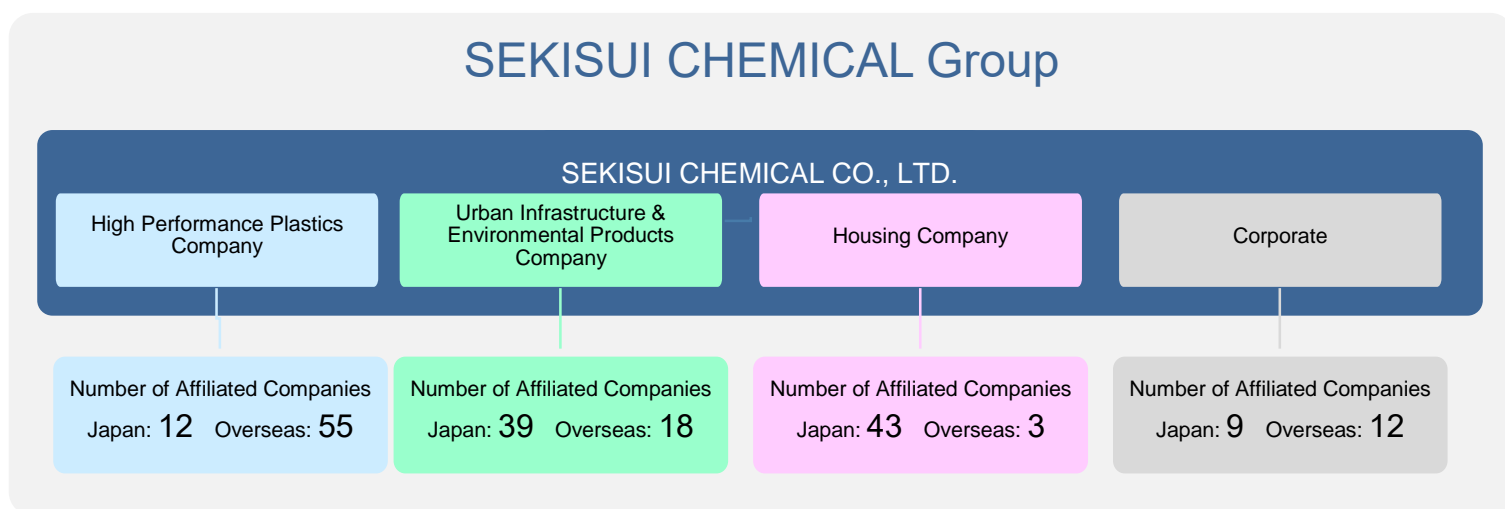
Housing, Renovation, Real estate, Residential services, Town and community development

- **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
- Headquarters
Supervision over 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 addition, we specifically request the cooperation of our first-tier suppliers in implementing concrete steps in the four focal areas of quality, environment, society, and safety and hygiene. Guidelines have been prepared for the suppliers, and questionnaires and other surveys are regularly conducted for this purpose. The guidelines and surveys 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.

- Procured materials

As for raw materials, we conduct the CSR Status Survey on our first-tier suppliers. The coverage rate is approximately 80% (based on the monetary purchased value).

- Timber

We only use legally harvested timber and recycled timber. With the cooperation of suppliers, we implement investigations on commercial distribution with regard to the logging area, tree species and quantity of timber materials, in order to ensure traceability.

- Conflict minerals

We are working to eliminate conflict minerals (Gold, Tantalum, Tungsten, and Tin, known as 3TG), which are associated with inhumane activities.

- Implementation of the Conflict Minerals Survey Guidelines

[CSR Report Topic: Respect for Human Rights > Addressing the Issue of Conflict Minerals \(“Conflict Minerals Survey Guidelines” Put into Effect\)](#)

- Timber Procurement

[CSR Report Topic: Basic Policies > Sekisui Chemical Group "Basic Procurement Policy" \(Timber Procurement\)](#)

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.

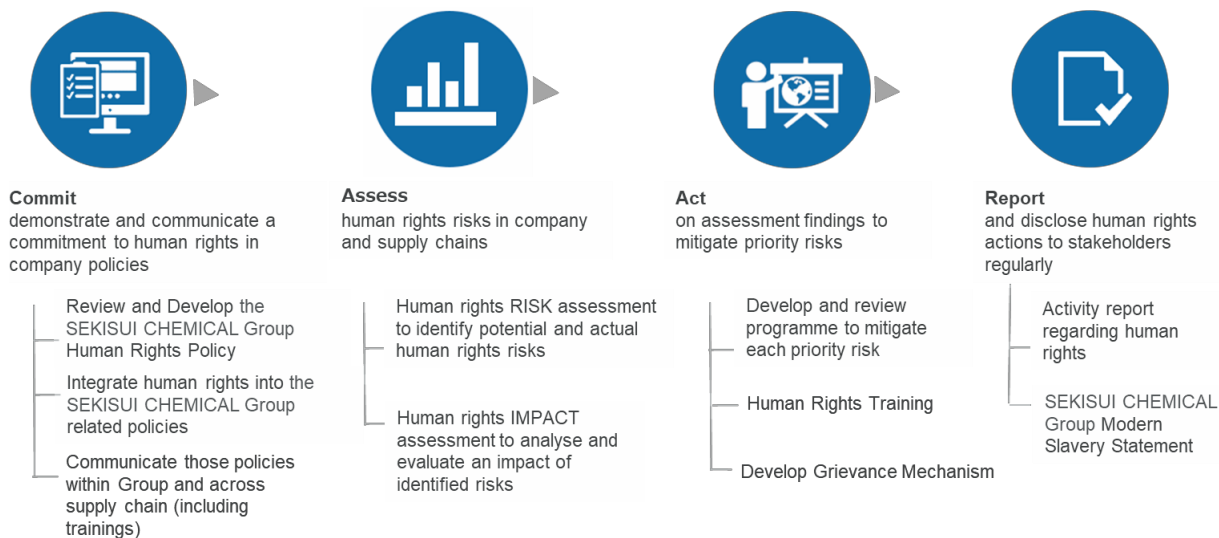
[Sekisui Chemical Group “Human Rights Policy”](#)

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 risk assessment

In FY2018, the Company conducted a human rights impact assessment of the major business domains of Sekisui Chemical Group. Using Verisk Maplecroft’s social and environmental risk data, we analysed potential human rights risks in the four major business domains of Homebuilder, Auto Parts, Industrial Machinery and Goods, and Pharmaceuticals. In particular, we focused on ten major human rights issues, including modern slavery (namely, (1) slavery, servitude, forced or compulsory labor, (2) human trafficking, and (3) exploitation (sexual exploitation, organ harvesting, etc.)).

[CSR Report Topic: Respect for Human Rights > Identifying Human Rights Risks Within the Group](#)

- Interviews to related internal staff

Starting in February 2019, Caux Round Table Japan (CRT Japan), as a third party, conducted interviews on the related internal staff of the Group companies regarding countries and issues with high potential human rights risks. Through the interviews, we confirmed whether there was any gap between the results of the human rights impact assessment and actual business conditions at the Company.

- Interviewees: staff members with prior experience of being stationed at any of the Group companies in Thailand, China, and India and other related internal staff members

- Number of interviews and interviewees: Nine interviews for 13 interviewees
 - Period and location: February to March 2019 in Tokyo
- Interview Results (excerpts)
 - The level of awareness of safety at overseas production companies is high, and safety activities have taken hold. However, those safety activities were not intended as a means to manage human rights risks.
 - Migrant labourers, foreigners, and women working at the Group companies involved in the interviews were not discriminated against.
 - Although the Headquarters-led CSR procurement survey is implemented for suppliers, no supplier checks were performed from the perspective of human rights at the site level.
 - Some overseas production companies have factories that use a large number of temporary workers (fixed-term employees).

As per above, some of the findings indicated issues requiring further confirmation of on-site conditions.

We accordingly plan to conduct interviews at our production sites in Japan and overseas in fiscal 2020 with the aim of listening to the opinions of our employees to confirm if our business activities are adversely impacting human rights and to better understand how seriously those rights are being impacted. We will then work toward addressing the issues made clear during the interviews and conduct follow-up assessments as we build our human rights due diligence framework.

7. Engagement with external stakeholders

The Company participates in the Human Rights Due Diligence Workshop, organized by Nippon CSR Consortium with CRT Japan serving as the secretariat,

to discuss human rights issues in each business sector. In FY2019, we participated in the workshop from May to July 2019. The workshop brings together different stakeholders, including companies, NGOs, NPOs, learned persons and experts, to exchange views on ways to promote human rights due diligence. After issues are raised by NGOs, NPOs, and experts, the participating firms discuss and identify [sector-specific human rights issues](#), using as a reference the Human Rights Guidance Tool developed by the United Nations Environment Programme Finance Initiative (UNEP FI). The results of the discussions inform the Company's human rights activities.

In October 2019, we held a separate dialogue with human rights experts from abroad who had been invited to attend the [2019 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 Danish Institute for Human Rights, the United Nations Development Programme (UNDP), and World Benchmarking Alliance, and one Indian expert on global value chain), 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 engagements.

8. Measuring with appropriate performance indicators

- [CSR Procurement Surveys](#)

Since 2007, we have been regularly conducting the CSR Procurement Survey on existing business partners based on our procurement policy. In the future, a survey on human rights, environmental protection, and social responsibility will be made a requirement in the selection of our new

business partners. (These efforts are led by the procurement departments at the Divisional Companies and Group companies.) The use of the survey was expanded overseas in 2015.

Past results: Survey so far conducted on 529 companies (58 companies in North America in 2015; 350 companies in Japan in 2016-17; 100 companies in China and other Asian countries in 2017-18; and 21 companies in Europe in 2019)

The contents of the survey have been substantially revised in FY2020 in order to strengthen partnerships in our supply chains. A global supplier survey is planned in FY2021.

- Surveys on raw materials (timber, conflict minerals)
 - Timber Procurement Survey:
 - Year surveyed (latest): FY2019 (Housing Company and Urban Infrastructure & Environmental Products Company)
 - Scope: Main structural materials, semi-structural materials, non-structural materials, fixtures and fittings, kitchens, vanities, interior decorative finishing materials, paper
 - Purchase volume (m3): Around 172,000m3
 - Results: 59% certified, 19% certified for legality, 22% recycled timber
 - Conflict Minerals Survey:
 - Year surveyed: FY2019 (efforts led by the quality control division in each Divisional Company)
 - Scope: Urban Infrastructure & Environmental Products Company, High Performance Plastics Company, and their Group companies (all located in Japan, 619 surveys requested)
 - Response rate: 100%

- Results: Non-use of 3TG (522 cases), origin outside of DRC (Democratic Republic of the Congo or Adjoining Countries) (97 cases), origin from DRC (0 case)

- 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. 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.

[CSR Report Topic: Compliance > Responses to External Notifications](#)

9. Education about slavery and human trafficking

- Implementation of the CSR Status Survey Guidelines for Suppliers (Group bylaws)

In April 2017, we drew up and implemented the CSR Status Survey Guidelines for Suppliers (Group bylaws) for departments of each Divisional Company involved in raw materials procurement. In the implementation of the guidelines, we notified and informed the contents of the guidelines to employees responsible for procurement at each Group company to promote and raise understanding and awareness of human rights, including human rights within supply chains.

- Human rights training programmes for Group companies in Japan

CSR training programmes for new hires and newly promoted employees also

include contents aimed at raising employees' awareness about human rights issues, such as forced labor, child labor, and harassment. For FY2019, 478 new hires and newly promoted employees participated.

[CSR Report Topic: Respect for Human Rights > Initiatives Geared Toward Employees \(Implementing Human Rights Training and Education\)](#)

10. Plans for the future

Based on the perspectives of the United Nations Guiding Principles on Business and Human Rights, we will make efforts to prevent and not to take part in human rights violations in any part of our business or our supply chains. Specifically, we will take the following steps:

- Implementation of human rights impact assessment

Based on the hypotheses obtained from the assessment on potential human rights risks conducted in FY2018, we plan to further conduct an assessment on manifest human rights impact through interviews at the Group's places of business and factories. Following up on the impact assessment, we will identify human rights topics that Sekisui Chemical Group should prioritize, and consider and implement action plans for the identified human rights issues.

Interviews with foreign workers employed at the Group's places of business in Japan had been planned in the spring of 2020, based on the hypotheses drawn from the risk assessment. The interviews, however, were postponed due to COVID-19. A preliminary survey has confirmed that migrant workers from Brazil and other countries are employed at these places of businesses and companies to which manufacturing is outsourced.

- Education about slavery and human trafficking

We will put further efforts into education of “business and human rights” based on the Human Rights Policy.

In addition to including contents for raising awareness about human rights issues in our CSR training, we plan to develop E-Learning for Business and Human Rights for employees to deepen their understanding of the linkage between their work and human rights.

- Establishment of a grievance mechanism

To meet the requirements of the grievance mechanism detailed in the United Nations Guiding Principles on Business and Human Rights, we will consider expanding our current operational contact point for inquiries “Contact Regarding CSR”.

- 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 since the beginning of FY2020. 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 10th, 2020

Keita Kato

A handwritten signature in black ink that reads "Keita Kato". The signature is written in a cursive, flowing style.

President and Representative Director
Sekisui Chemical Co., Ltd.