



## **Sekisui Chemical Group Modern Slavery Statement for Financial Year (FY) 2018 (ending 31 March 2019)**

This statement sets out the steps taken by Sekisui Chemical Co., Ltd. for FY2018, ending 31 March 2019, as well as the steps planned for the FY2019, ending 31 March 2020, and beyond.

### 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.

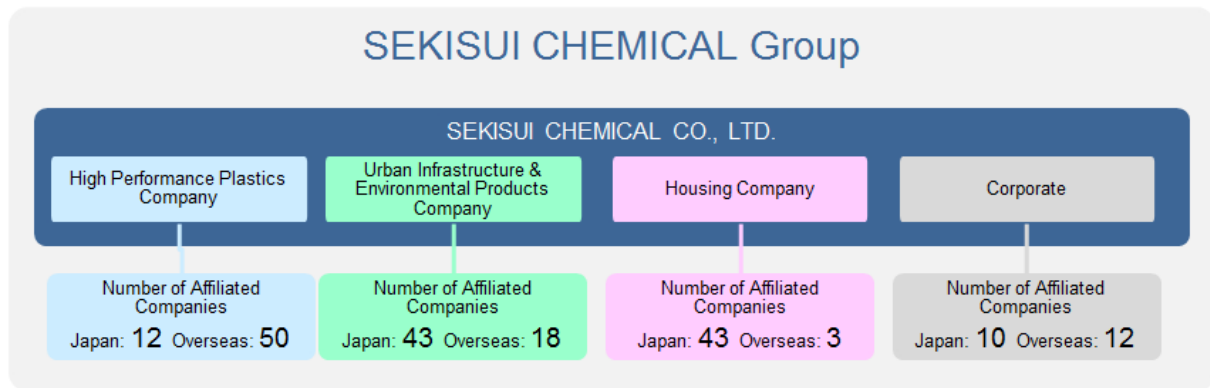
### 2. Outlines of our business and structure

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 21 countries and regions. It has 26,486 employees and consolidated sales of 1 trillion 142.7 billion yen.

- Divisional Companies and Major lines of business
  - Housing Company  
Major lines of business:  
Housing, Renovation, Real estate, 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, Automobiles and transportation, Building and infrastructure
- 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.

#### Basic Procurement Policy

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. This includes “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.

- Plastic materials

As for sourcing of plastic raw materials, we have had confirmation from some 150 resin

manufacturers, which correspond to about 75% in terms of purchased quantity in tons.

- Timber

We only use legally harvested timber. With the cooperation of suppliers, we survey commercial timber distribution channels to ensure traceability on where timber is harvested, which types of trees are harvested, and their amount.

- 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: Compliance and Respect for Human Rights > Addressing the Issue of Conflict Minerals \(“Conflict Minerals Survey Guidelines” Put into Effect\)](#)

- Started implementation of the Timber Procurement Survey Guidelines

[CSR Report Topic: Compliance and Respect for Human Rights > Addressing the Procurement of Timber Materials \(Started Implementation of Timber Procurement Survey Guidelines\)](#)

#### 4. Policies related to prevention of slavery and human trafficking

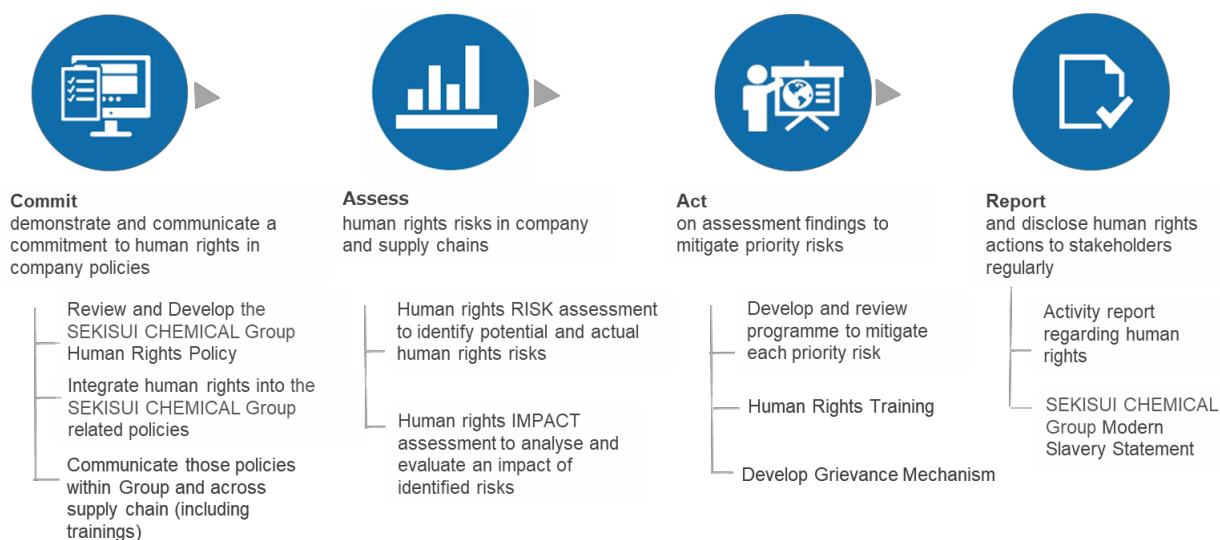
In May 2019, Sekisui Chemical Group drew up the Sekisui Chemical Group “Human Rights Policy”, based on the United Nations Guiding Principles on Business and Human Rights, to prevent all forms of slavery and human trafficking in our business and supply chains. The “Human Rights Policy” was adopted by the Board of Directors of the Company and signed by the President and Representative Director of the Company. 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 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: Compliance and Respect for Human Rights > Identifying Human Rights Risks Within the Group](#)

- Interviews to related internal staff

Starting in February 2019, Caux Round Table Japan, as a third party, conducted interviews on 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 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).

## 7. Measurement through the use of appropriate performance indicators

- [CSR Procurement Surveys](#)

[\(Link in Japanese only\)](#)

Since 2007, we have been conducting the CSR Procurement Survey every three years on existing business partners based on our procurement policy. A survey on human rights, environmental protection, and social responsibility is used in the selection of new business partners in Japan. (These efforts are led by the purchasing group at the Headquarters.)

The use of the survey was expanded overseas in 2015.

Past results: Survey conducted on 508 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)

FY2019: We plan to conduct the survey in Europe and on business partners in Japan which took part in the survey three years ago or before.

- Surveys on raw materials (timber, paper, conflict minerals)

- Timber Procurement Survey:

- Year surveyed (latest): FY 2018 (efforts led by the Housing Company)
- Survey target: Main structural materials, semi-structural materials, non-structural materials, fixtures and fittings, kitchens, vanities, interior decorative finishing materials
- Purchase volume (m3): Around 162,000m3
- Results: 62.5% certified, 11.9% certified for legality, 25.7% recycled wood

- Conflict Minerals Survey:
  - Year surveyed: FY 2018 (efforts led by the quality control division of each Divisional Company)
  - Survey target: Urban Infrastructure & Environmental Products Company, High Performance Plastics Company, and their Group companies (all of them located in Japan, 569 surveys conducted)
  - Response rate: 100%
  - Results: Non-use of 3TG (484 cases), origin outside of DRC (Democratic Republic of the Congo or Adjoining Countries) (83 cases), origin from DRC (0 case), smelting facility unknown (2 cases)
  
- Paper Procurement Survey:
  - Year started: FY 2018 (continued in FY 2019)
  - Number of companies: 7
  - Results: Complete use of certified or legal wood (100%)

- 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 and Respect for Human Rights > Responses to External Notifications](#)

## 8. 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

- In FY2018, we ran a human rights training programme for our Group companies in Japan.

A total of 168 persons participated in the programme. The contents of the programme, however, were general human rights education related to compliance.

- 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 FY2018, 435 new hires and newly promoted employees participated.

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

## 9. 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 assessment on manifest human rights impact through interviews and stakeholder engagement. Following up on the impact assessment, we will identify human rights topics that Sekisui Chemical Group should prioritise, and consider and implement action plans for the identified human rights issues.

- Education about slavery and human trafficking

Starting in FY2014, we set the month of October as the "Compliance Reinforcement Month" to give employees the opportunity to reflect on their awareness of and actions taken for compliance. In FY2018, we organised training programmes focusing on three topics of quality fraud, labour management, and information management. As the next step, we will also be putting resources into education of "business and human rights" based on our newly established "Human Rights Policy".

- 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 currently operational Sekisui Compliance Assist Network (S.C.A.N.).

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

September 10th, 2019

Teiji Koge

A handwritten signature in black ink that reads "Teiji Koge". The signature is written in a cursive, flowing style with a large initial 'T' and 'K'.

President and Representative Director  
Sekisui Chemical Co., Ltd.