

Security and Disaster Prevention

Security and disaster prevention are the most important responsibilities of ADEKA Group production sites that handle hazardous and toxic materials. To gain the trust of the local community, we not only comply with relevant laws and regulations but also rigorously manage processes, facility maintenance and voluntary safety.

▶ Drills conducted at major sites in fiscal 2017

Sites	Drill themes
Kashima Plant	Response to intrusion by suspicious people, night-time disaster, fire
Chiba Plant	Earthquake, chemical substance leakage, blackout
Mie Plant	Earthquake, fire
Fuji Plant	Response to the potential occurrence of the Tokai Earthquake
Akashi Plant	Blackout, fire-fighting
Soma Plant	Emergency evaluation, fire-fighting



Drill against a vapor explosion (ADEKA FOODS (SHANGHAI) CO., LTD., China)



Extinguisher-handling procedure contest (Mie Plant)

For Children Who Carry the Future on Their Shoulders

The ADEKA Group engages in a broad range of activities in the hope of contributing to the healthy development of children as they head into the future. Also, in fiscal 2017 we actively supported students, who share in our quest for science, through a donation of 20.7 million yen.



Receiving neighborhood high school students as interns (AMFINE CHEMICAL CORP., U.S.A.)



Baking class with Japanese students (ADEKA (FOODS) ASIA SDN. BHD., Malaysia)

Support for Areas Affected by Heavy Rains in July 2018

We donated 10 million yen through the Japanese Red Cross Society for the relief and reconstruction of areas damaged by heavy rains in July 2018.

We sincerely hope that these areas will see an early recovery.

Third Party Opinion

Making Extraordinary Environmental and Social Considerations through Our Core Business

Takeshi Mizuguchi

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Obtained a PhD from the School of Business Administration (Meiji University). Specializes in responsible investment and non-financial information disclosure. He assumed his current position in 2008 after becoming a lecturer in the Faculty of Economics at Takasaki City University of Economics in 1997, and then an Associate Professor in the same faculty. He worked in successive positions as Director of the Society for Environmental Economics and Policy Studies, Chair of the Green Bonds Working Group (Ministry of the Environment), and member of the ESG Financial Workshop (Ministry of the Environment). His publications include *ESG Investing—New Form of Capitalism* (Nikkei Publishing Inc.) and *Responsible Investment—Changing the Future through the Flow of Capital* (Iwanami Shoten, Publishers).



Making a Positive Impact through Products

The most impressive part of the report was the Special Feature 1 “ADEKA’s chemicals are people and environment-oriented.” Volatile Organic Compounds (VOCs) used in paints and adhesives are often considered to be the cause of problems such as sick house syndrome. However, these risks can be reduced by using water-based epoxy resin paints and adhesives that do not include organic solvents. Heavy metals are used as stabilizers for PVC, which is not widely known among consumers. Nevertheless, replacing it with metal-free PVC can prevent the continued accumulation of metals in the environment.

These are excellent efforts to reduce various health risks and positively impact society through products. I hope to see ADEKA continue to broaden and expand these efforts. Organic solvents such as toluene and heavy metals are regulated under PRTR law, and I believe that ADEKA could work toward eliminating the use of all these substances in its products.

Companies often refer to CSR as their business itself; I believe this is not merely about contributing to society by providing products to the market. Obviously, companies will do well if they can make products that are helpful by meeting the needs of society. But what ADEKA is striving to further achieve is contributing to addressing environmental and social issues by minimizing the negative risks and impacts that the company might otherwise exert on them. I think this is what it means to practice CSR through the business, which is described with actual examples in the Special Feature of the report.

Heightening Interest among ESG Investors

There has been a growing trend of ESG investing through which investors consider the environmental and social sustainability efforts of companies that are directly linked to business in their investment decision-making. In ESG investing, investors focus not only on the so-called social contributions outside of companies main business but also on the environmental and social impacts of their main businesses. This is because these impacts are linked to regulatory and reputational risks as well as

market risks, such as being screened out of the supply chain.

Therefore, it is important that companies engage in CSR at a deeper level that goes beyond merely preparing CSR reports as part of public or investor relations. This involves developing strategies and management plans that serve as the prerequisite for successful CSR implementation. And from this point of view, I think that ADEKA made the right decision to strengthen its organizational structure by identifying “promoting CSR and developing together with society” as one of the basic strategies of the current mid-term management plan. In future, I would like ADEKA to continue working toward achieving “integrated management” in which environmental and social considerations are linked to corporate value.

Taking Action at a Global Level

Taking action to respond to global issues is indispensable from the viewpoint of ESG investing. For example, in the summer of 2018, a series of extreme weather events, including heavy rainfall and abnormally high temperatures, occurred in Japan and around the globe. Climate change is now the most serious global environmental threat. I understand that ADEKA has been working to achieve its energy saving goals and promote a modal shift in its logistics, which I heartily approve, but the severity of the problem is increasing to a level where steadily saving energy may no longer be enough. I think that it is time for ADEKA to consider participating in initiatives such as Science Based Target (SBT) and RE100, which I mentioned last year, and responding to the recommendations issued last year by the Task Force on Climate-related Financial Disclosures (TCFD), formed by the Financial Stability Board.

Deforestation linked to palm oil production is also a serious global issue. I think that becoming an RSPO member last year and being approved under the RSPO Supply Chain Certification System this year represented significant progress. Though, even including the RSPO, there is no one-size-fits-all solution to the problem. As other companies are extending their improvement activities to include the local primary refining companies under their procurement policy to achieve zero deforestation, I expect that ADEKA will also make further progress.

Response to Third Party Opinion

Koji Tajima Director and Managing Operating Officer

I would like to express my gratitude for your valuable opinions on the ADEKA Group’s CSR activities. As a materials manufacturer, we are committed to creating sound products for all our customers and consumers and further promoting business activities that can be linked to the resolution of social issues through our products. To do so, we will make a Group-wide effort to disseminate the practice of “CSR through business” throughout the Group in order to raise the awareness of every employee.

Our stakeholders, including customers, have recently been

demanding specific measures to address social issues. We will clearly identify the issues that we need to address and establish “ADEKA’s CSR,” such as by considering participation in specific initiatives to become a company that can meet stakeholder expectations.

To address social issues at the global level, the ADEKA Group included “promotion of CSR” as a basic strategic measure of the mid-term management plan. In fiscal 2018, we will prioritize issues and develop measures and systems to raise corporate value.