



# CSR REPORT

CORPORATE SOCIAL RESPONSIBILITY REPORT 2020

DIGEST Version

# Aiming to Be a Global Company That Creates Value for Tomorrow and Contributes to Affluent Lifestyles through Innovative Technologies

At ADEKA Corporation, it is our duty to contribute to value creation with our business partners, grappling with issues of the environment, energy, health, food security and food safety, as we work toward a society that is both affluent and sustainable.

The ADEKA Group pursues win-win relationships with its customers and business partners by providing leading-edge materials and revolutionary solutions. At the same time, we strive to find solutions to social problems while building wealth for our shareholders.

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## Editorial Policy

The ADEKA Group publishes this annual CSR Report to communicate its efforts and future direction to realize a sustainable society, for a broad spectrum of stakeholders.

The CSR Report 2020 highlights the ADEKA Group's priority initiatives in fiscal 2019. You can learn more about these initiatives by visiting the ADEKA Group CSR website.

We welcome your honest feedback using the questionnaire included with this report. Your input will help us to create a better and more comprehensible report so that we can reach more stakeholders.

### Scope of this Report

This report covers the whole ADEKA Group. Where necessary, "ADEKA Group" and "the Group" refer to the entire ADEKA Group, while "ADEKA" and "the Company" refer to ADEKA Corporation.

### Period Covered by this Report

Fiscal 2019 (April 1, 2019 to March 31, 2020)  
Some parts of this report refer to recent activities taking place in fiscal 2020.

### Reference Guidelines

Environmental Reporting Guidelines (Fiscal Year 2018 Version) of the Japan Ministry of the Environment  
Japanese Standards Association ISO 26000:2010  
Guidance on social responsibility  
GRI Sustainability Reporting Standard 2016  
Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry

### Published Date

October 2020 (next publication date: October 2021)

## Whole Picture of Disclosure of CSR-Related Information



### CSR Report (Digest version)

This Report provides a clear explanation of the CSR activities of the ADEKA Group, with focus on the most important activities.



### CSR Report (PDF full version)

This booklet is a PDF file that includes the same content as the booklet, along with more detailed descriptions of activities and ESG data.

### Website

Visit the website to access previous CSR Reports, site reports for manufacturing facilities, the ADEKA Group Code of Conduct, and more



ADEKA CSR site  
<https://www.adeka.co.jp/csr/en/index.html>



Investor Relations site  
<https://www.adeka.co.jp/en/ir/index.html>

### Main Content

- Site reports (in Japanese only)
- CSR-related policy, etc., and supplementary information
- GRI Guideline Reference Table
- Back number of CSR Reports
- Chronological Table of CSR activities

# Pursuing a Sustainable Society

President and Chief Executive Officer

## Hidetaka Shirozume

The ADEKA Group mourns those who have lost their lives in the current COVID-19 pandemic and expresses its sincere condolences to their families. To those who are suffering from this disease, we wish you a full and speedy recovery.



Based on its management policies of striving “to be a company that is progressive and dynamic with a keen attitude towards the new changing tide” and “creating a better future for the people of the world,” the ADEKA Group aims to create innovative products while contributing to society through its core businesses.

Corporations have a major role to play in solving the dizzying range of issues the people of the world confront, to achieve a stable and prosperous international society. As a proud member of society, the ADEKA Group takes up its mission, which has not changed since its foundation: To care for the environment and society, practice sound and transparent management, and consistently produce goods that are reliable, safe, high-quality and high-performance.

The United Nations has spelled out a number of ambitious sustainable development goals (SDGs) for attainment by 2030. These goals will require diligent efforts by the private-sector companies that possess the technology, capital, human resources, networks and other resources to get the job done. In the course of corporate activities in all their many aspects, companies have an undeniable social responsibility to respect the rights and dignity of all people. Moreover, in view of the mounting severity of natural disasters in recent years, it is clear that grappling with climate change, including reducing emissions of greenhouse gases, is an urgent issue. At the ADEKA Group, we are proudly doing our part to achieve the SDGs. In tandem, we are fostering a corporate culture that constantly asks how we can contribute through our value chain to support human rights, labor and the environment.

To advance corporate social responsibility (CSR) and develop together with society, the BEYOND 300 Mid-Term

Management Plan establishes a number of organizational changes. To implement a framework for Group-wide promotion of CSR, we have established a CSR Committee, with myself as chair, overseeing a CSR Promotional Subcommittee, consisting of the heads of the respective divisions. Currently we are working on setting key performance indicators (KPIs) for priority CSR issues and other issues. By fusing management with CSR, the ADEKA Group aims to boost enterprise value still further while enhancing its competitive strength.

One way in which all employees can contribute to society right now is to consider and practice CSR in their day-to-day business activities. Acquiring that habit will accustom the entire ADEKA Group to focusing on and valuing CSR. In that spirit, we are conducting repeated in-house educational and awareness-raising activities while enhancing the effectiveness of our CSR efforts.

### Solving Environmental and Social Issues and Strengthening Governance Structures

Guided by its management policies, the ADEKA Group is advancing CSR and strengthening its management base. To fulfill its social responsibilities, the Group must implement measures on environment, social and governance (ESG) issues: We must contribute to society and the environment through its products, while clearly strengthening its governance framework for sustainable growth together with society.

First, regarding the “E” in “ESG,” the ADEKA Group can point to products that contribute to a carbon-free society. For example, ADEKA Sakura-Lube, which improves fuel

efficiency by adding it to the engine oil of gasoline-powered vehicles and reduces CO<sub>2</sub> emissions, has already been expanding all over the world. For lithium-ion batteries used in EVs and other applications, we are accelerating development of electrolyte additives to reduce deterioration of these batteries. Turning to foodstuffs, among the innovative products we offer is a bread-baking oil with high dispersion. By reducing the time required to bake bread, this oil slashes the amount of CO<sub>2</sub> released in the process.

Next we come to society, the “S” in “ESG.” One way we grapple with the needs of society is with products used in CMOS image sensors, semiconductor memory and other applications indispensable to automated-driving technology. In the food field, socially conscious products include products of enhanced flavor that address food-loss problems and the issues addressed by the Roundtable on Sustainable Palm Oil (RSPO). Finally, in life sciences, the ADEKA Group develops and provides environmentally friendly agricultural chemicals, contributing to solutions to global food shortages.

To strengthen governance (“G”), the ADEKA Group is further strengthening its global and Group compliance framework and working to fortify its global/Group risk-management system.

### Materials as Assets, an Indispensable Pillar of Our Business Platform

At the beginning of the ADEKA Group’s history 103 years ago, our founding prospectus contained the following remarks:

“In the interest of Japan and its citizens, caustic soda production in Japan should be achieved as soon as possible.”

The ADEKA Group was born to supply the world as quickly as possible with products that make a difference in their lives. This spirit is inscribed deeply in the ADEKA Group’s DNA. Of course, the market structure has grown complex over those 103 years, making it more challenging to see our target state from our current position.

The ADEKA Group’s business model is business-to-business (B2B). As such, most of the business of the ADEKA Group consists solely of transactions with direct suppliers and customers. In many cases we do not know how our products contribute to society. We need to broaden our field of view, to encompass the consumers beyond the customers we serve directly and all of the suppliers who provide us with materials through our supply chain. It is vital that the ADEKA Group obtains a clear understanding of the value it brings to society through its business platform.

As I expressed in the previous paragraph, the ADEKA Group boasts countless products and technologies that serve to reduce environmental impact across society. By

enhancing materials with added value, such as improved functionality, durability and environmental performance, we turn materials into assets, which we provide to customers worldwide.

The ADEKA Group is redoubling its efforts to contribute to society’s sustainable development and offer solutions to the problems society confronts. As a builder of business platforms, the ADEKA Group is marshaling Group-wide resources to provide products of such outstanding value that they are indispensable to whole business platforms.

### Conclusion

The worldwide expansion of the COVID-19 pandemic is dramatically altering the social landscape, prompting people to rethink their senses of value and what they expect from society. The ADEKA Group must be prepared to respond flexibly to those changes.

In his *On the Origin of Species*, Charles Darwin states: “It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”

To continue to bring affluence to the lives of people around the world under all manner of changes, the ADEKA Group is taking a big-picture view of its supply chain, to gain a flexible understanding of the new changing tide. Using this understanding to contribute to the earth and society through its business activities, the ADEKA Group is aiming for sustainable growth. At the same time, the ADEKA Group is fusing its management with CSR to fulfill its social mission.

On behalf of the employees and officers of the ADEKA Group, I ask all stakeholders once more for your continuing support.



# The ADEKA Group Value Co-Creation Story

## ADEKA's History and Operations

### Management Policies

To be a company that is progressive and dynamic with a keen attitude towards the new changing tide

Creating a better future for the people of the world

### Corporate Profile

Name	ADEKA CORPORATION
Established	January 27, 1917
President and Chief Executive Officer	Hidetaka Shirozume
Head Office	7-2-35 Higashi-ogu, Arakawa-ku, Tokyo
Capital Stock	22.944 billion yen
Shares Issued	103,714,442
Consolidated Employee Numbers	5,189 (As of March 31, 2020)
Business	Chemical, food, life sciences and other businesses

### Corporate Slogan and Statement

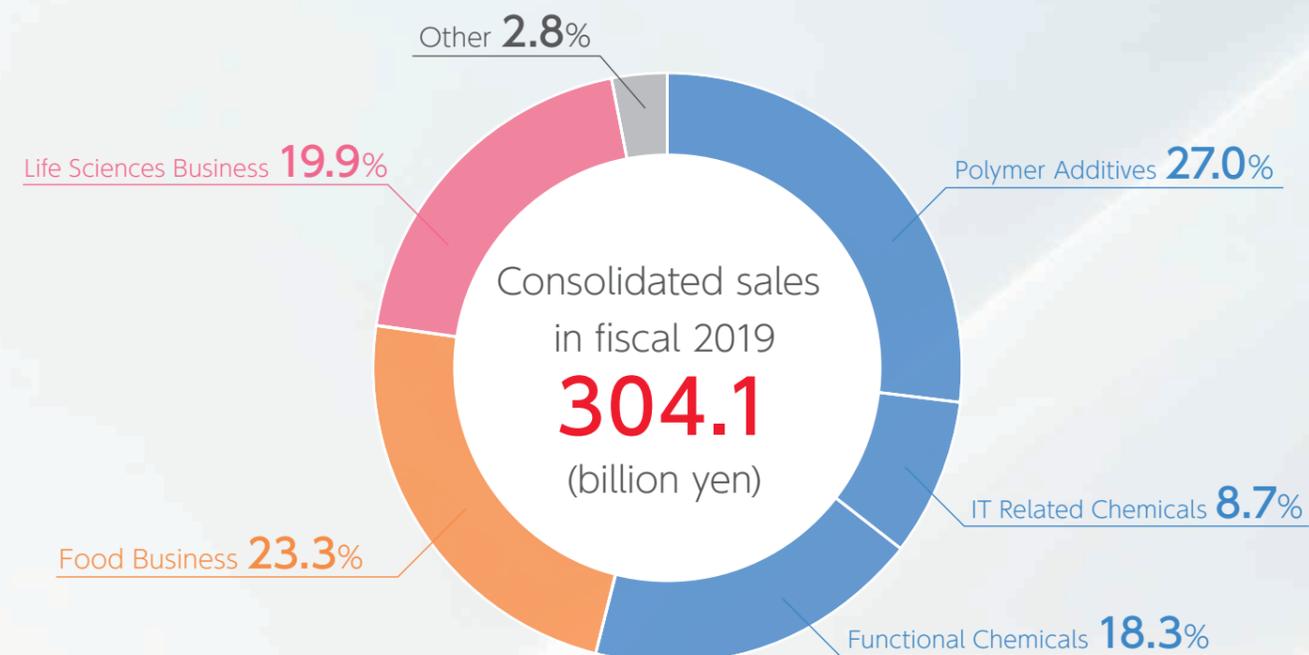


Everything can be made better.  
 We can add functionality to materials.  
 We can add durability and environmental friendliness.  
 This in turn makes our lives more enjoyable, convenient, and secure.  
 We raise the value of materials.  
 In doing so, we change the world.  
 We are ADEKA.

### The History of ADEKA (Chronological Table of CSR Activities)

- 1917 Asahi Denka Co., Ltd. established.
- 1970 Pollution Prevention Division established.
- 1994 Environmental and Safety Division established.
- 1995 Japan Responsible Care Council established, immediately joined by Asahi Denka.
- 1999 First Environmental Report published.
- 2002 Compliance Promotion Committee established.
- 2003 Code of Conduct established.
- 2005 CSR Report published.
- 2006 Company name changed to ADEKA Corporation.
- 2007 Internal Control Promotion Committee established.  
 Special Committee on CSR Promotion established (effectively liquidated in 2019 with the establishment of the CSR Promotion Subcommittee).
- 2012 ADEKA Group Biodiversity Policy established.
- 2013 "Basic Policy Against Corruption" and "Social Media Policy" of the ADEKA Group established.
- 2015 "ADEKA Group Corporate Governance and Guidelines" established.
- 2019 CSR Committee (chaired by the president) and its subordinate organization the CSR Promotion Subcommittee established.

### Consolidated Sales by Business



Chemical Business		
<b>Polymer Additives</b>	Polymer additives are essential for highly functional plastic. ADEKA contributes to customer manufacturing by offering polymer additives with optimal compositions for specific applications such as automobiles, building materials and other goods, capitalizing on its extensive product lines.	<ul style="list-style-type: none"> <li>• Additives for polyolefins</li> <li>• Plasticizers/PVC stabilizers</li> <li>• Flame retardants and others</li> </ul>
<b>IT Related Chemicals</b>	The ADEKA Group provides products for various electronic devices such as LCD TVs, PCs and smartphones using cutting-edge technologies. In particular, its semiconductor materials are at the highest level of quality in the world.	<ul style="list-style-type: none"> <li>• Semiconductor materials</li> <li>• Display materials</li> <li>• Photo (light) curing resin</li> <li>• Circuit materials and others</li> </ul>
<b>Functional Chemicals</b>	From daily goods such as cosmetics and toiletries to automobiles, IT and electronics, the ADEKA Group provides functional polymers, surface specialties and other high-value-added products for a wide range of industries.	<ul style="list-style-type: none"> <li>• Water borne resins</li> <li>• Cosmetic ingredients</li> <li>• Lubricant additives</li> <li>• Propylene glycol and others</li> </ul>
Food Business		
	Guided by our brand slogan, "The Delicious Taste You Can Rely On," ADEKA develops food ingredients that are constantly at the forefront of the industry. We provide processed oil and fats as well as processed foods to bread, confectionery and pastry manufacturers while at the same time contributing to the realization of a safe, reassuring dietary life.	<ul style="list-style-type: none"> <li>• Margarine and shortenings</li> <li>• Whipping cream</li> <li>• Fats and oils for chocolate</li> <li>• Frozen pie crusts and others</li> </ul>
Life Sciences Business		
	The ADEKA Group develops safe and highly effective agrochemicals that help to secure stable food supplies for the world. The Group also develops and markets pharmaceuticals and animal health care products and conducts research on medical materials.	<ul style="list-style-type: none"> <li>• Agrochemicals</li> <li>• Quasi-pharmaceutical products</li> <li>• Animal health care products</li> <li>• Wood chemicals</li> <li>• Pharmaceuticals</li> <li>• Medical materials and others</li> </ul>
Other		
	Our other business primarily includes the maintenance of ADEKA Group plants and facilities, the design of various kinds of plants, logistics, and an insurance agent business. The Group provides services to customers in various fields based on expertise related to those operations.	<ul style="list-style-type: none"> <li>• Plant design and construction management</li> <li>• Real estate</li> <li>• Insurance agent</li> <li>• Logistics and others</li> </ul>

# The ADEKA Group Value Co-Creation Story

## Realizing ADEKA VISION 2025

The ADEKA Group has outlined the ADEKA VISION 2025 with the stated goal of becoming "a global company that creates value for tomorrow and contributes to affluent lifestyles through innovative technologies" by 2025. Mindful that the practice of its management policies is the foundation of its CSR activities, the Group will strive to co-create social value and corporate value with stakeholders through the value chain, while increasing communication with stakeholders.



## Aspirations for 2025

# ADEKA VISION 2025

A global company that creates value for tomorrow and contributes to affluent lifestyles through innovative technologies



### Basic Policy

Mid-Term Management Plan  
[BEYOND 300]

**Become an excellent company with sales exceeding 300 billion yen.**

The second stage toward realizing the ADEKA VISION 2025 Three years with net sales exceeding 300 billion yen due to organic grow. Promote M&A separately.

### Basic Strategies

#### Global Expansion of Three Main Businesses

Globally expand sales of strategic products defined for each of our three main businesses; polymer additives, chemicals and foods.

#### Entering New Domains

Build business models and promote commercialization in the target domains of life sciences, the environment and energy.

#### Enhancing Our Management Foundation

Promote CSR to strengthen our contribution to society and trust from society. Enhance mutual cooperation within the ADEKA Group to leverage our comprehensive abilities.

### ESG (Risk and Opportunity) Management

#### CSR Priority Issues

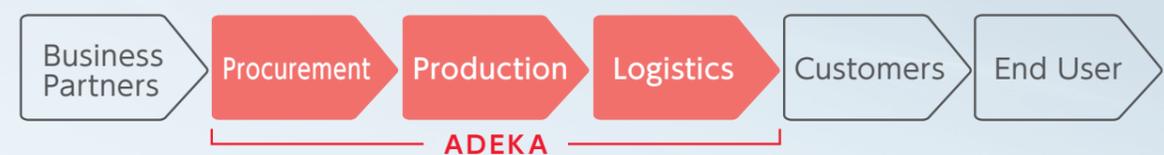
Identify priority issues through communication with stakeholders



### Business Infrastructure



### Supply Chain Management



### Business Activities

## Advancing CSR

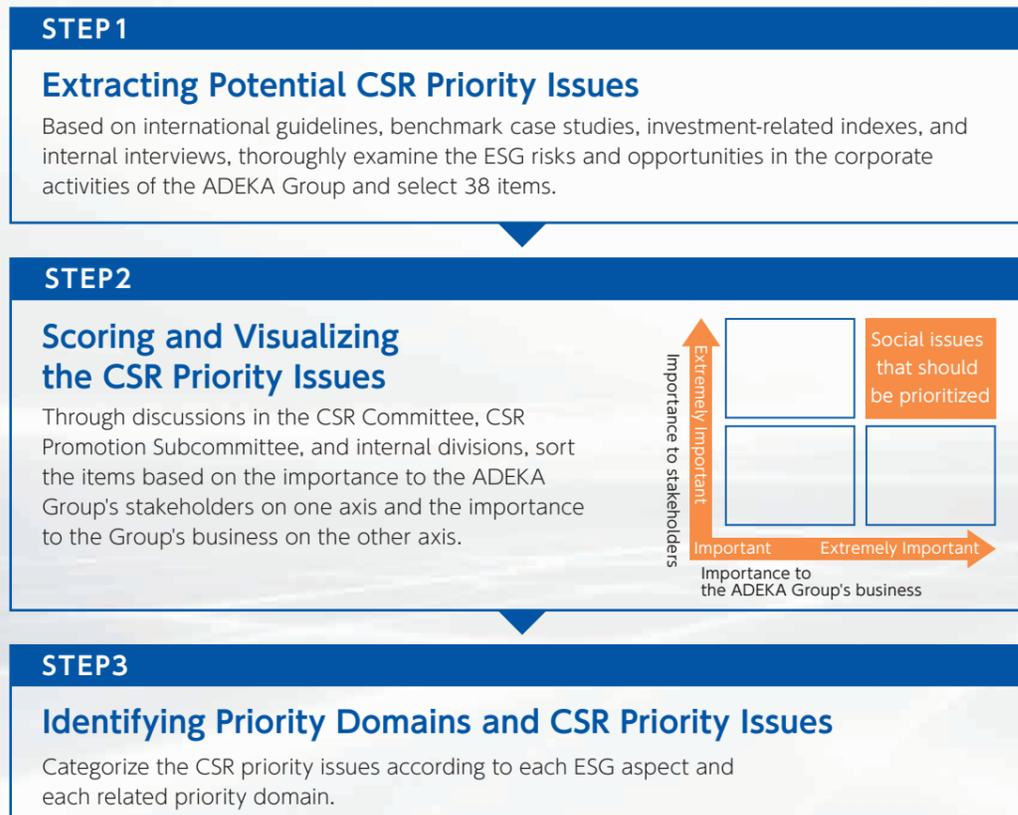
### CSR Organization

The ADEKA Group is keenly focused on contributing still further to the realization of a sustainable society and growing into its ideal state as a corporate Group. To that end, the Group lists “strengthening of the management base through advancement of CSR” in the basic strategy of the BEYOND 300 Mid-Term Management Plan. The Group is advancing CSR management and has built a framework for offering solutions to society’s problems.

In April 2019, the Group established a CSR Committee to make decisions on important CSR policies, and a CSR Promotion Subcommittee that is responsible for promoting Group-wide CSR initiatives. As a first step, the Group is currently working to identify CSR priority issues that prioritize the social issues that the Group will address.



### Decision-Making Process for CSR Priority Issues



The Group will manage each of the CSR priority issues by designating CSR initiative targets. With the understanding that safety is always the highest priority in sustaining its corporate activities, the Group strives to secure the safety of its employees and communities as well as ensure the security and safety of all persons in the supply chain, from production through to consumers.

## Main Activities in Fiscal 2019

### CSR Committee (11 meetings)

The Group identified priority issues in CSR (four priority domains and seven priority issues) and deliberated on the content of key performance indicators (KPIs).

	Priority Domains	Priority Issues	KPIs
E	Environment	Conserve the global environment	Absolute amount of CO <sub>2</sub> emissions (Scope 1 & 2)
		Supply eco-friendly products	Net sales in eco-friendly products
S	Better living conditions and communication	Create value that meets society's expectations	Number of products certified under ADEKA Innovative Value (AIV)
		Conduct dialogue with stakeholders	Create methods and opportunities for communication with stakeholders and set individual targets
	Human rights and human resources	Respect human rights	Establishment and circulation of the ADEKA Group Human Rights Policy
Expand opportunities for utilizing human resources		•Promotion of diversity and inclusion (D&I) •Promotion of Health and Productivity management	
G	Governance	Enhance Group governance and risk management	•Group Code of Conduct Spreading awareness of “ADEKA-ness” •Advancement of Group BCP

### Progress on CSR Priority Issues

Going forward, the ADEKA Group intends to address the CSR priority issues in a number of ways. We will set KPIs for these issues, to serve as specific policies on our business activities. By driving the PDCA cycle (Plan, Do, Check, Act), we will move forward with continuous improvements. The Group will firm up its foundations for pursuing CSR activities, such as reviewing the fundamental CSR policy. In drafting the next mid-term management plan starting in fiscal 2021, the Group will incorporate the CSR priority issues, fuse management with CSR, improve enterprise value and strengthen competitiveness.

### CSR Promotion Subcommittee

In fiscal 2019, the Group convened the CSR Promotion Subcommittee 12 times: six times in the first half of the fiscal year and six times in the second half.

### Response to Various Initiatives

- Reply to Carbon Disclosure Project (CDP) 2019 (climate change; August 2019)
- Reply to CDP 2020 (climate change, water; August 2020)
- Supplier Ethical Data Exchange (Sedex): Kashima Plant (Ibaraki prefecture) joined. Completed response to self-assessment questionnaire (SAQ) and Sedex Members Ethical Trade Audit (SMETA). Chiba Plant prepared responses to SAQ ⇒ Applied laterally to other plants

### Education and Spreading Awareness

Presentation of seminars on SDGs by playing videos (March to May 2020)



## The Safety Quartet

The Safety Quartet is a concept developed and proclaimed uniquely by the ADEKA Group to guide the safe operation of its business activities. It consists of four types of safety: labor safety, environmental safety, product quality safety and equipment safety. The ADEKA Group adheres strictly to the Safety Quartet, sharing information on it globally, to execute duties efficiently Group-wide. In fiscal 2020 the Group is pursuing activities related to four targets corresponding to the Safety Quartet: simultaneous achievement of zero labor accidents, zero environmental accidents, zero quality complaints and zero major equipment failures. The Group advances the Basic Principles of the Safety Quartet described below by continuously improving through the PDCA cycle (Plan, Do, Check, Act), attaining ever-higher levels to achieve one's goal. In particular at Safety Quartet Review Meetings conducted at the end of each fiscal year, each department and section will be evaluated as to whether it has implemented its plans based on division policy and specific measures, after which divisional policy and specific measures for the next fiscal year will be decided.



Safety Quartet symbols  
(Japanese, English and Chinese-language versions)

### Basic Principles of the Safety Quartet

1. Leadership
2. Compliance with laws, regulations and rules
3. Advancement of 5S
4. Communication
5. Life-cycle evaluation and analysis
6. Overview of the supply chain
7. Contribution to a sustainable social structure
8. Pursuit of new technologies

### Divisional Policy in Fiscal 2020

- The ADEKA Group is promoting the Safety Quartet (labor, environment, quality, equipment) worldwide, with a zero target in each category.
- The ADEKA Group contributes to communities as a global enterprise committed to a sustainable society.

As part of efforts to foster a culture of safety and strengthen the Group's safety foundations, in fiscal 2019 the ADEKA Group unified its regulations on the Safety Quartet into a single set of rules, changing related criteria and standards into a single, unified regulatory system. In fiscal 2020 the Group is establishing the Global Regulations on the Safety Quartet and applying them to overseas Group companies.

### Sharing the Safety Quartet Worldwide

ADEKA is advancing activities to raise awareness of the Safety Quartet in all Group companies. From December 3 to 5, 2019, the Group hosted the first Safety Quartet Global Meeting. In this meeting, the safety managers of 14 overseas production companies met at Kashima Plant and Head Office to share information on on-site safety measures and approaches to safety. In addition, the design and languages used in the Safety Quartet symbol were updated for worldwide applicability and the updated symbol was distributed as helmet stickers to all Group employees. A Safety Quartet poster was displayed and circulated by posting on the ADEKA in-house portal website.

### Safety Quartet Promotional Framework



#### Audit Status

The Environmental and Safety Division conducts annual audits on all production and research facilities in Japan. In fiscal 2019 this practice was extended to four Group companies overseas. Through these audits, the ADEKA Group ascertains the status of safety management at each business location and cultivates a Group-wide culture of safety. In product quality safety, the Group upgraded its product-liability audits, quantifying results using a unified checklist for both chemical and food products. These audits were implemented at 29 departments and sections.

## Working with Stakeholders

The ADEKA Group is responding to the expectations of a wide range of stakeholders through CSR activities.

# The Safety Quartet

## 1 Labor Safety

### Security and Disaster Prevention

ADEKA Group production sites handle hazardous and toxic substances. Security and protection against disaster in the handling of these materials is a top Group priority. Determined to earn the trust of local communities, the ADEKA Group not only maintains strict compliance but also conducts rigorous safety management on its own initiative. Measures include thorough process management and equipment maintenance as well as regular, practical disaster-response training envisioning a wide range of disaster scenarios.

### Occupational Health and Safety

The ADEKA Group recognizes safety as its most important issue. To improve employees' safety awareness and create safe workplaces, the Group has switched over to the ISO 45000 occupational health and safety management system and is conducting activities via the Health and Safety Committees and the Zero Accidents Committees in each workplace. In efforts to prevent occupational accidents, the Group carried out safety experience training at Urawa R&D Laboratory (with 60 attendees in fiscal 2019) and established a Safety Experience Center in Fuji Plant (Shizuoka prefecture). The latter is slated to commence operation in fiscal 2021.

## 2 Environmental Safety

### Initiatives on Global Warming Prevention

#### ● Initiatives for Reducing CO<sub>2</sub> Emissions

ADEKA is committed to maintaining a stable supply of products while slashing CO<sub>2</sub> emissions and improving indices such as production efficiency. To confirm the progress of these efforts, the president conducts plant audits and the Environmental and Safety Division conducts audits of its own.

#### ● Energy-Saving Activities

In fiscal 2019 ADEKA changed the lineup of goods it produces. As new equipment came into operation, our plants' energy consumption increased. Thanks to energy-saving activities, however, we were able to reduce our energy consumption by 1,406 kl crude-oil equivalent.

### Reduction of Environmental Impact

#### ● Preventing Water Pollution

The protection of water resources and prevention of water pollution are indispensable to the formation of a recycling-based society. With this truth in mind, the ADEKA Group recaptures and recycles wastewater from its production processes. We also strive to reduce environmental impact from wastewater in accordance to laws and regulations.

#### ● Properly Managing the Treatment of Industrial Waste

To ensure that the industry waste entrusted to them is treated appropriately, ADEKA and domestic ADEKA Group companies conduct regular inspections of industrial-waste treatment contractors. We also hold meetings on the status of waste management with each business location, including those of industrial-waste treatment contractors, to ensure that these operations are managed correctly.

#### ● Preventing Air Pollution

The ADEKA Group implements various environmental-protection measures at its production and R&D divisions. In continuous measures to prevent air pollution, the Group makes committed efforts to restrain the release of sulfur oxides, nitrogen oxides and dust into the atmosphere.

#### ● Promoting Biodiversity

Guided by the ADEKA Group Biodiversity Policy, the Group undertakes efforts to preserve biodiversity. The Group also participates in biodiversity initiatives as a member of the Japan Business Initiative for Biodiversity (JBIB) network member.

## 3 Product Quality Safety

#### ● Reassessment of Quality Inspection Practices

From the 2017 to the 2019 fiscal year, the ADEKA Group has conducted a series of surveys on quality control. As a result, the Group confirmed that it had no cases of unqualified persons doing work that requires official qualifications, including inspection; and that there were no cases of intentional tampering of inspection and other data.

#### ● Promoting Quality Improvement Efforts

To ensure that customers can use ADEKA Group products with confidence, the ADEKA Group has acquired certification under the ISO 9001 quality management system at 22 Group companies in Japan and overseas and is continuously maintaining and improving its quality assurance system. At its food production sites, the Group has acquired certification under FSSC 22000 (seven sites) and HACCP (three sites). The ADEKA Group is expending great efforts on food safety management and quality assurance.

## 4 Equipment Safety

In December 2018, ADEKA and domestic Group companies agreed on and began applying a definition for "major equipment failure."\* Since then, these companies have continuously achieved a rate of zero major equipment failures.

\* Definition of major equipment failure: Failure resulting in cessation of production for one week or more.

# With the Environment

The ADEKA Group, which uses chemical substances and palm oil as raw materials, cares about the environment throughout the process of procurement and from production to disposal. Toward realizing a sustainable society, we are developing products with less environmental impact and engaging in energy-saving initiatives.



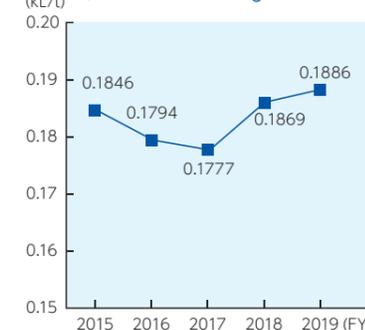
### Targets and Results for Fiscal 2019 and Targets for Fiscal 2020

Item	Targets for FY2019	Results for FY2019	Self-evaluation	Targets for FY2020
Promote energy conservation (ADEKA manufacturing division alone)	● Reduce energy intensity by 1.0% or more year on year (seek a 3.0% reduction by FY2020 from the FY2017 level)	● Energy intensity of 0.1859 kl/t (1.9% increase year on year)	×	● Reduce energy intensity by 1.0% or more year on year
	● Reduce CO <sub>2</sub> emission intensity by 1.0% or more year on year (seek a 3.0% reduction by FY2020 from the FY2017 level)	● CO <sub>2</sub> emissions intensity of 0.426t-CO <sub>2</sub> /t (1.4% increase year on year)	×	● Reduce CO <sub>2</sub> emission intensity by 1.0% or more year on year
Reduce industrial waste (ADEKA)	● Promote and maintain complete zero emissions* through recycling	● Landfill disposal volume at 43.4 tonnes (0.092% of industrial waste generated)	○	● Promote and maintain complete zero emissions* through recycling
	● Promote appropriate disposal of industrial waste (reviewing contracts, inspecting subcontractors, preventing resale of food waste, and other actions)	● It was confirmed by means of audits that food waste is managed appropriately and that measures to prevent diversion to illegal channels.	○	● Promote appropriate treatment of industrial waste (inspection of contracts, inspection of contractors, measures to prevent reselling of food waste, etc.)
	● Achieve 95% or higher rate of food recycling by FY2019 (target for food manufacturers)	● Food recycling rate at 95.8%	○	● Continuous 95% or higher rate of food recycling (a target in the food production industry)

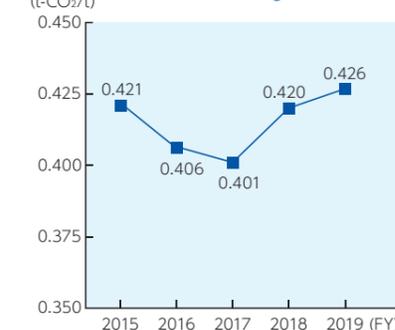
\* ADEKA defines "complete zero emissions" as landfill waste that amounts to less than 0.1% of the total volume of industrial waste output.

### Environmental Data

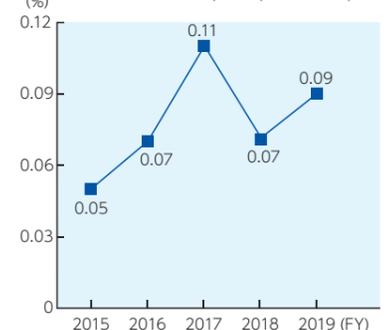
Energy Intensity Index  
(ADEKA manufacturing division alone)



GHG emission Intensity Index  
(ADEKA manufacturing division alone)

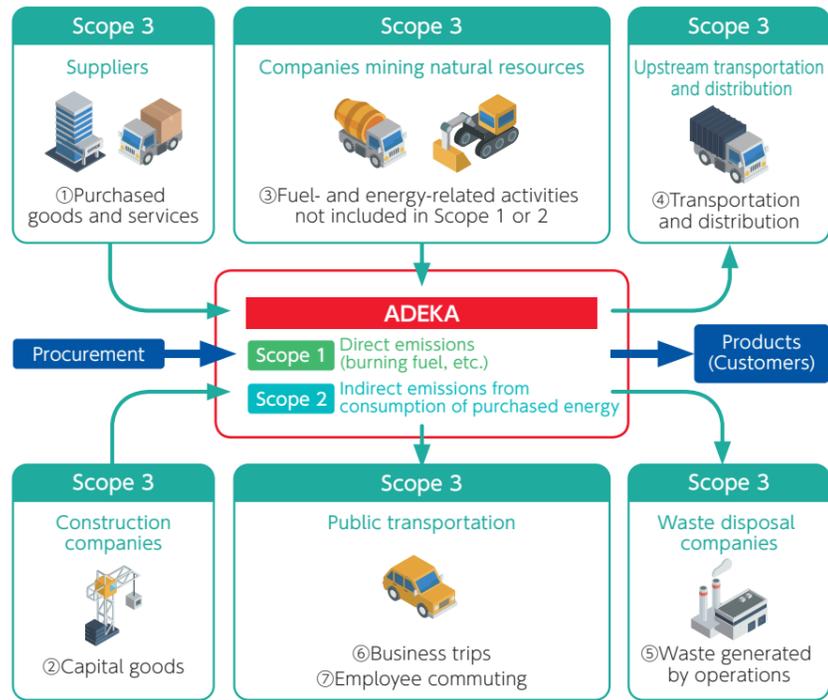


Zero Emissions Rate for Landfill Disposal of Industrial Waste  
(ADEKA and 11 Group companies in Japan)



# With the Environment

## Flow Chart of ADEKA's Scope 3 Emissions

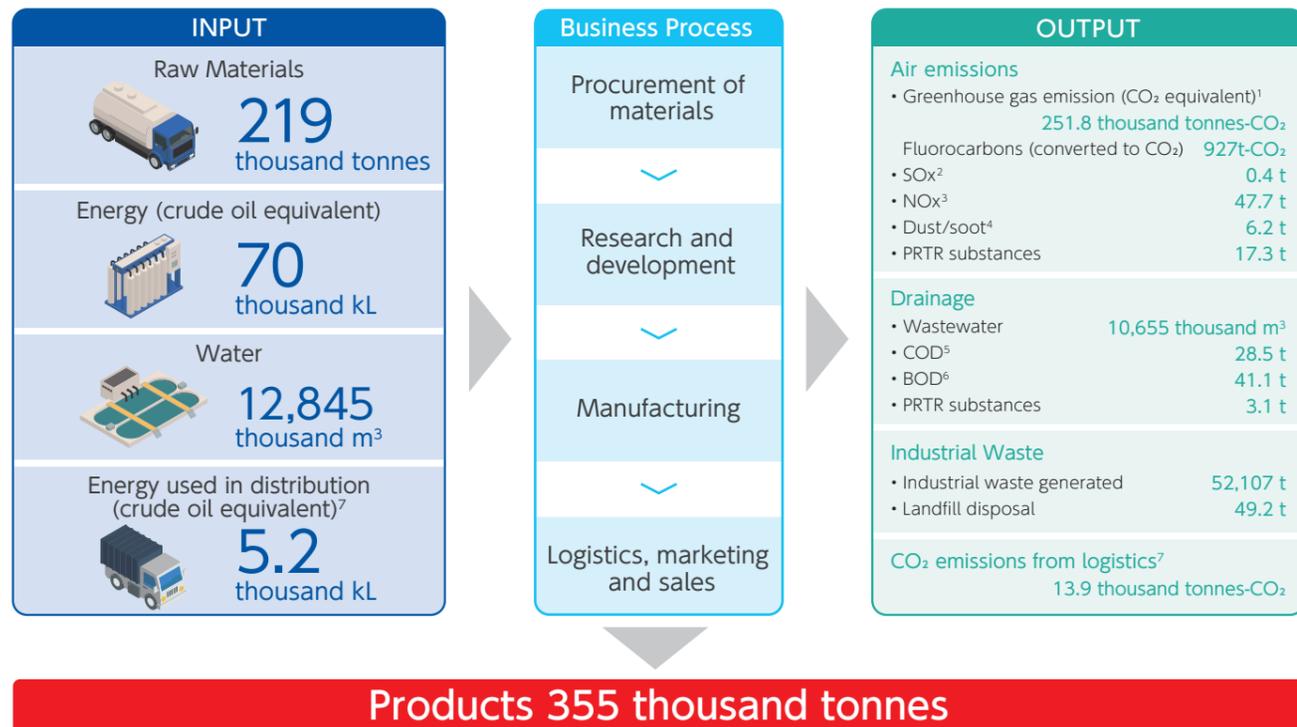


## CO<sub>2</sub> Emissions and Scope 3 Breakdown (scope: ADEKA)

(Unit: thousand tonnes-CO<sub>2</sub>)

Scope category	Emissions
Scope 1	53.4
Scope 2	89.6
Scope 3	590.1
Category① Purchased goods and services	502.3
Category② Capital goods	48.7
Category③ Fuel- and energy-related activities not included in Scope 1 or 2	7.7
Category④ Transportation and distribution	13.9
Category⑤ Waste generated by operations	16.6
Category⑥ Business trips	0.2
Category⑦ Employee commuting	0.6
<b>Total</b>	<b>733.1 thousand tonnes-CO<sub>2</sub></b>

## Material Flow in Business Activities (scope: ADEKA and 11 Group companies in Japan)



1. Total emissions arising from energy sources, non-energy sources, and processes.  
 2. Sulfur oxides generated during the use of fuels that contain sulfur.  
 3. Nitrogen oxide generated during combustion in plant boilers and incinerators.  
 4. Fine particles generated during the combustion of fuels and other materials.  
 5. Amount of oxygen consumed during the oxidation of organic substances.  
 6. Amount of oxygen required during the mineralization and gasification of contaminants in river water and industrial wastewater by microorganisms.  
 7. Scope: ADEKA

Column

## ADEKA's Eco-Friendly Products

### Contributing to CO<sub>2</sub> Reduction in the Automotive Industry by Reducing Friction

## ADEKA Sakura-Lube

ADEKA Sakura-Lube is an organic-molybdenum lubrication-oil additive developed using unique ADEKA technologies. Use of engine oils mixed with Sakura-Lube offers numerous benefits. It reduces friction and wear inside engines, thereby lowering energy consumption and CO<sub>2</sub> emissions. Sakura-Lube also has oxidation-preventing effects, which extend the working life of the engine oil, while wear-preventing effects extend the mechanical life of the engine.

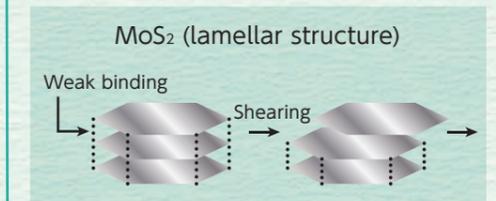
The addition of ADEKA Sakura-Lube improves fuel consumption by up to 1.7%. The performance of this additive is so highly evaluated that it is used in many new vehicles. It is exported to 20 countries worldwide, including numerous Western countries, China, Korea, India and Indonesia. ADEKA is pushing vigorously forward on research and development of this product, including fast-tracking of a proposal for a version aimed at large vehicles such as trucks.



Testing efficacy using vehicle engines

### Friction-reduction Mechanism

Sakura-Lube adheres to the surfaces of engine parts, forming a molybdenum disulfide (MoS<sub>2</sub>) film when friction occurs. MoS<sub>2</sub> has a lamellar structure that peels apart under weak force, reducing friction between engine parts.



Layers peel apart under weak force, reducing friction.

### Contributing to Reduced Food Loss by Extending Sell-by Dates

## Marvelous

### Kneading Oil for Bread-baking

Nothing beats the softness and moist texture of fresh-baked bread, the way it feels when biting and the way it melts in the mouth. Marvelous is a functional oil that makes this wonderful quality last longer, enabling sell-by dates to be extended. We expect the market for this product to grow, as needs expand not only in bread-baking but also in Western confections and Japanese sweets.



## Arrange Whip FC

### a Freeze-resistant Whipped Cream

This whipped cream is mixed with other ingredients to make foods resistant to the effects of freezing, eliciting maximum flavor from fruit sauces and other blending ingredients. By reducing the loss of product quality that results from the loss of flavor and water separation after defrosting, Arrange Whip FC preserves the fresh-made deliciousness of treats, thereby cutting food losses in the Western-confection market.



# With Customers

As a materials manufacturer for chemical and food products, the ADEKA Group provides safe, high-quality products that live up to customer expectations. We strive to develop systems and products as we work together with customers to identify and tackle the issues they face.



## Quality and Safety Initiatives

### ● Product Quality Safety Measures

The ADEKA Group is taking the following two policy initiatives:

- ① Robust implementation of measures to prevent complaints and prevent recurrence of complaints
- ② Strengthening of its management framework overseeing the entire supply chain

When we receive information about quality from customers, we relay it accurately and speedily to the related departments and sections. If the information is about a defect, we investigate the causes and take measures against it. The details of those countermeasures are confirmed through related meetings, audits and other procedures, and revisions are carried out as necessary.

To reduce potential risk, measures that have proven effective are extended to similar products.

### ● Food Safety and Hygiene

As a manufacturing Group that handles food ingredients, the ADEKA Group works vigorously to ensure not only hygiene management and compliance but also that every product it provides is safe and can be consumed with peace of mind. Our seven food production sites are all certified under the FSSC 22000 food-safety management system and conduct hygiene and process management via the PDCA cycle. Important information on product quality is submitted to the Environmental Safety & Quality Assurance Department, which has Group-wide authority over quality matters, to review measures and their effectiveness. Additionally, the Product Quality Safety Conference, which convenes twice a year, shares this information Group-wide, to promote improved product quality safety at all Group companies.

## Communication with Customers

ADEKA is committed to the construction of a sustainable supply chain. To this end, Kashima Plant joined Sedex in August 2019 and underwent SMETA, an auditing scheme provided by Sedex, in February 2020. Sedex is the world's largest platform for managing risk related to ethical business customs in supply chains (work environment, human rights, health and safety, the natural environment, compliance, etc.). Going forward, the ADEKA Group will continue to encourage the use of Sedex in its plants to promote the building of sustainable supply chains.

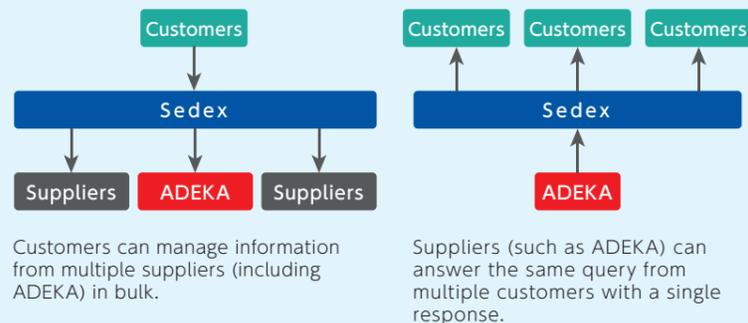
- 2019: Response to SAQ by Kashima Plant (East)
- 2020: SMETA audit of Kashima Plant (East), response to SAQ by Chiba Plant

### Sedex

Today's consumers and business partners insist strongly on confirming that global supply chains are governed by ethical business practices. In the past, individual buyers, as customers, would individually distribute lists of questions to suppliers as a way of auditing them. This approach was an enormous drain on the time and patience of both parties. As a solution to this problem, the practice began of using platforms on which multiple companies could share information online.

Use of Sedex consists of the following two stages:

- ① Response to SAQ  
The SAQ is answered online and disclosed to customers specified by the supplier from the Sedex member list.
- ② Undertaking of SMETA audit  
After responding to the SAQ, if a member customer so requests, the supplier undergoes an audit by a Sedex-certified auditing agency (SMETA audit). The results are then disclosed to customers specified by the supplier.



## Column

## ADEKA Products That Contribute to Society

### Realizing lightweighting of vehicles with light and strong plastics

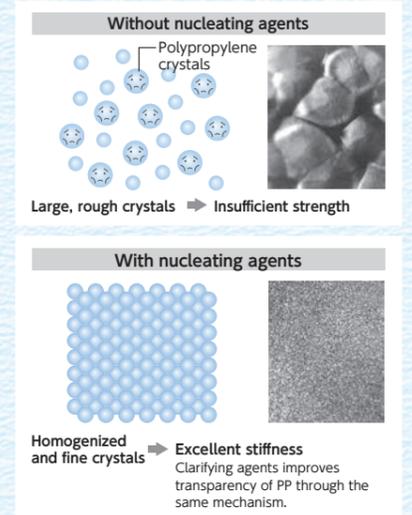
## ADK STAB NA Series

Plastics are used in innumerable applications, encompassing automobiles, home electronics, electronic parts, construction materials, packaging and much more. Polymer additives play an essential role in boosting the performance and function of the plastics.

ADEKA supplies a vast range of polymer additives with various functions. Among them, nucleating agents and clarifying agents make polypropylene (PP) crystals more homogeneous and fine. This technology can accelerate the crystallization process, which leads to the reduction of cycle time and improving the productivity.

In recent years, as automakers have pursued greater fuel efficiency, they have been seeking ways to reduce auto-body weight, such as replacing metal with plastic parts. PP containing ADK STAB NA-27 can reduce 7% of the part thickness by an addition of mere 0.1wt%. This is equivalent to about 6kg\* of lightweighting. Thus it is contributing to the reduction of environmental impact by reducing vehicle weight.

\* Estimated value when assuming that 90kg of polypropylene are used per vehicle.



### Protecting Rice from Disease and Blight

## Isoprothiolane (FUJI-ONE, fungicide, plant growth regulator)



FUJI-ONE was registered in 1975 as a pesticide for rice blast, one of the most serious diseases to paddy rice. At the time that this agent was under development, the Japanese government was promoting a policy of increasing food production, creating an important role for agrochemicals as pest-control materials. Meanwhile, against a background of advances in science and heightened awareness of food-safety issues, Japan's Agricultural Chemicals Regulation Act was substantially revised, with the shift to policy of reducing acreage, "more quality than quantity" was required. In response to this public demand, Nihon Nohyaku registered FUJI-ONE as "a new kind of rice blast control agent that is safer, has lower environmental impact, requires little labor and is highly effective." Moreover, FUJI-ONE has a unique chemical structure and action mechanism that give it a wide range of functions. In addition to its performance as a fungicide, FUJI-ONE promotes root growth in paddy rice seedlings and reduces white immature grains (a cloudy-white appearance caused by starch deficiency that reduces the grade of the rice). For these research achievements and technological developments, Nihon Nohyaku researchers were awarded the Medal of Honor with Purple Ribbon and the Okochi Memorial Technology Prize, while FUJI-ONE earned the loyalty of customers worldwide for about half a century. Nihon Nohyaku will continue to diversify into new fields, contributing to better-quality crops and stable food production.

**NIHON NOHYAKU CO., LTD.**

# With Business Partners



The ADEKA Group pursues coexistence and co-prosperity by building and maintaining just and fair relationships with its partners. We recognize that contributing to affluent lifestyles through products is what customers value and a shared purpose across the entire supply chain, including business partners.

## Sustainable Procurement

### Socially Responsible Procurement

ADEKA is committed to stable procurement and construction of a sustainable supply chain founded on CSR principles. In July 2020, ADEKA established the ADEKA Basic Purchasing Policy and the ADEKA Purchasing Guidelines. ADEKA will continue to move forward with CSR-based procurement while obtaining its partners' understanding of this Policy and these Guidelines.

Applying the product-contractor management system it began operating in fiscal 2019, and based on the Procurement Management Standards, ADEKA develops its procurement activities through the trust and cooperation of its business partners.

### Ensuring the Compliance of Suppliers

ADEKA ensures that suppliers understand its procurement policy by distributing its Risk Management Standards among food material suppliers and asking new suppliers to respond to the Compliance Survey.

### Initiatives for Developing a Global Logistics System

The ADEKA Group is advancing various initiatives to optimize its global procurement, including a global management system (GMS) that enables Group companies to globally share procurement data. Procurement staff around the globe work together to optimize the Group procurement by centralizing the procurement of common raw materials and sharing supplier data. The Group is also strengthening its cooperation with overseas subsidiaries by sending procurement personnel from the chemical and food businesses to train and instruct local procurement staff and increase interaction between personnel.

To ensure the stable and continuous supply of its products, the Group is optimizing its inventory management and asks suppliers to maintain inventories of raw materials that are used for the Group's products. ADEKA also cooperates with local Group companies to prepare business continuity plans (BCPs) for the overseas procurement of raw materials, and sources raw materials from multiple suppliers.

### Sustainable Procurement of Palm Oil

In July 2017, ADEKA joined RSPO as a full member. In April 2018 the ADEKA Group obtained RSPO certification for its supply chain.

In October 2018 the ADEKA Group began production and sale of certified products in its food business. Later, the ADEKA Group widened the scope to other production sites, extending it to ADEKAFOODS (Asia) Sdn. Bhd. in Malaysia in April 2019 and ADEKA (Singapore) Pte. Ltd. in Singapore in April 2020.

In cosmetics operations, Chiba Plant acquired supply-chain certification in June 2020, to begin supplying certified products.

The ADEKA Group is also committed to sustainable sourcing of palm oil. In addition to accepting surveys and audits of its palm plantations and oil-expression plants, the Group is taking a range of further measures with a view to enhancing traceability.

### Eliminating Conflict Minerals

As a company that seeks coexistence and co-prosperity with society, ADEKA does not purchase raw materials that contain conflict minerals. To prevent such use, we ask suppliers to respond to the Environmentally Hazardous Substance Survey when concluding a quality warranty agreement.

### Eco-Friendly Logistics

The ADEKA Group is shifting to more eco-friendly modes of transport, such as reducing truck transport in favor of container-based ocean transport to ship products from plants to regional distribution centers.

In the chemical business, the ADEKA Group streamlined shipping by truck, through measures such as reducing the number of dedicated vehicles. In the food business, the Group implemented a modal shift when moving products from plants to regional distribution centers, from transportation by road to marine trailers.

### Participation in Efforts to Promote "White Logistics"

Japan's logistics industry is facing a deepening shortage of truck drivers. One way of addressing this problem is to increase the productivity of truck transport and boost logistical efficiency. Another approach is so-called "white-glove" logistics, a movement promoted by the Japanese government to create a work environment for truck drivers that is more appealing to women and to workers over 60. The ADEKA Group is adopting both strategies, seeking stable movement of its products by reducing the burden on shipping companies and promoting greater efficiency.

## Cooperation with Business Partners

### Improving Quality and Establishing Safety in Logistics

To ensure that the ADEKA Group logistics system is capable of securely and safely delivering products to customers, the Group holds safety conferences, bringing together ADEKA Logistics Corp. and all logistics partners.

Safety conferences apply the findings of accident and complaint reports and present lectures by experts, aiming to share safety awareness. At the safety conference for tank truck transport, efforts are being made to improve the emergency response capabilities of drivers by providing leakage accident drills.

Based on frequent communication between ADEKA Logistics Corp. and logistics partners, the ADEKA Group combines site observation with various audits (written self-assessment audits, on-site audits, etc.) to raise the quality of logistics.

# With Employees

Our employees are the driving force for advancing the ADEKA Group's business into the global domain. We have a number of initiatives in place to ensure that our employees have a safe and pleasant work environment, where human rights and fair treatment are respected, and which cultivates a vigorous company that values the individuality and intrinsic character of each employee.



## Promoting a Work-Life Balance

The ADEKA Group emphasizes the importance of a work-life balance, which encourages each employee to demonstrate their capabilities fully. Also, it is introducing a system to support flexible and diverse working styles and foster awareness.

### Optimizing Working Hours

As part of its efforts to provide employees with a healthy, dynamic and supportive work climate, ADEKA is striving to reduce long work hours Company-wide. For example, the Company is establishing days when everyone leaves work at a set time. The Company is also adjusting work hours through the labor-management committee. In fiscal 2019, average overtime clocked in at 14.6 hours per month, compared with 15.1 hours per month in the previous fiscal year.

In fiscal 2019 Japanese companies were required to take at least five days of annual paid leave for their employees. ADEKA had begun encouraging this practice in the previous fiscal year. Some 72.6% of employees took annual paid leave in fiscal 2019; of these, 100% took five days or more.

### Maintaining a Balance Between Work with Childcare or Nursing Care

ADEKA is committed to supporting balance between work and childcare or nursing care, implementing systems more generous than those required by law. The Company is also taking steps to eliminate any stigma from taking childcare leave and ensure that it is not a barrier to career advancement.

In fiscal 2019, 22 employees (13 women and nine men) took childcare leave. The rate of return to work and retention rate after childcare leave in fiscal 2019 was 100%, unchanged from fiscal 2018. In fiscal 2019, 29 employees took advantage of the system of reduced work hours for returnees from childcare leave, while 88 employees took child nursing paid leave and one employee took nursing-care leave.

### Targets and Results for Fiscal 2019 and Targets for Fiscal 2020 (Employees)

Theme	Mid-term target	Ultimate target	Targets for FY2019	Results for FY2019	Targets for FY2020
Work-life balance	Support plan for nurturing the next generation (April 2018-March 2021)	Aim for more than five eligible male employees and over 80% of eligible female employees to utilize childcare leave during the fiscal year	Target utilization of childcare leave: more than 5 male employees and more than 80% utilization rate for female employees	In fiscal 2019, nine men and 100% of women took childcare leave	Continue to aim for more than five male employees and over 80% of female employees to utilize childcare leave during the fiscal year
		Continue initiative to reduce overtime working hours	Continue initiative to reduce overtime working hours (Promote flexible work practices and correct long work hours as part of transformation of workstyles)	ADEKA continuously implemented measures to reduce overtime working hours. As a result, the average overtime work hours per month decreased from 15.1 hours in fiscal 2018 to 14.6 hours in fiscal 2019	Continue implementing initiatives to reduce overtime working hours
Diversity	Plan on promoting the active roles of women in the workplace (April 2016-March 2021)	Achieve a ratio of 5% female managers by 2021		Ratio of female managers in FY2019: 2.8%	Continue to aim for women in at least five percent of management positions by 2021

## Promoting Diversity

### Employing Seniors

ADEKA has established a system for re-employing interested mandatory retirees, up to age 65 unless extenuating circumstances apply. These re-employed people serve a precious role as experts in each field, passing the knowledge, experience and skills they have acquired over a lifetime to the next generation. We support these workers with a wide range of work formats, including full-time work and three-day-a-week work.

In fiscal 2019 ADEKA's rate of re-employment of mandatory retirees was 100%. The number of employees aged 60 and over was 51.

### Employment of Persons with Disabilities

The ADEKA Group is committed to leveraging the capabilities of persons with disabilities and encouraging their self-actualization. To this end the Group prepares workplace environments in which the disabled can flourish and works hard to expand the scope in which they can be active. In fiscal 2019 2.13% of employees, 33 people, were persons with disabilities. The Group will continue its proactive efforts to employ persons of all abilities.

### Active Roles for Women in the Workplace

The ADEKA Group proactively encourages women to pursue careers and has an action plan for that purpose. Of the 100 people who joined ADEKA in April 2019 as fresh graduates, 23 were women. In recruitment activities, ADEKA conducted seminars on creating active roles for women, in which ADEKA management personnel met with young women who were researchers and graduates of STEM programs. The Company currently employs 262 women, making up 14.8% of employees. We also have a program to support employees on childcare leave who would like to acquire extra knowledge and skills upon their return to the workplace. In fiscal 2019, 12 people took advantage of this program.

## Cultivating Human Resources

The ADEKA Group recognizes employees as key company resources. We therefore view employees as assets and respect the aspirations of each individual while striving to cultivate human resources that will lead the next generation.

### Global Human Resources Training

As part of its leader training activities, the ADEKA Group conducts "global human resources training." A total of 23 people took part in this program in fiscal 2019, from management personnel to younger employees, bringing the cumulative total up to 90 for the last four years. Senior-management candidates at overseas affiliates are trained in marketing, financial accounting, labor management and other disciplines, and burnish their language skills through one-on-one language lessons.

### Overseas Dispatch Training System

Employees, particularly young employees, are dispatched overseas for periods of about six months to gain skills in other languages and cultures and to study business customs. Destination countries include the United States, China, Singapore and Canada. In fiscal 2019, two people were dispatched overseas.

### Acceptance of Transferees from Overseas Bases

Aiming for the development of global human resources, ADEKA accepts transferees from overseas Group companies. In fiscal 2019, sales staff from ADEKA (China) Co., Ltd. spent nine months in Japan, learning about Japanese sales practices and Japanese laws and regulations on chemical products.

### Language Learning

ADEKA offers wide-ranging training support to improve employees' language proficiency.

- In-house language classes taught by native speakers (Total number of employees in fiscal 2019 using the program at all locations: 72)
- Support system for attending outside language schools (number of users: 40)
- Selective training program for employees proceeding to positions overseas

### Business School Program

Young and middle-ranking employees attend outside business schools to learn the approaches and actions they must take to achieve targets in a wide range of perspectives and roles, such as marketing and leadership theory. In fiscal 2019, 45 employees were dispatched to these programs.

### New-Employee Mentoring System

ADEKA has introduced a mentoring system, to bring new employees up to speed quickly and to provide guidance to and improve the training of mid-range employees. One mentor serves as an advisor and guide to one new employee, continuously for a full year.

### Senior Management Training

In April 2019, ADEKA overhauled its human-resources system. In tandem with this change, ADEKA conducted training to ensure proper understanding and management of operation of the new system. Appraiser training was provided to all 407 senior managers, at Head Office (seven times) and at nine ADEKA locations across Japan.

# With Employees

## Occupational Health and Safety

### Safety Achievements and Issues for Fiscal 2019

In fiscal 2019 the number of occupational accidents in the ADEKA Group was 18, unchanged from the previous fiscal year. The number of occupational accidents at overseas Group companies declined by seven, while the number of occupational accidents at ADEKA and Group companies in Japan increased by the same number.

Number of Accidents by Year

FY	2015	2016	2017	2018	2019
Accidents with lost workdays	8(6)	9(4)	11(3)	12(2)	8(4)
Accidents without lost workdays	8(5)	5(4)	10(9)	6(5)	10(10)

Figures in parentheses indicate data for ADEKA and domestic Group companies. Scope: ADEKA and subcontractors and the ADEKA Group's 13 production sites

## Mental Healthcare Initiatives

ADEKA makes great efforts to support and improve the physical and mental health of employees. Stress checks made available to all employees attract great interest from ADEKA employees, with over 90% of employees participating. Based on the results of group analysis, the measures needed at each workplace are carefully considered and steps are taken to improve the workplace environment. Depending on the results of the stress checks, employees may be referred to a doctor for consultation. At Head Office, health consultation by occupational health and safety staff is always available at the infirmary. Employees can also get support for self-directed care.

ADEKA is dedicated to promoting and supporting employees' health and raising awareness of health issues. In fiscal 2019, ADEKA implemented a mental health line care education for senior management, with 278 people participating. ADEKA also provides training geared to each managerial level and offers distance-learning classes on mental and physical health management that can be attended at various times at each location.

Stress Checks: Rate of uptake Company-wide

FY2017	FY2018	FY2019
97.7%	99.6%	99.5%

## Measures Against Infectious Diseases

ADEKA takes decisive measures against infectious diseases. Inoculation against influenza is offered in-house every year, with the Company and the health-insurance society bearing a part of the cost. In addition to encouraging employees actively to get inoculated, the Company instructs employees to report any infections to ADEKA immediately and to stay home for a certain amount of time if they have contracted a disease. Reminders are routinely sent to related departments and sections. In these and other ways, ADEKA makes great efforts to prevent the spread of infectious diseases.

Amid the ongoing COVID-19 pandemic, ADEKA exercises an array of initiatives to keep its employees safe. Employees are encouraged to work from home where possible, or to stagger their work hours. Restrictions on travel, both domestic and international, are currently in force. Alcohol dispensers are placed throughout ADEKA worksites for hand sanitation, and employees are encouraged to wash and sanitize their hands. Masks are required to be worn at the workplace (and are distributed there), coughing etiquette is taught and temperature checks are carried out. In these and other ways, ADEKA has stepped up its thoroughgoing efforts to manage employee health. Visitors to ADEKA facilities are asked to cooperate in preventing infection, for example by wearing masks, submitting to temperature checks, sanitizing hands and disclosing pertinent overseas travel information.

Some parents may need to take their children out of school temporarily to prevent the spread of COVID-19. In such cases the Company takes a flexible approach to support employees who are raising children. The scope of child nursing leave may be temporarily expanded. If the employee is needed at work, measures such as changing days off may be considered according to the employee's home situation. Placing first priority on safety, the Company takes measures to continue business operations while preventing the spread of the coronavirus.

# With Local Society

The ADEKA Group strives to be a good corporate citizen that respects and understands the culture and customs of the communities it does business in, both in and outside of Japan. The Group continues to engage in active dialogue with communities, seeking to co-prosper and coexist with society.

## Activities for Local Communities

The ADEKA Group takes pride in the harmonious relations it fosters with regional communities. To this end, the ADEKA Group creates a variety of opportunities to communicate with communities, including presentation of special events. The Group is also an enthusiastic participant in local beautification activities.



Cleaning Valparaiso Park as part of the regional communication of AM Stabilizers

Soma Plant (Fukushima prefecture) Participation in the Soma Children's Science Festival



Support by ADEKA Korea Corporation for scholarships to students in Wanju County

Mie Plant Company observation tours for nearby high schools (62 students from two schools)



## Fostering the Next Generation

ADEKA Group companies are helping to shape the career perspectives of the next generation, by welcoming student groups who wish to visit production facilities and actively accepting student interns.

## 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 strictly with relevant laws and regulations but also strive day and night to conduct effective process control and equipment maintenance.

Demonstration training on ammonia leaks at ADEKA Foods (Changshu) Co., Ltd.



Akashi Plant (Hyogo prefecture) Disinfection training to prepare against cases of infection with COVID-19

# Governance

The ADEKA Group, under its management policies of “Contributing to society through our business” and “Realizing harmony and co-prosperity with society,” strives to meet public expectations and demand. At the same time ADEKA Group is consistently enhancing its brand and corporate value by reinforcing its corporate governance and rigorously managing compliance.



## Corporate Governance

### Basic Stance on Corporate Governance

The ADEKA Group places a top priority on the strengthening of corporate governance in order to realize its mission and management policies as well as achieve sustainable growth and enhance its mid to long-term corporate value. Based on the Audit & Supervisory Board system adopted under its management system, the Company is strengthening its governance systems through efforts such as the appointment of independent external officers, introduction of the operating officer system and establishment of Management Committee.

## Compliance

### Strengthening Group Compliance

In fiscal 2019, a questionnaire survey of compliance awareness was conducted among officers and employees of ADEKA and ADEKA Group affiliates in Japan. The results were published on the Group’s intranet and feedback was provided through individual interviews with the Group Compliance Conference and the representative and compliance officers of individual companies.

### Compliance Education

ADEKA provides wide-ranging education and training at various corporate levels by combining e-learning, level-based training and training on individual themes, laws and regulations. Once or more each year, each workplace is required to undergo compliance training specific to its division (“workplace compliance training”).

### Expanded Use of Basic e-Learning Courses

Basic e-learning courses are a system implemented to make on-site training more efficient, regardless of time or place. The system can turn original training materials produced in PowerPoint, PDF, Excel and other file formats into e-learning content. It also provides class management features. A total of 13 domestic subsidiaries that are members of the Group Compliance Conference (all except Nihon Nohyaku Co., Ltd.) have adopted educational accounts for all employees and are expanding the adoption and use of this training system to strengthen Group governance.

## Risk Management

### Strengthening Global Risk Management

To ensure the safety of ADEKA officers and employees who transfer to, study in, reside in or are seconded to overseas countries and regions, as well as their accompanying families, the Group has established the Overseas Risk Management Regulations, Standards on Measures Against Overseas Risks and Safety Guidelines for Personnel Stationed Overseas.

### Information Security and Information Management Training

The Information Management Subcommittee, a subordinate body of the Compliance Promotion Committee, is carrying out an array of measures aimed at strengthening information security and information management. In fiscal 2019 the Subcommittee conducted the educational and training exercises listed in the table at right.

Date presented	Theme	Number of participants	Sponsor/instructor
End July to end September	e-learning on information security for people responsible for or in charge of information management in each division	401 (100% completed the course)	Information Management Subcommittee Basic e-learning courses
December 11	Compliance seminars (Training on compliance regarding information management)	228	Ushijima & Partners Hiroyasu Kageshima, Attorney
December 17 to February 18	GDPR e-learning for people responsible for or in charge of information management in each division	199 (96% completed the course)	Thomson Reuters Corporation

## Third Party Opinion

# When putting transformation into high gear



**Takeshi Mizuguchi**  
Professor, Faculty of Economics,  
Takasaki City University of Economics  
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 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 *The Age of Sustainable Finance: ESG/SDGs and the Bond Market* (editor, Kinzai), *ESG Investing—New Form of Capitalism* (Nikkei Publishing Inc.) and *Responsible Investment—Changing the Future through the Flow of Capital* (Iwanami Shoten, Publishers). All publications are in Japanese.

### That which changes survives.

In his Message from the President, Hidetaka Shirozume, president of ADEKA, quoted Charles Darwin’s *Origin of Species* when he said that only those capable of change can survive. I agree. And today we’re in an age when change is demanded more than ever. The structure of industry has begun to change at the global level, as witnessed in the “European Green Deal,” a policy package made public by the European Commission late last year. The world is changing, and it is moving in the direction of zero carbon, circular economies and protection of biodiversity.

Let’s take the example of one eco-friendly product, ADEKA Sakura-Lube. It makes an incredible contribution to reduced CO<sub>2</sub> emissions by improving the fuel efficiency of vehicles. However, the US state of California is signaling that sale of gasoline-powered cars will be prohibited by 2035, and the EU Taxonomy Regulation is moving toward recognizing as sustainable only those vehicles that have zero emissions. Over the long term it seems that gasoline-powered vehicles are on the decline. So while ADEKA’s contribution is highly praised today, further transformation is necessary.

The “circular economy” is one that uses few resources and uses them in a completely closed cycle, so that

ultimately any resources extracted from the earth are returned to it. I believe the role of plastics in this economic structure will become one point of focus. Your company earns kudos for its polymer additive technologies, which add a palette of functions and performance enhancements to plastics, but in the future its status as an eco-friendly product will no longer be regarded as adequate. You will need to devise a comprehensive vision in which your entire product lineup accords with the circular economy. That vision will empower ADEKA to lead the competition to transform, thereby shaping the future of plastics.

Also, as part of the European Green Deal, the European Commission is signaling a 50% reduction in the use of agricultural chemicals. In the severe regulatory environment of the European market, your Group’s Nihon Nohyaku is fighting hard, but it will have to undertake even more bold innovations, such as agricultural chemicals with even less ecological risk and entry into the field of biological control agents.

### Focusing on the “S” in “ESG”

Amid the COVID-19 pandemic, interest in the “S” in “ESG”, “Social,” is intensifying. Companies are being asked questions such as: “What direct actions are you taking to protect your employees from infection?” and “How are you maintaining employment levels amid the faltering economy?” On this point, your company, which lists occupational safety as the first item in your Safety Quartet, has stated that it is responding appropriately to the pandemic.

On the other hand, the fact that some people who want to mount a defense against the pandemic are unable to do so points toward the problem of economic inequality in society. This is a problem of social and employment systems as a whole and cannot be solved by individual companies alone. In that light, it is important for ADEKA to indicate its stance as a company with regard to this major social problem of economic inequality.

### Response to Third Party Opinion

Thank you very much for your valued opinion regarding the CSR activities of the ADEKA Group.

In receiving your third-party opinion, I am sincerely grateful for your views regarding our products’ contribution to the environment and our technologies, and for your wide-ranging advice from the standpoint of sustainability.

The operations of the ADEKA Group are intimately bound up with the problems of environmental pollution from plastics, inadequate food supplies and food loss. We are marshalling resources Group-wide to focus our technologies on the continuing search for solutions to these challenges.

Recognizing the impact that global warming and

### Susumu Yasuda, Director and Operating Officer

declining biodiversity have on our business activities and our lives as individuals, we are contributing not merely to reducing waste in the manufacture of our products but more broadly to recycling across the entire product life cycle. As we do our part to promote the circular economy, we are moving forward on partnerships with other industries and fields to drive still further innovation.

The ADEKA Group is transforming its business foundations in response to the new social environment. As we do so, we will apply the valued third-party opinion you have provided us to the betterment of our Group management, to meet and exceed the expectations of our stakeholders.



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