

Sustainability (CSR)

Growing Sustainably with Society

The Shin-Etsu Group promotes corporate activities on the global stage in its Corporate Mission Statement: "The Group strictly complies with all laws and regulations, conducts fair business practices and contributes to people's daily lives as well as to the advance of industry and society by providing key materials and technologies." We focus efforts on contributing to the development of society and realizing sustainable growth into the future based on the principles of compliance with laws and regulations, safety assurance and reducing the environmental burden.

CSR Promotion Initiatives

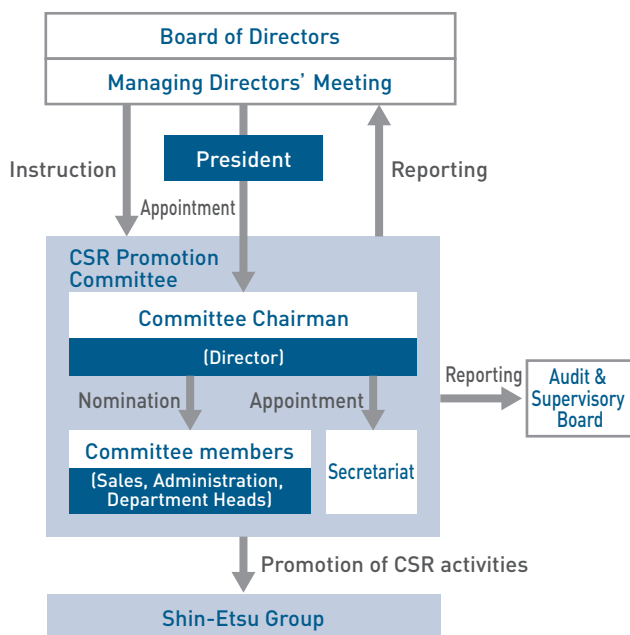
By practicing our corporate mission, it is the Group's corporate responsibility to contribute to shareholders, investors, business partners, regional communities, employees and all other stakeholders. To achieve this, we promote activities based on the establishment of a Basic CSR Policy and various internal regulations. To promote the Basic CSR Policy in an effective and appropriate manner at a company-wide level in all aspects of corporate activity, we set up a CSR Promotion Committee comprising managers from relevant divisions and departments, and appointed a director in charge of CSR.

Basic CSR Policy (Formulated June 2011)

The Shin-Etsu Group:

1. Will do our best to increase the Group's corporate value through sustained growth and make multifaceted contributions to society.
2. Will carry out all of our company activities by always making safety our utmost priority.
3. Will constantly pursue energy-saving, resource-saving and the reduction of the environmental impact, and seek to help create a sustainable future world in which we all live in harmony with the Earth.
4. Will endeavor to contribute to the prevention of global warming and the conservation of biodiversity by means of our cutting-edge technologies and products.
5. Will strive to respect human dignity, assure equality in employment opportunities and support the self-fulfillment of our employees.
6. Will appropriately disclose information in a timely manner.
7. Will carry out trustworthy corporate activities that are based on the integrity of the Group's ethical values.

CSR Organizational Chart: CSR Promotion Committee



Supporting and Implementing Principles and Global Charters

The Shin-Etsu Group signed and put into practice the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA) in 2006. In 2014, we signed the revised Responsible Care Global Charter. In 2010, the Shin-Etsu Group became a participant in the United Nations Global Compact (UNGC) and has been voluntarily supporting and practicing in its business operations and strategies the UNGC's Ten Principles with regard to human rights, labor standards, the environment and the prevention of corruption. These principles are all in line with the Group's corporate mission and Basic CSR Policy. The Shin-Etsu Group will continue to uphold these initiatives and charters and will endeavor to build even deeper relationships of trust with people around the world.



Specification of Important Issues (Materiality) within the Shin-Etsu Group's CSR

In 2015, the CSR Promotion Committee officially decided on "Key CSR Issues" as a mechanism for issues where the Group needs to make special efforts. While engaging in these issues, the Group also formulated goals for contributing to the future of the Earth through the achievement of our corporate mission. We aim to establish targets for each of the Key CSR Issues as well as evaluate and improve them.

Shin-Etsu Group Key CSR Issues

The cornerstone of all activities: legal compliance, fair corporate activities

Eight Key CSR Issues

1. Health and safety for workers
2. Energy-saving, resource-saving and the reduction of the environmental impact
3. Product quality improvement and product safety control
4. Promoting CSR procurement and the diversification of supply sources
5. Respect for human rights, the development of human resources and the promotion of diversity
6. Respect for and protection of intellectual property
7. Contribution to industry and social initiatives
8. Accurate and timely information disclosure and communication with stakeholders

Steps for Specifying the Shin-Etsu Group's Key CSR Issues

STEP 1 Identify the Key CSR Issues

We specified important stakeholders and organized CSR issues, scoring the degree of importance in terms of the Group and stakeholders to identify key issues.

STEP 2 Create a Key CSR Issue Scattergram and Organize Issues

The CSR Promotion Committee created and reviewed a scattergram, then summarized the proposal of important CSR issues.



STEP 3 Outside Director Hearings

Hearings based on the aforementioned proposals were conducted with outside directors, who provided an external and objective viewpoint, addressing the rationality of the proposals and providing suggestions.

STEP 4 Reevaluation by the CSR Promotion Committee, Mechanism Determination by the Managing Directors' Meeting

In addition to further consideration by the CSR Promotion Committee, the Managing Directors' Meeting attended by all directors and audit and supervisory board members decided on the cornerstone of all activities and eight issues as the Group's Key CSR Issues. We will make equal efforts in no particular order toward all the important CSR issues.

Shin-Etsu Group Key CSR Issues

Please visit the CSR section of our Web site for detailed information on each initiative.

WEB <https://www.shinetsu.co.jp/en/csr/>

The cornerstone of all activities: legal compliance, fair corporate activities

Issue Recognition

Corporate improprieties related to compliance are considered critical social issues. The opening lines of the Group's Corporate Mission Statement include the concepts "legal compliance" and "fair corporate activities." In recognition of

issues related to all eight key issues comprising the cornerstone of all these activities, Group companies in Japan and overseas engage in legal compliance and fair corporate activities.

Specific Initiatives

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| Thorough Legal Compliance | <ul style="list-style-type: none"> ● Show on the corporate mission and management objectives each year. ● Notify via the Legal Department the thorough observance of legal revisions. ● Submit Compliance Pledges signed by all directors, audit and supervisory board members and employees. ● Facilitate consultation and reporting related to legal, ethical or regulatory infractions, and protect those who have made such consultations and reports from disadvantageous treatment with Consultation and Notification Regulations. |
| Corruption Prevention | <ul style="list-style-type: none"> ● Formulated the Anti-Bribery Regulations. ● Include overall work ethic and compliance status in employee evaluation. ● Conduct anti-bribery training and regular internal monitoring. |
| Export Control | <ul style="list-style-type: none"> ● Established the Internal Control Program on Security Export Control to comply with export-related laws and regulations. |
| Anti-Monopoly Act Initiatives | <ul style="list-style-type: none"> ● Formulated and strictly observe the Anti-Monopoly Act Compliance Guidelines, conduct monitoring. ● Conduct webinars to ensure compliance with the Anti-Monopoly Act. |

Key Issue



Health and safety for workers

Issue Recognition

As a chemicals company, we recognize the importance of issues related to employee safety and health. To this end, we engage in environmental preservation at each plant, occupational safety and health and process safety and prevention plans. The Group is engaged in creating safe and comfortable workplaces that aim to prevent the occurrence of serious accidents and reduce lost time incidents to zero.

Specific Initiatives

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| Occupational safety and health | <ul style="list-style-type: none"> ● Identified and eliminated injury and illness risks, conducted thorough risk assessment and risk prediction activities, and implemented countermeasures for close calls and other incidents of concern. |
| Process safety and prevention | <ul style="list-style-type: none"> ● Conducted risk assessments and planned safety measures based on plant malfunction scenarios, utilized a system for evaluating safety capabilities. |
| Education and drills | <ul style="list-style-type: none"> ● Conducted safety education and emergency drills, transmitted manufacturing equipment operating skills, cultivated a culture that emphasizes safety. |
| Environmental control and safety audits | <ul style="list-style-type: none"> ● Conducted internal audits of plant environmental safety, occupational safety and health and process safety and prevention plans. |
| Attention to health | <ul style="list-style-type: none"> ● Established the Safety and Health Committees to engage in illness prevention and other health guidance. |
| Reporting of accidents and lost time incidents | <ul style="list-style-type: none"> ● In fiscal 2015, there were four lost time incidents reported group-wide, for which we analyzed the causes and formulated countermeasures. |



Issue Recognition

Products provided by the Group have become indispensable aspects of global industries and people's lifestyles. For this reason, we are aware that it is critical to reduce environmental burdens not only during manufacturing but also during use, disposal and throughout all processes. The Group strives not only to ensure thorough reduction of environmental burdens in manufacturing processes but also for product development and sales of eco-friendly products such as rare earth magnets and PVC. Rare earth magnets are used in eco-cars, and PVC has a low dependency on petroleum resources.

Specific Initiatives

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| Environmental management | <ul style="list-style-type: none"> Conducted management based on environmental and safety management plans created from Responsible Care codes. Conducted environment and safety audits. Promoted reduction of the environmental burden at the manufacturing stage. Developed products with a focus on reduction of the environmental burden at the usage stage. |
| Response to climate change | <ul style="list-style-type: none"> Improved manufacturing processes and yield rates, however, fell slightly short of the medium-term objective of reducing greenhouse gas emissions by 50% compared to 1990 levels by 2015. From fiscal 2016, promoted a new medium-term objective of reducing greenhouse gas emissions to 45% compared to 1990 levels by 2025. |
| Water resource conservation, water pollutant elimination | <ul style="list-style-type: none"> Reduced water intake and promoted water recycling aimed at reducing water intake by 1% per production unit at an average annual rate and reducing water pollutant emissions by 1% per production unit at an average annual rate. Observed regulations related to water pollutants. |
| Waste elimination | <ul style="list-style-type: none"> Promoted initiatives aimed at achieving zero waste emissions. Due to certain production process conditions at some plants, we had difficulty in achieving significant reductions in the amount of waste for final disposal. We are currently studying this issue. |
| Resource recycling | <ul style="list-style-type: none"> Recycled rare earth metals recovered from manufacturing process scrap, disposed of energy-saving air conditioners and hybrid vehicles. Conducted material recycling of used PVC pipe and other PVC products. |
| Biodiversity protection initiatives, pollutant countermeasures | <ul style="list-style-type: none"> Conducted environmental beautification activities including cleanup of rivers near plants. Asked business partners to implement environmental conservation initiatives. Reported the amount of chemical substances used and moved in the environment in line with the PRTR system¹ under the Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof.² Converted to low-sulfur fuels and established reduction targets for air pollutants at each Group company. Monitored groundwater and soil contamination in line with the Soil Contamination Countermeasures Act. |
| Environmental accounting | <ul style="list-style-type: none"> Calculated investments and expenses related to Shin-Etsu Chemical's environmental burden and energy-saving measures, waste elimination and recycling efforts. In fiscal 2015, the total amount of environmental conservation investment was ¥982 million. Expenses were ¥10,631 million. |

1. A system for calculating and disclosing the amount of waste emitted and moved based on national data and statistics taken from reports by handlers submitted to the government pertaining to the emission of chemicals potentially harmful to human health and the ecosystem into the environment from offices (air, water, soil) and the amount of waste discharge moved offsite.

2. A law intended to promote improved self-directed control of chemical substances by business operators, in order to prevent the risk of damage to the environment.

Key Issues

3

Product quality improvements and product safety control

Issue Recognition

The Group's products are used in people's daily lives and to support society. At the same time, there is a critical focus on the safety of chemical substances as a global social issue. The Group strictly manages product safety and improves quality control in line with the laws and regulations of each country.

Specific Initiatives

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| Quality control | <ul style="list-style-type: none"> Cooperation among the Sales, Research & Development, Manufacturing and Quality Assurance departments. |
| Response to claims and complaints | <ul style="list-style-type: none"> Claims and complaints are responded to in different manners, and a response team is formed in the event of major claims. |
| Quality audits and support | <ul style="list-style-type: none"> Quality audits and Six Sigma¹ activities are conducted regularly. |
| Product safety management | <ul style="list-style-type: none"> Product safety management is conducted based on internal regulations. Risks to the environment and health are assessed when new chemical substances are developed. Developing products and manufacturing technologies without the use of the hazardous substances specified in the Industrial Safety and Health Act, the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law),² and the EU RoHS Directive.³ The Safety Data Sheet (SDS) is used to convey information appropriately to the supply chain, while dangerous and hazardous substances are indicated pictorially in accordance with the GHS.⁴ |

1. A quality management method involving the analysis of manufacturing processes using systematic methods including statistical analysis and quality management to reduce defect rates.
2. Law aimed at preventing environmental pollution from chemical substances potentially affecting human health and biodiversity.
3. EU directive on restricting the use of certain hazardous substances in electrical and electronic equipment.
4. The Globally Harmonized System of Classification and Labeling of Chemicals

Key Issues

4

Promoting CSR procurement and the diversification of supply sources

Issue Recognition

There is a critical focus on appropriate procurement of raw materials throughout the global supply chain as a global social issue. The Group promotes fair procurement activities based on its Basic Procurement Policy in an effort to create supply chains that consider the environment.

Specific Initiatives

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| Basic Procurement Policy | <ul style="list-style-type: none"> Formulated the Basic Procurement Policy, published on our Web site and included in the base contracts with our business partners. |
| Compliance with the Act Against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors | <ul style="list-style-type: none"> Regularly confirm whether suppliers fall under this Act and provide training for staff in charge of purchasing and procurement. |
| Elimination of conflict minerals | <ul style="list-style-type: none"> The Basic Procurement Policy calls for the elimination of all conflict minerals. All business partners are asked to adhere to this policy, and we regularly track production all the way back to the smelt factory phase. |
| Procurement audits | <ul style="list-style-type: none"> Business partners in Japan and overseas are asked to complete a procurement audit checklist and accept our conducting an onsite audit. |
| Procurement conferences | <ul style="list-style-type: none"> Twice each year, company-wide meetings are held for procurement staff focused on CSR procurement education and to confirm progress status. |
| Business continuity initiatives | <ul style="list-style-type: none"> Business continuity plans are formulated to prepare for unforeseen events; business partners are asked to understand our plans and formulate plans of their own. |
| Control of chemical substance used as raw materials | <ul style="list-style-type: none"> We confirm the ISO 14001 acquisition status of business partners and engage in preferential business transactions with certified suppliers to purchase materials with low environmental impact. |



Key Issues

5

Respect for human rights, the development of human resources and the promotion of diversity

Issue Recognition

The Group is engaged in realizing the creation of a comfortable work environment that respects basic human rights where each employee can achieve health, self-realization and follow a career path.

Specific Initiatives

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| Respect for human rights | <ul style="list-style-type: none"> ● Confirm compliance with labor standards of the International Labour Organization. ● Training is held by the Human Rights Enlightenment Promotion Committee. |
| Education/Training and personal development | <ul style="list-style-type: none"> ● Conduct international adaptation training. ● Provide one year of university study under the auditing student system. |
| Performance-based personnel evaluation systems and equal opportunities | <ul style="list-style-type: none"> ● Provide evaluation training, disclose evaluation standards and results, and conduct evaluation interviews. |
| Respect for diversity | <ul style="list-style-type: none"> ● Promote the hiring of local staff at overseas group companies and the hiring of non-Japanese staff in Japan. ● Enrich child-care leave and nursing care leave systems. |

Key Issues

6

Respect for and protection of intellectual property

Issue Recognition

We maintain the confidentiality, integrity and availability of information assets possessed by the Group and engage in the acquisition and use of intellectual property and appropriately manage and protect information assets to strategically execute corporate management focused on intellectual assets.

Specific Initiatives

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| Intellectual property management | <ul style="list-style-type: none"> ● Formulated the Basic Regulations on Intellectual Property and offered a reward system for useful inventions and other work activities that enhance profitability. |
| Information asset management initiatives | <ul style="list-style-type: none"> ● Formulated the Basic Policy on Information Asset Management and Basic Regulations on Intellectual Property. ● Formulated Standards for Preventing Technology Leaks to prevent unintentional leaks of technologies due to business development into regions with weak protections for intellectual property rights. |
| Protection of personal information | <ul style="list-style-type: none"> ● Formulated the Personal Information Protection Policy and conduct related training. |

Key Issues

7

Contribution to industry and social initiatives

Group companies and employees proactively promote social contribution activities rooted in local communities throughout the world. For example, for the past nine years Shintech (U.S.) has collaborated with several local business partners to conduct the "Safety Town" program, which teaches safety to local kindergarten and elementary school students.

Key Issues

8

Accurate and timely information disclosure and communication with stakeholders

The Group believes the timely and accurate disclosure of company information promotes stakeholder understanding and results in appropriate market valuations. We publish information on our Web site, make announcements through news media and stock exchanges and disclose information in a fair and highly transparent manner through annual reports and business reports for shareholders. We also take advantage of a variety of methods and opportunities to proactively engage in dialogues with stakeholders.