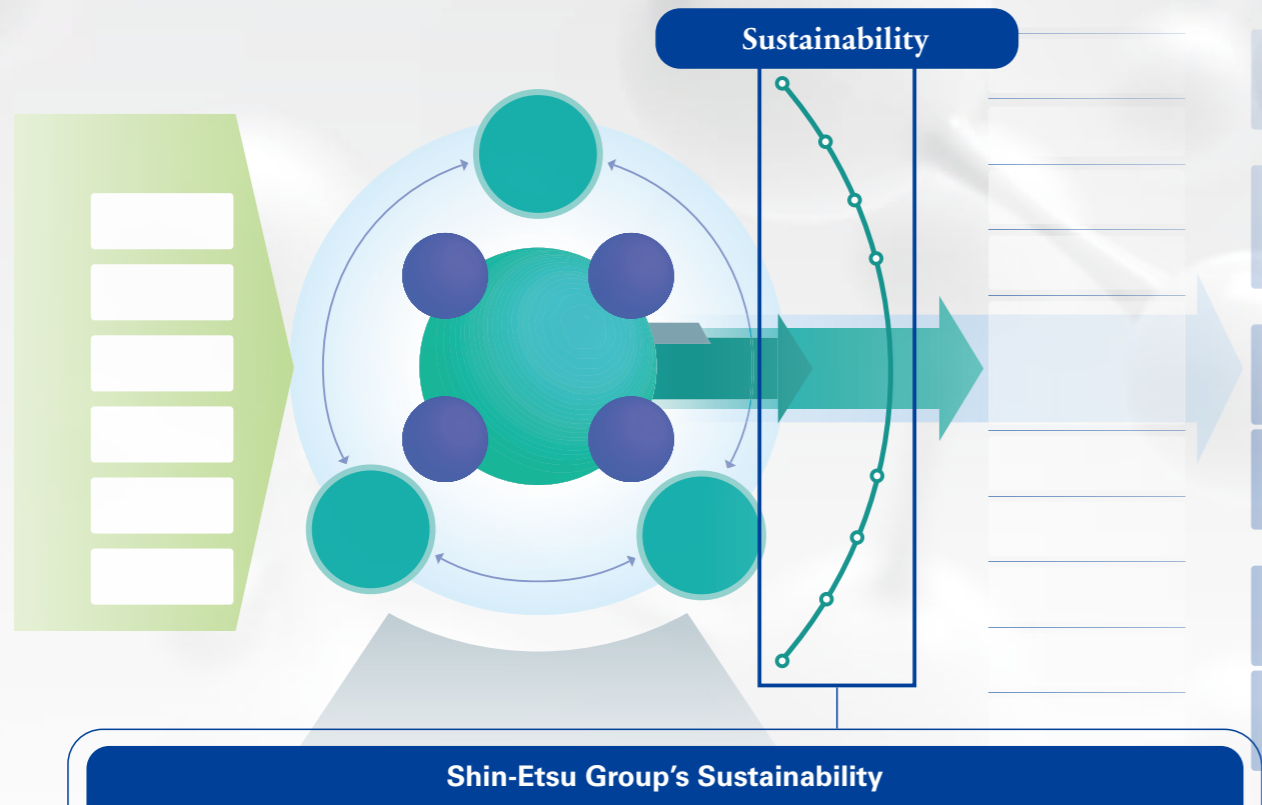


We will create a sustainable society and achieve sustainable corporate growth



What We Strive for

Contribution to the Earth's future

Our Mission

To provide products that contribute to solving social issues

Business Principle

The Group strictly complies with all laws and regulations, conducts fair business practices and creates unrivaled value for society and industry through the provision of key materials and technologies.

Basic Sustainability Policy

The Foundation of Activities

Legal compliance, fair corporate activities	Health and safety of employees and contractors	Energy-saving, resource-saving, and reduction of environmental impact
Product quality improvements and product safety control	Promoting CSR procurement and the diversification of supply sources	Respect for human rights, the development of human resources, and the promotion of diversity
Contribution to industry and social initiatives	Respect for and protection of intellectual property	Accurate and timely information disclosure and communication with stakeholders

Sustainability Initiatives

The Group views the implementation of its Business Principle and the making of contributions that benefit shareholders, investors, customers, business partners, local communities, employees, and all other stakeholders as its social responsibility. To fulfill this responsibility, we have established a Basic Sustainability Policy and various internal regulations, and are carrying out activities accordingly.

To promote sustainability activities in all aspects of our corporate activities, we have formed a Sustainability Committee consisting of approximately 60 members, including our directors, corporate officers, and department managers, as well as sustainability managers from Group companies, with the president of Shin-Etsu Chemical serving as the chairman.

Basic Sustainability Policy

The Shin-Etsu Group will:

- 1 Do our best to increase the Group's corporate value through sustainable growth and make multifaceted contributions to society.
- 2 Carry out all of our company activities by always placing the utmost priority on safety.
- 3 Expand those businesses that contribute to the reduction of greenhouse gas emissions.
- 4 Maximize the efficiency of product development and manufacturing, and contribute to higher efficiency of society by supplying our products thus produced.
- 5 Engage in business activities while taking biodiversity into account and seeking harmony with the global environment.
- 6 Strive to respect human rights, assure equality in employment opportunities, and support the self-fulfillment of our employees.
- 7 Appropriately disclose information in a timely manner.
- 8 Carry out healthy, trustworthy, transparent corporate activities based on the integrity of the Group's ethical values.

Status of Sustainability Initiatives

Shin-Etsu Group's Priority Measures

The Sustainability Committee has identified the three points listed on the right as priority measures to be undertaken by the Group as part of its efforts to strengthen sustainability activities.

Priority Measures

- 1 Human Rights Due Diligence
- 2 Response to the Task Force on Climate-related Financial Disclosure (TCFD)
- 3 Integration of SDGs and Management

Status of Priority Measures

The issues and achievements of sustainability in FY2021 and the activities scheduled for FY2022 are as follows.

Priority Measures	Progress in FY2021	Schedule for FY2022
Human Rights Due Diligence See page 21.	<ul style="list-style-type: none"> Identified human rights risks to be prioritized based on the results of human rights risk surveys Initiated supply chain human rights risk surveys Began looking into constructing a grievance system 	<ul style="list-style-type: none"> Conduct supply chain human rights risk surveys (ongoing) Develop human rights awareness and educational programs
Response to TCFD See page 24.	<ul style="list-style-type: none"> Conducted a Climate Change Scenario Analysis that targets some of our businesses 	<ul style="list-style-type: none"> Discussed specific measures aimed at achieving carbon neutrality
Integration of SDGs with Management	<ul style="list-style-type: none"> Set "Contributing to SDGs" as one of the management objectives for FY2021 and promoted it within the company Publish a series of articles related to the SDGs in the company newsletter to deepen the Group's understanding of the topic 	<ul style="list-style-type: none"> Develop and supply products that contribute to SDGs

Integration of SDGs with Management

As the diverse products offered by the Shin-Etsu Group also contribute to the achievement of the SDGs set forth by the United Nations, we continued to promote awareness of the SDGs within the company in FY2021. In FY2021, 98.9% of Shin-Etsu Chemical's investment projects involved

contributing to the achievement of SDGs. In addition, investment in energy conservation and CO₂ emission reduction reached ¥1.55 billion, cutting greenhouse gas emissions by a total of 5,107 CO₂ tons.

Identifying Key Issues (Materiality)

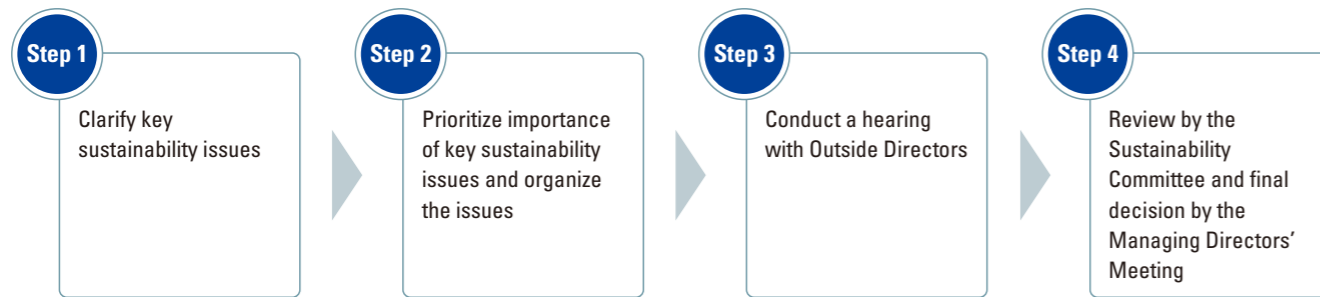
In FY2015, the Sustainability Committee identified “key sustainability issues” that the Shin-Etsu Group needs to focus its efforts on in particular.

Specifically, we (1) reviewed and organized stakeholders for each department and each company; (2) listed key sustainability issues in each department and company with reference to the central themes of ISO 26000; and (3) quantified the importance of each key issue to the Group and to its stakeholders. After identifying key issues using the above three steps, we organized them along two axes: Importance to the Shin-Etsu Group and importance to our stakeholders. Furthermore, based on the opinions and suggestions of the Outside Directors, the Sustainability

Committee reviewed the issues once again, and the nine key issues were identified following deliberations by the Managing Directors’ Meeting, a decision-making body for business execution.

Subsequently, in December 2018, all of our departments and major domestic Group companies reviewed the key issues and their importance, which were then reviewed again by the Sustainability Committee. As a result, we decided to carry on with the key issues we identified in 2015. We continue to view legal compliance and fair corporate activities as the foundation of all of our activities, and focus on these nine key issues.

Materiality Identification Process



List of Executives in Charge of Sustainability Initiatives

Position	Name	Current Positions (related to Sustainability)	Key Sustainability Issues
Representative Director-Vice Chairman	Fumio Akiya	In charge of Technologies	Product quality improvements and product safety control
Representative Director-President	Yasuhiko Saitoh	Chairman of Sustainability Committee	
Managing Corporate Officer	Toshiya Akimoto	Vice Chairman of Sustainability Committee	The foundation of all activities: Legal compliance, fair corporate activities
		In charge of Public Relations, Legal Affairs	Respect for and protection of intellectual property
		General Manager of Office for Digitization and Digitalization	Accurate and timely information disclosure and communication with stakeholders
Managing Corporate Officer	Fumio Arai	Chairman of Risk Management Committee	Risk management
		In charge of Purchasing	Promoting CSR procurement and the diversification of supply sources
Managing Corporate Officer	Yukihiko Matsui	In charge of Patents	Respect for and protection of intellectual property
Managing Corporate Officer	Masaki Miyajima	In charge of Business Auditing	Corporate governance
Corporate Officer	Toshiyuki Kasahara	General Manager of Finance & Accounting Dept.	Corporate governance (Fair tax payment, Operation of Group Companies)
		In charge of Office of the President	
Corporate Officer	Yoshimitsu Takahashi	In charge of General Affairs,	Corporate governance
		Environmental Control & Safety and Personnel & Labor Relations	Health and safety of employees and contractors
			Energy-saving, resource-saving, and reduction of the environmental impact
			Respect for human rights, the development of human resources, and the promotion of diversity

Risks and Opportunities Related to the Key Issues

Key issue	Risks and opportunities (typical examples)	Corresponding initiatives
The foundation of all activities Legal compliance, fair corporate activities	Risks Legal violations, unjust conduct or fraud, damages to corporate value caused by loss of societal trust, etc.	<ul style="list-style-type: none"> Raising compliance awareness through methods including training Thorough bribery and corruption prevention measures, etc.
	Opportunities Formation of the foundation of corporate value, risk elimination, customer confidence creation, business opportunity expansion, hiring and retaining excellent human resources, etc.	
E Energy-saving, resource-saving, and reduction of the environmental impact	Risks Strengthening of greenhouse gas regulations, raw material price rises, procurement difficulties, etc.	<ul style="list-style-type: none"> Acceleration of environmental burden reduction, response to climate change Water resource conservation Waste reduction, etc.
	Opportunities Enhancement of competitiveness through environmental burden reduction and productivity improvement, expansion in demand for products that contribute to environmental protection, etc.	
Health and safety of employees and contractors	Risks Impact on local communities and employees caused by accidents and environmental issues, damage to equipment and facilities resulting from natural disasters, impact on operations associated with infectious diseases, etc.	<ul style="list-style-type: none"> Safety training implementation Execution of environmental safety audits Improvement of workplace environments, etc.
	Opportunities Stable production and higher productivity achieved through accident prevention measures and new process development, etc.	
Product quality improvements and product safety control	Risks Loss of customer trust due to issues concerning product quality or safety, etc.	<ul style="list-style-type: none"> Quality management Quality audits and technical support Product safety management, etc.
	Opportunities Fostering of customer trust through continuous timely delivery of products at pledged levels of quality, etc.	
Promoting CSR procurement and the diversification of supply sources	Risks Production suspensions and shipment delays caused by difficulties in procuring raw materials, etc.	<ul style="list-style-type: none"> Revision of the Shin-Etsu Group CSR Procurement Guidelines Compliance with the Act against Delay in Payment of Subcontract Proceeds, etc., to the subcontractors Initiatives aimed at eliminating conflict minerals, etc.
	Opportunities Stable procurement at fair prices through diversified suppliers, gaining trust from customers and society through thorough adherence to CSR procurement, etc.	
S Respect for human rights, the development of human resources, and the promotion of diversity	Risks Human rights violations committed through the Company's business activities or within its supply chain, etc.	<ul style="list-style-type: none"> Fostering employee awareness regarding human rights Promotion of diversity Enhancing work-life balance systems Conducting human rights due diligence, etc.
	Opportunities Hiring and retaining excellent human resources through business activities grounded in respect for human rights, etc.	
Respect for and protection of intellectual property	Risks Delay in business progress caused by intellectual property infringement, etc.	<ul style="list-style-type: none"> Appropriate management of intellectual property and information assets Cybersecurity enhancement, etc.
	Opportunities Acceleration of in-house business development by safeguarding and utilizing intellectual property, etc.	
Contribution to industry and social initiatives	Risks Loss of trust when business activities do not align with society's needs, etc.	<ul style="list-style-type: none"> Fund-raising activities Local contribution activities, etc.
	Opportunities Employment promotion and tax payment through stable business operations, fostering of trust-based relationships with local communities, etc.	
Accurate and timely information disclosure and communication with stakeholders	Risks Damage to corporate value stemming from nondisclosure or incomplete disclosure of information, loss of stakeholder confidence, etc.	<ul style="list-style-type: none"> Timely and appropriate disclosure of corporate information Promotion of dialogue with stakeholders, etc.
	Opportunities Establishment of appropriate market valuation, corporate value improvement, acquisition of trust from stakeholders and society, etc.	

: For more details regarding our initiatives, please visit our sustainability site. <https://www.shinetsu.co.jp/en/sustainability/>