

Promoting Sustainability

To change society through the power of chemistry based on our purpose, we are strengthening our business execution system in accordance with the belief that we must position the concept of sustainability as an essential component of management. As part of these efforts, we have established Sustainability Vision 2030. We have also identified material issues for sustainability (materiality) and set nonfinancial KPIs to implement initiatives so as to achieve our long-term vision.

Roadmap for Achieving Sustainability Vision 2030

Having established Sustainability Vision 2030, we are promoting sustainability initiatives. In 2022, we established a promotion system, held active discussions on materiality, and defined nonfinancial KPIs in each CXO area (functional aspects). From 2023, the year of Resonac's inauguration, we began incorporating sustainability assessments into management's performance evaluations and delving deeper into each area, including the progress and appropriateness of initiatives aimed at achieving the KPIs. To enable our unique essence to blossom from approximately 2026 onward, we are stepping up engagement with various stakeholders.

Sustainability Vision 2030

Achieve corporate growth through the resolution of social issues
Develop into a company that realizes its own continuous growth and corporate value improvement, by solving social issues and offering value to society through its technologies and businesses

A company with like-minded partners throughout the world
Become a "Co-creative Chemical Company" that is the first choice of, and can choose, partners in creating a sustainable and better society, including future generations of customers, employees, investors, and stakeholders



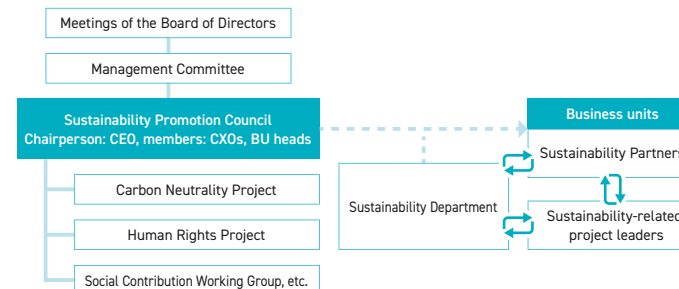
Roadmap for realizing the long-term vision

	Results in 2022	Plan for 2023
Sustainability management	Identification of material issues for sustainability (materiality) and establishment of KPIs; partial disclosure	Incorporation of sustainability targets in management's key evaluation items, enhance nonfinancial KPIs
Management strategies and business strategies		Designing of a system for Resonac Pride products and services and start of operation
Cross-organizational specific material issues	Grasping of the Companywide current status about specific issues, such as climate change and human rights, establishment of projects	Updating of the roadmap for climate change action, visualization of Scope 3, expansion of the range of products within the scope of CFP calculation by product, start of human rights due diligence
Engagement with external parties	Start of investor engagement, identification of issues for improving external evaluation, consideration of improvement measures	Start of multi-stakeholder engagement
Cultivation of the mindset within Resonac	Planning and implementation of measures to cultivate sustainability mindset	Expansion and continued implementation of measures to cultivate sustainability mindset

Sustainability Management

The CEO supervises Resonac's sustainability and the CSO is responsible for the promotion of sustainability. The Management Committee deliberates and decides on important items such as policies and plans and then consults with and reports to the Board of Directors. Starting in 2022, the Sustainability Promotion Council convenes a monthly meeting that Group CXOs, including the CEO, attend, and a quarterly expanded meeting, which is also attended by the heads of business units, to discuss wide-ranging agenda items [P56](#). In addition, to address specific issues with agility and on a cross-organizational basis, several projects have been established, which report to the council.

Starting in 2023, Sustainability Partners have been appointed in business units and CXO organizations in order to link the matters discussed at the council's meetings to organizational operations and disseminate them to employees. By means of communication through Sustainability Partners, we aim to promote sustainability reflecting the current status, issues, and interests of each unit. Moreover, by creating opportunities for horizontal communication among Sustainability Partners, we encourage active exchange of information on changes in customer requirements and other issues that transcend differences among the industries we serve, so that Sustainability Partners can proceed with foresight.



Promoting Sustainability

Sustainability promotion council agenda (examples)

- January** ● Material issues and non-financial KPIs
- February** ● External evaluation of ESG and strengthening of initiatives
- March** ● Sustainability issues in the CHRO area
● Human rights initiatives
- April** ● Sustainability issues in the CMEO area
● Carbon Neutrality Project
- May** ● Sustainability issues in the CRO area
● Integrated report (planning)
● Materiality and nonfinancial KPIs
- June** ● Integrated report (planning)
● Climate change action and disclosure in accordance with TCFD recommendations
● Formulation of "Our Code of Conduct"
- July** ● Social contribution activities
● Sustainability-contributing business
- August** ● Application of nonfinancial KPIs to business units
● Sustainability issues in CDO, CMO, and CTO areas
- September** ● Carbon neutrality and five-year plan
● Companywide implementation of carbon footprint calculation [P99](#)
- October** ● Governance (sustainability evaluation of executives and employees)
● Integrated report (feedback)
● Cultivation of sustainability mindset
- November** ● Responsible Care Initiatives
● Response to customers' requirements for disclosure initiatives
● Social contribution activities commendation system
- December** ● Wrap-up of 2022 and 2023 action plan
● Nonfinancial KPI monitoring

Identification of Materiality and Management Cycle

Resonac's materiality consists of management issues that contribute to realizing its long-term vision in terms of both society's expectations and degree of importance to the Company. Materiality is determined by reflecting the intent of the frontlines through discussions with each CXO area (function) and feedback from management at Sustainability Promotion Council, and is continually reviewed while exchanging opinions with internal and external stakeholders.

In 2022, we identified materiality, set Company-wide nonfinancial KPIs, and discussed initiatives to be promoted through concerted efforts. In 2023, taking into account actual applications of the KPIs and discussions with external stakeholders, the appropriateness of the KPIs is discussed at Sustainability Promotion Council to monitor, enhance, and refine the KPIs. We began discussion on risks and opportunities based on materiality and reviewed our operating environment. To achieve nonfinancial KPIs, we will discuss various issues and intend to disclose revisions and enhancement of initiatives step by step.

[P48 / Overview of the Long-Term Vision](#)

Incorporation of Sustainability Evaluation in Executive Performance Evaluation

Recognizing the importance from a medium- to long-term perspective of first strengthening the current structure and promoting measures, in 2023 we began incorporating sustainability evaluation items into short-term performance-linked items of executive compensation [P126](#). In the process of identifying the evaluation items that vary according to executives, we again discussed the priorities of the nonfinancial KPIs related to materiality and the roadmap toward their achievement. Moreover, these items are designed to link with employee evaluation through management by objective (MBO). Positioning linkage with compensation as an important measure for promoting sustainability, we will continue to consider how best to incorporate sustainability evaluation in executive performance evaluation.

Sustainability evaluation items incorporated in short-term executive performance evaluation in 2023 (examples)

- Establishment of data infrastructure for strengthening human capital management
- Promotion of visualization of GHG emissions
- Introduction of CFP indicator to R&D themes
- Implementation of specific measures to strengthen risk management
- Holding of ESG briefings and implementation of measures to enhance ESG assessment

Topics

New Employee Training and Sustainability Roundtable to Cultivate Sustainability Mindset

As part of measures to cultivate a sustainability mindset among employees, we conducted training on sustainability for new employees, continuing from the previous year. In 2023, the training consisted of group work with the theme "Let's put into words what 'sustainability' means to Resonac!" Moreover, on their own initiative employees launched the Sustainability Roundtable, a forum for employees who are tackling sustainability-related issues. Employees from various organizations gather and hold study sessions, lectures, and workshops.




Material Issues and Non-financial KPIs

Our goals and the value we aim to create are classified below according to three issues of materiality identified with 2030 as the time horizon. In 2023 we began considering the opportunities and risks associated with each issue.

Materiality	Our ambition	2030 targets	Social value	Environmental value	Economic value	Opportunities	Risks
<p>1 Strengthen co-creation capabilities & competitiveness and create social value through innovation</p>	<p>The source of our growth lies in business activities utilizing our technological capabilities to change society through the power of chemistry. We will strengthen our co-creation capabilities and competitiveness through innovation and our businesses to create social value.</p>	<p>We create social value through our businesses via a series of processes—from the identification of social issues to the development of technologies and the provision of solutions—and the harnessing of initiatives through co-creation.</p>	<p>Maximization of our positive impact and minimization of our negative impact on society and the environment through the thorough implementation of responsible consumption and production as a chemical manufacturer that serves as the basis for a variety of industries</p>		<p>Enhancement of corporate value by achieving business growth through the provision of social and environmental value</p> <p>Enhancement of employee motivation by helping employees to gain a solid sense that we are realizing our purpose through our businesses</p>	<ul style="list-style-type: none"> ● Creation of social value based on applicability to resolution of wide-ranging social issues ● Enhancement of corporate value by flexibly responding to changes in customers and capital markets and to their expectations 	<ul style="list-style-type: none"> ● Obsolescence of material manufacturers' technologies due to development of digital and AI technologies ● Decline in co-creation capabilities and competitiveness due to delayed response to environmental and social issues ● Decline in co-creation capabilities and competitiveness due to delays in industry restructuring and portfolio reform
<p>2 Gain credibility through responsible business management</p>	<p>We will conduct responsible business management from perspectives including safety, the environment, and quality to realize a sustainable society together with stakeholders, such as suppliers and customers. In addition, we will reinforce and enhance our system for managing increasingly diverse and complex risks by thoroughly implementing soft-law-based compliance going beyond legal and regulatory compliance.</p>	<p>In addition to cultivating a safety culture and eliminating accidents of every kind, we will earn the trust of stakeholders by minimizing and preparing to tackle a wide range of risks, including strategic, operational, and hazard risks, to flexibly address the changing management and business environments and continuously offer value that is unique to us.</p>	<p>Balancing of our contribution to the resolution of social issues and duty as a chemical manufacturer through responsible business management</p>	<p>Reduction of environmental impact through reduction of GHG emissions, waste reduction, and improved recycling rates</p>	<p>Improvement of motivation, raising of productivity, reduction of costs, and enhancement of brand value through eradication of all types of accidents and other incidents and increased efficiency of internal processes</p>	<ul style="list-style-type: none"> ● Helping customers ensure quality by offering safe and secure products and services ● Increased added value through realization and maintenance of advanced manufacturing processes 	<ul style="list-style-type: none"> ● Loss of trust in society due to environmental and safety incidents ● Weakening of the management foundation due to lack of understanding of potential risks and lack of appropriate risk-taking ● Decline in co-creation capabilities and competitiveness due to delayed response to regional and national laws and regulations and soft law, including international norms
<p>3 Develop autonomous, creative, and active human resources and culture</p>	<p>We are cultivating co-creative human resources and nurturing a corporate culture to solve issues imaginatively via co-creation by forming connections autonomously with customers and stakeholders through empathy, including various parties who will lead future generations.</p>	<p>Through the cultivation of autonomous and creative individuals and the nurturing of a corporate culture conducive to their development, we will aim to become a developer of talent whose employees are the envy of other companies.</p>	<p>Resolution of social issues by co-creation and innovation through the growth and active involvement of autonomous and creative individuals and the nurturing of a corporate culture conducive to the attainment of such objectives</p>		<p>Active involvement of employees and higher employee motivation through strategic job rotations and development of leaders from the perspective of Companywide optimization and realization of high productivity</p>	<ul style="list-style-type: none"> ● Facilitation of innovation through development and creation of co-creative human resources 	<ul style="list-style-type: none"> ● Personnel retention risk due to inability to cultivate and maintain organizational culture and engagement ● Stagnation of innovation due to lack of psychological safety

Material Issues and Non-financial KPIs

The nonfinancial KPIs were formulated based on the thoughts of frontline employees  and discussions by the management team in light of the external environment. We will continually revise the KPIs, reflecting the views and expectations of various internal and external stakeholders through dialogues with them.

Materiality	Constituent elements	Key items (KPIs)	2025 targets	Relevance	
1 Strengthen co-creation capabilities & competitiveness and create social value through innovation	1-1 Creation of social value through our businesses	1-1-1 Resonac Pride products and services 1-1-2 CFP-related initiatives	1-1-1-1 Accreditation by open process 1-1-2-1 Calculation of CFP of major products	Businesses P59	
	1-2 Identification of social issues and provision of customer value through marketing	1-2-1 Vitalization of customer- and market-driven activities 1-2-2 Promotion of digitalization 1-2-3 Enhancement of customer database	1-2-1-1 Enhancement of product pipeline that contributes to customer value 1-2-2-1 Strengthening overseas and regional information dissemination using digital marketing 1-2-2-2 Centralized Companywide pipeline management 1-2-3-1 Formulation of customer strategy for each business	Marketing P69	
	1-3 Promotion of open innovation	1-3-1 Co-creation with external parties	1-3-1-1 Promotion of open innovation and increase of the ratio of external themes 1-3-1-2 Number of papers and external presentations 1-3-1-3 Increase of the number of cross-organizational themes	R&D P65	
	1-4 R&D and intellectual property strategies that resolve social issues	1-4-1 Strengthening of R&D and intellectual property strategies 1-4-2 Human resource development	1-4-1-1 Increase of the ratio of introduction of life cycle assessment (LCA) 1-4-1-2 Enhancement of intellectual property indicators, such as Market Coverage (MC), which indicates market value, and Technology Relevance (TR), which indicates technological value	1-4-2-1 Assignment of leaders and professional-minded human resources at an appropriate ratio 1-4-2-2 Completion of a venue for co-creation	Digital P71
	1-5 Facilitation of resolution of social issues through digital transformation	1-5-1 Data-driven management 1-5-2 Promotion of digital transformation and development of professional-minded human resources 1-5-3 Enhancement of IT and digital literacy	1-5-1-1 Establishment of the platform for standardization and analysis of financial data 1-5-1-2 Establishment of a process for obtaining ESG data 1-5-2-1 Promotion of projects through collaboration between centers of excellence and business units	1-5-3-1 Digital experience and education of all employees	Occupational Health and Safety P103
2 Gain credibility through responsible business management	2-1 Establishment of environments where all people can work with peace of mind	2-1-1 Fostering of a culture emphasizing safety 2-1-2 Occupational accidents 2-1-3 Lost time incidents 2-1-4 Equipment-related accidents	2-1-1 Establishment of a culture emphasizing safety to eliminate occupational accidents 2-1-2,3,4 Zero serious occupational accidents (consolidated) 2-1-3-1 Lost time incident rate: 0.1 or less (consolidated, equivalent to zero accidents resulting in lost time over a 10-year period at a site with 500 employees) 2-1-4-1 Zero serious equipment-related accidents (consolidated)	Quality Assurance P104 Chemicals Management P105	
	2-2 Provision of quality and safety to maximize customer value	2-2-1 Product-related accidents 2-2-2 Quality compliance violations 2-2-3 Product stewardship	2-2-1,2 Zero product-related accidents and quality compliance violations 2-2-3-1 100% execution of risk assessment of priority risk assessment substances* (consolidated in Japan) <small>*Assess substances stipulated by the Company by issuing safety summary reports</small>	Environment P97 Human Rights P107	
	2-3 Reduction of environmental impacts throughout the value chain, respect for human rights	2-3-1 Reduction of greenhouse gas emissions 2-3-2 Reduction of industrial waste sent to landfills 2-3-3 Environmental accidents 2-3-4 Respect for human rights	2-3-1-1 30% reduction (Scope 1 + Scope 2) from fiscal 2013 (consolidated) (2030 target) 2-3-2-1 0.5% or less of industrial waste generated (consolidated in Japan) 2-3-3-1 Zero environmental accidents (consolidated) 2-3-4-1 Establishment of human rights due diligence implementation frameworks	Procurement P106	
	2-4 Creation of a sustainable society, working together with suppliers	2-4-1 Improvement of quality of communication with suppliers	2-4-1-1 Improved CSR questionnaire response rates, higher rate of suppliers exceeding the satisfactory threshold	Compliance P111	
	2-5 Thorough implementation of soft-law-based compliance going beyond legal and regulatory compliance	2-5-1 Inculcation of "Our Code of Conduct" 2-5-2 Thorough implementation of Group global compliance standards	2-5-1-1 Increase of the degree of inculcation (survey) 2-5-2-1 Reduction in number of serious legal breaches	2-5-2-2 Increase in number of reports through the whistleblowing system	Risk Management P109
	2-6 Reinforcement of our system for managing increasingly diverse and complex risks	2-6-1 Development and operation of comprehensive risk management systems 2-6-2 Reinforcement of the second line of defense	2-6-1-1 Operation of new comprehensive risk management systems for risks associated with change in the external environment, operational risks, and hazard risks 2-6-2-1 Enrichment of the Group's internal control framework through data linkage with the second/third lines of defense 2-6-2-2 Commencement of expansion of processes outside Japan and centralization of risk data within the Group		
3 Develop autonomous, creative, and active human resources and culture	3-1 Supply of human resources required by the business	3-1-1 Workforce planning with enhanced linkage with business strategies 3-1-2 Preparation of next-generation leader candidates and visualization	3-1-1-1 Future talent portfolio fulfillment rate 3-1-2-1 Succession planning preparation rate	Human Resources P89	
	3-2 Cultivating and communicating attractiveness to be chosen	3-2-1 Strengthening of employer branding 3-2-2 Enhancement of wellbeing 3-2-3 Human resources system integrated with the corporate philosophy	3-2-1-1 Hiring plan fulfillment rate 3-2-2-1 Detrimental voluntary turnover rate 3-2-3-1 Engagement score		
	3-3 Creation of autonomous, professional-minded human resources	3-3-1 Provision of opportunities to encourage career ownership	3-3-1-1 Internal promotion rate (key positions)		
	3-4 Cultivation of corporate culture conducive to co-creation	3-4-1 Inculcation of the purpose and values and cultivation of a co-creation culture 3-4-2 Realization of workplace environment conducive to active involvement of diverse employees	3-4-1-1 Survey score of the degree of implementation of the purpose and values 3-4-2-1 Survey score of psychological safety 3-4-2-2 Ratio of female managers		