

## Stakeholder Dialogue 2018

# Materiality essential to sustainable development

A stakeholder dialogue was held with experts from outside the Nippon Soda Group on the theme of “CSR activities to improve corporate value,” which aim to increase the positive effect on society, for the purpose of discussing materiality for a chemical company that creates innovative products useful in achieving a sustainable society.



**Naomi Yamazaki**

- Representative Director, ESG Network of Shareholders & Companies
- Administration Manager, Institutional Investors Collective Engagement Forum



## Participants

<Experts from outside the Nippon Soda Group>

**Naomi Yamazaki**

Representative Director, ESG Network of Shareholders & Companies  
Administration Manager, Institutional Investors Collective Engagement Forum

<Nippon Soda>

**Noriyuki Haketa**, Director and Senior Executive Managing Officer  
Supervision of the Corporate Social Responsibility Department

**Masahito Ikeda**, Executive Officer  
General Manager of the Corporate Social Responsibility Department

**Masahiro Arichika**, Corporate Communications Section,  
General Affairs Group,  
General Affairs & Personnel Department

Note: The position and job titles of the participants are those effective as of December 2018.

Note: Titles omitted in the text

**Noriyuki Haketa**  
Nippon Soda



**Masahito Ikeda, Ph.D.**  
Nippon Soda



**Masahiro Arichika**  
Nippon Soda



## History of the Nippon Soda Group (RC and CSR)

August 1998	Declaration on Responsible Care (RC)
April 2012	Declaration on Corporate Social Responsibility (CSR)
April 2014	Adoption of CSR practices in eight Group companies in Japan
November 2015	1st Stakeholder Dialogue: Material issues were identified and relevant efforts were started.
December 2016	2nd Stakeholder Dialogue
December 2017	3rd Stakeholder Dialogue
December 2018	4th Stakeholder Dialogue

## Business activities associated with CSR materiality to improve the corporate value

- **Business activities associated with CSR materiality to improve corporate value Agriculture domain**
  - Initiatives for achieving sustainable agriculture: smart agriculture, drones, seed treatment, microbial pesticides
- **Medicine domain**
  - Healthy life supported by medicine: small easy-to-swallow tablets, longer-lasting effects, preparation of tablets by 3D printing
- **Information domain**
  - Potential of high-performance materials: environmentally friendly high-performance materials, copper-clad laminates for next-generation communications, microfabrication of photoresist materials
- **Environment domain**
  - Achievement of environmentally sound recycling: Sketoile and toilet gel for disaster use

### Theme 1

## Environmental and social issues that significantly affect the sustainability of business models

### What kind of long-term impact will environmental and social issues have on business activities?

- Understand social issues from a global perspective, such as decline in the working population, aging population and declining birth rates in some regions, coupled with population explosion on a global scale.
- In addition to contributions to securing food sources (stable food yields) using agrochemicals, we are considering promoting innovation by taking advantage of the strengths of our existing businesses through promoting research and development covering the entire agricultural value chain. We understand there are high expectations from users for labor saving and safe agriculture.
- For example, we believe that a new seed treatment technique to coat seeds can contribute not only to reducing farm labor but also reducing the environmental impact of agrochemicals. We will consider partnerships with other companies to further expand the application of the technique globally.

#### [Background]

Environmental and social issues these days directly affect business management. In response, industries and sectors have seen a paradigm shift in their business models. In such a business environment, it is important for companies to correctly identify issues critical to them and to implement long-term strategies for resilience designed to respond to change in 10, 20, and 30 years' time.

**Theme**  
**2**

## Potential “game change” and transformation

If a “game change” occurs, how would business activities need to change?

- The regional characteristics of agriculture will significantly change due to climate change. The types of agrochemicals may also need to change, which can provide new business opportunities. In 2015, we opened the Sarabetsu Experiment Field in Sarabetsu Village in Hokkaido by taking into account environmental issues, where researchers have started research on the influence of regional climate and the new potential of agrochemicals.
- In the domains of information and health care in the chemicals business, we will continue to serve as a material manufacturer with emphasis on addressing issues to respond to market demand with resilience. For example, as a world-leading company in terms of technology to make active ingredients of pharmaceutical excipients work, we will create new markets by “multiplying” this proprietary technology through social change.

### [Background]

There has been a move to incorporate the advancement of artificial intelligence (AI) and the Internet of Things (IoT), global environmental issues, and solutions for population issues into strategies for sustainable growth. There has already been a significant change in the automotive industry. In other markets too, a “game changing event” that nobody can predict could be triggered by any new development, such as a change in the distribution channel or the entry of a new player. Investors are carefully observing what kind of game changes companies are anticipating and responding to.

**Theme**  
**3**

## Developing and passing on our corporate philosophy and culture, and improving corporate ethics

How have we contributed to social sustainability? How can we achieve a sustainable society?

- Our corporate culture has placed primary emphasis on “safety and quality” for many years. This culture enables us to develop products that fulfill the dreams of the next generation and achieve sustainable growth through the power of chemistry.
- Both companies and employees are citizens. It is essential for companies to be generally accepted in order to ensure their sustainability. In this respect, we have placed emphasis on ensuring compliance.
- We will further ensure corporate ethics are observed and will take a backcasting approach to ensuring well-functioning corporate governance that responds to the change of the times.

### [Background]

To achieve the sustainable growth of a company, changes in governance are required. Investors are carefully judging the effectiveness of the company's governance, with emphasis not only on the governance system but also on its function. The company is required to make strategic decisions more boldly and promptly than ever. To strengthen corporate governance, it should be aligned with corporate ethics. It is also important that all employees are well informed of the corporate ethics policy.

### Expert's viewpoint

#### Naomi Yamazaki

•Representative Director, ESG Network of Shareholders & Companies  
 •Administration Manager, Institutional Investors Collective Engagement Forum

The Nippon Soda Group undertakes business activities in compliance with corporate ethics. I would like to focus my attention on how the Group understands long-term social changes and what approach it takes to achieve a sustainable society.

- The Group tries to understand the impact of environmental and social issues on business activities from the perspective of opportunities and risks, and not only establishes a system but also creates an organization that functions well.
- Significant changes are awaiting agrochemicals. The Group is undertaking transformation efforts in labor saving and streamlining in a way unique to an agrochemical manufacturer, with an eye on a potential “game change” in social issues.
- Nippon Soda's corporate culture with primary emphasis on safety and quality has served as a source for sustainable growth. Corporate ethics are observed by all of its companies, including overseas group companies.
- To steadily promote materiality and risk management, the Company is making well-designed efforts to improve the effectiveness of its corporate governance.