



Director, Managing Executive Officer  
Responsible for Production Technology  
In charge of Environment Safety & Quality  
Assurance Division, Purchasing &  
Logistics Division

**Masato Inari**

## Explanation of Strategy by Executive Officer in Charge

### Working to address the rising demand for transparency and earn society's understanding and trust

#### Aim to achieve carbon neutrality by 2050

With no signs of an end to the spread of COVID-19, society as a whole is beset with a sense of anxiety about the future. The one thing we can continue to trust in these circumstances and that gives us hope for the future is technology. We recognize that for a company like ours, which has built its business on a foundation of technology, reducing this social anxiety and turning the future toward the better will be an important mission going forward.

In March 2021, MGC announced a long-term goal of achieving carbon neutrality by 2050. As a chemical manufacturer we are susceptible to environmental changes, and this is why it is even more important that we take action with an eye to our stakeholders 30 years hence. The goal we have set is no mere fantasy. This is a long-term objective, based on careful consideration of viable means of reducing CO<sub>2</sub>, that leverages the carbon capture and recycling technology we have accumulated to date, along with hydrogen utilization and renewable energy technology. Another important theme going forward will be the ability of manufacturing regions to coexist with the natural environment, including issues such as forming a recycling-oriented society and preserving biodiversity that are gaining renewed and greater attention. Note that we do not consider the capital and human resources we invest in environmental management as simply costs. While they may not contribute to performance in the short term, we position them as investments that will lead to the medium- to long-term enhancement of corporate value.

#### Promoting RC using employees' ability to recognize issues and generate ideas

The MGC Group creates value for society by developing and providing new technologies and products. That said, we must also be aware of the social responsibilities associated with our business. Responsible Care (RC)<sup>\*1</sup> is a means of fulfilling those responsibilities. RC comprises six codes—Occupational Health and Safety, Process Safety and Disaster Prevention, Environmental Protection, Chemicals and Product Safety, Distribution Safety, and


Communication with Society—and plays an important part in MGC's materiality. Over the past two years, we have also made progress in establishing the Q-MGC<sup>\*2</sup> company-wide quality control system, begun in 2019, in each sector, and are expanding its use to Group companies as well. As the relative importance of Group management increases, ensuring transparency is a key issue: demands for transparency, along with accountability, are only expected to grow. Our aim is to further earn the trust of our stakeholders while solidly applying a PDCA cycle.

One of the strengths of MGC's production sector is strong work sites that act autonomously. This is because frontline employees are the ones who have the ability to quickly recognize and creatively address work site issues, and we believe that by respecting those ideas generated in the field, we can continue to operate with both strength and flexibility. With that understanding, we recognize that the mission of the back-office divisions at headquarters is to back the production divisions by overseeing and supporting them. We are working to design a system in which important management strategies lead to autonomous frontline action, and are then reflected in practice.

Under the new Medium-Term Management Plan starting in fiscal 2021, we have launched a project called SMART-MGC that will use digital technology to pursue improvements in operational efficiency and supply chain optimization. Activities occurring in production as part of this strategy will be known as SMART-FACTORY. Human sensing and decision-making abilities will be augmented with digital technology to, among other things, prevent accidents and other problems and to encourage automation of rote operations. Going forward, we will fulfill our Mission of "creating value to share with society" as we continue our efforts to gain the empathy and trust of society.

<sup>\*1</sup> Responsible Care refers to voluntary activities conducted by chemical industry firms to align business activities with global environmental preservation by ensuring environmental care, safety, and health in all stages of chemical substance life cycles from development, manufacture, distribution, and use through to final consumption and disposal.

<sup>\*2</sup> A system for positioning quality assurance as an activity for all MGC Group companies and sectors while working toward continuous improvement.

 For details, please refer to "Quality Assurance" on page 53.

## MGC Group Policies on Environment and Safety

MGC recognizes that it is a contributing member of society and accordingly seeks to continue earning the trust by acknowledging our responsibilities to contribute to society, preserve the environment, and ensure safe working conditions. We conduct our corporate activities with the intention of protecting the earth's environment under the principle of sustainable development.

**Environmental and Safety Targets:** Zero Accidents, Zero Occupational Injuries, and Environmental Preservation

### Basic Policies

- Maintain occupational health and safety processes across all operations
- Ensure process safety and security at work sites
- Reduce environmental impact and contribute to the sustainable development of communities
- Ensure safe handling, usage, and disposal of chemical products
- Ensure safe transport and storage of chemicals and related products
- Build trust of stakeholders
- Implement MGC group-wide environmental and safety initiatives
- Improve environmental and safety management systems on an ongoing basis

## Basic Approach

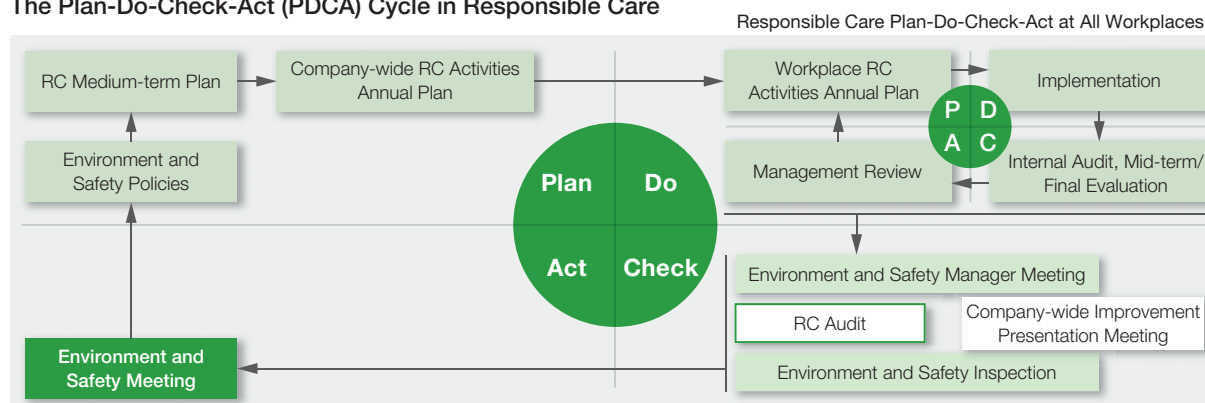
MGC has set sustainable development, building a recycling-oriented society, and conducting safe operations as important management issues that determine how we conduct our business. Based on its environmental and safety policies, MGC promotes Responsible Care (RC) in all of its activities.

RC activities are comprised of Occupational Health and Safety, Process Safety and Disaster Prevention, Environmental Protection, Chemicals and Product Safety, Distribution Safety, and Communication with Society, and play an important part in MGC's key management issues (materiality). RC activities in each workplace are managed primarily by the Environmental Safety & Quality

Assurance Division, which is working to improve each employee's awareness of the importance of RC. Once a year, MGC holds environment and safety meetings, chaired by the President and comprised of all directors, audit and supervisory board members, business sector heads, directors of plants and laboratories, and the general manager of the Production Technology Division. This effort is aimed at making continuous improvements in the PDCA cycle based on the goals of the three-year RC medium-term plan and annual activity targets.

Please refer to the Sustainability website for details on RC activity plans and results.  
[https://www.mgc.co.jp/eng/csr/environment/rc\\_plan.html](https://www.mgc.co.jp/eng/csr/environment/rc_plan.html)

## The Plan-Do-Check-Act (PDCA) Cycle in Responsible Care



## RC Audits in 2020

The director in charge of environment and safety, together with an auditing team, conducts the RC audit. This audit assesses the status of progress with RC action plans and priority audit items for the year at each of our sites. In 2020, audits were conducted regarding (1) status of risk assessment (HAZOP) implementation; (2) efforts to prevent recurrence of falls, crashes and leaks; (3) compliance with MGC Group process safety and disaster prevention guidelines; (4) status of efforts to prevent work-related accidents due to human error; and (5) status of efforts to prepare for natural disasters.

### • RC Auditees

5 plants, 3 laboratories, Basic Chemicals Business Sector, Specialty Chemicals Business Sector, Advanced Business Development Division, and Purchasing & Logistics Division

### • RC Audit Findings

Full conformity (26 cases), non-conformity (zero cases), opportunity for improvement (5 cases), comments (41 cases)

Note: Above organization names are the previous names used in fiscal 2020.