

Sustainability

Sustainability Management | Key Issues (Materiality) | Materiality KPI

Sustainability Management

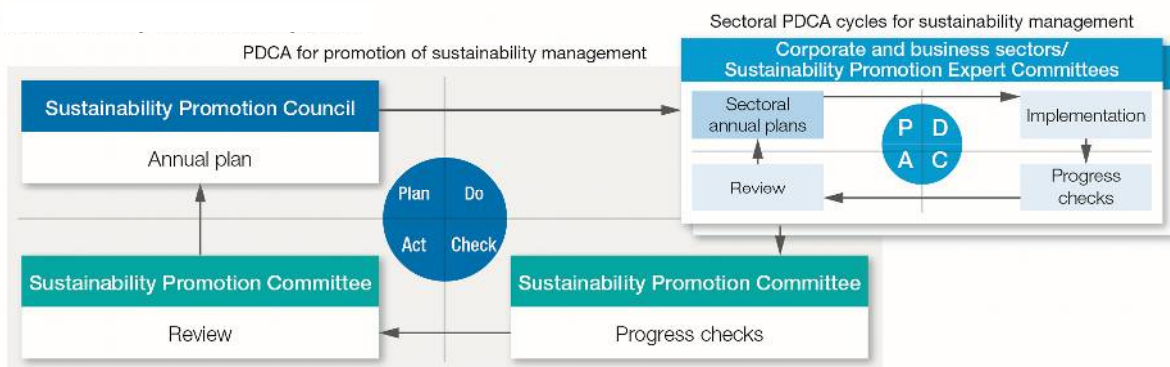
Sustainability Promotion Principle

The MGC Group contributes to realizing a harmonious and sustainable society that keeps growing, in accordance with its Mission of “Creating value to share with society.” The Group is deeply aware of its corporate responsibilities in the areas of the environment, society, and corporate governance and carries out its business activities in line with the MGC Corporate Behavior Guidelines.

MGC Corporate Behavior Principles

1. MGC will drive innovation to provide high-quality products and services that meet society’s needs in order to gain consumer satisfaction and trust and help customers resolve their problems and achieve sustainable growth
2. MGC will voluntarily and proactively address environmental issues and work to resolve them through all its business activities
3. MGC will comply with laws, regulations, and rules, and will conduct fair, transparent and open business activities, including appropriate transactions and responsible procurement
4. MGC will endeavor to ensure broad-ranging communication with society through its proactive, effective and fair disclosure of information
5. MGC will engage in business activities that are useful for society, and actively contribute to the development of society as a responsible corporate citizen
6. MGC will help its employees improve their competence and provide them with safe, healthful and rewarding working conditions to ensure that they may lead comfortable and productive lives
7. By closely monitoring changes in the environment of its corporate activities, MGC will continually review diversifying risks and develop ways to respond

Sustainability Promotion System



Sustainability Promotion Council

Chair	President (convener/approver)
Deputy Chair	Director in charge of the CSR & IR Division
Participants	Executive officers, Corporate Sector heads and others designated by the President. Auditors participate as observers.
Secretariat	Corporate Planning Division, CSR & IR Division
Meetings	Held at least annually
Objectives	(1) Deliberate and determine Company-wide policy (2) Deliberate and determine materiality and establish KPIs (3) Assess and finalize annual Sustainability promotion plan (4) Verify progress in Sustainability management (5) Build and put in place a Sustainability promotion system (6) Deliberate and determine policies involving individual projects (7) Issue recommendations for corrective actions (8) Information sharing

Sustainability Promotion Committee


Participating Divisions	The Corporate Planning, Administrative & Personnel, Finance & Accounting, Information Systems, CSR & IR, R&D Production, Advanced Business Development, Purchasing & Logistics, Environment Safety & Quality Assurance, Production Technology, Internal Audit divisions, and Business Administrative and others as designated by the Secretariat
Secretariat	CSR & IR Division
Meetings	Held as needed depending on the agenda
Objectives	(1) Deliberate agenda items for submission to the Sustainability Promotion Council Company-wide policy, materiality, annual Sustainability promotion plan, verification of progress with Sustainability promotion system, operational reviews, etc. (2) Establish expert committees




Key Issues (Materiality)

Materiality Identification Process

Step 1	Identification of issues	Compiled list of over 600 terms related to societal issues/changes from various sources, including requirements in GRI and SASB standards, ISO 26000 and SDGs and trends among other companies.
Step 2	Winnowing	Classified the terms by keyword related to societal issues and societal change and winnowed them down to 39 materiality factors.
Step 3	Prioritization	Assessed the priority from the standpoint of both stakeholders and the MGC Group. The Sustainability Promotion Committee drafted a materiality prioritization hierarchy and submitted it to the Sustainability Promotion Council.
Step 4	Management deliberation/approval	The materiality submitted by the Sustainability Promotion Committee was deliberated and determined by the Sustainability Promotion Council.
Step 5	Updating of identified materiality	Materiality is subject to change in response to changes in societal imperatives and stakeholders' needs and preferences. Materiality will accordingly be updated as needed in response to changes in society and/or the MGC Group's business activities.






Materiality and Main Initiatives: Pursuing Creation of Value to Share with Society

Materiality		Why it is material	MGC's main initiatives
Category	Elements		
Creating Shared Value (CSV)	<p>Contribution through business operations</p> <p>Contribute to Development of ICT/Mobility Society</p> <p>Solve energy and climate change problems</p> <p>Solve medical and food problems</p>	<p>Pursuing creation of value to share with society leads to improvement in corporate value from economic, social and environmental standpoints.</p>	<p>Helping to move society forward and solve problems through business operations, including by contributing to development of an ICT/mobility society with polycarbonates, polyacetal, super-pure hydrogen peroxide, electronic chemicals, optical polymers and semiconductor packaging materials (BT resin); solving energy and climate change problems with geothermal and LNG- fired power penetration projects and functional monomers; and solving medical and food problems with life science products (e.g., antibody drugs, fermented foods), oxygen absorbers and MX-Nylon</p>
	<p>Related SDGs (targets)</p>  <p>3.6, 3.8, 4.4, 7.2, 7.3, 8.1, 9.4, 11.4, 12.2, 12.3, 17.3, 17.16</p>		
Foundation for shared-value creation (S)	<p>Cultivating a corporate culture of job satisfaction</p>	<p>An organizational culture that enables all employees to confidently give full play to their abilities over the long term while finding individualized meaning in their jobs is the foundation of corporate value creation.</p>	<p>Promoting work-life balance; offering generous child/family care systems, creating dynamic workplace environments</p>
	<p>Promotion of diversity and inclusion</p>	<p>A culture of collaboration among individuals with diverse values is conducive to new ideas and technological innovation.</p>	<p>Providing more opportunities to women; supporting career advancement and work/life balance; promoting employment of individuals with disabilities</p>
	<p>Stakeholder engagement</p>	<p>Corporate value creation is a result of stakeholders' contributions, including the resources they provide.</p>	<p>Disclosing information in compliance with laws and securities exchanges' regulations; fairly and transparently disclosing information online and via news media</p>
	<p>Promotion of socially responsible sourcing</p>	<p>Companies have a societal responsibility to upgrade CSR compliance throughout their supply chains with respect to the environment, working conditions, human rights, etc.</p>	<p>Building safe, legally compliant and environmentally friendly supply chains</p>

	<p>Occupational safety and health/Process safety and disaster prevention</p> <p>Safety is the foundation of business activities. Companies have a societal duty to ensure safety.</p>	Continuing to conduct occupational safety and health risk assessments, daily safety activities and safety education/training in the aim of zero occupational injuries
	<p>Highly energy- and resource-efficient production</p> <p>Companies have a duty to harmonize their operations with global environmental protection in accord with the principle of sustainable development.</p>	Minimizing environmental impacts in sourcing resources; efficiently using resources (energy, raw materials, water, etc.)
	<p>Chemical / product quality and safety assurance</p> <p>Quality assurance is the basis of stakeholders' trust. Companies have a duty to provide highly safe and reliable products and services.</p>	Promoting company-wide quality assurance activities (Q- MGC) throughout supply chains
	<p>Promotion of innovative R&D</p> <p>Developing valuable new products and technologies that help to move society forward and solve problems is the pursuit of creation of value to share with society.</p>	Developing/adopting new processes that maximally leverage core technologies cultivated over many years, founding and developing new businesses
	<p>Related SDGs (targets)</p>  <p>3.8 4.2 5.1 6.3 7.3 8.2 9.4 10.2 12.2 16.2 3.9 4.4 5.5 8.7 9.5 12.4 16.10 12.6</p>	
<p>Harmonization of shared-value creation with environmental protection (E)</p>	<p>Proactive response to environmental problems</p> <p>Air Quality Control Water and Biodiversity Conservation Reduction of industrial waste</p>	<p>Addressing environmental problems is imperative for all of humanity. Companies must proactively do so as a prerequisite for their existence and activities.</p> <p>Formulating medium-term and annual RC* plans and endeavoring to achieve their targets *RC: Responsible Care Reducing GHG emissions while supporting the Task Force on Climate-related Financial Disclosures</p>
	<p>Related SDGs (targets)</p>  <p>3.9 6.3 12.2 13.2 14.1 15.1 12.4 14.3 12.5</p>	
<p>Value-creative discipline (G)</p>	<p>Strengthen systems:</p> <p>Corporate Governance Compliance Internal controls Risk management</p>	<p>Developing disciplined ways steadily execute strategies to bring business models to fruition and to sustainably grow corporate value.</p> <p>Building effective internal control systems based on appropriate corporate governance, ensuring the soundness of business activities through compliance, risk management, etc.</p>
	<p>Related SDGs (targets)</p>  <p>5.1 8.7 10.2 16.2 5.5 16.5 16.10</p>	






Materiality KPI

Contribution through business operations (CSV)




KPIs	FY2022 Results	FY2023 Targets	FY2030 Targets	Related SDGs (targets)
Sales from ICT and mobility applications	283.5 billion. JPY	320.0 billion. JPY	Create new businesses that accelerate digital innovation	  3.6 9.4
Contribution to solving energy and environmental problems	Investment: 13.9 billion. JPY* 2021-2023 cumulative forecasts	Investment: 12.0 billion. JPY* (3-year cumulative)	Commercialize carbon-negative technology	 9.4
Sales from medical and food applications	56.2 billion. JPY	50.0 billion. JPY	<ul style="list-style-type: none"> Advance preventative/predictive medicine; enhance healthy longevity Further advance food preservation technology 	  3.8 12.3

*Consolidated basis; Investment: Acquisition; Financing: Approval basis

Foundation for shared- value creation (S)

KPIs	FY2022 Results	FY2023 Targets	FY2030 Targets	Related SDGs (targets)
Percentage taking fewer than 10 days of annual paid leave*^{1,2}	4%	0%	0%	 8.5 8.8
Serious occupational accidents*^{1,3}	1	0	0	 3.9
Serious accidents*^{1,4}	0	0	0	 3.9
GHG emissions intensity vs. Fiscal 2013*¹	8.6% reduction	19.9% reduction	28.0% reduction	 7.3
R&D investments devoted to solving climate change problems*^{1,5}	13% of R&D expenditures	5% or more of R&D expenditures	7% or more of R&D expenditures	 9.5

Proactive response to environmental problems (E)

KPIs	FY2022 Results	FY2023 Targets	FY2030 Targets	Related SDGs (targets)
GHG emissions vs. Fiscal 2013^{*1}	34% reduction	28% reduction	36% reduction	 13.2
Renewable energy as a percentage of electric power purchased^{*1}	19%	10%	50%	 7.2
Zero waste emission rate^{*1,6}	0.25%	0.3% or less	0.15% or less	 12.5

^{*1} On a non-consolidated basis

^{*2} For employees granted 20 days of annual leave

^{*3} Accidents resulting in lost workdays eligible for disability compensation, including death and permanent disability, or potential disability, with four or more lost workdays

^{*4} Accidents that threaten third parties, including those resulting in environmental pollution involving the community or that cause damage to local residents, and other accidents involving serious damage

^{*5} R&D investments including basic research, pilot plants, technical testing, etc.

^{*6} (Amount of final disposal) ÷ (total amount of industrial waste generated) × 100