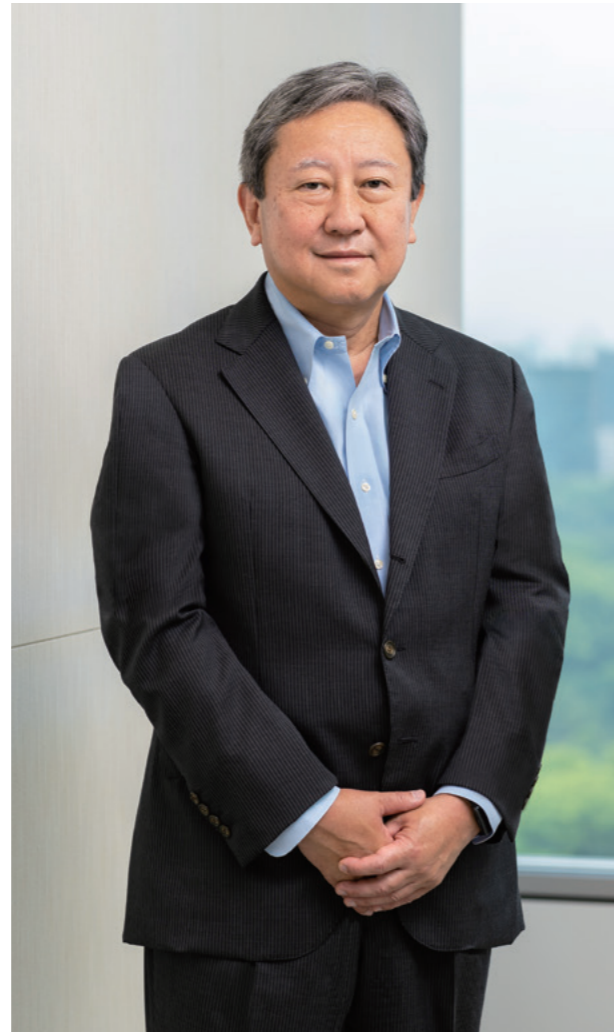


## Message from the Officer Supervising Governance and Legal Affairs



**Ken Fujiwara**  
Executive Vice President  
Chief Compliance Officer, General Counsel

### Strengthening global governance and driving active discussions on growth

#### Promoting ERM and global compliance programs through integration of corporate functions

A year has passed since we changed to the new system. During that time, we have established a Corporate Executive Officers Committee where all corporate executive officers meet regularly to discuss the various challenges faced by the Mitsubishi Chemical Group and for decision-making. We have also made good progress at the management level in the transition to the “One Team” concept. Decision-making processes are faster and more efficient and corporate functions more integrated now that we have set up systems for delegation of authority (DOA) and clarified decision-making authority for each corporate executive officer. Our most pressing challenge at present is how to get our employees in all Group companies to understand the significance of these reforms and to embrace our transformation. Continuing on from work done in fiscal 2022, we are utilizing in-house web portals and town-hall meetings as venues for the entire management team to communicate the message for such reform and transformation to employees in their own words (▶Page 54).

To manage a large organization like the MCG Group, we must have global-scale risk management systems. We have introduced an enterprise risk management (ERM) system to support management decision-making, in order to better respond to not only negative risks but also risks inherent in business opportunities that may have positive impacts. For this ERM system, we have developed a Group-wide risk management system based on a three-dimensional matrix by business, function, and region that functions to ensure the MCG Group is a healthy and more competitive business (▶Page 86). At the same time, we have started operating the Global Compliance Promotion Program aimed at standardizing and improving the quality of global compliance activities (▶Page 88). To improve the effectiveness of this program, we will continue to raise

awareness and run training and education activities, and work to foster an organizational culture where everyone can speak up with confidence.

#### Increasing the effectiveness of the Board through better monitoring

Having evaluated the effectiveness of the Board of Directors in fiscal 2022 (▶Page 80), in my role as chairperson of the Board, I ran discussions on the main roles of Board of Directors in the Corporation with Nominating Committee, Etc., and confirmed that we need to work on making the Board of Directors more effective in terms of monitoring portfolio management and progress versus the medium- and long-term strategies. Discussions also confirmed that the Nominating Committee needs to be more effective with regard to CEO performance and succession planning for management levels. The committee will need to supervise progress and discuss portfolio management in particular as we are going through the execute and accelerate phases of the “Forging the future” strategy. For management succession, the committee is working to set up opportunities for discussions with corporate executive officers and the next generation of leaders.

To allow the Board of Directors to engage in more in-depth debate, it is crucial to set agenda items appropriately, for example, by assigning priorities to the various topics on the agenda. Full information disclosure with the outside directors is also essential to make the right decisions. At Mitsubishi Chemical Group Corporation, we are working through the Outside Director Liaison Committee to promote a better understanding of management policy and measures. This also helps ensure that the outside directors all have access to the same information. Moving forward, we will step up the monitoring function through more active discussion of key issues and will work to make the Board of Directors more effective and boost corporate value.

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Governance

Corporate Governance System

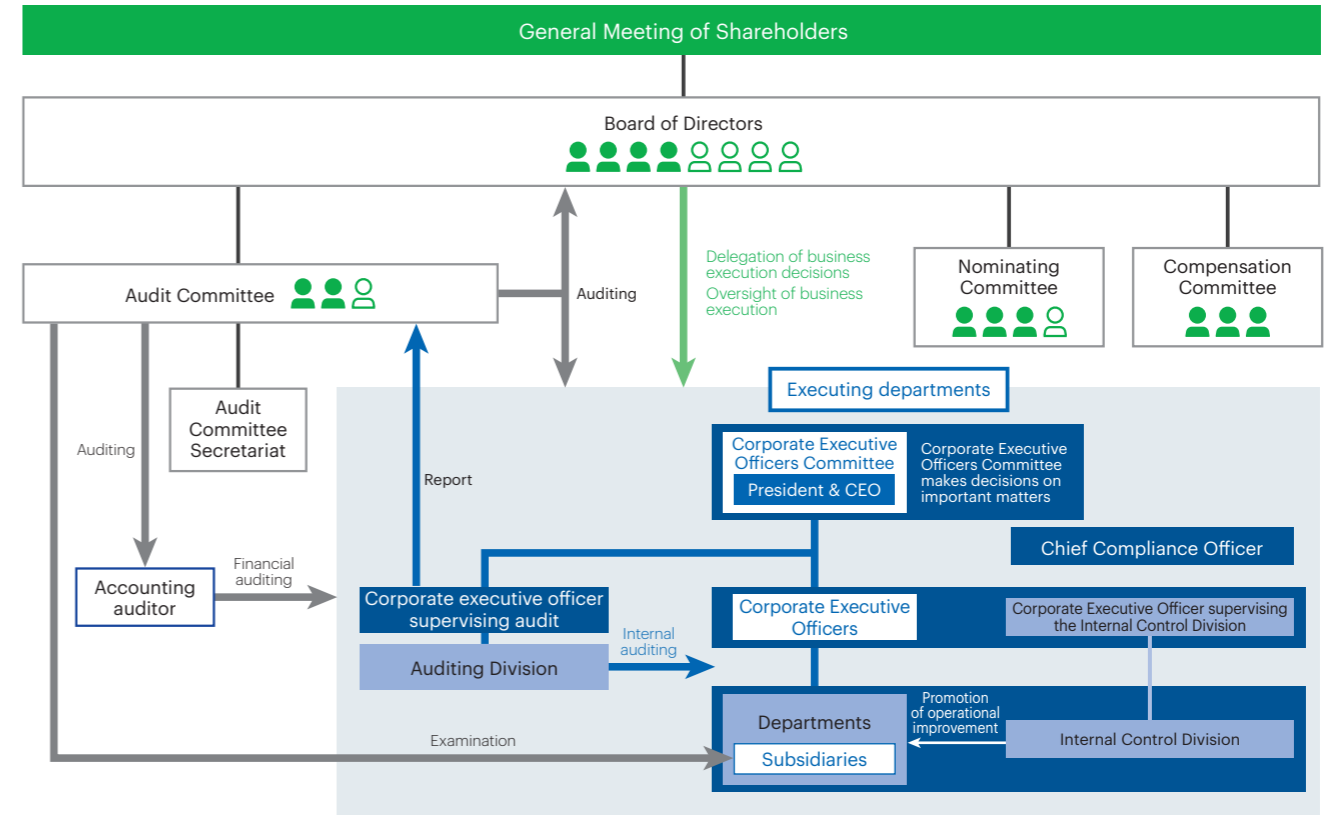
Mitsubishi Chemical Group Corporation has declared its Purpose as “We lead with innovative solutions to achieve KAITEKI, the well-being of people and the planet.” We will drive the realization of KAITEKI through better Science, by providing Value to all stakeholders and contributing to healthy living and the sustainable Life of people and the planet.

Guided by this basic policy for the realization of KAITEKI, we are focusing on establishing a better corporate governance structure by improving management transparency through proper disclosure and dialogue with stakeholders, while enhancing both the soundness and efficiency of management.

Corporate governance structure for sound management and greater efficiency (As of June 27, 2023)

To improve the transparency and fairness of our management, strengthen management supervision functions, and increase management agility through accelerated decision-making, MCG has adopted the structure of a company with a nominating committee, etc. Under this governance system, the Board of Directors and the three committees (Nominating, Audit, and Compensation committees) oversee business management while the corporate executive officers are responsible for making decisions and operating the business.

Structure for ensuring the appropriateness of operations (Conceptual diagram)



Corporate Governance

Corporate governance history

Category	June 2013	June 2014	June 2015	June 2016	June 2021
Initiatives	Appointment of an outside director	Appointment of a director of overseas nationality	Appointment of a female director Transition to a company with a nominating committee, etc.	Increase in the number of outside directors	Selection of a lead independent outside director
Medium- to long-term targets (including those already achieved)	Strengthening of management supervision functions	Increased diversity of the Board of Directors	Increased diversity of the Board of Directors Improvement of management transparency and fairness as well as management supervision functions	Strengthening of management supervision functions	Enhancement of the independence of the Board of Directors and strengthening of cooperation between executive and outside directors

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## Corporate Governance System

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## Roles of the Board of Directors

The Board of Directors determines basic management policies, such as medium-term business strategies and annual budgets. As a general rule, corporate executive officers are entrusted with the responsibility of executing operations in accordance with these basic policies, excluding matters that must be legally resolved by the Board of Directors. The Board of Directors primarily supervises the execution of duties by the corporate executive officers.

## Composition of the Board of Directors

To enable the MCG Group to formulate basic management policy and supervise management appropriately, we seek to appoint directors based on multifaceted considerations by defining two sets of skills: universally required skills in corporate management, global business, and risk management; and skills required from a medium- to long-term perspective in legal and compliance, finance, industry and related business, and technology, science, and digital.

To strengthen the supervisory function of the Board of Directors, we stipulate that the majority of the directors should not serve concurrently as corporate executive officers.

Name	Skills Matrix						
	General skills*			Specialty skills*			
	Corporate management	Global business	Risk management	Legal/compliance	Finance	Industry and related business	Technology, science, and digital
Jean-Marc Gilson ◆	●	●	●		●	●	
Ken Fujiwara ◆		●	●	●		●	
Glenn H. Fredrickson		●	●			●	●
Nobuo Fukuda		●	●			●	
Takayuki Hashimoto	●	●	●				●
Chikatomo Hodo	●	●	●				●
Kiyomi Kikuchi		●	●	●			
Tatsumi Yamada		●	●		●		

Note: Directors indicated with the symbol (◆) act in an executive function.

\* General skills are those universally required of directors, with global business and risk management defined as common skills required of all directors. Specialty skills are those required from a medium- to long-term perspective and are defined as professional skills where each director will have particular strengths.

## Main agenda items discussed at the Board of Directors' meeting during fiscal 2022

- New Group Concept
- Medium-term management plan, annual budget, and investment plan
- Effectiveness of internal control system
- Rationale for cross-shareholdings
- Engagement activities with institutional investors
- Results of the employee awareness survey
- Regular reports from each committee and each corporate executive officer

## Lead Independent Outside Director

With the aim of enhancing the independence of the Board of Directors and strengthening cooperation between corporate executive officers and outside directors, the outside directors elect a lead independent outside director from among themselves. The lead independent outside director gathers opinions from the outside directors and holds discussions with the chairman of the Board of Directors and the president & CEO, and presides as chairperson over a meeting body composed solely of the outside directors.

## Director Liaison Committee and related meetings

As a forum for sharing of important management-related information and for the frank exchange of opinions on management issues, the Director Liaison Committee has been established that includes all directors as members.

Separate from this committee, regular meetings are held exclusively for outside directors, at which they can exchange information and establish a common understanding based on an independent and objective viewpoint.

## Main agenda items of the Director Liaison Committee during fiscal 2022

- Capital market expectations and portfolio management
- Growth strategy
- Issues relating to management strategy

## Governance

## Corporate Governance System

## Framework and roles of the committees (As of June 27, 2023)

	Nominating Committee	Audit Committee	Compensation Committee
<b>Chairperson</b>	Outside director	Outside director	Outside director
<b>Composition (including chairperson)</b>	Outside directors—3 Internal director—1	Outside directors—2 Internal director (full-time)—1	Outside directors—3
<b>Purpose</b>	The Nominating Committee nominates candidates for directors and corporate executive officers.	The Audit Committee audits the execution of duties by corporate executive officers and directors and reviews the Group's internal control systems, etc.	The Compensation Committee determines the design of the remuneration system and the amount of remuneration to be paid to individuals.
<b>Fiscal 2022</b>	The committee met a total of 13 times and undertook individual appraisals of the president and CEO and the other corporate executive officers, selection of corporate executive officer candidates, and discussion of the presidential succession plan. The committee also discussed the skills matrix and succession plan for directors and revised the skills matrix.	The committee met a total of 15 times and undertook key point audits of the status of development and operation of governance and the internal control systems, and the status of business execution regarding the management foundation, the business strategy, and other items. These audits focused particularly on the response of the new management system, which was designed to reflect changes in the business environment.	The committee met a total of 11 times and, based on the director remuneration policy, discussed and decided on the appropriate system and level of remuneration for directors and corporate executive officers. With the aim of further raising the level of commitment to a medium- to long-term increase in corporate value and shareholder value, the committee decided to introduce a restricted transfer stock remuneration that is not linked to performance for outside directors from fiscal 2023.

## Assessment of the CEO

The Nominating Committee assesses the performance of the CEO from multiple perspectives using indices based on the three axes for the realization of the MCG Group Purpose (MOS, MOT, and MOE), and also discusses the appropriateness of the continuation of duties by the CEO, using metrics such as 360-degree feedback. The Nominating Committee provides feedback on the results of discussions to the individuals involved to improve the quality of management.

## Audit system (trilateral audits)

The Audit Committee cooperates with the Internal Auditing Division and the accounting auditor to enhance the trilateral audits (conducted by the Audit Committee, accounting auditor, and the internal audit departments).

The committee holds discussions in advance with the Internal Auditing Division on the internal audit plans made by the office and has regular meetings with the office to exchange opinions and receive information on the results of internal audits and other issues. The committee also cooperates closely with the accounting auditor. It receives reports on the audit process, plans, progress status on audit work and the results of audits, and exchanges information and opinions with the auditor.

## Corporate executive officers

The corporate executive officers decide on the operational execution and are in charge of its implementation based on basic management policies developed by the Board. Regarding important matters in the management of the MCG Group, deliberations are made at the Corporate Executive Officers Committee, which is a council formed of corporate executive officers. In addition to determining the division of duties of each corporate executive officer for other matters, appropriate and efficient decision-making is made possible by clarifying the decision-making authority of the corporate executive officer in charge.

## Corporate Executive Officers Committee

The Corporate Executive Officers Committee is composed of all corporate executive officers. It deliberates and decides on important matters concerning the management of MCG and the MCG Group, and also monitors the Group's business based on the medium-term management plan, the annual budget, and other relevant factors.

## Cross-shareholdings

MCG and major subsidiaries acquire and hold shares of client companies, etc., if the shareholding contributes to medium- to long-term improvement in corporate value. The Board of Directors reviews the grounds for such cross-shareholdings on a regular basis. Taking account of the effect on the market, we make efforts to sell such cross-shareholdings as assessed to be insufficiently justified. On November 8, 2022, the Board of Directors reviewed all Group cross-shareholdings as of the end of March 2022 in terms of the economic rationale as measured by ROIC, their necessity for business, and other considerations. As a result of the review, we found some cross-shareholdings to be insufficiently justified and will proceed with their sale, taking account of the effect on the market.

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## Governance

# Corporate Governance System

### Policies on the nomination of director candidates

The Nominating Committee nominates as director candidates persons who fulfill the following criteria:

- Possess deep insight, as well as objective and fair judgment, which are necessary to fulfill the responsibilities of a director of a company with a nominating committee, etc.;
- Possess high ethical standards and a law-abiding spirit;
- Are healthy enough to fulfill the responsibilities of a director.
- For outside directors: Fulfill the standards for independence of outside directors, are able to secure enough time to execute business, and, additionally, are able to contribute to diversity among the outside directors.

### Training for directors

Outside directors are constantly briefed on the MCG Group's business and organizations and are regularly given the opportunity to visit the Group's business locations in Japan and abroad and to discuss with the management team. Internal directors are also given opportunities to develop the qualities required of directors through training sessions on compliance and internal control and a range of seminars held by external organizations.

### Standards for independence of outside directors

The Company appoints as outside directors persons who do not fall under any of the items listed below and are capable of overseeing the Company's management from a fair and neutral standpoint free of conflict of interest with general shareholders.

#### 1. Related party of the Company

- (1) A person engaged in the execution of MCG Group operations (executive director, corporate executive officer, executive officer, manager, employee, partner, etc. The same shall apply hereafter.)
- (2) A person who has been engaged in the execution of MCG Group operations in the last 10 years

#### 2. Major shareholder

A person who directly or indirectly holds 10% or more of MCG's total voting rights or a person engaged in the execution of operations of a company that directly or indirectly holds 10% or more of MCG's total voting rights

#### 3. Major business partner

- (1) A person engaged in the execution of operations of a company\*<sup>1</sup> whose major business partners include MCG or any of its Group operating companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Nippon Sanso Holdings Corporation. The same shall apply hereafter.)
- (2) A person engaged in the execution of operations of a major business partner\*<sup>2</sup> of MCG or any of its Group operating companies

#### 4. Accounting auditor

An accounting auditor of the MCG Group or an employee thereof

#### 5. Transaction as an individual

A person who receives money or other financial benefits of ¥10 million or more per year from MCG or any of its Group operating companies

#### 6. Donation

A person who receives a donation or financial assistance of ¥10 million or more per year from MCG or any of its Group operating companies or a person engaged in the execution of operations of a company that receives a donation or financial assistance of ¥10 million or more per year from MCG or any of its Group operating companies

#### 7. Reciprocal assumption of the position of director

A person engaged in the execution of operations of a company that has appointed as director any MCG Group director or employee

#### 8. Close relative, etc.

- (1) A close relative, etc., of a person engaged in the execution of important MCG Group operations (spouse, relative within the second degree of relationship, or any person who shares the same livelihood. The same shall apply hereafter.)
- (2) A close relative, etc., of any person who meets the definition of any of items 3 to 7 above

\*1 If the said business partner received from MCG or any of its Group operating companies an amount equivalent to 2% or more of its annual consolidated net sales in the latest fiscal year, it shall be considered as one whose major business partners include MCG.

\*2 If MCG or any of its Group operating companies received from the said business partner an amount equivalent to 2% or more of MCG's annual consolidated net sales revenue in the latest fiscal year or the said business partner has lent to the MCG Group an amount equivalent to 2% or more of MCG's total consolidated assets, the business partner shall be considered as a major business partner of MCG.

Note: The party is deemed to fall under one of items 3 to 7 above if the relevant condition has been met at any time in the past three years.

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## Governance

## Corporate Governance System

## Outside officers' main activities and attendance at Board of Directors' meetings and committee meetings (FY2022)

Name	Status of activities and summary of duties executed in relation to expected roles	Attendance		
		Meeting	Attendance	Rate
Takayuki Hashimoto	At Board of Directors' meetings, Mr. Hashimoto provided input mainly on global management and portfolio management. As lead independent outside director, he also engaged in dialogue with institutional investors. As chairperson of the Nominating Committee, meanwhile, where the main agenda items during the fiscal year under review were the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer, he fulfilled his duties by playing a leading role in highly impartial and transparent decision-making. Furthermore, as a member of the Compensation Committee, he executed his duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the consideration of performance-linked remuneration for corporate executive officers and the remuneration system for outside directors.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Compensation Committee meeting	10/11	91%
Chikatomo Hodo	At Board of Directors' meetings, Mr. Hodo provided input mainly on global management, portfolio management, and corporate value enhancement from the perspective of ESG. Furthermore, as a member of the Nominating Committee, he executed his duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer. As chairperson of the Compensation Committee, where the main agenda items of the fiscal year under review were the consideration of performance-linked remuneration for corporate executive officers and the remuneration system for outside directors, he fulfilled his duties by playing a leading role in highly impartial and transparent decision-making.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Compensation Committee meeting	11/11	100%
Kiyomi Kikuchi	At Board of Directors' meetings, Ms. Kikuchi provided input on such matters as the functions and responsibilities of the Board of Directors, assessment of legal risk, and global governance, drawing on her experience and profound insight as a lawyer. Furthermore, as a member of the Nominating Committee, she executed her duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer. She also appropriately fulfilled her duties as an outside member of the Audit Committee, where the main agenda items of the fiscal year under review were the development and operation of the internal control system in line with the audit plan, the strengthening of the management foundation and progress with the business strategy as set out in the management policy, "Forging the future," and other matters relating to business execution.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Audit Committee meeting	15/15	100%
Tatsumi Yamada	At Board of Directors' meetings, Mr. Yamada provided input on such matters as finance and accounting, disclosure, and market valuation, drawing on his experience and profound insight as a certified public accountant and an international accounting expert. Meanwhile, as chairperson of the Audit Committee, where the main agenda items of the fiscal year under review were the development and operation of the internal control system in line with the audit plan, the strengthening of the management foundation and progress with the business strategy as set out in the management policy, "Forging the future," and other matters relating to business execution, he fulfilled his duties by playing a leading role in ensuring the impartiality and transparency of audit activities. Furthermore, as a member of the Compensation Committee, he executed his duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the consideration of performance-linked remuneration for corporate executive officers and the remuneration system for outside directors.	Board of Directors' meeting	7/7	100%
		Audit Committee meeting	15/15	100%
		Compensation Committee meeting	11/11	100%
Takako Masai	At Board of Directors' meetings, Ms. Masai provided input on such matters as finance and market risk management, drawing on her experience and profound insight in the areas of analysis of financial and economic conditions and the administration of monetary policy. Furthermore, as a member of the Nominating Committee, she executed her duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer. She also appropriately fulfilled her duties as an outside member of the Audit Committee, where the main agenda items of the fiscal year under review were the development and operation of the internal control system in line with the audit plan, the strengthening of the management foundation and progress with the business strategy as set out in the management policy, "Forging the future," and other matters relating to business execution.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Audit Committee meeting	15/15	100%

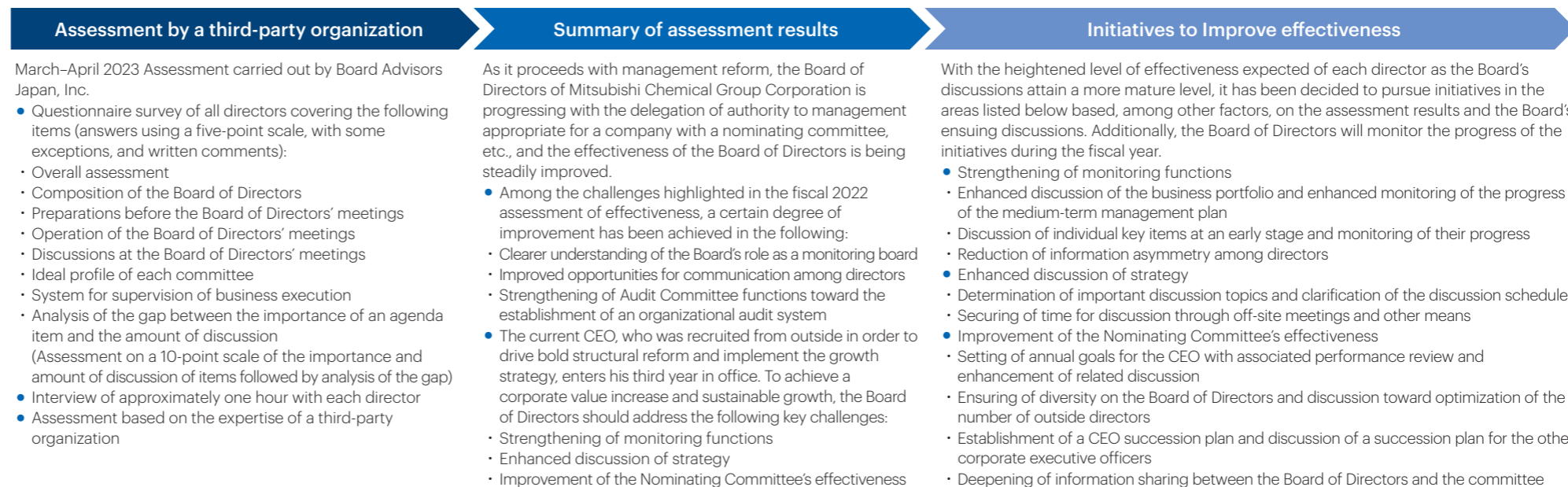
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## Governance

## Assessment of Effectiveness

## Fiscal 2022 assessment of the Board's effectiveness

From March to April 2023, an assessment of the effectiveness of the Board of Directors was carried out by a third-party organization. Based on the assessment results, the Board discussed and decided on initiatives to improve effectiveness going forward. The Mitsubishi Chemical Group will continue working to improve the effectiveness of the Board of Directors, taking due account of the assessment results and the various proposals made by the directors.



## Efforts promoted based on the previous effectiveness assessment

Based on the findings from the effectiveness assessment conducted and directors' suggestions provided in fiscal 2021, MCG implemented the following measures:

- Further redefining the supervisory function of the Board of Directors and setting the agenda to realize such function.
  - Expanded reporting of the status of business execution by corporate executive officers to the Board of Directors
  - Revision of the director skills matrix in June 2022 following discussion by the Nominating Committee of the composition of the Board of Directors including consideration of the medium- to long-term perspective
- Promoting communication and fostering mutual trust between corporate executive officers and outside directors to deepen the understanding of outside directors toward the Group.
  - Resumption of visits to business sites and laboratories by outside directors and enhancement of dialogue and other contacts with employees engaged in manufacturing and research
  - Increased opportunities for direct discussion with directors through presentations to corporate executive officers at the Director Liaison Committee and the Outside Director Liaison Committee
- Further strengthening cooperation between the Board of Directors and each committee (e.g., expanding reports to the Board of Directors, etc.).
  - Increased opportunities for information sharing and discussion at Board of Directors' meetings by making reports from each committee a regular agenda item
- Centralizing the Group's Internal Auditing Division in the Company and conducting appropriate and more efficient organizational audits based on the expansion of the Audit Committee secretariat function.
  - Strengthening of the audit function through measures including continued hearings with executive divisions by members of the Audit Committee as part of the consolidation of the organizational audit system in cooperation with the Internal Auditing Division
  - Partial revision of the operation of the Audit Committee to promote appropriate and effective organizational auditing

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## Governance

# Director and Officer Remuneration

### Director and officer remuneration policy

#### Method for deciding the director and officer remuneration policy

The policy for determining the individual remuneration of directors and officers is decided in each fiscal year by the Compensation Committee following a discussion within the committee of the appropriateness of the policy. In addition to taking account of changes in the business environment, the opinions of shareholders and investors, and other factors, the discussions of the Compensation Committee are supported by the provision of necessary information and other assistance from the external remuneration consultant Wills Towers Watson, which has a wealth of global experience and knowledge.

#### Changes to the director and officer remuneration policy from fiscal 2023

To drive a further sustainable increase in corporate value and shareholder value, it has been decided to make an allocation of restricted transfer stock (RS) to outside directors from fiscal 2023. The additional amount of RS to be allocated will be decided with reference to the role expected of the outside director and trends among other companies, but with fiscal 2023 RS to be no greater than 10% of the basic remuneration. There were no other significant changes to the director remuneration policy in fiscal 2023.

#### Principle of remuneration

The systems for directors and for corporate executive officers are separate, and remuneration is determined by the Compensation Committee based on the concepts outlined below.

#### ■ Basic policy for deciding remuneration, etc., for directors

- Given their role of overseeing and auditing the management of the Company from an independent and objective standpoint, remuneration for directors shall chiefly be the basic remuneration (fixed

remuneration). To promote an increase in corporate value and shareholder value, the outside directors, who are expected to supervise and assist management from the shareholder and investor perspective, shall receive stock-based remuneration that is not linked to performance in addition to the basic remuneration.

- In order to secure personnel suitable for executing the responsibilities of a director of a company with a nominating committee, etc., the level of remuneration shall be determined by considering the levels set by other companies, the expected role and function, the hours required to complete the duties, and other factors.

#### ■ Basic policy for deciding the remuneration, etc., for corporate executive officers

- The remuneration system shall be such as to promote in corporate executive officers an awareness of the integrated practice of the three axes for the realization of the MCG Group Purpose (MOS, MOT, and MOE).
- The remuneration plan shall be designed to function effectively as an incentive to enhancing short-term and medium- and long-term performance and improving sustainable corporate value and shareholder value.
- Remuneration shall be set at a level competitive enough to attract and retain high-quality management personnel to lead the sustainable growth of the MCG Group.
- Remuneration shall be determined through a fair and reasonable decision-making process that fulfills the duty of accountability to all stakeholders including shareholders, customers, and employees.

#### ■ Basic policy for deciding the remuneration, etc., of officers recruited from outside

- The remuneration, etc., of officers recruited from outside shall be determined in accordance with the basic policies outlined above, but with consideration given on a case-by-case basis to the remuneration levels and practices thought to prevail in the place or country of origin or residence of the officer recruited and other relevant factors.

### Remuneration system

#### ■ Directors

The remuneration of internal directors shall be basic remuneration (fixed remuneration) only. When a director serves concurrently as a corporate executive officer, the remuneration system for corporate executive officers shall apply.

The remuneration of outside directors shall consist of the basic remuneration (fixed remuneration) and stock-based remuneration (RS).

#### ■ Corporate executive officers

The composition of the remuneration of corporate executive officers shall be as set out below.

Type of remuneration		Description
Fixed	Basic remuneration	<ul style="list-style-type: none"> <li>Basic remuneration paid for the execution of responsibilities and duties</li> <li>Determined by the role and degree of responsibility of each corporate executive officer</li> </ul>
	Short-term / Cash	<ul style="list-style-type: none"> <li>Monetary remuneration in line with the results for each fiscal year of the Company-wide performance evaluation (progress toward realizing the Group Purpose based on the three axes) and the individual appraisal (degree of achievement of initiative targets under the medium-term management plan, leadership quality, etc.)</li> </ul>
Variable	Performance share unit (PSU)	<ul style="list-style-type: none"> <li>Stock allocation based on Company share price growth* over a three-year period</li> <li>* Relative to JPX-Nikkei Index 400 and peer group (domestic and overseas chemical/healthcare companies with global operational presence)</li> </ul>
	Long-term / Stock	<ul style="list-style-type: none"> <li>Restricted transfer stock (RS)</li> <li>Restricted transfer stock is allocated each fiscal year in an amount depending on the office title. The transfer restriction is removed on the officer's retirement.</li> </ul>

Note: For corporate executive officers of non-Japanese nationality, fringe benefits and severance pay may be paid in addition to the above, to the extent appropriate, based on consideration of the remuneration levels and practices believed to prevail in the place or country of origin or residence of the officer recruited.



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## Director and Officer Remuneration

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### Method of setting the levels/percentage of remuneration

#### ■ Directors

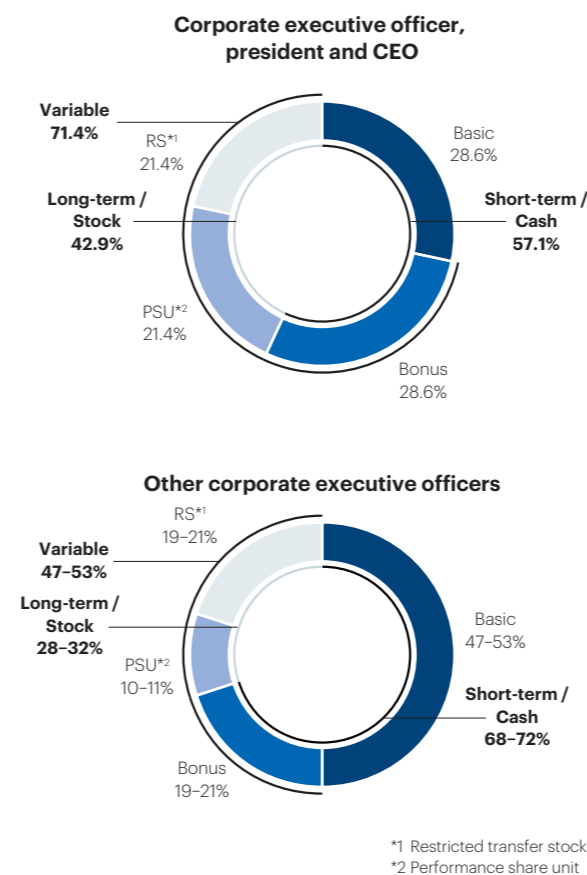
The remuneration level for directors shall be determined by considering the remuneration level for non-executive directors and outside directors at other companies of similar size in terms of domestic sales, market capitalization and other indicators, the role and functions of the director (e.g., lead independent outside director, member/chairperson of Nominating/Compensation/Audit Committee), and the hours required to complete the duties (full-time/part-time distinction).

The proportion of stock-based remuneration in the remuneration of outside directors shall be set with reference to the role of the outside director and trends at other companies. The proportion of stock-based remuneration for fiscal 2023 shall be no greater than 10% of the basic remuneration.

#### ■ Corporate executive officers

The remuneration, etc., of corporate executive officers shall be of a level that is competitive, in terms of the amount of remuneration and the degree of performance linkage, based on comparison with the remuneration level and degree of performance linkage set by other companies of similar size in terms of market capitalization and domestic sales (for officers of non-Japanese nationality, however, of similar size in terms of market capitalization and sales in the officer's place or country of origin or residence or in another region relevant when considering recruitment of talent).

Fiscal 2023 composition of standard remuneration for corporate executive officers (Example)



Note: The ratio of basic remuneration to bonus to stock-based remuneration for fiscal 2023 is set at 1:1:1.5 for the corporate executive officer, president and CEO, and at 1:0.35-0.45:0.53-0.68 for the other corporate executive officers, with the ratio of variable remuneration increasing with seniority of position.

### Annual bonus

The amount of individual bonus for corporate executive officers is determined in line with the results of the Company-wide performance evaluation (achievement of targets for each fiscal year based on the three axes for realizing the Group Purpose) and the individual appraisal (achievement of initiative targets set individually under the medium-term management plan, leadership quality, etc.).

$$\text{Individual bonus amount} = \text{Base amount for office title} \times \left( \begin{array}{c} \text{Result of} \\ \text{Company-wide} \\ \text{performance} \\ \text{evaluation} \\ + \\ \text{Result of individual} \\ \text{appraisal} \\ \text{(0-200\%)} \end{array} \right) \times \text{Final adjusting assessment (80-120\%)}$$

#### ■ Company-wide performance evaluation

The management indicators of each of the three axes for the realization of the MCG Group Purpose (MOS, MOT, and MOE) are used as direct metrics for determining the bonus. The specific metrics for each fiscal year are selected primarily from the items below.

Three axes for realizing the Group Purpose	Major management indicators of each axis = Company-wide performance evaluation metrics	% weight in assessment
MOS	Indicators associated with preventive and other measures against safety incidents and lost-time injuries, reduction of GHG emissions, and improvement of employee engagement	20%
MOT	Indicators associated with R&D, intellectual property activities, DX, and other initiatives to fulfill the management plan	10%
MOE	Indicators associated with core operating income, ROE, ROIC, free cash flow, etc.	70%

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Governance

## Director and Officer Remuneration

### Individual appraisal

For the corporate executive officer, president and CEO, targets declared by the corporate executive officer, president and CEO at the beginning of the fiscal year are reviewed and assessed by the Compensation Committee and Nominating Committee. For assessment, a self-assessment is reviewed and assessed at the end of the fiscal year by the Compensation Committee and the Nominating Committee.

Regarding targets and assessment for the other corporate executive officers, these are determined through an interview between the individual officer and the corporate executive officer, president and CEO, then reviewed and approved by the Compensation Committee. In cooperation with the Nominating Committee, the Compensation Committee verifies the fairness and reasonableness of the targets and assessments for each corporate executive officer.

### Final adjusting assessment

Where a notable success has been achieved or a serious loss incurred that were not foreseeable at the beginning of the fiscal year, and only in such cases, the Compensation Committee and the Nominating Committee examine the details, assess the need to take account thereof, and adjust the final assessment accordingly.

### Performance share unit (PSU)

In fiscal 2021, the Company discontinued the stock-based remuneration plan using the Board Incentive Plan (BIP) trust and introduced a PSU-based system. Under this system, which is intended to promote awareness of sustainable improvement in corporate value and shareholder value, common stock of the Company is allocated, in principle annually, in an amount calculated in proportion to the Company's share price growth (total shareholder return [TSR]) over a three-year period. The method of calculating the number of individual shares allocated is as shown in the table above right.

### TSR assessment period allocation

The amount for fiscal 2023 will be based on assessment of the period from fiscal 2023 to fiscal 2025.

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
FY2023 PSU	TSR assessment period allocation			Stock allocation		
FY2024 PSU		TSR assessment period allocation			Stock allocation	
FY2025 PSU			TSR assessment period allocation			Stock allocation

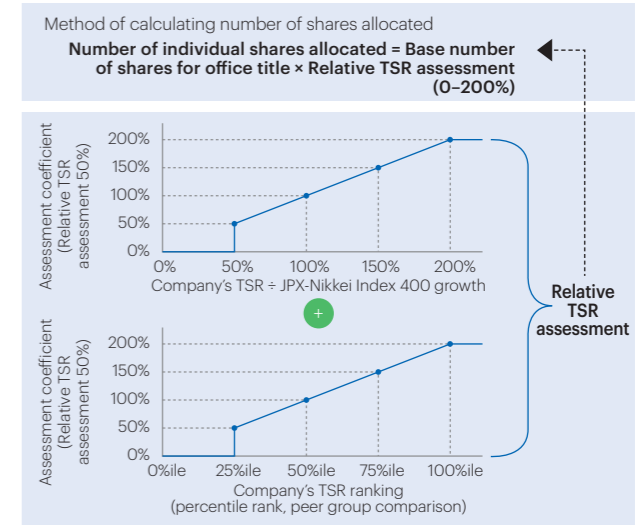
### TSR assessment category

The Company's TSR is assessed by comparison with the index growth rate and the peer group TSR.

Assessment category	% weight in assessment	Assessment method
Comparison of index growth	50%	Determination of assessment coefficient reflecting performance of the Company's TSR relative to growth of the JPX-Nikkei Index 400 (incl. dividends)
Comparison with peer group TSR	50%	Determination of assessment coefficient based on ranking of the Company's TSR relative to the peer group (other domestic and overseas chemical/healthcare companies of similar size in terms of sales revenue, market capitalization, etc.)

### Stock-based remuneration with restricted transfer stock (RS)

Each year, directors and corporate executive officers shall receive an allocation of shares of the Company's common stock equivalent to the base amount determined separately by position or office title in accordance with the Share Delivery Rules on RS. In order to share shareholder value and achieve growth in share price in the medium to long term, the period of transfer



restriction shall be from the date of allocation to the date of retirement as a director or corporate executive officer of the Company.

### Remuneration clawback and other important matters

The Company may apply other special remuneration and benefits, where necessary, after a case-by-case review by the Compensation Committee. In addition, if a director or corporate executive officer is found to have committed misconduct or other infringement, the Company may, subject to a review by the Compensation Committee, make a claim against the director or corporate executive officer to withdraw the right to receive remuneration ("malus clause") or to reclaim the remuneration ("clawback clause").

## Governance

## Director and Officer Remuneration

## Aggregate amount of remuneration of Company officers

## Aggregate amount of remuneration of officers for fiscal 2022

Category of officer	Aggregate amount of consolidated remuneration, etc. (millions of yen)				Total	Number of officers
	Basic remuneration, etc.	Performance-linked remuneration		Restricted transfer stock		
		Annual bonus	Stock-based remuneration			
Directors (internal)	102 (99)	—	—	—	102 (99)	5
Directors (outside)	91	—	—	—	91	5
Corporate executive officers	603 (603)	383 (324)	153 (110)	313 (313)	1,451 (1,349)	13
<b>Total</b>	<b>795 (792)</b>	<b>383 (324)</b>	<b>153 (110)</b>	<b>313 (313)</b>	<b>1,643 (1,539)</b>	<b>23</b>

Notes: 1. The aggregate amount of remuneration, etc., above is stated as consolidated remuneration, etc. (the sum of remuneration paid or to be paid, or expenses, etc., borne by the Company and its subsidiaries). For directors (internal) and corporate executive officers, the amounts in brackets are the sum of remuneration, etc., paid by the Company. For outside directors, the aggregate amount of consolidated remuneration, etc., is paid fully by the Company.

2. MCG directors who serve concurrently as corporate executive officers are remunerated as corporate executive officers.

3. The amounts shown above for basic remuneration, etc., and annual bonus are the total of the remuneration, etc., paid during fiscal 2022 (total monetary remuneration).

4. The amount shown for basic remuneration, etc., includes fringe benefits for corporate executive officers of overseas nationality (covering costs for short home country visits, children's education, increase in gross fringe benefits, etc.). Furthermore, in the case of such officers, the Company bears expenses of ¥36 million for housing, medical insurance, etc., as fringe benefits, i.e., non-monetary remuneration, in addition to the above remuneration.

5. The amounts shown for annual bonuses for corporate executive officers include amounts paid in June 2022 to corporate executive officers who retired at the end of March 2022. Meanwhile, for corporate executive officers who served concurrently as directors, the amounts of basic remuneration paid in the period from the end of March 2022, when they retired as corporate executive officers, up to June 2022, when they retired as directors, are classified as remuneration, etc., for (internal) directors.

6. The amount stated above for stock-based remuneration is the sum of relevant expenses recorded for fiscal 2022 (expenses for the PSU system (▶Page 83) introduced in fiscal 2021 and expenses for stock-based remuneration under the BIP trust system applied by subsidiaries).

7. The amount stated above for RS is the sum of relevant expenses recorded for fiscal 2022 (sum of expenses for allocation of RS at the base value for the office title whose transfer restriction is removed on the officer's retirement and expenses for RS allocation to the corporate executive officer, president and CEO as a sign-on bonus).

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## Governance

### Director and Officer Remuneration

#### Method of calculating performance-linked remuneration paid during fiscal 2022 and results of evaluation

The amount of the annual bonus paid to each corporate executive officer in fiscal 2022 was determined, within the range of 137.5%–150% of the base amount, in proportion to the results of the KAITEKI Value evaluation (achievement of annual targets under the MCG Group's three key axes: Management of Sustainability [MOS], Management of Technology [MOT], and Management of Economics [MOE]) and individual appraisal (achievement of initiative targets set individually under the medium-term management plan, leadership quality, etc.).

$$\text{Individual bonus amount} = \text{Base amount for office title} \times \frac{\text{[KAITEKI Value evaluation + Individual appraisal]}}{(0-200\%)} \times \frac{\text{Final evaluation adjustment}}{(80-120\%)}$$

The major indicators used in the fiscal 2021 KAITEKI Value evaluation, the reason for their adoption, and the result of the evaluation are as set out below.

	Major indicators	Reason for adoption	% of evaluation
MOS	Safety-related indicators	To ensure the safety of employees and other stakeholders	20%
	Indicators related to environmental impact reduction	To realize carbon neutrality	
	Indicators related to employee engagement	To promote a healthy work environment and society where diverse human resources can participate actively	
MOT	Degree of contribution of new products and services	To measure the ability to create business through innovation	10%
	Patent competitiveness	To measure technological superiority	
	Digital development level	To promote DX	
MOE	Core operating income	To boost core business earning power	70%
	ROE	To promote a sustainable increase in corporate value	
	ROIC	To increase efficiency with the aim of improving core business profits relative to invested capital	

**Result of fiscal 2021 KAITEKI Value evaluation (payout rate): S (150%)**

Note: KAITEKI Value evaluation: Performance is rated on a five-level scale with "A" (100%) as the base value, "SS" (200%) when the target is surpassed by a significant margin, "S" (150%) when the target is surpassed, "B" (50%) when the target is missed, and "C" (0%) when the target is missed by a significant margin (figures in parentheses: Percentage payout).

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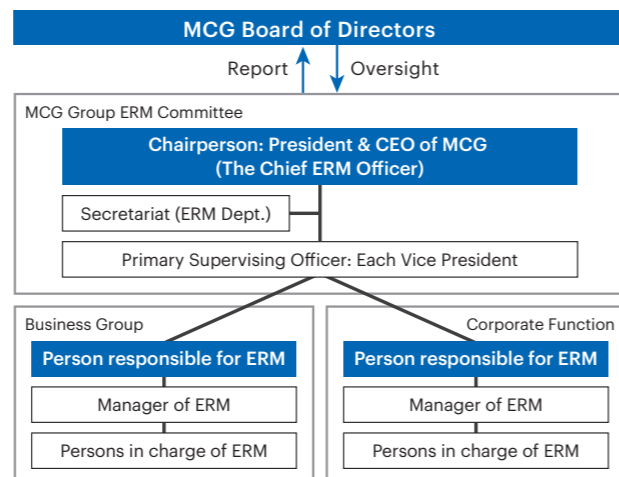
## Governance

# Risk Management

Recent years have seen great changes in the corporate business environment. With new infectious diseases appearing, transnational conflicts intensifying, and extreme weather events recurring, the last few years have brought frequent and significant changes on society and the environment. In turn, the choices we need to make as we look to the future are increasing in number. In line with this widening range of choices, risk is diversifying and becoming more complex, and risk management needs to become more sophisticated to achieve its goals.

Against this background, the Mitsubishi Chemical Group concluded that a new future-focused approach to risk management was needed and introduced enterprise risk management (ERM) starting in fiscal 2022. The introduction of ERM has enabled the MCG Group to overview and visualize the risk in its environment. This in turn allows management to optimize healthy risk-taking and risk response on a Company-wide basis, thereby promoting activities that contribute to maximization of corporate value.

**ERM promotion system conceptual diagram** (As of April 2023)



### Risk management system

The MCG Group has established a risk management system based on an organizational management system that emphasizes the “One Company, One Team” management line.

The MCG Group ERM Committee is chaired by the MCG President & CEO, who is the Chief ERM Officer based on the ERM Basic Regulations, and is composed of the Primary Supervising Officers (Vice Presidents) in charge of their respective risk category areas. The ERM Committee deliberates and decides on the status of management of material risks and risk management policies that affect the entire MCG Group, and reports the details of these decisions as appropriate to the Board of Directors. The ERM Committee is held twice a year in principle and is also held on an as-needed basis.

To promote ERM in each organization associated with the ERM Committee, a person responsible for ERM, a manager of ERM, and persons in charge of ERM are appointed in each business Group and function.

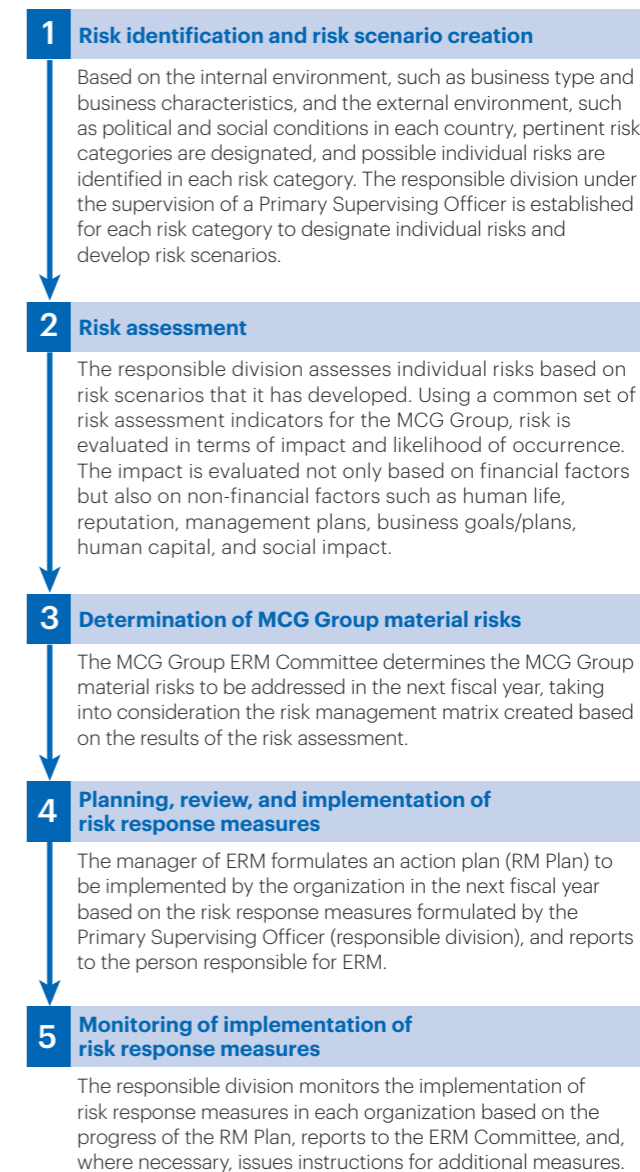
### Measures against material risks

For each fiscal year, the MCG Group ERM Committee designates risk to be prioritized by the Group and implements the response. In fiscal 2023, nine categories of risk were designated as material risk, including supply chain risk and information security risk, and with a focus placed on geopolitical risk.

Since these risks are interrelated, each Primary Supervising Officer (responsible division) works together to address these MCG Group material risks and reports the status of the response to the ERM Committee.

The ERM Committee regularly evaluates the effectiveness of these risk response measures and, where necessary, issues instructions for additional measures.

### ERM Promotion Process (As of April 2023)



## Governance

# Risk Management

### Measures against future risks

The MCG Group is also addressing future risks by planning a medium- to long-term strategy.

### Risks related to climate change

While the chemical industry is an industry with high GHG emissions, it can also contribute to the reduction of GHGs through its products. There is a risk that future earnings may be affected if we are unable to meet demand for lower GHG emissions from customers who pay close attention to environmental standards and energy efficiency in products. Therefore, the MCG Group has set a quantitative target of “sales revenue from sustainability-related products (products that contribute to sustainability, particularly those relating to climate change, circular economy, and food supply),” and is progressing with the development of relevant products.

### Risk due to changing market needs

The MCG Group, with its core business in chemicals, needs to achieve constant advances in quality and performance, particularly in the field of specialty materials, and to develop and deliver in a timely manner products that meet market needs. In addition to these requirements, in recent times businesses have been expected to respond to other issues. For example, due to concern over the impact of waste plastic on the marine environment, a shift to plastic substitutes has been recommended.

In response to such changes in market needs, we are keeping a close watch on regulatory trends in the use of plastic products and changes in customer requirements based on such trends. However, if such trends change significantly beyond our expectations, our competitiveness may be adversely affected.

Therefore, we have positioned achieving a circular

economy as an important strategy and are pushing forward with green transformation to develop and provide products that meet market needs for reducing environmental impact in a timely manner, based on key technologies such as plastic recycling and biodegradable plastics. We also participate in domestic and international initiatives such as CLOMA\*1 and AEPW\*2 to implement comprehensive efforts to solve the plastic waste problem.

\*1 Japan Clean Ocean Material Alliance \*2 Alliance to End Plastic Waste

[Progress toward Carbon Neutrality and a Circular Economy ▶Page 64](#)

### Risk associated with changes in international situations

The MCG Group has a wide range of global operations, including exports of products and local production. The situation in Russia and Ukraine has become protracted, and its effects are not only spreading to other regions and businesses but also affecting economic activities due to destabilization of raw fuel prices and rising transportation costs among other factors, and these may spread even further.

In addition, there is a possibility of supply chain fragmentation due to changes in the international situation regarding economic security. We consider this as a highly significant risk that may affect the business performance of the MCG Group and will establish a Company-wide and cross-sectional response organization to strengthen our supply chain.

### Risk due to change in the human resource recruitment environment

#### ■ Securing human resources

With the rise of the millennial generation and the growing diversity of values, failure to clearly present the value of working for the MCG Group may prevent us from securing the appropriate human resources, posing the risk of delay in the realization of our management strategy and in the progress of our management plan.

In order to improve recruiting competitiveness and strengthen retention, we will enhance the value of working for the MCG Group and employee engagement by strengthening talent management, providing career development support to employees, creating an environment for growth, improving the workplace environment, and enhancing recruitment branding.

[Human Resources Strategy ▶Page 67](#)

#### ■ Diversity Equity & Inclusion (DE&I)

While innovation is essential for corporate growth, a lack of diversity, which is the source of innovation, can hinder corporate growth and reduce resilience.

In order to foster an organizational culture that embraces and leverages diversity, we will maintain and improve diversity by continuously raising employees' awareness, instilling our Group Concept (Purpose, Slogan, and Our Way) for leveraging diversity, abolishing personnel management based on attributes, and promoting measures that are appropriate to the situation of each segment.

[Incorporate DE&I into the talent strategy ▶Page 69](#)

#### Risk related to digital technology

As digital technologies such as AI and the IoT develop rapidly, there is a risk that delays in promoting DX and business process innovation will impair the MCG Group's competitiveness, which could have a negative impact on business performance.

To address this risk, we will continue to strengthen our digital strategy promotion system, leveraging new digital technologies and the expansion of our project promotion system to achieve a business transformation designed to raise productivity and establish and maintain business competitiveness. We will additionally work to raise employee digital literacy and promote the adoption of DX (citizen development) within each business group and function.

[Digital Strategy ▶Page 49](#)

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## Governance

# Compliance

For the Mitsubishi Chemical Group, the word *compliance* has a broad meaning encompassing not just basic adherence to the law but also observance of corporate ethics and general social norms. We engage in a range of initiatives to foster a corporate culture of compliance.

### Group Concept and Charter of Corporate Behavior

Mitsubishi Chemical Group Corporation regards compliance as one of its most important management issues, and the Group Concept (Purpose, Slogan, and Our Way) also shows our commitment to it. Meanwhile, the MCG Group Charter of Corporate Behavior declares explicitly our commitment to applying sound ethics and good common sense to every aspect of our corporate activities. It also outlines fundamental principles of conduct for achieving sustainable development in harmony with society and explains our approach to the main issues affecting our contribution to realizing KAITEKI.

[Charter of Corporate Behavior](#)

### Global compliance promotion structure

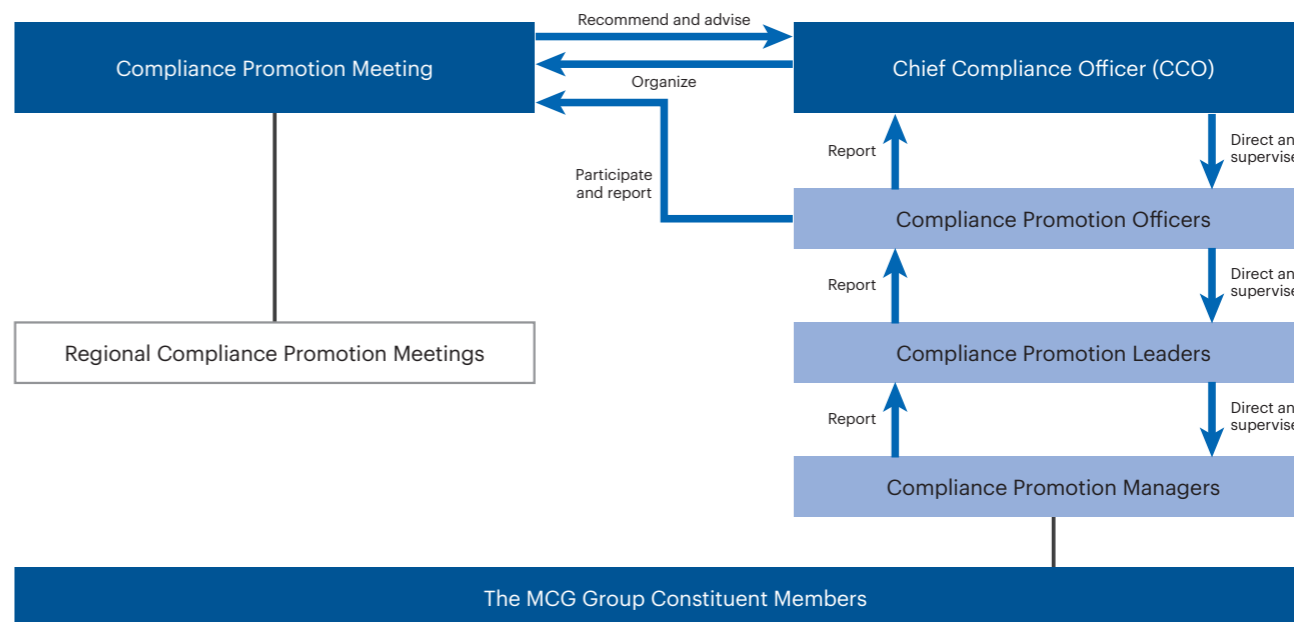
The Chief Compliance Officer (CCO), who is appointed by the MCG Board of Directors, is responsible for implementing compliance and is supported by the Internal Control Division, the department responsible for promoting compliance.

In fiscal 2022, we established a new set of regulations (Global Compliance Promotion Regulations) to manage compliance promotion globally. We also initiated the Global Compliance Promotion Program with the aim of standardizing compliance promotion activity and enhancing its content across all regions: Japan/South

Korea, Americas, EMEA, Asia Pacific, and China. Based on this program, we are rolling out shared initiatives such as training and surveys across the regions, while conducting activities adapted to the specific culture and characteristics of each region. We reinforce the PDCA cycle for compliance promotion by reviewing the content of each activity conducted and making improvements.

The content and state of progress of this compliance promotion activity are reported and discussed, first at the relevant Regional Compliance Promotion Meeting, and then at the Compliance Promotion Meeting attended by the corporate executive officers.

### Compliance promotion structure

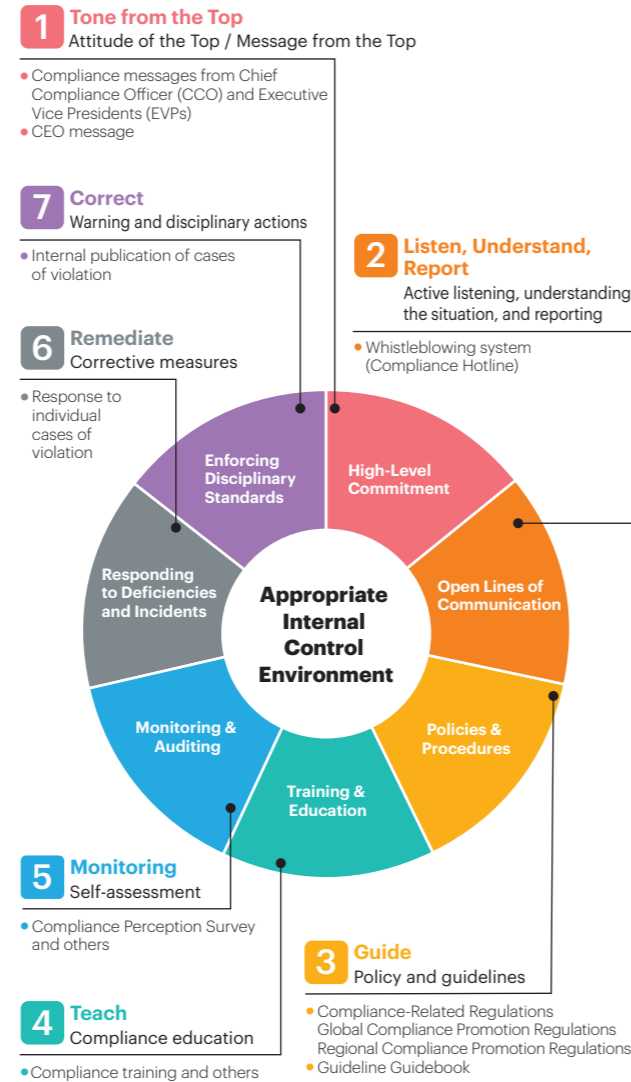


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# Compliance

### Global Compliance Promotion Program



### Hotline systems

In each region—Japan/South Korea, Americas, EMEA, Asia Pacific, and China—we have put in place a hotline system using as a contact point the department responsible for compliance promotion or external lawyers and specialist institutions. Information gathered through the system is processed by the department responsible for compliance promotion. When an issue is identified, the department reports it to the CCO and then works to ensure an early response and corrective measures, drawing on the expertise of other departments.

### Status of initiatives in fiscal 2022

In fiscal 2022, in line with the Global Compliance Promotion Program, we issued compliance messages from top management, established hotlines in regions not yet covered, and put in place a comprehensive global reporting structure. Additionally, we introduced a uniform online training platform covering all regions.

We also carry out an annual Compliance Perception Survey to gauge employees' awareness of compliance. With the Americas and EMEA included from fiscal 2022, we conducted globally comprehensive surveys covering approximately 70,000 employees.

The effectiveness and outcome of each of these initiatives was verified as feedback for improving the content and quality of activities from next fiscal year.

## ACTION

### Coordination with ERM (priority compliance risks)

MCG regards compliance as one of the pillars of corporate risk management. In line with this approach, we position compliance as a “material issue for existence” among other material issues. In coordination with the system of Company-wide risk management activity, or Enterprise Risk Management (ERM), which we introduced in fiscal 2022, we took the new step of designating a set of priority compliance risks.

Priority compliance risks are determined at the Compliance Promotion Meeting based on considerations including MCG's compliance-related issues and the potential impact on management in the case of the risk being actualized. The opinions of external experts are also sought. For risks designated as priority compliance risks, the measures planned and implemented by the relevant department are subject to regular monitoring, including at the Compliance Promotion Meeting. The relevant risk content is also covered in training and various other compliance promotion activities.

At the Compliance Promotion Meeting, the corporate executive officers discuss, identify, and monitor priority compliance risks from a Company-wide perspective with the aim of further strengthening the management structure in a way that will reduce risk.



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## Governance

## Directors (As of July 1, 2023)

## Director

## President &amp; CEO

## ① Jean-Marc Gilson

Aug. 1989	Joined Dow Corning Corp.
Jun. 2005	Corporate Vice President & General Manager of Specialty Chemicals Business, President Asian Area of Dow Corning Corp. (until Jun. 2009) Shareholder Representative Director of Dow Corning Toray Co., Ltd. (until Jun. 2009)
Jun. 2009	Executive Vice President & General Manager of Specialty Chemicals Business of Dow Corning Toray Co., Ltd. (until Dec. 2010)
Feb. 2011	Chief Executive Officer of Avantor Performance Materials, Inc. (until Dec. 2011)
Feb. 2012	Vice Chairman & Chief Operating Officer of NuSil Technology LLC (until Jun. 2014)
Sep. 2014	Chief Executive Officer of Roquette Frères S.A. (until Dec. 2020)
Feb. 2021	Executive Advisor of MCHC (now MCG)
Apr. 2021	Corporate Executive Officer, President & CEO of MCHC (now MCG)
Jun. 2021	Director of the Board, Corporate Executive Officer, President & CEO of MCHC (now MCG) (to present)

## Outside Director

## ⑤ Takayuki Hashimoto

Lead Independent Outside Director	Chairperson of the Nominating Committee	Member of the Compensation Committee
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Apr. 1978	Joined IBM Japan, Ltd.
Apr. 2000	Director of the Board of IBM Japan, Ltd.
Apr. 2003	Managing Executive Officer of IBM Japan, Ltd.
Jan. 2007	Senior Managing Executive Officer of IBM Japan, Ltd.
Apr. 2008	Director of the Board, Senior Managing Officer of IBM Japan, Ltd.
Jan. 2009	Director of the Board, President of IBM Japan, Ltd.
May 2012	Director of the Board, Chairperson of IBM Japan, Ltd.
Apr. 2014	Chairperson of IBM Japan, Ltd.
Jan. 2015	Vice Chairperson of IBM Japan, Ltd.
Jun. 2016	Outside Director of MCHC (now MCG) (to present)
May 2017	Honorary Executive Advisor of IBM Japan, Ltd. (to present)

## Outside Director

## ⑥ Chikatomo Hodo

Independent Director	Chairperson of the Compensation Committee	Member of the Nominating Committee
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Sep. 1982	Joined Accenture Japan Ltd
Sep. 2005	Representative Director of Accenture Japan Ltd
Apr. 2006	Representative Director and President of Accenture Japan Ltd
Sep. 2015	Director and Chairperson of Accenture Japan Ltd
Sep. 2017	Director and Senior Corporate Advisor of Accenture Japan Ltd
Jul. 2018	Senior Corporate Advisor of Accenture Japan Ltd (until Aug. 2021)
Jun. 2019	Outside Director of the Board of MCHC (now MCG) (to present)

## Director

## Executive Vice President

## ② Ken Fujiwara

Member of the Nominating Committee

Apr. 1984	Joined Mitsubishi Chemical Industries Limited
Apr. 2015	Executive Officer of MCHC (now MCG)
Apr. 2017	Executive Officer of MCC (until Mar. 2018)
Apr. 2018	Managing Corporate Executive Officer of MCHC (now MCG)
Jun. 2018	Director of the Board, Managing Corporate Executive Officer of MCHC (now MCG)
Jun. 2020	Director of the Board of MTPC (to present)
Apr. 2022	Director of the Board, Executive Vice President of MCHC (now MCG) (to present) Director of the Board of MCC (to present)

## Outside Director

## ⑦ Kiyomi Kikuchi

Independent Director	Member of the Nominating Committee	Member of the Audit Committee
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Apr. 1986	Joined The Dai-Ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.) (until Dec. 1990)
Apr. 1999	Registered as a lawyer at Asahi Law Offices
Sep. 2002	Allen & Overy LLP (London)
May 2003	Admitted to the bar of the State of New York
Oct. 2003	Asahi Law Offices
Sep. 2004	Taiyo Law Office (now Paul Hastings LLP/Gaikokuho Kyodo Jigyō)
Sep. 2006	JPMorgan Securities Japan Co., Ltd.
Apr. 2008	TMI Associates (to present)
Jun. 2019	Outside Director of the Board of MCHC (now MCG) (to present)

## Director

## ③ Glenn H. Fredrickson

Jan. 1990	Associate Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara (UCSB)
Jul. 1991	Distinguished Professor, Departments of Chemical Engineering and Materials, UCSB (to present)
May 1998	Chairperson, Department of Chemical Engineering, UCSB (until Jul. 2001)
Mar. 2001	Director of Mitsubishi Chemical Center for Advanced Materials at UCSB (to present)
Apr. 2014	Managing Executive Officer of MCHC (now MCG)
Jun. 2014	Director of the Board, Managing Executive Officer of MCHC (now MCG)
Jun. 2015	Director of the Board, Managing Corporate Executive Officer of MCHC (now MCG)
Apr. 2017	Director of the Board of MCHC (now MCG) (to present)

## Outside Director

## ⑧ Tatsumi Yamada

Independent Director	Chairperson of the Audit Committee	Member of the Compensation Committee
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Apr. 1976	Joined Sumitomo Corporation (until Jun. 1993)
Mar. 1980	Registered as a Certified Public Accountant
Jul. 1993	Chuo Audit Corporation (until Mar. 2001)
Apr. 2001	Board Member of the International Accounting Standards Board (until Jun. 2011)
Sep. 2011	KPMG AZSA LLC (until Jun. 2018)
Jan. 2012	Board Member of KPMG AZSA LLC (until Jun. 2015)
Feb. 2014	Founding member of International Integrated Reporting Council (now IFRS Foundation) (until Jun. 2022)
Oct. 2014	Trustee of International Valuation Standards Council (until Oct. 2020)
Sep. 2015	Specially Appointed Professor of Faculty of Commerce, Chuo University (to present)
Apr. 2016	Member of the Certified Public Accountants and Auditing Oversight Board for the Financial Services Agency (until Mar. 2022)
Jun. 2020	Outside Director of the Board of MCHC (now MCG) (to present)

MCG: Mitsubishi Chemical Group Corporation  
MCHC: Mitsubishi Chemical Holdings Corporation\*  
MCC: Mitsubishi Chemical Corporation

\* Effective July 1, 2022, Mitsubishi Chemical Holdings Corporation (MCHC) changed its company name to Mitsubishi Chemical Group Corporation (MCG).

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## Governance

### Outside Directors' Discussion Meeting



**Chikatomo Hodo**  
Outside Director  
Chairperson of  
the Compensation Committee

**Kiyomi Kikuchi**  
Outside Director

**Takayuki Hashimoto**  
Lead Independent  
Outside Director  
Chairperson of  
the Nominating Committee

**Tatsumi Yamada**  
Outside Director  
Chairperson of  
the Audit Committee

## Strengthening supervisory functions further to take the leap and become a truly global company

We are now in the third year since the “Forging the future” management policy was announced. Now that we have laid the groundwork and are moving into the execution phase to grow into a truly global company, the independent outside directors have engaged in some frank discussions on the role the Board of Directors should play.

### Fulfilling our monitoring functions and evolving into a world-leading company

**Hashimoto:** Looking back over the time since Jean-Marc Gilson was appointed by the Nominating Committee and took up the reins, the first year was devoted to visualizing the current situation and announcing the new “Forging the future” management policy. During the second year, he

focused on creating a global management concept called “One Company, One Team” in order to execute the management policy. Fiscal 2023 is the third year and we are at the start of the execution phase for future growth. As such, I think that monitoring will be even more important going forward.

**Kikuchi:** I firmly believe as well that we need to strengthen the monitoring function. However, as a part-time

independent outside director, I am also aware of how difficult this may be, because we do not have access to the same information as the executive officers. Business conditions have changed significantly over the past two years, and the Company has had to execute rapid business reforms, but I feel we were not fully sufficient in fulfilling our monitoring role at each step of the way. Reflecting on this, I think we are approaching a crucial stage where outside directors need to be more rigorous in our supervisory and oversight role.

**Yamada:** As the chairperson of the Audit Committee, I know that the audit process generates a huge volume of information, and it is my job to share as many of the findings as possible with the Board of Directors so that we can engage in higher-level discussions on the way forward for the Company.

**Hodo:** The external environment has changed a lot over the past year or two. For monitoring that takes such environmental change into account, I feel we need to focus on fine-tuning things in a pragmatic way, looking at realistic competitive rivalries or economic conditions for example, rather than trying to generate a eureka moment of sudden insight.

I also think that the skill levels of the corporate executive officers determine whether the vision developed is feasible or not. From a range of perspectives, including that of the Audit Committee, we need to look at how the skill levels of corporate executive officers translate into specific measures and whether the measures lead to sustainable and reproducible capabilities. For that, I think the people responsible should join the meetings, including with the Board of Directors, for further wide-ranging discussions.

**Hashimoto:** The skill level of corporate executive officers is a very important point, I agree. I have recently been thinking that we should ask corporate executive officers to attend Director Liaison Committee meetings and Board

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### Outside Directors' Discussion Meeting



meetings as much as possible. I think being able to speak directly with the individuals involved would help us get a better understanding of what they are doing and what type of people they are. Often, some things are not totally understandable when they are reported by someone besides the person in charge.

Now that the pandemic has wound down, I think another useful approach is to visit overseas operating companies for discussions. My experience is that people overseas tend to be straight talkers, so information from these types of discussions might also be useful for monitoring purposes. It can be difficult to get a full understanding when you are handed a report during the meeting itself, so I would prefer to go one step further and delve deeper.

**Yamada:** In addition to the skill level of corporate executive officers, an important element is making sure the employees are convinced. Now that we are in the execution phase of the management policy, I think that the employees will be more motivated to engage if they all fully understand the need for these reforms and are convinced to take on the challenge. The CEO is currently running regular town-hall meetings, and I wonder whether the messages

from these meetings might be spread even more effectively if there were some way of keeping the channels of communication with employees open.

**Kikuchi:** I think it is also important to show concrete measures to achieve the strategy so that the employees can fully understand and empathize with the management. As a monitoring board, I feel that we need to monitor with a heightened tension and a sense of impending crisis on this point.

On a separate note, I am currently the only female Board member, so from a diversity perspective I want to create more opportunities during fiscal 2023 to talk with female managerial staff.

**Hashimoto:** The four points the Nominating Committee asked for him as fiscal 2023 targets are clear as monitoring indicators.

The first point is management with a focus on our shareholders. This is also relevant to the remuneration system, where long-term incentives factor in the share price. This results in a performance evaluation system that is sensitive to the share price, even within a single fiscal year. The second point is optimization of global management, generating profits through cost cuts or exiting from businesses that are not profitable. The third point is realizing the growth strategy. One aspect is portfolio management to shift to specialty materials. Another aspect is innovation for the future based on R&D.

The fourth point is to become an internationally recognized role model with a focus on green transformation and carbon neutrality. For example, we aim to clarify where we stand versus well-known benchmarks such as the Dow Jones Sustainability Indices (DJSI), and are focusing on how we will structure our organization and what investment will be made each year to achieve this position. For this point in particular, we have set fairly detailed KPIs.

I think that we can use the issues outlined here as the basis for monitoring by the Board.

**Yamada:** I think that in the future we will also need to monitor reporting on sustainability. In Europe, the Corporate Sustainability Reporting Directive (CSRD) has strengthened the rules on sustainability disclosures. The International Sustainability Standards Board (ISSB) also issued its first standards in June 2023: IFRS S1 covers the general requirements for disclosure of sustainability-related financial information and IFRS S2 sets out specific climate-related disclosures. There is global pressure for companies to report on how they are dealing with various sustainability requirements. I would like to encourage Mitsubishi Chemical Group Corporation respond to these requirements in the right way.

#### Establishing a succession plan as a global company that also reflects the specific conditions in Japan

**Hashimoto:** What does everyone think about succession planning, which is so important for the future? Who would take over the reins if something unexpected happened to the current CEO? Or, from a longer-term perspective, what potential candidates do we have for top management in three or five years' time, what capabilities do they have



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### Outside Directors' Discussion Meeting

right now, and what type of development plan do we need moving forward? I feel that we have started to make progress in visualizing these issues. In terms of actual initiatives, we have set up job assignments and educational programs, for example. Of course, succession planning is relevant to all CXO roles, not just the CEO.

**Hodo:** Listed companies have started to take a much more serious approach to leadership training and succession. Some of the biggest changes involve the development of transparent systems to ensure decisions are made equitably, rather than based on personal contacts and connections, and organizational planning is premised on the creation of the strongest teams. However, I understand many companies are still making some subjective decisions. In comparison, MCG is run at the practical level with fair systems and defined targets and has, in my view, built world-class systems.

Over the next few years, we need to develop a broader pool of candidates who have the potential to become the next generations of high-level executives such as the CEO and to start developing this talent. At many global organizations like the one where Mr. Hashimoto and I worked, there are development programs in place that



monitor employees from their 30s for potential leadership qualities. I think that MCG is starting to set up systems so that it can develop the human resources needed for future generations of leaders.

**Kikuchi:** Since joining MCG as an outside director, my interactions with the corporate executive officers and employees have made me realize that the Company hires extremely bright and intelligent people. However, up until now, the organization has lacked systems to fully utilize these talented human resources across the Group. As the Company is working on this issue as its human resources strategy, I also think it important to create systems to train employees while they are still young and to develop future generations for CEO and CXO roles. Because the goal is to become a global company, I think it useful to post employees overseas as early as possible while they are still young, so that they can experience other cultures, develop their skills, and bring this experience back to contribute to the organization.

**Hashimoto:** I think you are right about how human resources have been managed thus far. I spoke with people in HR about how things got this way. In the past, when candidates were identified as having leadership potential, the operational divisions tried to keep a tight hold on them. Apparently now there is a much greater understanding across the Company of the need to develop human resources for the future of the business, so even the operational divisions have changed their views. Increasingly, people with leadership potential are being assigned to different parts of the business or transferred overseas. I hope to see more progress along these lines in the future.

**Yamada:** The Group companies have really started to work together as a single organization under the "One Company, One Team" concept. If the goal is to become a truly global company, I think there may need to be a greater focus on overseas sites. For example, the Group has global manufacturing operations that include overseas sites,



but R&D sites are concentrated in Japan. The leadership that such a company seeks, in terms of the roles and expertise, may differ from other global, non-Japanese companies. What do you think, Mr. Hashimoto?

**Hashimoto:** I think you are right. Even though we say "global company," the fact is that the MCG Group operations are mostly concentrated in Japan. Many of the overseas sites are companies that have been acquired. In this type of environment, I think it is difficult for the Company to quickly develop top leadership capable of constantly taking a global view and rapidly making and executing decisions. If the MCG Group aims to become a truly global company, I think we need to define exactly what the organization needs at the top and then develop the future leaders accordingly.

For example, while it is difficult to quickly develop global leaders, I think appointing people to positions at regional headquarters to build up their experience could be an important step for the future. I think human resource development needs to create programs designed to take a higher perspective and be broad in scope. I would like to help set up training systems like this to make sure we develop the next generation of CXOs, so that the MCG Group becomes a truly global company.