

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.

Assessment by a third-party organization

March–April 2023 Assessment carried out by Board Advisors Japan, Inc.

- Questionnaire survey of all directors covering the following items (answers using a five-point scale, with some exceptions, and written comments):
 - Overall assessment
 - Composition of the Board of Directors
 - Preparations before the Board of Directors' meetings
 - Operation of the Board of Directors' meetings
 - Discussions at the Board of Directors' meetings
 - Ideal profile of each committee
 - System for supervision of business execution
 - Analysis of the gap between the importance of an agenda item and the amount of discussion (Assessment on a 10-point scale of the importance and amount of discussion of items followed by analysis of the gap)
- Interview of approximately one hour with each director
- Assessment based on the expertise of a third-party organization

Summary of assessment results

- As it proceeds with management reform, the Board of Directors of Mitsubishi Chemical Group Corporation is progressing with the delegation of authority to management appropriate for a company with a nominating committee, etc., and the effectiveness of the Board of Directors is being steadily improved.
- Among the challenges highlighted in the fiscal 2022 assessment of effectiveness, a certain degree of improvement has been achieved in the following:
 - Clearer understanding of the Board's role as a monitoring board
 - Improved opportunities for communication among directors
 - Strengthening of Audit Committee functions toward the establishment of an organizational audit system
 - The current CEO, who was recruited from outside in order to drive bold structural reform and implement the growth strategy, enters his third year in office. To achieve a corporate value increase and sustainable growth, the Board of Directors should address the following key challenges:
 - Strengthening of monitoring functions
 - Enhanced discussion of strategy
 - Improvement of the Nominating Committee's effectiveness

Initiatives to Improve effectiveness

- With the heightened level of effectiveness expected of each director as the Board's discussions attain a more mature level, it has been decided to pursue initiatives in the areas listed below based, among other factors, on the assessment results and the Board's ensuing discussions. Additionally, the Board of Directors will monitor the progress of the initiatives during the fiscal year.
- Strengthening of monitoring functions
 - Enhanced discussion of the business portfolio and enhanced monitoring of the progress of the medium-term management plan
 - Discussion of individual key items at an early stage and monitoring of their progress
 - Reduction of information asymmetry among directors
 - Enhanced discussion of strategy
 - Determination of important discussion topics and clarification of the discussion schedule
 - Securing of time for discussion through off-site meetings and other means
 - Improvement of the Nominating Committee's effectiveness
 - Setting of annual goals for the CEO with associated performance review and enhancement of related discussion
 - Ensuring of diversity on the Board of Directors and discussion toward optimization of the number of outside directors
 - Establishment of a CEO succession plan and discussion of a succession plan for the other corporate executive officers
 - Deepening of information sharing between the Board of Directors and the committee

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

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information