

Practice of ESG Management

In formulating the medium-term management plan GP25 2nd Stage, we determined the ESG domains and themes that are considered particularly important in achieving management strategies through deliberations in various projects and the CSR committee. For each theme, we set specific initiatives and goals toward fiscal 2022, which is the final fiscal year of the medium-term management plan, as the medium-term ESG plan, will promote the plan integrally with the medium-term management plan, and lead to the enhancement of the management foundation. To further improve the linkage, we set important items in each ESG theme as the non-financial management goals for the medium-term management plan.

The Medium-Term ESG Plan (Fiscal 2020-2022)

Field	Policy	Area and Theme	Focused Points in Management Strategies	Theme	
E Environment	Environment	Daiken Group Environment Policy	Realization of low-carbon society	Aggressive approach to greenhouse gas reductions	Greenhouse gas emissions reduction ¹
			Contribution for a recycling-oriented society	Pursuit of the material and thermal recycle of woody resources	Promotion of the use of renewable energy
					Promotion of carbon fixation
					Promotion of recycle and conversion of waste into valuables
					Promotion of effective use of water resources
					Appropriate management and reduction of chemical substances
			Reduction of environmental burden	Reduction of environmental burden in business processes	Procure wood in a biodiversity friendly way
Consideration of biodiversity	Promotion of the use of domestic timber	Strengthen environmental risk management			
Environment management	Continuous improvement of the environmental management system				
S Social	Product Quality and Safety	Basic Policy on Product Safety	Product Quality and Safety	Quality and technological capabilities to keep responding to confidence	Enhancement of the quality control structure ¹
	Fair Transactions	Daiken Procurement Policy	Promotion of CSR procurement	Maximization of added value by collaborating with suppliers	Fair Transactions
		Cartel and bid-rigging prevention standards	Ensuring fair competition and transactions		
	Human Resources	Daiken Diversity Promotion Policy	Promotion of diversity	Fusion of diverse skills and ideas	Promotion of diversity ¹
		Daiken Workstyle Reform Promotion Policy	Promotion of workstyle reform	Pursuit of highly productive job performance	Promotion of workstyle reform
		Daiken Human Resource Development Policy	Reinforcing human resources development	Development of human resources who will play roles in the new market expansion and medium- to long-term growth	Reinforcing human resources development
		Daiken Safety Basic Policy	Enhancement of the occupational safety and health	Improvement of safe working environments that will become the foundation of success	Enhancement of the occupational safety and health
Human Rights	Daiken Human Rights Policy	Human Rights	Promotion of support for human rights that is significant from a global perspective	Human rights promotion activities	
Coexistence with Local Communities	Daiken Social Contribution Activity Policy	Coexistence with Local Communities	Establishment of stable business foundation supported by local communities	Social contribution activities by cooperating with local communities	
G Governance	Governance	Basic Policy on Corporate Governance	Enhancement of the Governance System	All employees share the group corporate philosophy and realize the growth strategies	Enhancement of the Governance System ¹
		Basic Policy on the Building of the Internal Control System	Promotion of Risk management	Reconstruction of the supply system that the market will keep choosing	Promotion of Risk management
		Compliance Code of Conduct	Strict Compliance	A high sense of ethics that will be trusted by the markets	Strict Compliance

¹: Set as the non-financial management goals in the medium-term management plan ²: Our own indices in which the eight diversity items, such as the female manager ratio, were indexed as compared to fiscal 2019 ³: Our own indices in which compared to fiscal 2018 ⁴: Our own indices to measure employees' compliance consciousness degree from the perspectives of legal compliance, a sense of ethics, structure, and corporate culture as compared to fiscal 2020

Structure to Promote CSR (ESG)



Goals	Results in Fiscal 2020	Results in Fiscal 2021
Total greenhouse gas emissions in Japan Fiscal 2022: 26% reduction (As compared to fiscal 2014)	28% reduction (As compared to fiscal 2014) Executed reduction measures, such as production rationalization, etc.	35% reduction (As compared to fiscal 2014) Renewing energy-saving facilities and the impact of reduction measures, such as production rationalization, etc. and a decrease in production
Renewable energy utilization ratio: 50% or more	50% Maintained the target level through the stable operation of biomass boilers	50% Maintained the target level through the stable operation of biomass boilers
Amount of carbon fixation by the wood industrial materials business (MDF and insulation board) 1,100,000 t-CO ₂ /year	1,031,000 t-CO ₂ /year +3% year-on-year through the increase in production of MDF	996,000 t-CO ₂ /year -9% year-on-year through the decrease in production of MDF due to the lockdown in New Zealand
Final disposal rate (ratio of volume disposed of in landfill outside the company): 5% or below	7.2% Improved by 0.4 pt year-on-year by promoting the material use of waste	5.9% Improved by 1.3 pt year-on-year by promoting the material use of waste
Water resource input: 3% reduction (As compared to fiscal 2019)	4% reduction Reduced by the water-saving measures, such as recycling of wastewater from production processes	7% reduction Improved by 3 pt year-on-year by reducing the loss in using water when starting production processes each time
Release amount of substances subject to the PRTR law: 70% reduction (As compared to fiscal 2019)	0.4% increase A reduction to achieve the target is planned in the next fiscal year by changing to the substitute materials	54% reduction Significant reduction by abolishing the use of methylene chloride through the establishment of the product specification change
Utilization of domestic timber for base materials for flooring: 45%	41% +8 pt year-on-year by promoting the switch from tropical hardwood plywood	47% +6 pt year-on-year by promoting the switch from tropical hardwood plywood
Number of environmental accidents and violations: 0 (Those with administrative guidance or penal charge)	0 (continued) Maintained 0 cases by operating and continuously improving the environmental management system	0 (continued) Maintained 0 cases by operating and continuously improving the environmental management system
Serious product accidents: 0 Product safety and quality improvement education execution rate: 100% Product audit implementation cover rate: 100%	1 100% 75% (postponed the plan due to the COVID-19)	1 100% 100%
Rate of acquisition of the agreement on the CSR procurement standards at home and abroad: 100% Serious violations of the Anti-Monopoly Act and Subcontract Act: 0	Japan: Acquisition completed 100% Global: Collected information to start the development 0 (continued)	Japan: Acquisition completed 100% Global: Prepared a proposed revision for the CSR survey slip 0 (continued)
Total diversity index ² : +20 pt	+19 pt by the promotion of taking childcare leave among male employees	Maintained the +19 pt level by the promotion of taking childcare leave among male employees
Total work time reduction rate: 3% Rate of taking annual paid leave: 70% Employee satisfaction ³ : +5 pt	1.4% reduction 64.9% (+11 pt year-on-year) 55.4 pt (The results of the first survey will be set as benchmarks.)	6.6% reduction (There was also an impact of COVID-19) 65.8% (+0.9 pt year-on-year) 56.7% (+1.3 pt year-on-year)
Job separation rate within three years: Within 15% Young employees' career plan training attendance rate: 100% Focused market enhancement program attendance rate: 50% Management staff training program attendance rate: 70%	18.9%: Executed follow-up training for young employees 100%: Started to hold medium- to long-term career training 18%: Executed basic training by product 42%	20.3%: Executed follow-up training for young employees who are in the first to second year of employment 100%: Career training for the employees who are in the third year of employment 25%: Skill training for young sales workers 51%: Training for new managers
Serious disaster: 0 Plant mutual safety diagnosis execution rate: 100%	0 (continued) 100%: Executed the employee capability surveys at two plants in Japan by the external experts	0 (continued) 100% (in Japan): Not executed in the overseas countries due to the impact of COVID-19
Human rights enlightenment training attendance rate: 100% Supervisor harassment training execution rate: 100%	Information collection to set the training menus 100%	Development of the new education content 100%
Holding of the event planned by cooperating with local communities: Once a year in each group production base	A total of 126 events held in 17 bases among 20 bases at home and abroad	Held in 17 bases among 20 bases at home and abroad (Several plans were postponed or cancelled due to the impact of COVID-19)
Group corporate philosophy penetration program execution rate: 100% Degree of penetration of the group corporate philosophy ⁴ : +10 pt	100% +4 pt (Benchmark: 52 pt)	The rate of progress of the Measures to Penetrate the Group Corporate Philosophy: 90% It was not executed in this fiscal year as the survey is conducted every two years
System BCP 3-year proactive measure completion rate: 100% Procurement BCP 3-year proactive measure completion rate: 100%	40%: Started to deploy the project toward the resolution of issues Executed re-evaluation, including the secondary suppliers	80% Updated information and set priorities for BCP response status and countermeasures, etc.
Serious compliance violations: 0 Compliance consciousness degree ⁵ : +5 pt	0 (continued) 61.0 pt (The results of the first survey will be set as benchmarks.)	0 (continued) 62.6% (+1.6 pt year-on-year)

employees' actual feeling for satisfaction/ job satisfaction in the workplace were indexed as compared to fiscal 2020 ⁴: Our own indices in which employees' understanding, sharing, and practice of the group corporate philosophy were indexed as