

Sustainability Report

2021 1 April 2021 to 31 March 2022



Nitto Denko Czech s.r.o.
Brno June 2022

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Dears,

I am very happy and proud you can read this first ESG report of Nitto Denko Czech s.r.o. With the recent regulation updates the pressure for such a reporting increases significantly, but in case of our company, this ESG report is not a result of this legal and governance pressure, but we voluntarily wish to summarize and present to public our efforts in this area.

ESG oriented approach is deeply rooted in our company on both local and corporate level. We can see it is increasingly prioritized in the way how work and think. From this year we highlight this mind set and ESG is placed at the core of our business and operations management.

Since the beginning of the NVH material production in NCZ we've helped the world with products which enable to reduce the weight of the car and keep the fuel consumption under control, due to advanced damping and stiffening technologies. This way car manufacturers worldwide can bring more environmentally friendly cars to the end customers, without compromising their comfort and expectations.

On top of it we cascade our ESG oriented approach throughout the supply chain and we enforce our key values while purchasing the material and services. Thanks to assessments methods we have better control over the ESG level at individual suppliers and it does not end with the supplier nomination, but we continue with ESG development for the time being of our cooperation. We are delighted that we share the same approach and in many cases, we motivate and improve each other.

Last but not least - our employees are the engine and the heart of our ESG activities. Many of them bring new ideas how to improve the relationship with local communities, reduce impact on environment and overall, how to make our operations more sustainable. I would like to express my gratitude for their positive mindset and participation in the activities organized by company. When I look on our employees, I see diverse group of people who cooperate together no matter what is their age, gender or origin. Every employee can feel comfortable, and we continue to create healthy and inspiring environment which supports this atmosphere.

Now without further delay, let me invite you to check exciting topics of this ESG report and I hope you will enjoy it the same way we do.

Jan Musil
Managing Director



The Nitto Groups Corporate Philosophy is comprised of **three elements**:
our corporate Mission, the Vision which aligns our way of thinking in attaining our Mission, and the Nitto Way, which includes our Values, Attitudes and Mindset, and Code of Conduct.



Mission

Contribute for customers value creation with innovative ideas

We at Nitto Group hope to retain an attitude of relentlessly pursuing products, systems, and ideas that customers will find valuable.

Our Mission is to deliver safety, prosperity, comfort, and affluence not only to customers whom we come in contact with directly but also to every stakeholder.

Vision

Creating Wonders

In order to achieve our Mission to „Contribute to customers value creation with innovative ideas“ as one team, all Nitto Group employees around the world must share the same vision, or outlook. This shared vision has been dubbed „Creating Wonders“.

Each and every employee will challenge themselves to cause feelings of wonder and inspiration around the world; in other words, we will endeavour to create wonders in our everyday work. In doing so, power will be generated that can change the world in many different domains.



The Nitto Way

Philosophical Ideas

In order to achieve our Mission to „Contribute to customers value creation with innovative ideas“, and our Vision, „Creating Wonders“, „The Nitto Way“ indicates the Values, Attitudes and Mindset, and Code of Conduct that every Nitto Group employee should follow. The passion, wisdom, and values of the various senior employees who have shaped the Nitto Group for a long time since its foundation have now taken the form of „DNA“ that can be found in each and every member of the Group.

These principles and ideologies are stipulated as „The Nitto Way“, which serves as our standard for judgment and is something that we all turn to in situations of uncertainty.

1. We place safety before everything else

- Achieve zero accidents and injuries.
- All employees must work together to establish a safe and secure workplace.

2. Amaze and inspire our customers

- Exceed customers expectation to have them say: „This is exactly what we wanted“.
- Work with customers and create new societal values.
- Customer satisfaction brings value to our stakeholders.

3. Anticipate and leverage change

- Go to the field to sense changes in society and the market.
- Rapidly link sensed changes to actions.
- Refine our strength and aim to become the company customers want to consult with first.

4. Take on challenges for new value creation

- Continue to take on challenges, even if we fail in the short-term, rather than do nothing for fear of failure.
- Embrace change, exercise curiosity, and take the first step forward.

5. Act promptly and follow through on your decisions with determination

- Take the first step forward and then think while advancing.
- Share information openly, have equal and fair discussions, and if a decision is made, work together as a team to bring our best possible result.
- Always make efforts to ensure frank and open communication beyond organizational boundaries and roles.

6. Transform ourselves constantly

- Anticipate challenges, implement reforms, and bring about growth in the spirit of Mu-Gen-Dai. Keep changing. Change leads to opportunity and growth.
- Challenge ourselves to improve our future. Changes in each of us lead to growth of the entire organization.

7. Have an attitude of integrity and understand and respect diversity

- Take actions based on integrity and modesty to build relationships of respect and trust with stakeholders.
- Appreciate the diversity of our global team. Accept and respect others.





„Placing ESG at the Core of our Management“

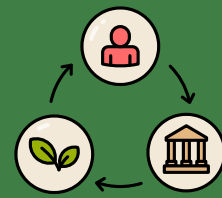
„We at the Nitto Group are aware of the importance of constructive dialogue with shareholders, investors, and other stakeholders groups if we wish to achieve sustainable growth and enhance corporate value over the mid- and long-term. We are keenly aware that an increasing number of investors and customers base their investment decisions and selection of partners on „unfinanced information“, that is, how much effort their investee companies put into addressing environmental and society issues, in addition to traditional financial information. For us to boost corporate value and sustain growth over the mid- and long-term, it is essential to let the stakeholders know that we are geared toward achieving both financial and unfinanced targets and generating earnings from our business.

In fiscal 2022, the Nitto Group announced its support to the Task Force on Climate-Related Disclosures (TCFD) and disclosed its risks and opportunities associated with climate change, their financial impact, and its responses. By including climate change in the list of our managerial issues to increase the resilience of our business against change in the external environment and adequately cope with the risks thus identified, we will build a resilient corporate structure immune to external environments.

Our investors know the Nitto Group may be careful and attentive but that we are a company that keeps its word. This trait is a part of our DNA and it is a source from which we can earn trust and credibility. For example, when we announce our support for the TCFD Recommendations and other ESG initiatives, all executives come together for discussions until we are certain that we can carry out the TCFD Recommendations and other ESG initiatives, and we draw up a roadmap as we work toward a consensus.“

Hideo Takasaki

Representative Director,
President CEO COO



Environment

Faced the climate change resulting from CO2 emissions, the depletion of resources, and marine pollution by plastic, the global environment is in a state of crisis. For the Nitto Group, including NCZ, it is essential to make eco-friendly efforts as we emit CO2 due to consuming electric power and fossil fuels, and produce waste and harmful pollutants through using plastics, water and other resources for manufacturing.

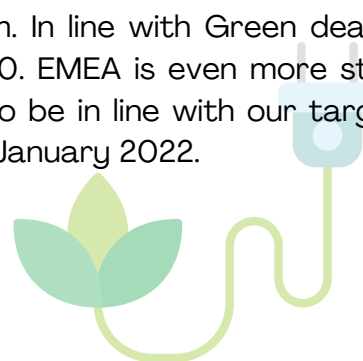
As customers and the public expect private enterprises to make proactive efforts to conserve the environment, environmental awareness constitutes one of the overriding conditions for sustainable business growth. We consider it an integral part of our corporate responsibility to minimize the environmental impact of our manufacturing processes in order to comfort the crisis facing the global environment.

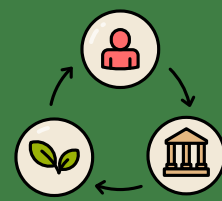
Nitto Group remaining committed to achieving our „Prospects for 2030“ and carbon neutrality by 2050, we will both expand and strengthen relevant functions and link such goals with our business plans, thus rolling out environmental initiatives globally along the three management axes of „business execution“, „special function“, and „regional management“.

In line with the Nitto Group approach NCZ increases environmental awareness of every employees – e.g. providing waste separators to every employee to help with separating of waste on individual level.

1. Energy consumption

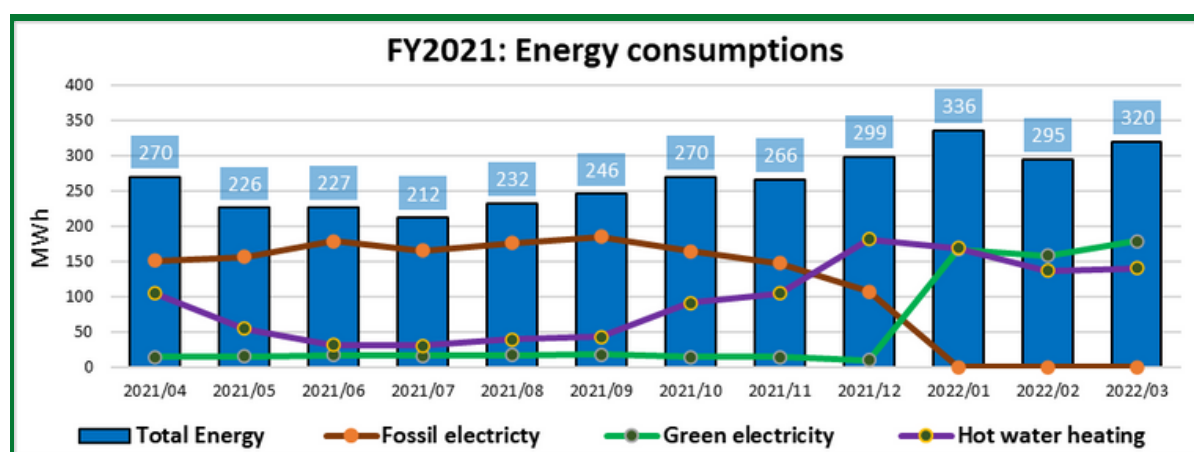
NCZ uses electricity, and hot water heating system. In line with Green deal target, Nitto announced to reach Carbon neutrality in 2050. EMEA is even more strict and set the Carbon neutrality 5 years earlier in 2045. To be in line with our target, NCZ has started to purchase only green electricity since January 2022.

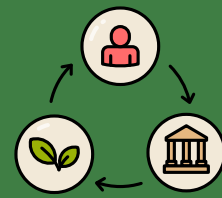




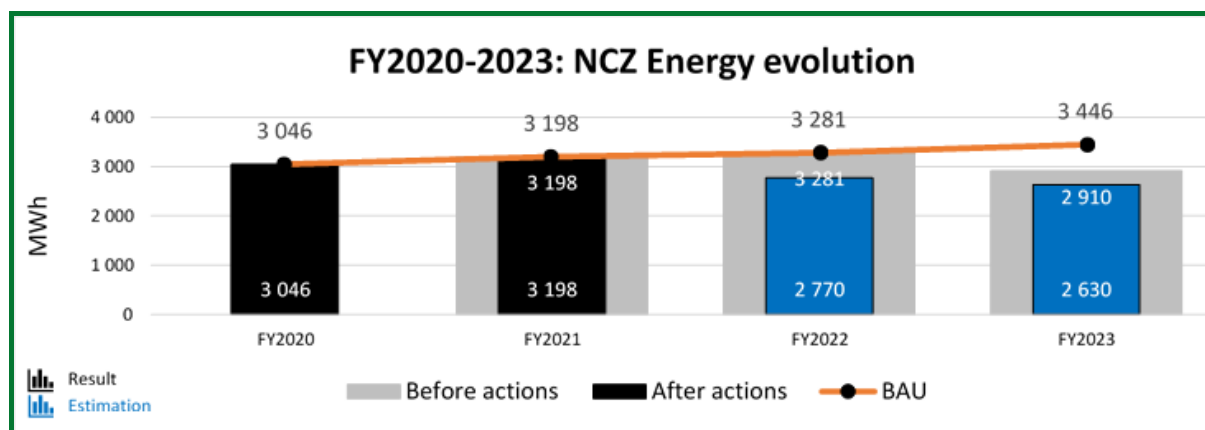
A) Total energy consumption – electricity, hot water

Unit: MWh	Total Energy	Fossil electricity	Green electricity	Hot water heating
2021/04	270	152	14	104
2021/05	226	157	15	55
2021/06	227	178	17	31
2021/07	212	166	16	30
2021/08	232	176	17	39
2021/09	246	185	18	43
2021/10	270	164	14	91
2021/11	266	147	14	105
2021/12	299	107	10	182
2022/01	336	0	167	169
2022/02	295	0	158	137
2022/03	320	0	179	141
Average/month	266	119	53	94
Total	3 198	1 433	639	1 126





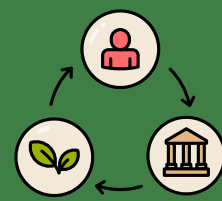
In FY2020 Company started discussion and realization of some projects to decrease the total energy consumption – e.g., installation of LED lights in whole factory (completed in FY2021) and compressed air modification (completed in FY2020). In FY2022, there are many rationalization projects in place to decrease total energy consumption (e.g., check and repair of the compressed air technology –30% of leakages were repaired) – Graph below shows the development of energy consumption including expected consumption in FY2022–23:



Explanatory notes: BAU – business as usual (estimated volume of energy based on the planned sales amount without any action)

We can see the significant impact of realized projects – in FY2022 decrease of electricity consumption by approximately 14%, in FY 2023 we expect another decrease, mainly due to benefits of activities completed in FY2022.

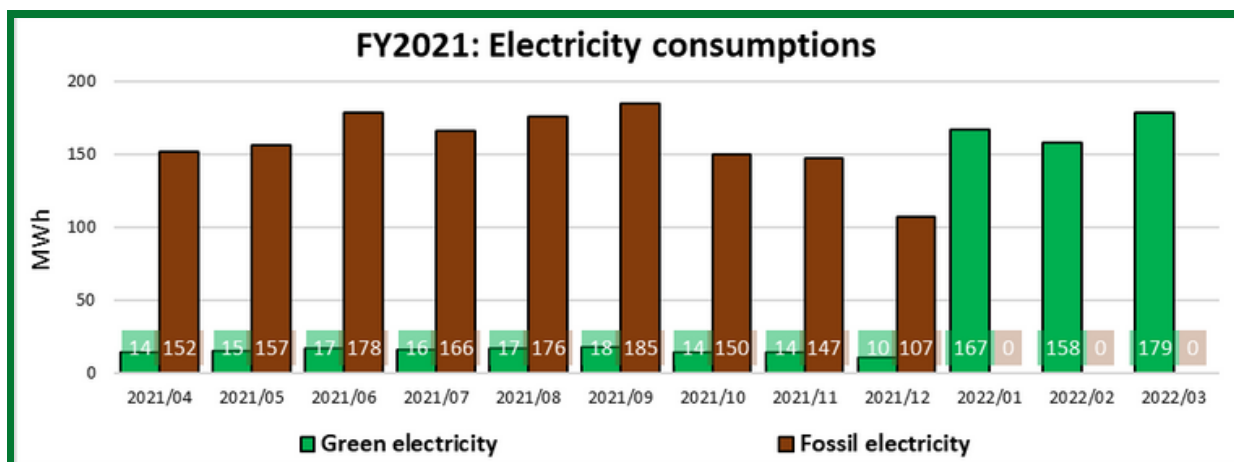




B) Renewable energy source

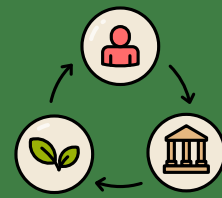
NCZ decided to use only green electricity, since January 2022 NCZ has started to purchase only green electricity. This activity will have positive impact on decreasing of our carbon footprint (see graph: Electricity consumptions).

Unit: MWh	Green electricity	Fossil electricity
2021/04	14	152
2021/05	15	157
2021/06	17	178
2021/07	16	166
2021/08	17	176
2021/09	18	185
2021/10	14	150
2021/11	14	147
2021/12	10	107
2022/01	167	0
2022/02	158	0
2022/03	179	0
Average/month	53	118
Total	639	1 418



C) Energy production

NCZ does not produce any own energy now, but NCZ started discussion with EMEA and HQ in Japan to get approval for installation of solar panels that could cover roofs of NCZ buildings. There is the estimation of almost 40% electricity consumption covered by this photovoltaic panels (roughly 800 MWh/ year).



2. Greenhouse gases (GHG) emissions

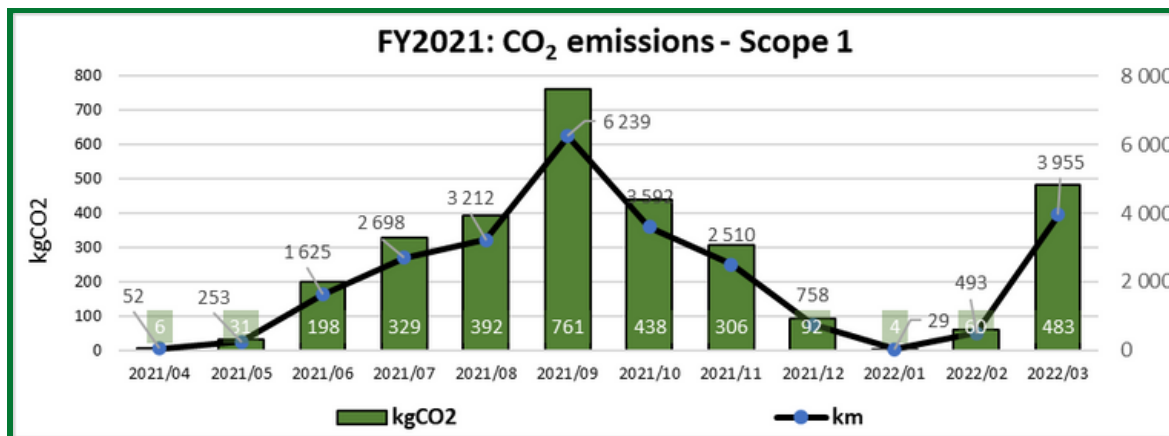
EMEA set clear target to decrease GHGs emissions by 55% CO₂ emissions in 2030 and be carbon neutral till 2045. NCZ also set own target that is more ambitious – reduce CO₂ emissions by 80% in FY2025.

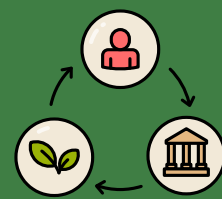
NCZ Scope 1 of CO₂ consists only on the company cars (see table below). These emissions will be next year calculated in the Scope 3, because all company cars are leased.

A) SCOPE 1 Produced GHGs

NCZ produces GHGs only through the operation of company cars.

Unit: kgCO ₂	km	gCO ₂ / km	kgCO ₂
2021/04	52	122	6
2021/05	253	122	31
2021/06	1 625	122	198
2021/07	2 698	122	329
2021/08	3 212	122	392
2021/09	6 239	122	761
2021/10	3 592	122	438
2021/11	2 510	122	306
2021/12	758	122	92
2022/01	29	122	4
2022/02	493	122	60
2022/03	3 955	122	483
Average/month	2 118	N.A.	258
Total	25 415	N.A.	3 101





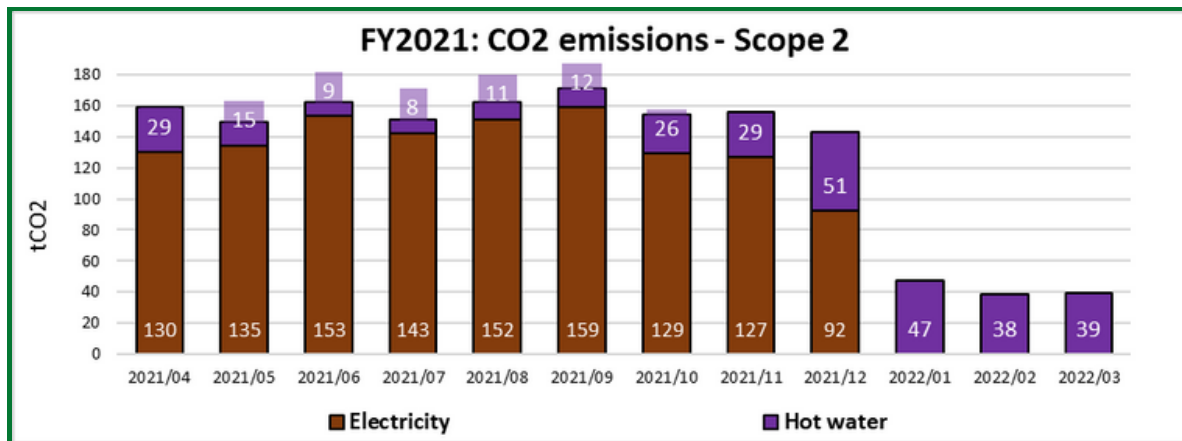
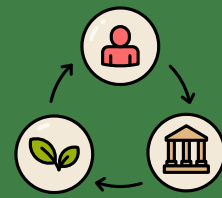
In comparison to previous years, there is the significant decrease of produced CO₂ by company cars (FY20 19,36t, resp. FY19 26,37t). Due to Covid-19 period, there was a decrease of business trips.

In next year, NCZ plans to use low emission cars (EV, HEV, PHEV) to decrease CO₂ emissions by lower emission factor per km. To be ready for this change, NCZ is going to build some charging stations.

B) SCOPE 2 – Indirect activities

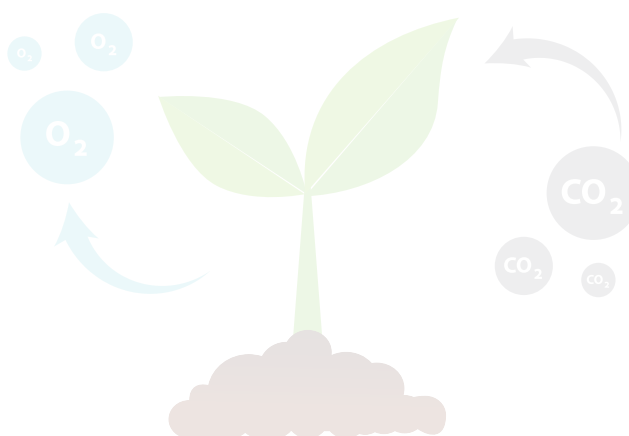
Under the Scope 2 NCZ has GHGs emissions from usage of Electricity and Heating system. On the table below is visible split between emissions coming from electricity and heating system.

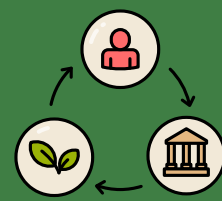
Unit: tCO ₂	Electricity	Hot water
2021/04	130	29
2021/05	135	15
2021/06	153	9
2021/07	143	8
2021/08	152	11
2021/09	159	12
2021/10	129	26
2021/11	127	29
2021/12	92	51
2022/01	0	47
2022/02	0	38
2022/03	0	39
Average /month	102	26
Total	1 220	315



As of January 2022, NCZ has started to purchase only green electricity, even it is more expensive, it is an important step to become Carbon neutral plant.

The next step will be to optimize the consumption of hot water heating system and use new available techniques to reduce CO2 emissions to ZERO.



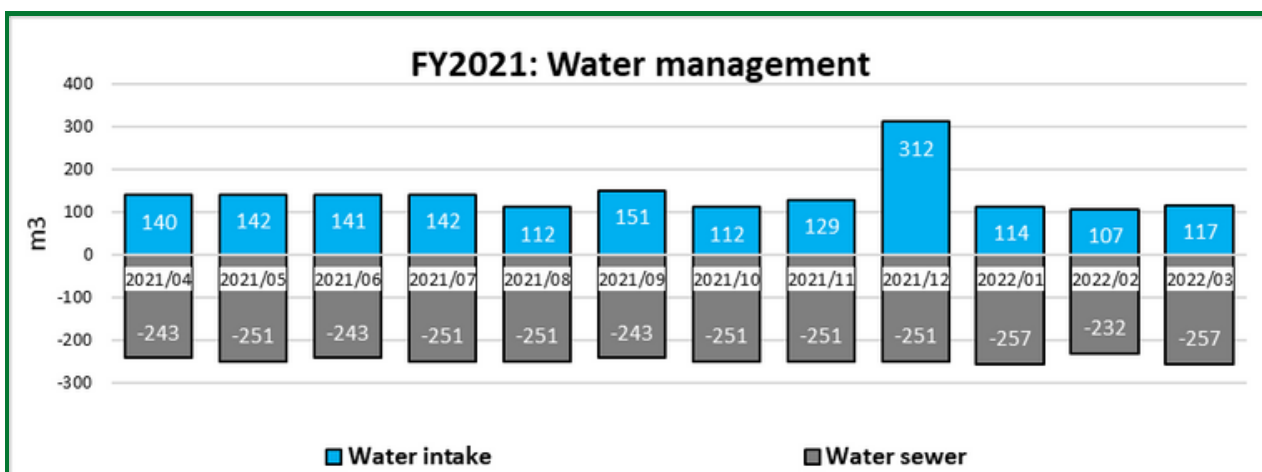


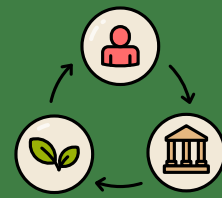
3. Water withdrawal

EMEA set clear target to decrease GHGs emissions by 55% CO2 emissions in 2030 and be carbon neutral till 2045. NCZ also set own target that is more ambitious – reduce CO2 emissions by 80% in FY2025.

NCZ Scope 1 of CO2 consists only on the company cars (see table below). These emissions will be next year calculated in the Scope 3, because all company cars are leased.

Unit: m ³	Water intake	Water sewer
2021/04	140	243
2021/05	142	251
2021/06	141	243
2021/07	142	251
2021/08	112	251
2021/09	151	243
2021/10	112	251
2021/11	129	251
2021/12	312	251
2022/01	114	257
2022/02	107	232
2022/03	117	257
Average/month	143	248
Total	1 719	2 977



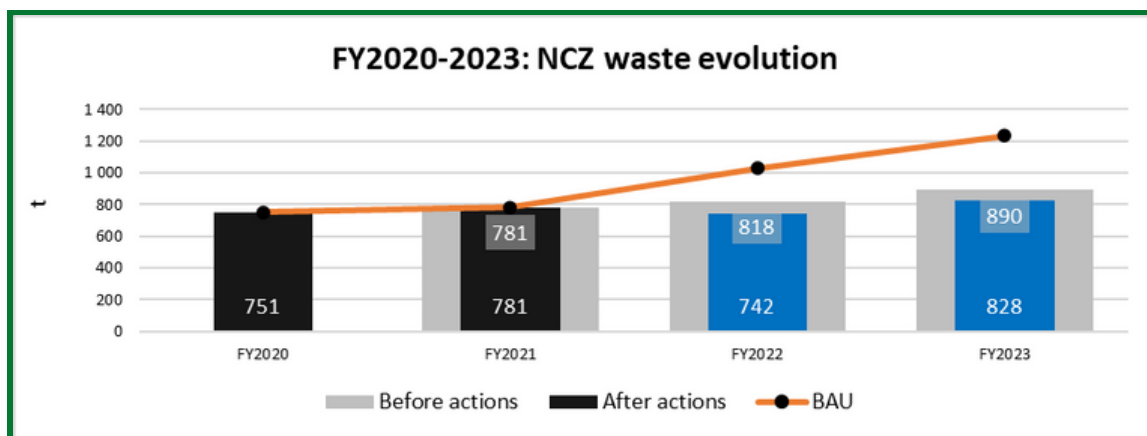


4. Waste

Our mission is to move to the circular economy. There are still a lot of steps to do. Importance of this area is an efficient use of resources. Nitto Group, including NCZ, has three goals set for FY 2030: waste-plastics recycling ratio of 60% or more, it means focus more on material or chemical recycling (no thermal); reduction of 20% of waste compared to base year 2018; and promotion of usage of recycled contents in raw materials.

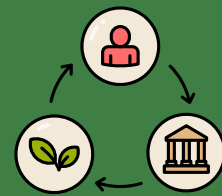
In FY2021 NCZ decreased the waste by 3,5 t/ month via using of Freezing tunnel and 5 t/ month through width control.

In coming years, we have to focus on the process optimization to reduce unnecessary waste and find solution to prevent landfilling of our main waste from Nitohard and Legetolex.



Explanatory notes: BAU – business as usual (estimated volume of energy based on the planned sales amount without any action)

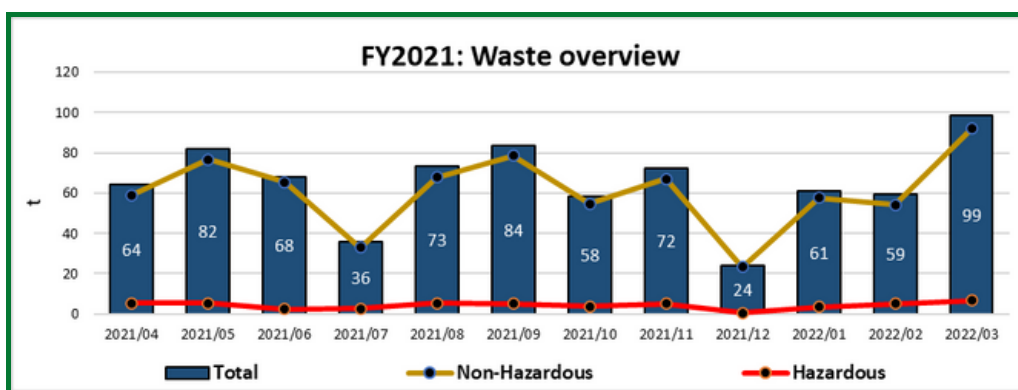


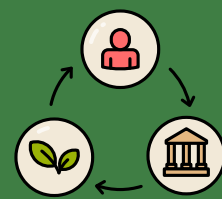


A) Total weight of waste

The most significant amount of waste is generated in the production (table below includes information about hazardous waste and non-hazardous waste):

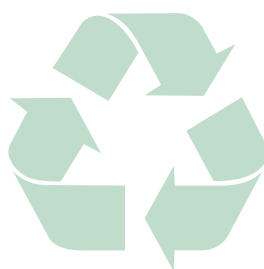
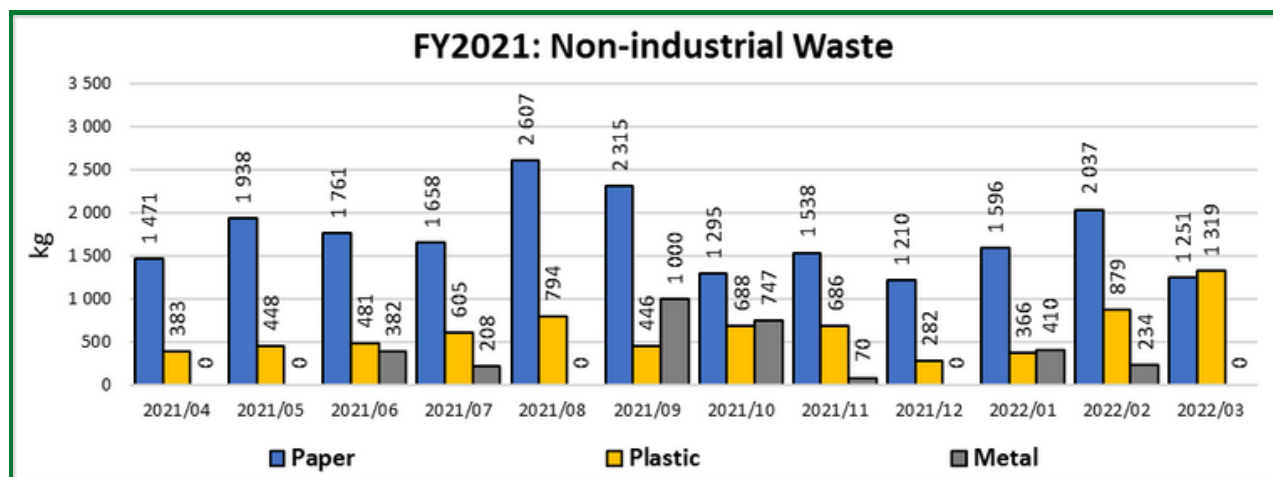
Unit: t	Non-Hazardous	Hazardous	Total
2021/04	59	5	64
2021/05	77	5	82
2021/06	65	2	68
2021/07	33	3	36
2021/08	68	5	73
2021/09	79	5	84
2021/10	55	4	58
2021/11	67	5	72
2021/12	23	1	24
2022/01	58	3	61
2022/02	54	5	59
2022/03	92	7	99
Average/month	61	4	65
Total	730	51	781

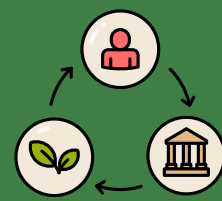




Non-industrial wastes are mainly Paper Plastic and Metal (see table below):

Unit: kg	Paper	Plastic	Metal
2021/04	1 471	383	0
2021/05	1 938	448	0
2021/06	1 761	481	382
2021/07	1 658	605	208
2021/08	2 607	794	0
2021/09	2 315	446	1 000
2021/10	1 295	688	747
2021/11	1 538	686	70
2021/12	1 210	282	0
2022/01	1 596	366	410
2022/02	2 037	879	234
2022/03	1 251	1 319	0
Average/month	1 723	615	254
Total	20 676	7 376	3 051

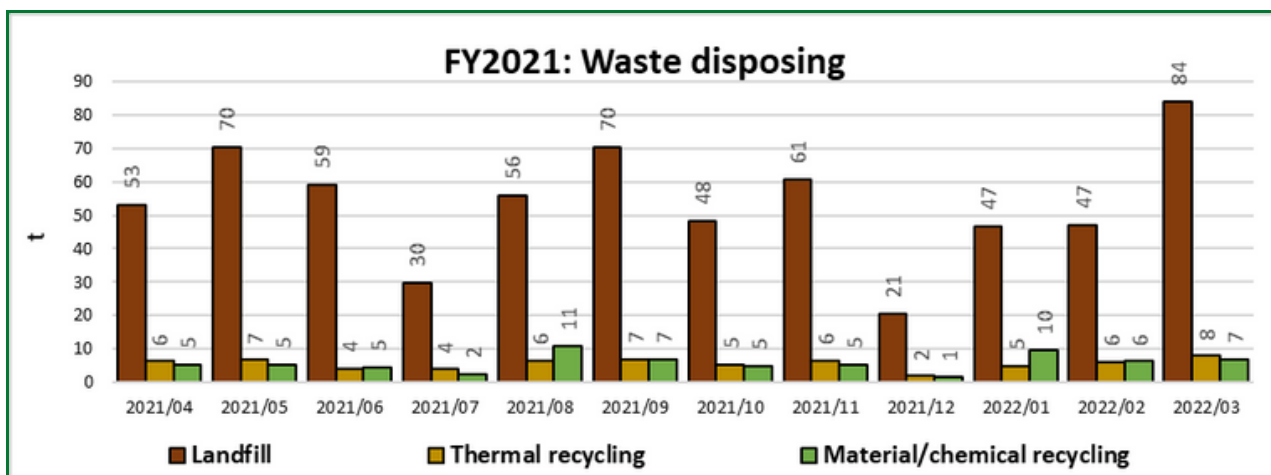


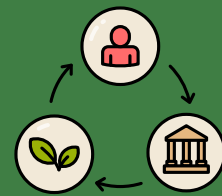


B) Waste disposing:

Waste is treated by three different ways – thermal recycling where waste is burned out and residual heat is used for other purposes, then material or chemical recycling, and finally landfilling. Our focus is to prevent landfilling and focus more on the material or chemical recycling to protect resources. Below see the table showing the treatment of waste in FY2021:

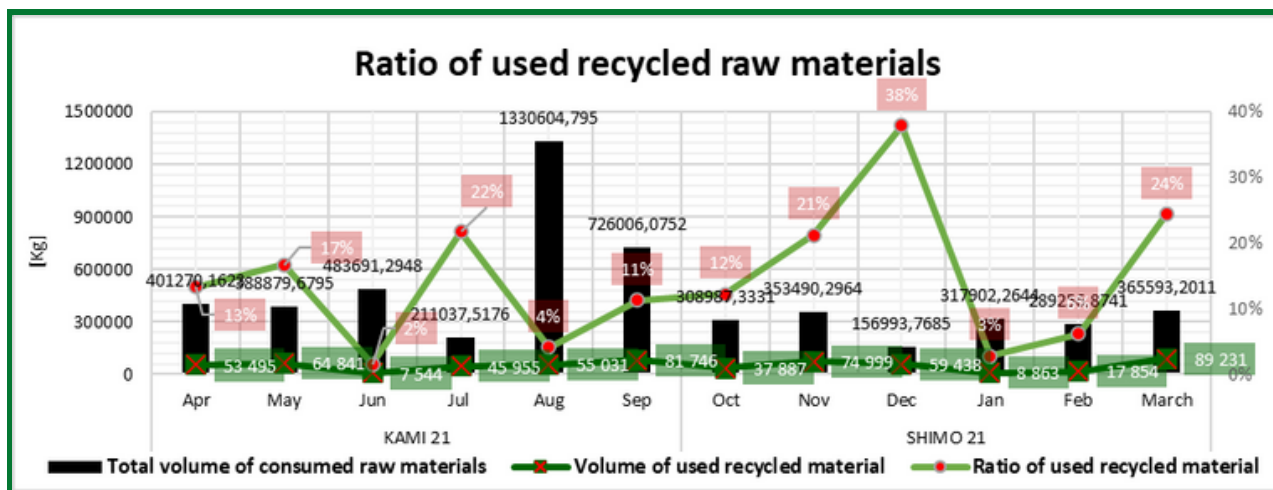
Unit: t	Material/chemical recycling	Thermal recycling	Landfill
2021/04	5	6	53
2021/05	5	7	70
2021/06	5	4	59
2021/07	2	4	30
2021/08	11	6	56
2021/09	7	7	70
2021/10	5	5	48
2021/11	5	6	61
2021/12	1	2	21
2022/01	10	5	47
2022/02	6	6	47
2022/03	7	8	84
Average/month	6	5	54
Total	69	66	646



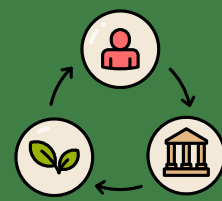


Recycled content:

In order to protect Earth, sustainable use of resources is essential. We tried to use as much as possible recycled material to ensure sustainable business.



As a part of our internal education program, NCZ is supporting sorting of waste not only at NCZ but also in private lives, because we know that it is important to have the contribution of any single employee.



5. Injuries

„We place safety before everything else”. This sentence is the „mantra” that must be followed by all the companies within the Nitto Group.

NCZ in all its processes has committed to adhere to the principles of safe work, not only towards its own employees, but also the public. We realise that human health is paramount. Therefore, we try to create working conditions that do not threaten human health. Last fiscal year we noticed an increase in reported minor injuries, which we attribute to an increased awareness of the need to report injuries and more thorough reporting. In connection with the raising of awareness, in the financial year 2021 we focused on the prevention of accidents already in their initial phase, i.e. on the reporting of „near misses” – detail see in the table below.

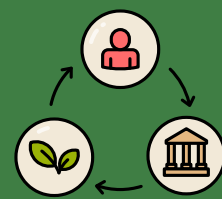
These are possibly dangerous situations where equipment, machines, processes or even the behaviour of employees are sources of potential injury. It is a proactive approach to security. Despite all these efforts, we recorded an accident at work at the end of the year, which was exactly 1,146 days since the last accident. It was an accident with the ergonomics of work, an area on which we would like to focus next year.

A) Lost time injuries

Those injuries represent the accidents that cause that employee cannot work due to health reasons. Table below show the number of lost days during FY2021:

	Number of lost days [# of days]	Frequency [ppm]	Severity [%]
2021/04	0	0	0
2021/05	0	0	0
2021/06	0	0	0
2021/07	0	0	0
2021/08	0	0	0
2021/09	0	0	0
2021/10	0	0	0
2021/11	0	0	0
2021/12	0	0	0
2022/01	0	0	0
2022/02	1	67	0,07
2022/03	23	0	1,28
Average/month	2,0	5,6	0,1
Total	24,0	66,7	1,4

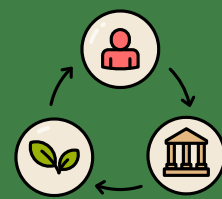
Explanatory note: Table includes the Frequency of accidents and Severity rate.



B) Near misses

As described above, near misses are reported to increase the awareness and prevent accidents in early phase. In FY2021 we had twice more near hit reports compared to previous fiscal years (see table below):

Unit: #	Near hits [FY2019]	Near hits [FY2020]	Near hits [FY2021]
2021/04	3	3	12
2021/05	8	6	8
2021/06	8	5	19
2021/07	3	3	11
2021/08	5	5	6
2021/09	4	3	7
2021/10	6	3	13
2021/11	3	3	15
2021/12	3	4	7
2022/01	3	5	7
2022/02	3	3	13
2022/03	2	4	6
Average/month	4	4	10
Total	51	47	124



Social - Human Resources

Human resources are considered as our most valuable asset. Recruitment and retention of able human resources will determine the competitive advantage of the NCZ and also entire Nitto Group. In order for us to sustain our growth and continue creating new innovations, we see it as necessary to not only recruit global-minded people but also to create a work environment in which employees are constantly encouraged to take on challenges, thus enabling our diverse human resources to demonstrate their abilities to the fullest.

Every employee is expected to be a „Nitto Person“, who comprehends and lives as an integral member of a global team and is capable of joining hands with people of diverse backgrounds without being divided by differences in culture and values. Because employees physical and mental well-being is crucial to all this, Nitto Group also issued a Good Health Declaration. Meanwhile, to empower human resources across the globe, we are developing the group-wide foundation for human resource management, which encompasses a global grading system, a personnel evaluation system based on Nitto Competency, and the global Human Resource Information System (HRIS).

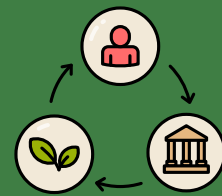
Going forward, we intend to globally develop more Nitto Persons by accelerating the introduction of these inter-regional human resource development systems throughout the Group.

Our Prospects for 2030 (Performance Targets)

Investment in Employee Training -Double the annual number of hours of employee training attended

Continous improvement of engagement surveys and measures against issues identified

Ratio of women in management: Global: 30% Japan: 10%



The Nitto Group keeps challenging itself to realize a sustainable future and support well-being for everyone by serving the global environment, humankind, and society as our customers. This implies considering the environmental, social and governance impacts in every decision that is made. To succeed in all above described we need to keep focusing on topics important for all of us. As One of the most important in this field we see the Social dialogue.

Social Dialogue

The potential of social dialogue in Nitto lies above all in ensuring the necessary transparency (employees have all the necessary information at their disposal) and in the possibility of negotiating appropriate measures to support equal pay and equal opportunities (in accordance with the interests and needs of all employees).

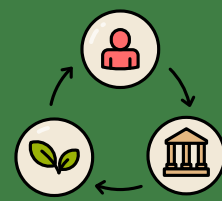
Our goal is to build such a workplace culture that allows every person to contribute and grow. We seek the sustainable enhancement of corporate culture through the practice of our Corporate Philosophy. This culture relies on "respect and trust" through dialogue with stakeholders.

The company is committed to respect, promote and fulfil the five fundamental rights at work based on ILO Declaration on Fundamental Principles and Rights at Work. This includes:

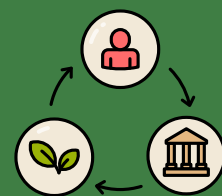
- a) freedom of association and effective recognition of the right to collective bargaining;
- b) the elimination of all forms of forced or obligatory labour;
- c) the effective abolition of child labour;
- d) the elimination of discrimination in employment and occupation;
- e) safe and healthy work environment.

Company commitment in this field is to be aligned with relevant ILO conventions as :

- social dialogue beyond legal and regulatory requirements based on the social charter, which defines the principles, rules, and obligations related to social dialogue
- consider human resources as our most valuable assets. As such, we are committed to creating new value by developing the "Nitto Person" who can carry out the Nitto Way



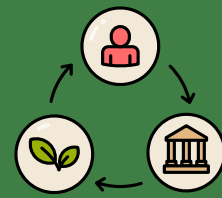
- To employ and develop human resources who understand diversity and respect people of all nationalities, genders, ages, careers, and disabilities, and who act with integrity.
- Respect the freedom of association, the right to organize, the right to establish and join organizations of employees own preference and respect other basic employees rights
- Respect our employees as individuals and provide growth opportunities for their autonomous career development.
- Establish structures through the organisation to proactively engage employees and SHE representatives and employees with a view to create and strengthen constructive relationships.
- To maintain non-discriminatory employee practices (i.e, do not discriminate based on race, ethnicity, color, religious beliefs, gender, gender identity or expression sexual orientation, nationality and lineage mental or physical disability, age, health condition, marital history, or for any other reasons. This includes providing competitive wages and benefits that allow employees to cover their needs according to local standards of living. We further commit to create workplaces in which each employee can receive a fair evaluation and work in a healthy manner.
- Nitto Denko Czech aims to continue its status as a company that highly values human rights. Toward this end ,the company will promote and carry out activities necessary to make respect for human rights a matter of course in all business conducted as based on our Corporate Philosophy.
- **Continuously develop our employees and provide them appropriate training programs:**
 - a) As part of the employee's integration into the company - in the form of entry training, training based on the adaptation plan according to certain positions (mandatory for all employees - Work Code (regulations), Nitto Way (CP, principles, history, etc.), Code of Conduct (illegal behaviour, harassment, discrimination, forced work, etc.), Health, Environment and Safety training, Quality and 5S;
 - b) Nitto Cultivation System – NCS, (Nitto Way, Business Conduct Guideline , QA, Safety, 5S) – mandatory for all employees on an annual basis, refreshment and deeper understanding of Nitto principles on yearly basis;
 - c) The three-day seminar, held several times a year in various Nitto branches, aims to introduce the company and its wide focus to newcomers in office positions (WC and managers), as well as to understand its culture and philosophy;
 - d) External and internal trainings necessary for the performance of the given position – based on training plan.



Nitto is communicating also with 3rd parties and society as a good neighbour. For this we made in FY 2021 activities as:

- **Cooperation with children's care homes** - Nitto helps (helping to disadvantaged kids)
- **Charity runs** – Charity run in support of the hospice St. Elizabeth, Night run (helping to disadvantaged seniors)
- **Sponsoring** – endangered animals in ZOO Brno (helping to endangered animals)
- **On bike to work project** – by using bikes instead of cars we saved 793kg of CO2 emissions (helping the environment and also increasing the health condition of our employees)
- **Cooperation with universities, student practices at the company** (helping to the students for their future assimilation with any employer)
- **Safety, health & environmental day** (promoting of environmental, safety and health aspects, closer focus on topics where all of us can help)
- **Kid's day, Family Day** (engagement of the families of our employees to Nitto)
- **Sports day** (improve the awareness and attraction to sports to increase the health condition of our employees)
- **Nitto ATP** – employee programme (engagement of our employees to company)
- **Celebrating the International Women's Day** (promotion of diversity)





Following areas are monitored in detail to be in compliance with group and NCZ targets:

1. Trainings

In line with the philosophy of Nitto group and to ensure that all the NCZ employees are aware of the Nitto values and policies, there is a target to provide 24 hours of training per employee per year. In FY2021 the number of training hours per employee was 34. The target has been met in 142%.

Unit: h/FTE	Number of trained hour per employee			
	2019	2020	2021	2022
Target	12	12	24	24
Result	13	18	34	

The main part of training relates to Nitto Cultivation System (NCS) – trainings related to Code of Conduct, whistle blowing system etc. The goal is to train 100% of employees. In FY2021 98% employees were trained – the difference of 2% represent long time sick employees. Therefore, we assume that the target has been met.

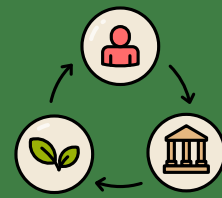
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2. Human rights

Human rights are basic rights that belong to all of us simply because we are human. They embody key values in our society such as fairness, dignity, equality and respect. They are an important means of protection for us all, especially those who may face abuse, neglect, and isolation.

NCZ is aware of importance of human rights and has zero tolerance to breaching of human rights. Therefore, target is 0 breaches in following areas:

- a) Child labour, Forced Labour, Human Trafficking, etc – in FY2021 the target has been met. There was 0 breaches reported from any source
- b) Discrimination, Harassment, Bullying and any other unethical behaviour described in Code of Conduct – in FY2021 the target has been met. There was 0 breaches reported from any source.



For FY 2022 the target stays the same and we will promote the zero tolerance in several training sessions for all employees.

Unit: h/FTE	No of reports (breaking the principles of Code of Conduct, laws or any other unethical behavior)			
	2019	2020	2021	2022
Target	0	0	0	0
Result	0	0	0	

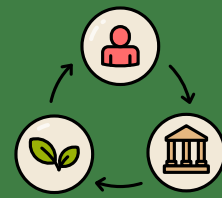
3. Diversity

Diversity enhances creativity. It encourages the search for novel information and perspectives, leading to better decision making and problem solving. Diversity can improve the bottom line of companies and lead to unfettered discoveries and breakthrough innovations.

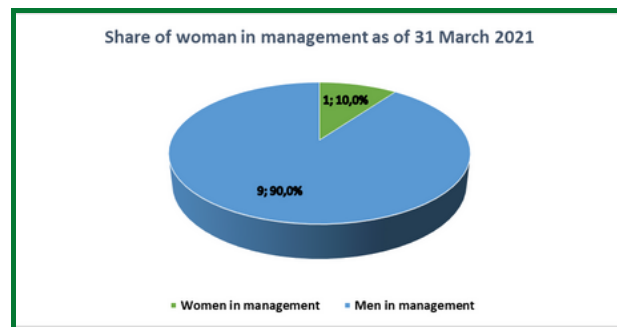
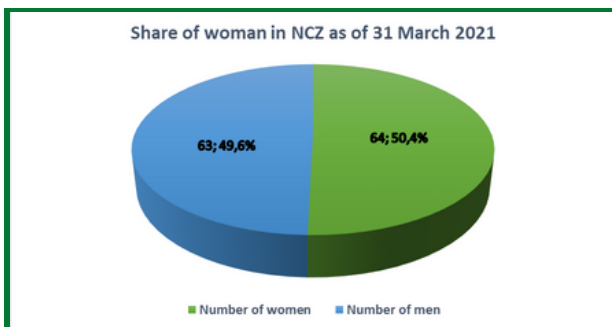
NCZ is aware of importance of diversity and the positive effects of diversity within the organization. Therefore, there is no discrimination of any social communities, discrimination based on the sex, race, age etc. As a legal consequence of Czech law we are only allowed to monitor diversity in 2 fields – gender and disabled.

To promote the diversity within the company, there are targets set for share of woman in management positions – in FY2023 to have 23% in management and in FY2030 30% share of woman in management. In FY2021 share of woman in management was 10%.

Unit: %	% of women in managerial positions		
	2021	2023	2030 [Target]
Target	NA	23%	30%
Result	10%		



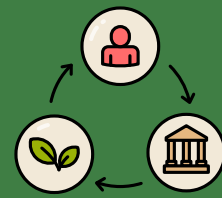
Overall rate of share of woman in the company is 50,4% in FY2021.



To be able to increase the share of woman at management, company is aware of the importance of equal salary. Therefore, there is no pay gap between man and woman – the salary is set for the position and there is clear system of salary increase that is set in the same way for all the company employees. Company uses HR Information System (HRIS) for evaluation of employee’s performance – system is the same for all the employees and guarantees the equal evaluation for every employee based on the agreed targets.

All the diversity and human rights standards are strictly followed during recruitment of new employees. To even more promote the diversity, especially at managerial positions, we have set up action plan in place - In every recruitment process for any WC/managerial position has to be at least one women in last round, we are offering part time contracts to attract the women in the roles of mothers so they can combine the role of mother with any positions where it is possible by the character of the position (No of part time jobs in FY2021 is 7). NCZ has set up a talent pool project where minimally 50% of participants were woman (3 of 6 participants, project started in FY 2021, continuing in FY2022).





4. Communication

Company is aware of communication within the organization and outside the organization.

a) Internal communication – to be sure that employees are informed about the significant activities within the company and the group. Target is to have that meeting on bimonthly basis. In FY2021 we had 6 meeting – target met. In FY 2022 we would like to increase the frequency and the target is set to 9 meetings/year.

On quarterly basis info session for all employees is held, where all employees are informed about the situation of the company and they have a right to ask any of the management present for any question.

Unit: #	Social dialogue - frequency of official meetings with employee representatives			
	2019	2020	2021	2022
Target	2	2	6	9
Result	1	2	6	

To know the employees concerns and be able to identify the areas for improvement, satisfaction survey is performed minimally once a year. Based on the survey, management creates PDCA (plan, do, check, act) action plan and follows up on the points selected. Target for FY2021 was to increase overall score to 60%, so from FY2020 57,8%. We have received scored of 74,9%, which is enormous improvement. The target for next FY is set: to keep the score in high inflation period on the same level as in FY2021.

Unit: %	Satisfaction survey result			
	2019	2020	2021	2022
Target	60%	60%	60%	75%
Result	59%	58%	75%	

b) External communication – communication with the society is performed through the events and activities. Target is to have 5 events of activities – in FY2021. 10 events were organized – e.g. Kids Day etc. as described above.



Governance

Nitto recognizes that the structure we choose to build for corporate governance is vitally important to facilitate the promotion of business activities. Dedicated wholeheartedly to addressing social challenges, not to mention being careful not to do something illegal, we make constant efforts to improve corporate governance to realize a better management system.

To ensure the compliance with Nitto Group policies, trainings of all the employees is performed when employee joins the company and also annual updates through Nitto Cultivation System (NCS) – see the detailed description in part 2 of this report.

Product Safety/Quality

Nitto Group operates in 28 countries and regions around the world. As such, we are aware of the magnitude of impact that our business activities have on local communities and economies. As a responsible manufacturer, we deem it imperative to ensure product safety, a secure workplace environment, and respect for human rights throughout the supply chain, in addition to offering the best quality, cost, and timely delivery. In fact, we currently receive customer requests that are more diverse and advanced than ever before, and local authorities are tightening their laws and regulations across the world. We at the Nitto Group consider it part of our corporate social responsibility to ensure that the workplace environment is improved and that human rights infringements are prevented, while at the same time providing products and services that satisfy our customers.

In order to deliver well-being and satisfaction to our valued customer through the supply of products and services, we assign product quality managers to the corporate quality division and each business execution departments and Group company, to build a structure for proper quality management.

To create a safe and secure workplace environment, in addition to constant improvement on the factory floor, the Corporate Strategy Meeting gathers to discuss programs and any challenges in integrating such activities with management objectives.

Respect for human rights is another key consideration for the Nitto Group that needs to be promoted for the Nitto Group that needs to be promoted globally, not only within the Group but also throughout the entire supply chain. The Nitto Group endorses the Universal Declaration of Human Rights and has established its own Basic Policy on Human Rights to promote CSR-based procurement.

Our Prospects for 2030 (Performance Targets)

Advanced quality assurance and safety management

Zero critical/serious occupational accidents

Sustainability appraisal and improvement of suppliers who account for 90% + of total purchases

Digitalized logistics for greater efficiency

To meet the Corporate targets NCZ started the process of suppliers evaluation. The main areas of evaluation are Quality performance, Management standards and Nitto-specific requirements, risk remedy.

- 1. Quality performance** – this area relates to delivered product conformity to requirements;
- 2. Management standards** – conformity of suppliers with ISO standards – e.g. ISO 9001, ISO 14001 etc.;
- 3. Nitto-specific requirements, risk remedy** – e.g. Ecovadis, CSR survey, compliance with Agenda 2030.

Based on the suppliers evaluation, suppliers are scored and divided to Groups A to E. If supplier is in group below A, Action plan is created to move to group A.