

Sustainability Report

2022 1 April 2022 to 31 March 2023



Nitto Denko Czech s.r.o.
Brno June 2023

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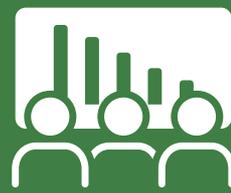
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„Dear readers,

It is with great pleasure that I present the latest edition of the ESG report of Nitto Denko Czech. As you go through the report, you'll discover various updates. The fiscal year 2022 brought multiple challenges to our daily operations. However, we successfully maintained a high focus on ESG-related topics and strived for improvement.

From an environmental perspective, our efforts continued to reduce our carbon footprint by cutting energy consumption, procuring 100% green electricity, and intensifying our focus on waste reduction projects. In all areas, we closely monitored ongoing progress. It became evident that these so-called non-financial targets eventually translate into future financial benefits. This was evident during the evaluated period when energy and waste management costs dramatically increased. This highlighted the long-term benefits of our focus on these topics, helping not just the environment and surroundings but also the company.

Regarding employee safety, we achieved another accident-free period by focusing on reducing safety risks and providing regular training to all employees.

During the fiscal year 2022, we signed a Memorandum with the City of Brno to reduce the carbon footprint associated with our operations. We plan to further deepen our cooperation based on this Memorandum, not only with the local municipality but also with local companies.

Compared to previous years, we engaged our employees more in the selection process of initiatives to support via Nitto Denko Czech's sponsorship program. It was genuinely heartening that our employees decided to sponsor people in need.

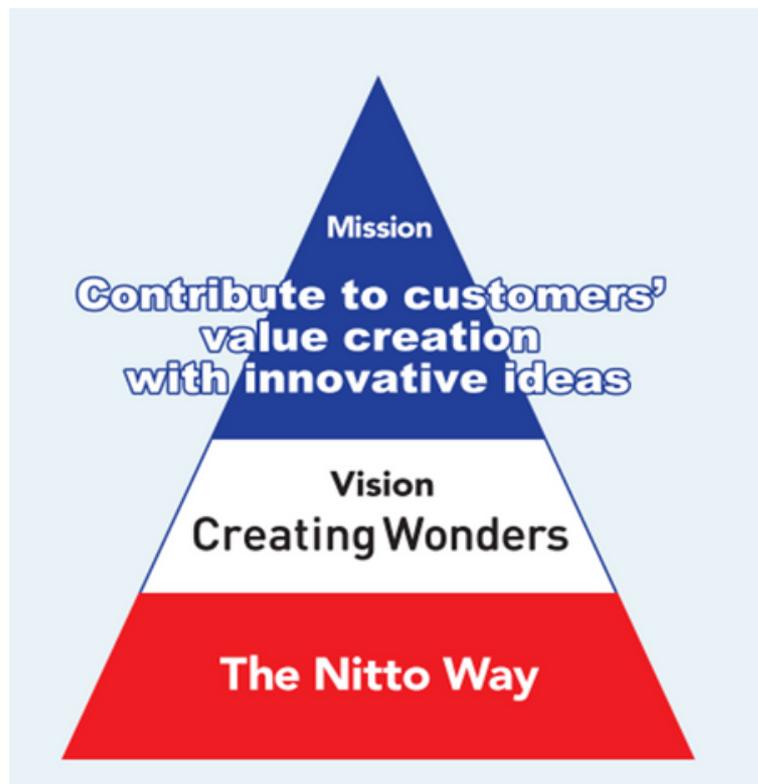
I hope you find the same appreciation I experienced while reading this report, and may it inspire you too.

Best regards

Jan Musil
Managing Director



The Nitto Groups Corporate Philosophy is comprised of three elements: our corporate Mission, our 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 the Nitto Group relentlessly pursue products, systems, and ideas the customers find valuable.

Our Mission is to deliver safety, prosperity, comfort, and affluence not only to customers whom we come in contact 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 hold the same vision, which is „Creating Wonders“.

Each and every employee is challenging themselves to wonder and inspire the world; in other words, we endeavour to create wonders in our everyday work and generate the power to change the world in many different domains.



The Nitto Way

The Nitto Way is a set of values that every Nitto employee is expected to practice to achieve Nitto's Vision for the future.

All Nitto Group employees should understand "The Nitto Way" and work vigorously, with attention to physical safety and mental wellbeing, to realize our "Mission" and "Vision."

Safety

Place safety before everything else.

Sustainability

Prioritize being in harmony with society and nature to realize a sustainable future.

Diversity & human rights

Value integrity and modesty, as well as respect the diversity and rights of all people.

Customer

Amaze and inspire our customers by serving the global environment, humankind, and society as our customers as well.

Anticipation of change

Go where the action is to refine our ability to anticipate and leverage change.

Challenge

Continue to take on challenges without fearing failure.

Sanshin Activities

Create innovation through Sanshin Activities.

Niche Top

Create Niche Top products all over the world as One-Nitto.

Speed and perfection

Act promptly and get things done through teamwork.

Corporate culture

Act accordingly to an "open, fair, and best" approach.

Personal development

Transform ourselves through personal development. Individual development leads to growth of the team.

Sense of ownership

Act with a sense of ownership.



ESG was proposed by the United Nations in 2006 and stand for Environment, Social and Governance (corporate governance). Investments, management, and business activities that take these into account are essential for companies today if the want long-term growth.

Environment

Matters companies must work on in their activities to preserve the global environment.

Social

Initiatives on human rights and social contributions that companies must responsibly take on as members of society.

Governance (corporate governance)

Initiatives to manage risk appropriately, and to prevent issues that could negatively impact performance.



In short, as set forth in the Sustainability Basic Policy, it is about “Solving social issues and creating financial value at the same time: The Nitto Group will see the global environment, humankind, and societies as customer, and continue to take on challenges to secure a sustainable and prosperous future”.

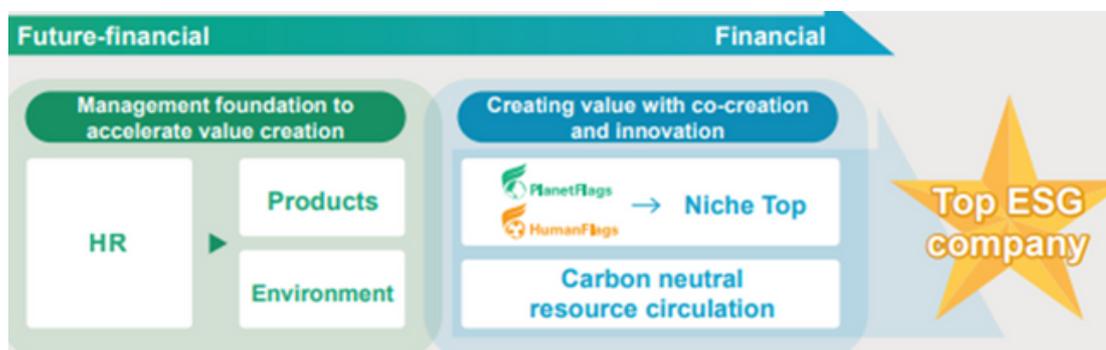
“Solving social issues” can often been seen as activities that contribute to society and the environment, which would be costly. Nitto, however, regards ESG not as a cost but as an investment.

What symbolizes it is future-financial activities. These will connect us to the future and become financial activities that drive profit, and we see the activities to promote them as ESG activities. “Future-financial targets” are important indicators for accelerating ESG management, and by achieving these targets, we will become the irreplaceable top ESG company, which is our 2030 Ideal State. Always remember that safety, a social issue, lies at the foundation of Nitto’s ESG management.

2030 Ideal State



Simultaneously focusing efforts on future-financial activities to solve social issues and creating financial value to become the top ESG company.



D. Materiality Analysis



Placing ESG at the core of our management, the Nitto Group bases all that we do on the Basic Policy on Sustainability.

Aiming to be an “irreplaceable ESG top company” by 2030, we will commit ourselves to simultaneously solving social issues and creating economic value for a sustainable future and the well-being of our “customers,” namely, the global environment, humankind, and society.

Corporate Philosophy (Mission)
Contribute to customers' value creation with innovative ideas

Basic Policy on Sustainability
Simultaneously solving social issues and creating economic value
The Nitto Group keeps challenging itself to realize a sustainable future and support well-being for everyone by service the global environment, humankind, and society as our customers.





D. Materiality Analysis

Addressing Material Issues for Sustainability in Nitto Group

Material Issues for Sustainability	Risks	Opportunities	Our Initiatives	2030 Management Targets
<ul style="list-style-type: none"> Support for health and longevity (lifestyle-related diseases, non-infectious diseases) Providing healthcare and long-term care services to all Control of infectious diseases on a global scale 	<ul style="list-style-type: none"> Increase in the company's cost and risk in case of extended period and/or greater expenses of developing pharmaceutical products Lowering of the company's competitive edge and growth potential in case of failure to meet unmet medical needs Increase in social responsibilities, such as prevention of harm to patients due to quality problems, adverse reactions, etc. 	<ul style="list-style-type: none"> Increase in demand for products and services that realize good health and longevity Increase in demand for pharmaceuticals, medical materials, and nursing care products Increase in business opportunities by providing products/services that improve QOL and prevent disease progression 	<p>R&D in line with the Basic Policy on R&D, "Solving social issues through innovation – We aim to enhance corporate value through technological development for the global environment, humanity, and society."</p> <ul style="list-style-type: none"> Development and spread of PlanetFlags/HumanFlags that contribute to the environment and/or human life Strategic business approaches to the three focus domains of digital interface, power & mobility, and human life Promotion of Sanshin Activities and the Niche Top Strategy that meet customer needs 	<p>Product related</p> <ul style="list-style-type: none"> New product ratio: Over 35% Niche Top sales ratio: Over 50% PlanetFlags/HumanFlags category sales ratio: Over 50%
<ul style="list-style-type: none"> Development of infrastructure for intelligent society Reduction in traffic jams/accidents Providing public transportation services for vulnerable road users 	<ul style="list-style-type: none"> Lowering of products competitive edge as alternative technologies emerge and the company's technologies become commoditized Increase in responsibilities as a result of the company's products, etc. playing key roles in ensuring safety of traffic systems 	<ul style="list-style-type: none"> Increase of demand for components, devices, and materials as IoT and digitalization advance Increase in demand for products that improve traffic flow and the safety level of automobiles Increase in business opportunities by providing products/services that facilitate self-driving 		
<ul style="list-style-type: none"> Promotion and spread of renewable energy and energy conservation Promotion of cyclic use of plastics, metals, water, carbon, and other materials Prevention of air, water and soil pollution 	<ul style="list-style-type: none"> Increase in difficulty in sales of existing products as environmental regulations are tightened Decrease in order volume in case of failing behind in addressing environmental need Lowering of trust in the company over the long term due to failure to meet expectations of the market/customers concerning environmental measures 	<ul style="list-style-type: none"> Increase in business opportunities by providing products with a low carbon footprint Increase in business opportunities by providing products/services that facilitate energy conservation by EVs and low-powered-mobility Increase in demand for technologies/products for cyclic use of various resources/materials Increase in demand for technologies/products that contribute to separation, removal purification or otherwise, of hazardous substances 		



D. Materiality Analysis

Addressing Material Issues for Sustainability in Nitto Group

Material Issues for Sustainability	Risks	Opportunities	Our Initiatives	2030 Management Targets
<ul style="list-style-type: none"> Recruitment/development of employees Diversity, equity & inclusion 	<ul style="list-style-type: none"> Increase in difficulty in maintaining stable business operations due to shortages of human resources Decrease in competitive edge due to inability to respond to rapid changes in the business environment 	<ul style="list-style-type: none"> Increase in productivity by way of workstyle reform and human resource development Organizational growth and creation of new values made possible by innovative human resources Hiring human resources that meet our needs by providing diverse people with an environment that empowers them 	<ul style="list-style-type: none"> Enhancement of job satisfaction and recruitment/retention of human resources Promotion of diverse work styles Development of global leaders and persons who can bring about reform Enhancement of engagement and motivation by organizational culture reform 	<p>Human resource-related</p> <ul style="list-style-type: none"> Female leaders ratio: 30% Engagement scores: 85 Challenge ratio: 85% <p>Environment-related</p> <ul style="list-style-type: none"> CO2 emissions: 470,000 tons/year Waste plastics recycling ratio: 60% Sustainable materials procurement ratio: 30%
<ul style="list-style-type: none"> Enhancement of safety and quality of products Improvement of workplace environment Respect for human rights in supply chains 	<ul style="list-style-type: none"> Occurrence of recalls, lawsuits, etc. due to quality problems Personal damage and shut-downs due to work-related accidents Damage to the company's reputation as seen by customers, society at large, and shareholders due to occurrence of human rights issues and other scandals 	<ul style="list-style-type: none"> Acquisition of customer trust and support by providing them with safe and quality products Increase in productivity and acquisition of trust from customers by providing a safe and secure workplace environment Secure and stable product supply and acquisition of trust by respecting human rights throughout the supply chain 	<ul style="list-style-type: none"> Quality control in participation social/market trends Reduction in risks of accidents/injuries and fostering of a safety culture Provision of a healthy and sound workplace environment Assessment and practice of CSR throughout the supply chain Increased efficiency in logistics through digitalization 	
<ul style="list-style-type: none"> Reduction in CO2 emissions Efficient use of energy, raw materials, water, and other resources Emissions-reduction of pollutants and hazardous substances 	<ul style="list-style-type: none"> Difficulty in continuing business activities due to delay in responding to the decarbonized society Shut-downs due to increased cost and difficulty in procurement Increase in the cost for compliance and difficulty in obtaining operational licenses due to delay in taking environmental measures 	<ul style="list-style-type: none"> Increase in productivity due to shift to eco-friendly production lines that meet the demand for GHG reduction Expansion of a resource recycling business by establishing recycling technology Acquisition of trust from local communities and customers by properly managing pollutants and hazardous substances 	<ul style="list-style-type: none"> Non-use of solvents in manufacturing processes Promotion of energy conservation and use of renewable energy Efficient use of resources Development of waste plastic recycling technology Recovery/reuse of solvents Curb on release of hazardous substances into the environment 	



I. Environment

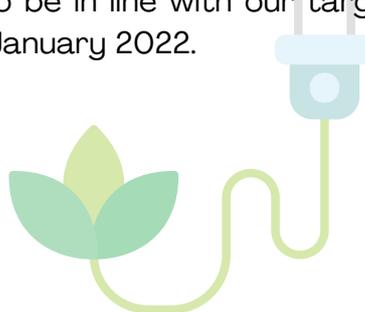
Faced the climate change resulting from CO2 emissions, the depletion of resources, and marine pollution by plastic, the global environment is in a state of crisis. For the Nitto Group, including NCZ, it is essential to make eco-friendly efforts to reduce our environmental impact in all aspects our business.

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. EMEA area would like to become carbon neutral even earlier 2045 and 2050 EMEA wants to be Carbon positive. 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“.

1. Energy consumption

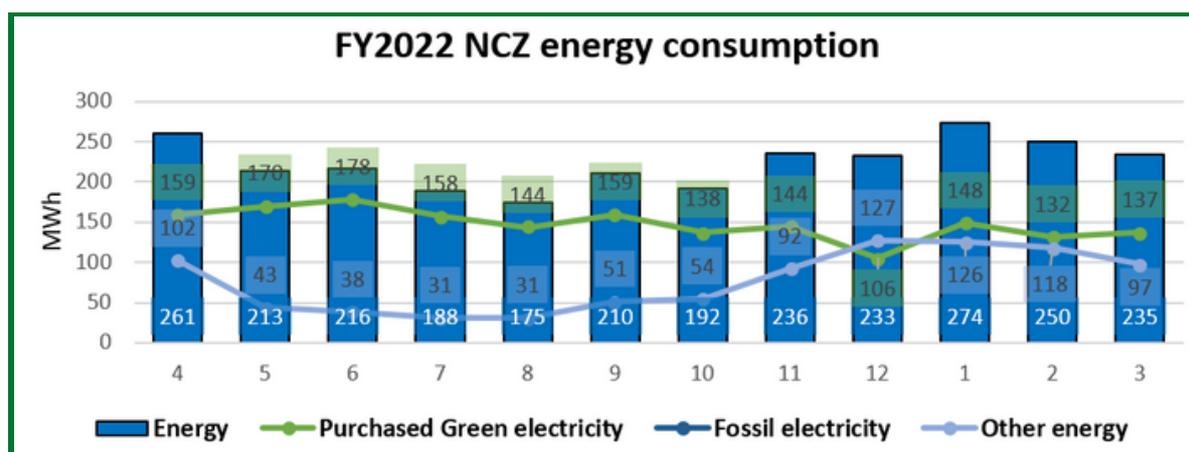
NCZ uses electricity, and hot water heating system. In line with Green deal target, Nitto announced to reach Carbon neutrality in 2050. EMEA is even more strict and set the Carbon neutrality 5 years earlier in 2045. To be in line with our target, NCZ has started to purchase only green electricity since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

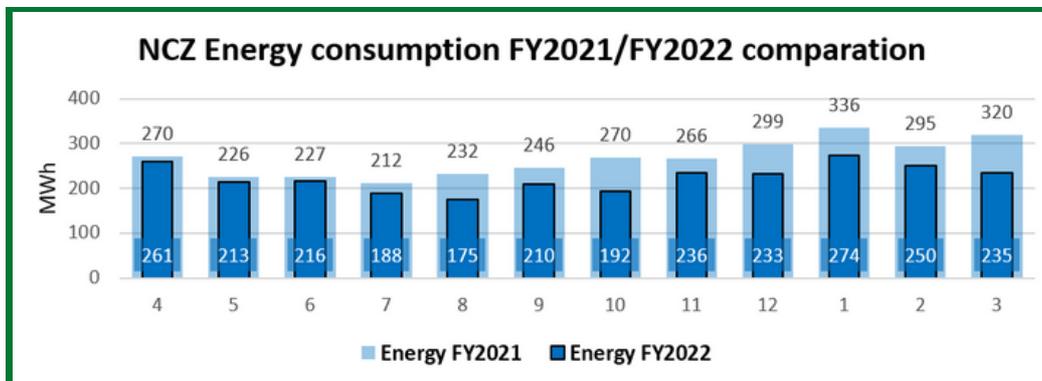




A) Total energy consumption – electricity, hot water

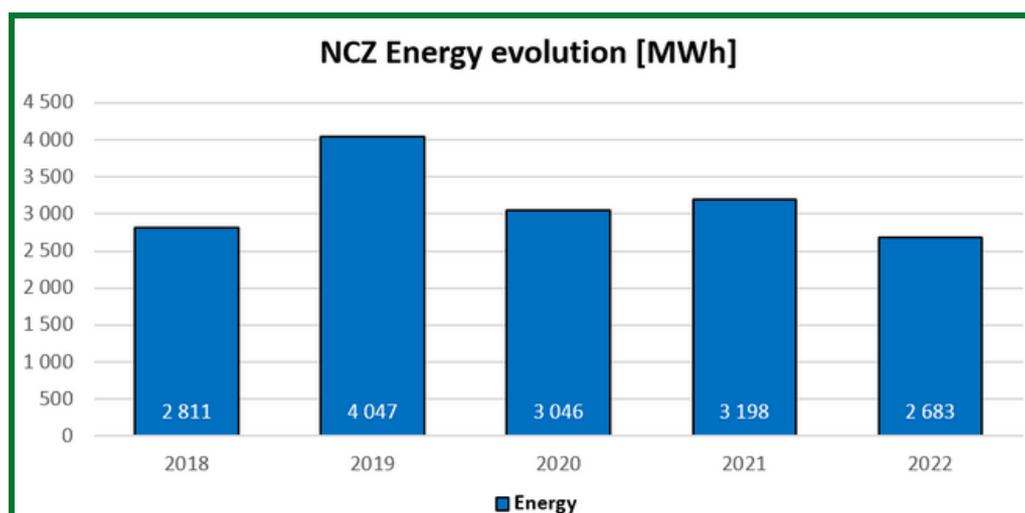
Unit: MWh	Total Energy	Fossil electricity	Green electricity	Other energy (Hot water)
2022/04	261	0	159	102
2022/05	213	0	170	43
2022/06	216	0	178	38
2022/07	188	0	158	31
2022/08	175	0	144	31
2022/09	210	0	159	51
2022/10	192	0	138	54
2022/11	236	0	144	92
2022/12	233	0	106	127
2023/01	274	0	148	126
2023/02	250	0	132	118
2023/03	235	0	137	97
Average/month	224	0	148	76
Total	2 683	0	1 773	910

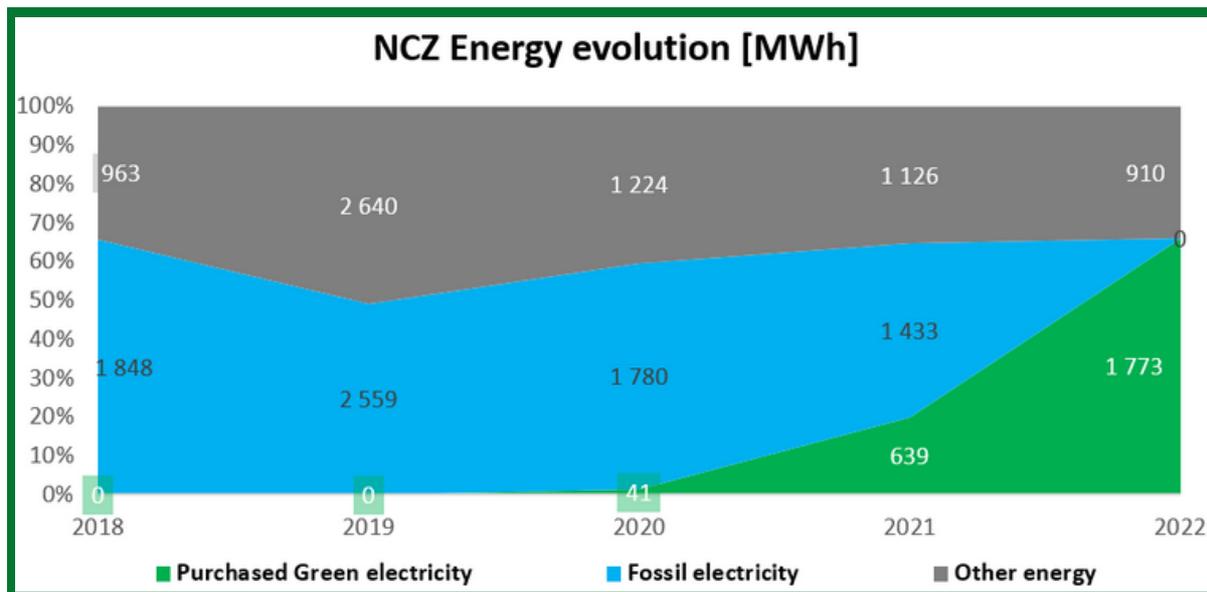




In FY2019 we have installed 3 new warehouses and one new production hall. Works connected to this installation increased the energy consumption and together with the cold winter period, it had the negative impact on our energy consumption in this year.

FY2020, we have established the task force team to reduce energy consumptions and make our machines more efficient. These activities had positive impact to positive trend of energy consumption. Even though we had more sales and higher production amount, we consumed less energy compared to previous fiscal year.

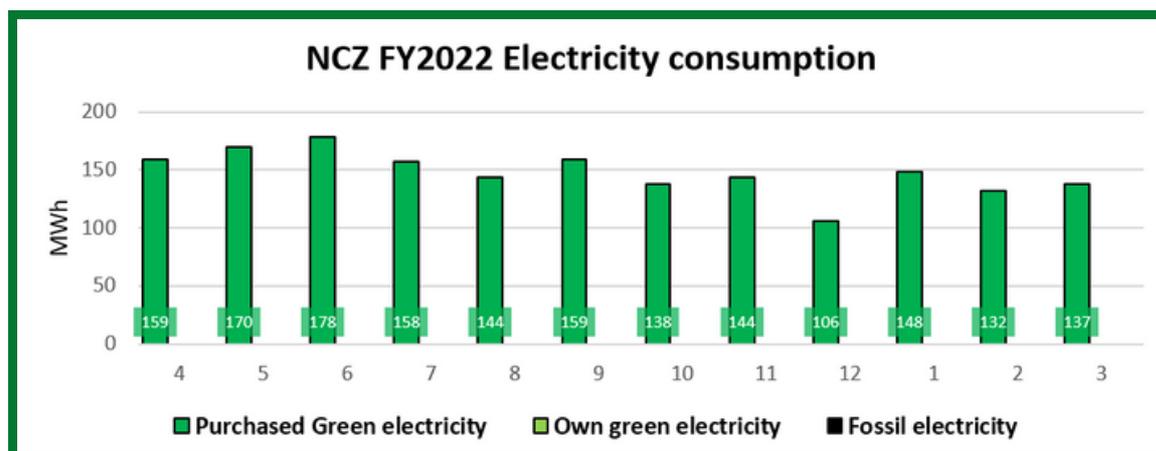




B) Renewable energy source

Since January 2022, Nitto Denko Czech s.r.o. has been purchasing electricity only from renewable sources. Fiscal year 2022 was the first year where NCZ didn't have any CO2 from the electricity.

Unit: MWh	Fossil electricity	Green electricity
2022/04	0	159
2022/05	0	170
2022/06	0	178
2022/07	0	158
2022/08	0	144
2022/09	0	159
2022/10	0	138
2022/11	0	144
2022/12	0	106
2023/01	0	148
2023/02	0	132
2023/03	0	137
Average/month	0	148
Total	0	1 773



C) Self-produced electricity

NCZ has continued the discussion with EMEA and HQ in Japan to get the approval for installation of FVE panel. Parallel, we have started the approval process in Czech authorities. If this project is successfully completed, there is the estimation of almost 30% electricity consumption covered by this photovoltaic panels, it means we would create approximately 470 MWh/ year by ourselves (roughly 469,86 kWp).

2. Greenhouse gases (GHG) emissions

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

A) Scope 1 Produced GHGs

Direct greenhouse emissions that occur from sources that are controlled or owned by NCZ.. NCZ does not produce any scope 1 GHGs.

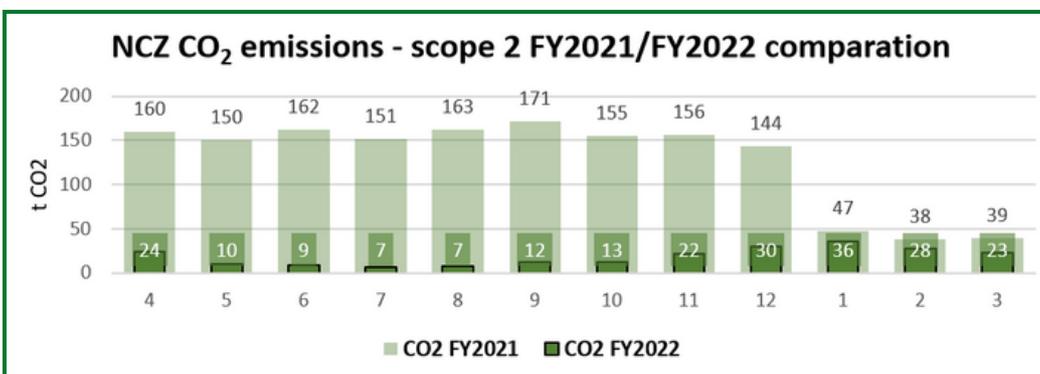
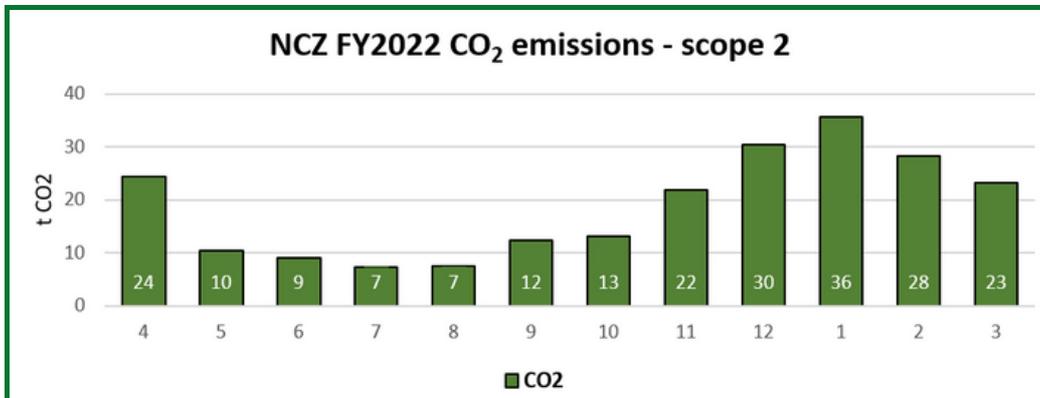
B) Scope 2 Indirect activities

Indirect greenhouse emissions associated with purchased electricity and heat or cooling. NCZ has GHGs emissions only from the hot water Heating system. CO₂ coming from electricity has been eliminated due to purchasing of 100% green electricity.

E. Environment, Social, Governance in NCZ



Unit: tCO2	Electricity	Hot water
2022/04	0	24
2022/05	0	10
2022/06	0	9
2022/07	0	7
2022/08	0	7
2022/09	0	12
2022/10	0	13
2022/11	0	22
2022/12	0	30
2023/01	0	30
2023/02	0	28
2023/03	0	23
Average/month	0	18
Total	0	218





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 (green energies such as H2, ...).

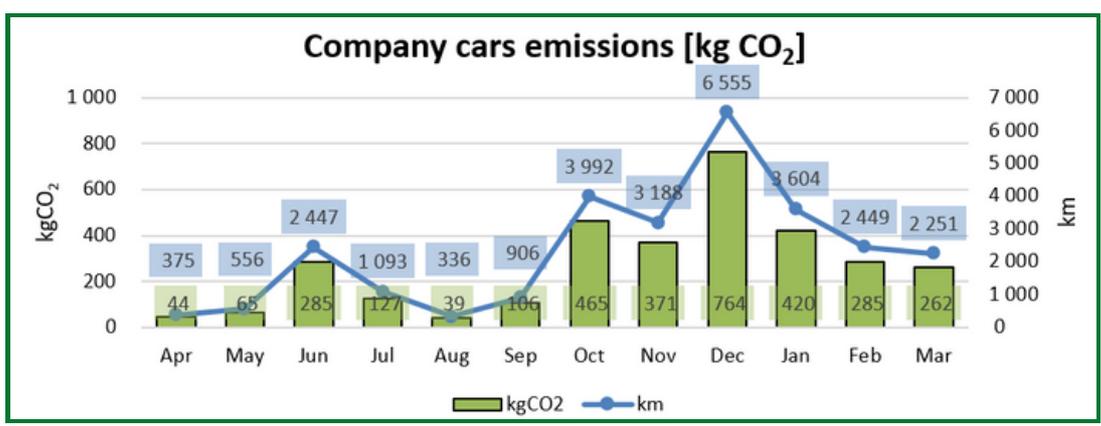
C) SCOPE 3 – Indirect emissions

Emissions that are not produced by the company itself and are not the result of activities from assets owned or controlled by NCZ, but those that it is indirectly responsible for up and down its value chain

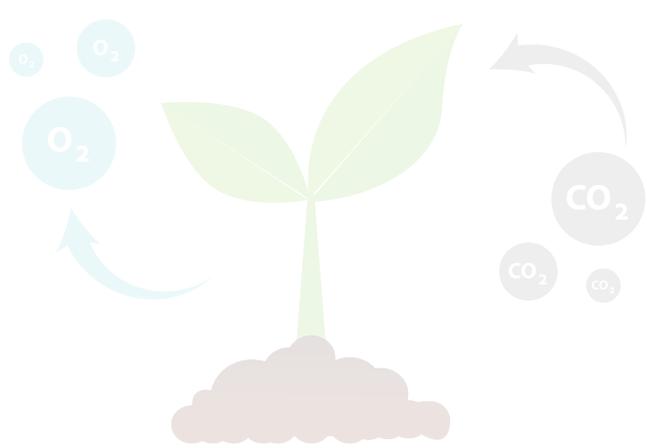
CO2 emissions produced by company cars are calculated in Scope 3 (leasing). In FY2023, we would like to add also the up-stream calculation.

We calculated CO2 produced by use of the company cars (leased) as follow:

Unit: kgCO ₂	km	gCO ₂ /km	kgCO ₂
2022/04	375	117	44
2022/05	556	117	65
2022/06	2 447	117	285
2022/07	1 093	117	127
2022/08	336	117	39
2022/09	906	117	106
2022/10	3 992	117	465
2022/11	3 188	117	371
2022/12	6 555	117	764
2023/01	3 604	117	420
2023/02	2 449	117	285
2023/03	2 251	117	262
Average/ month	2 313	N.A.	269
Total	27 751	N.A.	3 233



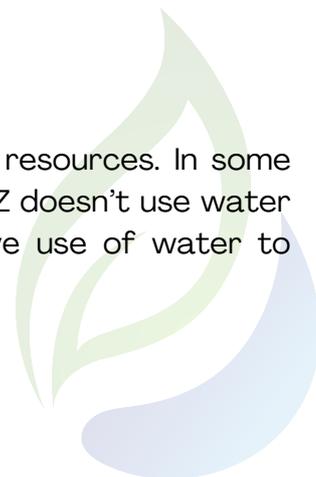
In line with our EMEA Company Cars policy, we are reducing the CO₂ coming from the company cars. Emission factor of all new company cars dropped from 122 gCO₂/km to 116,5 gCO₂/km.



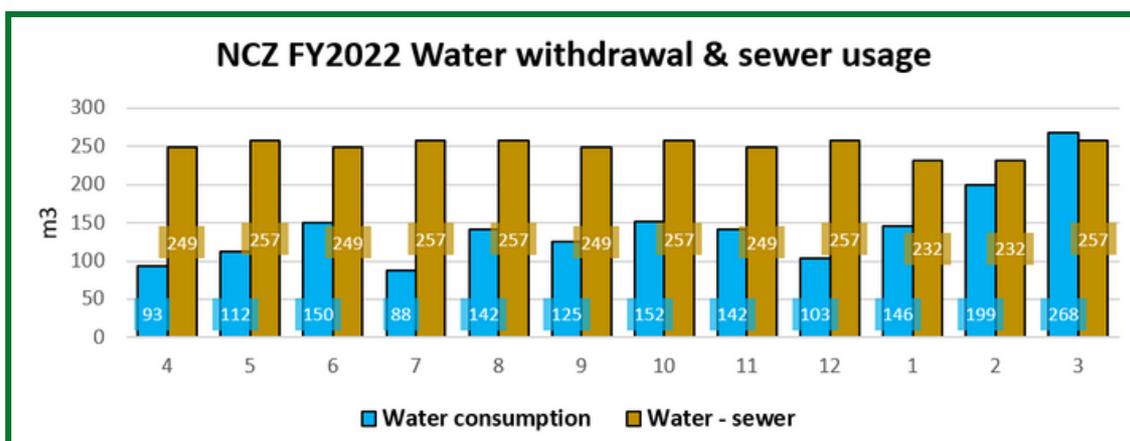


3. Water withdrawal

From the sustainability point of view, it is important to protect resources. In some Countries the water is known as blue gold. NCZ is aware of it. NCZ doesn't use water for production processes, but we are focusing on the effective use of water to reduce its consumption.



Unit: m3	Water intake	Water sewer
2022/04	93	249
2022/05	112	257
2022/06	150	249
2022/07	88	257
2022/08	142	257
2022/09	125	249
2022/10	152	257
2022/11	142	249
2022/12	103	257
2023/01	146	232
2023/02	199	232
2023/03	268	257
Average/month	143	250
Total	1 720	3 000



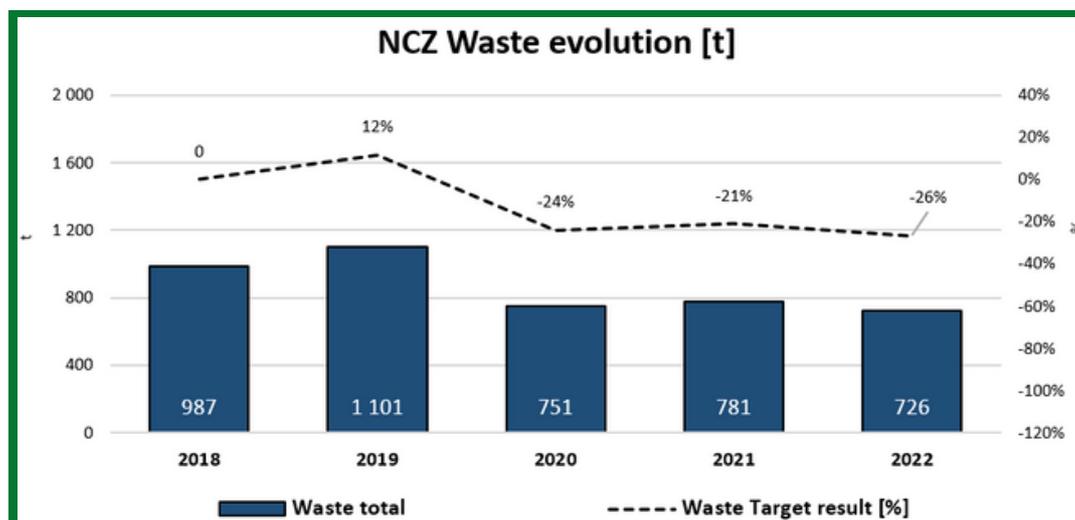


4. Waste

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, set a clear goal for FY 2030: waste-plastics recycling ratio of 60% or more it means focus more on material or chemical recycling (no thermal).

In FY2022 we were focusing on waste reduction and recycling. There were several activities such process optimizations that helped to reduce our waste volume even though the sales and production amount is increasing. In FY2022 we have produced 26% less waste compared to FY2018.

Our main focus now is to stop with the landfilling of the waste from Nitohard and Legetolex. We have started several activities to find the best solution.

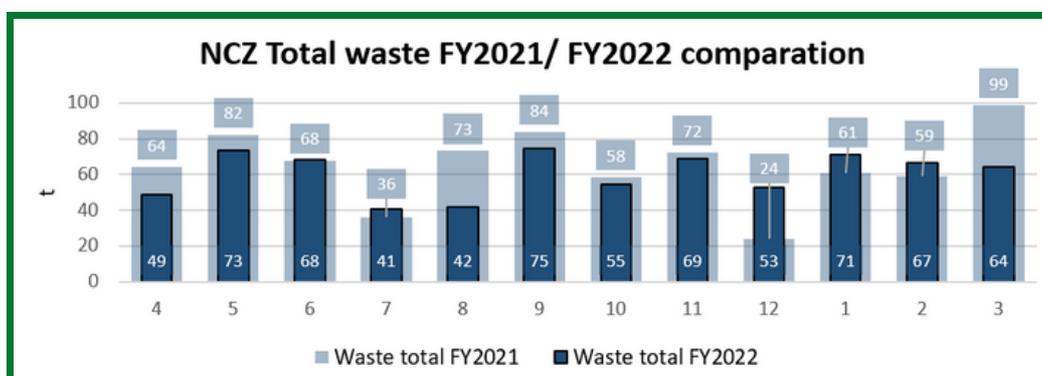




A) Total weight of waste

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
2022/04	45	3	49
2022/05	71	3	73
2022/06	64	5	68
2022/07	37	4	41
2022/08	39	3	42
2022/09	71	4	75
2022/10	50	5	55
2022/11	64	5	69
2022/12	49	3	53
2023/01	66	5	71
2023/02	63	3	67
2023/03	60	4	64
Average/month	4	4	60
Total	679	46	726





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. In FY2022 we have successfully completed “Freezing tunnel” project which is focusing on internal recycling of our waste that is now still landfilled. In addition, we were focusing on process optimization to reduce the waste volume itself. Below see the table showing the treatment of waste in FY2022:



Unit: t	Material/chemical recycling	Thermal recycling	Landfill
2022/04	4	5	37
2022/05	11	4	53
2022/06	6	8	53
2022/07	8	3	34
2022/08	5	4	55
2022/09	14	6	47
2022/10	7	6	59
2022/11	0	0	0
2022/12	0	0	0
2023/01	0	0	0
2023/02	0	0	0
2023/03	0	0	0
Average/month	5	3	28
Total	55	36	339

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.



E. Environment, Social, Governance in NCZ

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 to its own employees, but also to the public. We realise that safety starts with human health. Therefore, we try to create working conditions that are safer than the environment around us.

In FY2022 we did not have any lost time accident and in addition the trends of without lost time accidents and incidents are decreasing too.

The main reason of this positive trends is the increasing of awareness. We recognized the continual increase of near hit reports. This is an important element, because by appropriate action we can prevent future accidents.

Additionally, we invest into employee’s safety training. We organized 11 different trainings to improve our employees’ knowledges and experiences.

A) Lost time injuries

Lost time accidents are accidents where employee have to stay home due to the injury at work. We did not have any lost time accident in whole FY2022. 14 lost time days in March 2022 were linked to the accident that happened on the end of FY2021.

	# of Lost days [# of days]	Frequency [ppm]	Severity [%o]
2022/04	14	0,0	1,0
2022/05	0	0,0	0,0
2022/06	0	0,0	0,0
2022/07	0	0,0	0,0
2022/08	0	0,0	0,0
2022/09	0	0,0	0,0
2022/10	0	0,0	0,0
2022/11	0	0,0	0,0
2022/12	0	0,0	0,0
2023/01	0	0,0	0,0
2023/02	0	0,0	0,0
2023/03	0	0,0	0,0
Average/month	1	0,0	0,1
Total	14	0,0	1,0

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



B) Near hits

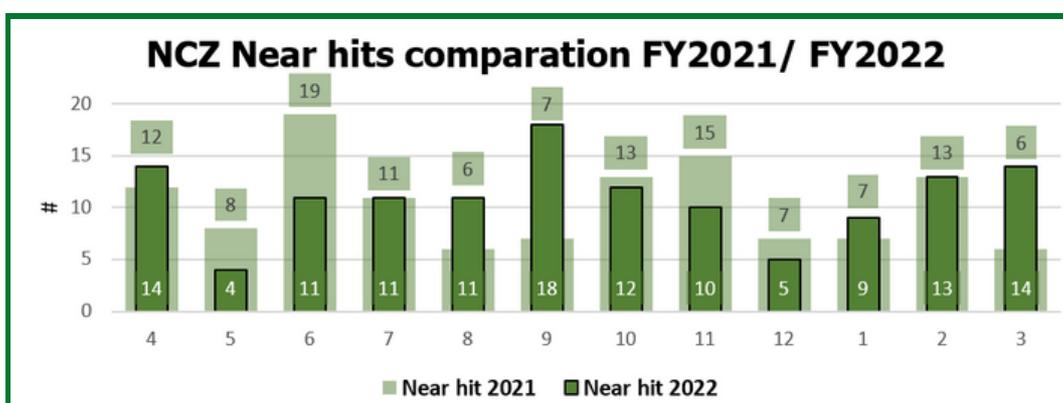
Near hit is the step before the accident or incident happened. We can divide it to two categories:

1. Unsafe condition
2. Unsafe condition

Near hit reporting is one of the important elements to reach our safety objectives.

As described above, near misses are reported to increase the awareness and prevent accidents in early phase. In FY2022 we again increased the number of Near hits. This is one of the reasons why we reduced also the number of accident and incidents.

Unit: #	Near hits [FY2018]	Near hits [FY2019]	Near hits [FY2020]	Near hits [FY2021]	Near hits [FY2022]
2022/04	2	3	3	12	14
2022/05	2	8	6	8	4
2022/06	0	8	5	19	11
2022/07	5	3	3	11	11
2022/08	3	5	5	6	11
2022/09	2	4	3	7	18
2022/10	3	6	3	13	12
2022/11	1	3	3	15	10
2022/12	4	3	4	7	5
2023/01	5	3	5	7	9
2023/02	2	3	3	13	13
2023/03	2	2	4	6	14
Average/month	3	4	4	10	11
Total	31	51	47	124	132





II. 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 entire Nitto Group. 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

Continuous improvement of engagement surveys and measures against issues identified

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



E. Environment, Social, Governance in NCZ

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



E. Environment, Social, Governance in NCZ

- 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 2022 activities as:

On bike to work project

By using bikes instead of cars we saved 516,28 kg CO2 emissions (helping the environment and also improving the health condition of our employees)



Sponsoring

Lila sponsoring – handicaped children house and endangered animals in ZOO Brno (helping to endangered animals)



Kid's day, Family Day

(engagement of the families of our employees to Nitto, this year organised at ZOO Brno)



Sports day

(improve the awareness and attraction to sports to increase the health condition of our employees)





Nitto is communicating also with 3rd parties and society as a good neighbour. For this we made in FY 2022 activities as:

Safety, health & environmental day

(promoting of environmental, safety and health aspects, closer focus on topics where all of us can help)



International Women's Day

Celebrating the International Women's Day (promotion of diversity)



Prepare Brno/„Připrav Brno“

Activity organised by Brno city, as a first statutory city in Czech Republic, to involve companies located at their area to improve ESG topics. We have signed memorandum, that we will need to focus on 10 specific rules leading to decrease of emissions and working on improvements in those areas. We have been evaluated as green partner of the Brno city, that evaluation we are planning to improve in next period.





Nitto is communicating also with 3rd parties and society as a good neighbour. For this we made in FY 2022 activities as:

Cooperation with PARACentrum Fénix

Organisation for handicapped people mostly after accidents caused back injury which led to wheelchair situation – several trainings prepared by Fénix during safety day event. We will continue with participation on “Spin the wheels event”, donations event “Knoflík spojuje”, trainings and workshops for company car drivers and other interested employees.



Cooperation with children's care homes - Nitto helps (helping to disadvantaged kids)

Charity runs – Charity run in support of the hospice St. Elizabeth

Cooperation with universities, student practices at the company (helping to the students for their future assimilation with any employer)

Nitto ATP – employee programme (engagement of our employees to company)

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 FY2022 the number of training hours per employee was 24,5. The target has been met in 100%.

Unit: h/FTE	Number of trained hours per employee				
	2019	2020	2021	2022	2023
Target	12	12	24	24	24
Result	13	18	34	24,5	

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 97% employees were trained – the difference of 3% represent long time sick employees. Therefore, we assume that the target has been met.

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 FY2022 the target has been met. There were 0 breaches reported from any source
- b) Discrimination, Harassment, Bullying and any other unethical behaviour described in Code of Conduct – in FY2022 the target has been met. There were 0 breaches reported from any source.

For FY 2023 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 behaviour)				
	2019	2020	2021	2022	2023
Target	0	0	0	0	0
Result	0	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.

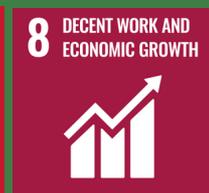
NCZ is aware of importance of diversity and the positive effects of diversity within the organization. Therefore, there is no discrimination of any social communities, discrimination based on the sex, race, age etc. As a legal consequence of Czech law we are only allowed to monitor diversity in 2 fields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

To promote the diversity within the company, there are targets set for share of woman in management positions – in FY2025 to have 24% in management and in FY2030 30% share of woman in management. In FY2022 share of woman in management was 10%.

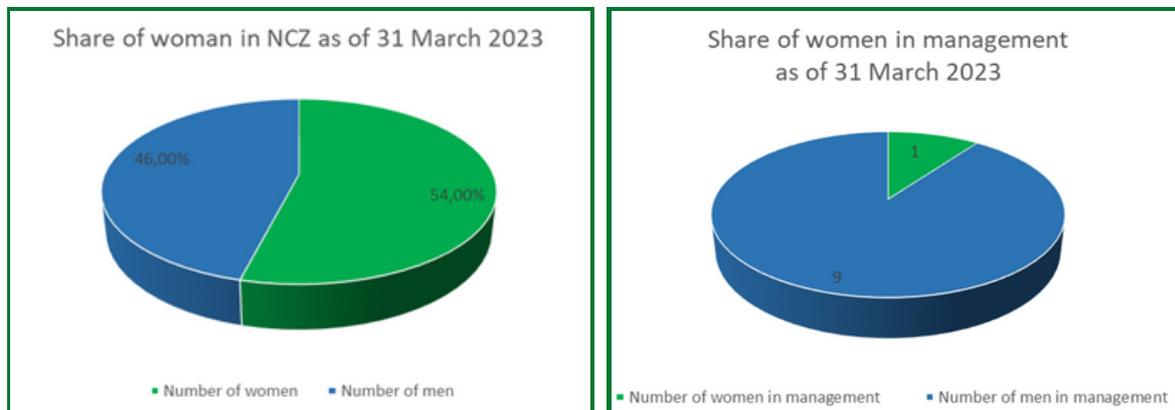
Employee Statistics		
Gender	Women	Men
Number / Manager	70 / 1	60 / 9
Total	130	

Unit: %	% of women in managerial positions		
	2022	2025	2030
Target	NA	24%	30%
Result	10%		

E. Environment, Social, Governance in NCZ



Overall rate of share of woman in the company is 54 % in FY2022.



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 FY2022 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 and partly also in FY2023).



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 was to have that meeting on bimonthly basis and start increasing frequency. In FY2022 we had 9 meeting – target met. In FY 2023 we would like to increase the frequency and the target is set to 11 meetings/year.

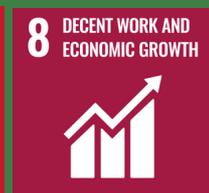
On quarterly basis info session for all employees is held, where all employees are informed about the situation of the company and they have a right to ask any of the management present for any question.

Unit: #	Social dialogue - frequency of official meetings with <u>employees</u> representatives				
	2019	2020	2021	2022	2023
Target	2	2	6	9	11
Result	1	2	6	9	

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 FY2022 was to keep the score above 70% in high inflation period. This target was met with the score of 71%.

Unit: %	Satisfaction survey result				
	2019	2020	2021	2022	2023
Target	60%	60%	60%	70%	70%
Result	59%	58%	71%	71%	

b) **External communication** – a) External communication – communication with the society is performed through the events and activities. Target is to have 5 events of activities – in FY2022. 10 events were organized – e.g. Kids Day etc. as described above.



5. Wellbeing of employees

The FY22 was one of the worse years due to huge inflation and this factor together with economical situation of company, forced us to do different approach to yearly salary increase. We have considered the living wage principles and has decided to monitor them and try to increase the living wage of most impacted employees. So we have decided not to increase salaries by percentage of salary but for all employees in the same fixed amount which has helped the low earning groups and reaching salary increase up to 20%. We have made a commitment that we will keep monitoring the living wage and we will keep efforts to reach that for all of our employees.



III. 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 annual updates through Nitto Cultivation System (NCS) – see the detailed description in part 2 of this report

J-SOX, Internal Audit and External Audit

One of the critical parts of governance is sound and reliable system of financial reporting. For the reliability of financial reporting, appropriate Internal Control is established and assessed effective in order to comply with Internal Control Reporting System introduced by the Financial Instruments and Exchange Act. and proceed to obtain the opinion as “Internal Control (J-SOX) over financial reporting is effective” through Internal Control audit by independent auditor.

For the establishment of Internal Control (J-SOX) over financial reporting, below six basic subjects should be appropriately designed and operated:

- a) Control Environment
- b) Control Activities
- c) Monitoring
- d) Risk Assessment and Response
- e) Information and Communication
- f) Enhancement for IT

The establishment and assessment of Internal control (J-SOX) over financial reporting should be at the level that is not excessive but appropriate in consideration of the impact of financial reporting and the cost for them. It means to achieve both appropriate internal control and operating effectiveness.

Nitto Group J-SOX assessment organization



Environment, Social & Governance in NCZ

Every year the scoping of companies within Nitto Group is done to have sufficient coverage of J-SOX testing. The scoping is done based on the budgeted consolidated sales.

NCZ is, based on the scoping, C-ranked company that is not in scope of J-SOX assessment.

Internal audit

Even if the Company is not in J-SOX scope it is under supervision of Internal audit. All the geographical sectors have the internal auditors, responsible for the assessment of the effectiveness of internal control system in the Company.

The EMEA region, including NCZ, has one internal auditor that is responsible for audits of all the companies within the region on annual basis.

Internal auditor is reporting to EMEA Board of Directors. He is independent from all the companies that he is auditing. Process of internal audit is as follows:

- a) Preparation of audit plan – Internal auditor prepares the plan of internal audit for next financial year based on the risk assessment process. Audit plan must be approved by the EMEA BoD by the end of March.
- b) Self-assessment done by each company from the EMEA region – based on the NIMS file (file covering all the processes withing the company that must be followed to be in line with group guidelines and processes) company answers the questions and prepares the supporting documentation.
- c) On-site audit – Internal auditor comes to the Company, and based on the audit plan audits the selected areas.
- d) Review of the documentation and final assessment by internal auditor – based on the on-site audit, internal auditor assess design and effectiveness of the process and compliance with group requirements.
- e) Report and Improvement plan – based on the audit and documentation review, internal auditor reports findings (Low, Medium, High) to BoD and agrees Improvement plan. Findings ranked High are reported to Japan.

Environment, Social & Governance in NCZ

In addition to work of regional Internal auditor, NIMS file is available to Japanese HQ. Japanese HQ reviews the NIMS files and, if necessary, contacts Internal auditor to solve any issues identified by them.

NCZ is audited, as described above, annually. The on-site audit takes one week. During the last year, there were no findings in category High and only limited number of Low and Medium findings.

External Audit

In line with the local regulation and group requirements, NCZ is subject to statutory audit. KPMG Czech Republic has been appointed as statutory auditor for NCZ by the owner of the company.

KPMG audit covers statutory financial statements of the company – Annual report including Financial statements with Notes to Financial Statements and Report on Relation. Based on the audit procedures performed by the auditor, Company received Independent auditor report with no modification for financial year 2022 (unmodified Auditor report has been also in previous years).

External certifications

Information security – Tisax

In an increasingly digital environment, it is crucial for Nitto to properly safeguard the security of its information. Nitto has prepared for obtaining the TISAX management certificate for information security within the region over the past year, which is well-known in the automotive industry. At the beginning of current year, NCZ (also Nitto Belgium and Nitto EMEA) obtained the certificate.

In preparation for certification, Nitto paid particular attention to:

- Information risk handling
- Establishing an information security management system and increasing awareness through training
- Implementing a measurement system for information security breaches

The focus is on continuous improvement. Follow-up is carried out through a roadmap that is adjusted annually based on internal factors (through self-assessment) and external factors (e.g., when the number of cybercrime cases increases).

Environment, Social & Governance in NCZ

ISO 9001 and IATF 16949

ISO 9001 is a globally recognized standard for quality management. It helps organizations of all sizes and sectors to improve their performance, meet customer expectations and demonstrate their commitment to quality. Its requirements define how to establish, implement, maintain, and continually improve a quality management system (QMS). Certification ISO 9001 brings following business benefits:

Customer confidence – the standard ensures that organizations have robust quality control processes in place, leading to increased customer trust and satisfaction.

Effective complaint resolution – ISO 9001 offers guidelines for resolving customer complaints efficiently, contributing to timely and satisfactory problem-solving.

Process improvement – the standard helps identify and eliminate inefficiencies, reduce waste, streamline operations, and promote informed decision-making, resulting in cost savings and better outcomes.

Ongoing optimization – regular audits and reviews encouraged by ISO 9001 enable organizations to continually refine their quality management systems, stay competitive, and achieve long-term success.

IATF 16949 is a technical specification aimed at the development of a quality management system which provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the automotive industry supply chain and assembly process.

In the financial year 2022 external recertification audit, this time conducted by a new certification company, confirmed NCZ quality management system, and its conformity with ISO 9001 and IATF 16949.