

TEIJIN LIMITED

June 28, 2023

Caux Round Table Japan

Hiroshi Ishida, Executive Director

Status of Human Rights Due Diligence by the Teijin Group

Caux Round Table Japan (“CRT Japan”), a non-profit organization, and Teijin Limited (“Teijin”) have concluded an advisory service agreement on initiatives related to the UN Guiding Principles on Business and Human Rights (“UNGPs”) and ESG from 2019 and hold regular dialogues at least once a month. In these dialogues, CRT Japan provides Teijin with information on global social trends and issues of concern to stakeholders, and discussions are held with Teijin’s Chief Social Responsibility Officer, who is in charge of CSR, or members of related departments, to determine the direction Teijin should take.

This report is a third-party commentary on how Teijin, as the headquarters of the Teijin Group, has developed a UNGPs-based management system that incorporates this external perspective and how it intends to proceed in the future.

Characteristics of the Teijin Group’s business operations

Teijin is a pioneering venture company with a corporate history spanning more than 100 years. The Teijin Group’s corporate philosophy is “Enhancing Quality of Life,” whose purpose is to enhance the quality of life through a deep insight into human nature and needs, together with the application of our creative abilities.

The Teijin Group consists of the four business domains of Materials, Healthcare, Fibers & Products Converting, and IT, each diversified and global in scope. Since its operation, the Teijin Group has been striving for people-centered management. Since 2018, the Group has begun full-scale efforts to implement the UNGPs formulated by the United Nations in 2011.

Approaches to be taken by the Teijin Group to implement the PDCA cycle based on UNGPs

Given that the Teijin Group’s business domains vary widely due to its diversified management, it would not be efficient to implement all the initiatives required by the UNGPs at once throughout the Teijin Group. Therefore, Teijin should implement its initiatives in stages and push forward with them while building consensus with internal and external stakeholders. In particular, the Teijin Group should focus on the upstream of its supply chain and promote the implementation of initiatives according to UNGPs in business areas where it can directly impact. In addition, it is necessary to continue dialogue

with stakeholders regularly to respond flexibly to urgent social issues.

Teijin Group initiatives, future actions and evaluation

In light of its diversified and global business structure characteristics, Teijin is conducting human rights due diligence on the entire Teijin Group in stages as follows. First, Teijin holds dialogues with CRT Japan, overseas experts, and other stakeholders regularly and confirms the existence of potential risks based on the risk assessment at regular monthly meetings with CRT Japan. In addition, the Teijin Group conducts its own CSR procurement questionnaires of its suppliers to proactively clarify and monitor the status of their efforts to address human rights issues. Through these processes, CRT Japan and Teijin agreed in 2020 to conduct human rights due diligence impact assessments in a phased manner for the following three events in Teijin's business areas, excluding the IT business domain, in the order of the most significant adverse impacts on society. We are currently moving into the implementation phase.

1. Regarding the working environment at outsourced sewing and processing companies in the Fibers & Products Converting business domain (particularly Teijin Frontier), Teijin collaborates with the Global Alliance for Sustainable Supply Chains, a third-party organization, and conducts educational activities that integrate seminars and direct dialogues with rights-holders, including workers, every year. In addition, Teijin commenced the Zero Fee Project in FY2019, aiming to remove the burden of payment on technical intern trainees. Teijin first narrowed its focus to the Fibers & Products Converting business domain, which is considered to have a significant adverse impact on society and then integrated it with existing CSR questionnaires while involving a third-party organization. This initiative is a good practice of a management system that incorporates external perspectives, and CRT Japan looks forward to Teijin's continued implementation of this approach.
2. Teijin commenced in November 2021 to consider holding a direct dialogue on the working environment at manufacturers of febuxostat, the active ingredient of Feburic, which is the flagship product of its healthcare business, and its relationship with the surrounding community. Teijin then discussed with relevant departments in January 2022. As a result, Teijin decided to strengthen traceability in febuxostat, not only for securing stable supplies of its flagship product but for responding to a significant supply responsibility to society. Through collaboration with overseas manufacturers of active ingredients, Teijin is now moving toward implementing direct dialogue upstream in the supply chain to the extent that it can directly influence them. CRT Japan looks forward to its initiative. Since last fall, overseas NGOs and CRT Japan

have pointed out that it is essential to conduct due diligence that incorporates human rights and the environment from 2022, and the then Chief Social Responsibility Officer gave top priority to the early implementation of such due diligence and committed to take advantages of this series of works as a learning opportunity. This is the background of the selection.

3. Teijin discussed with CRT Japan in January 2022 its potential direct dialogue on the treatment of migrant workers employed in each business under the Materials business domain, especially in overseas locations¹. In this discussion, Teijin recognized that, in light of the current Russia-Ukraine war, it is necessary to confirm, especially in the European region, whether human rights violations (discrimination) against Russian and Ukrainian nationals are occurring. Therefore, Teijin decided to move forward with arrangements for direct dialogue, if necessary.

Subsequently, since the Russian invasion of Ukraine began on February 24, 2022, the Teijin Group has donated 10 million yen through the United Nations Children's Fund (UNICEF) and the Office of the United Nations High Commissioner for Refugees (UNHCR) as humanitarian assistance to people in Ukraine and displaced areas who are experiencing difficulties in their lives. In addition, TEIJIN AUTOMOTIVE TECHNOLOGIES CZECH offers financial support to 30 directly employed Ukrainian workers for daily necessities and housing expenses of displaced families and ultimately provides the same supports to 10 employees who petition.

In addition, Teijin promptly sent its delegate from the then Corporate Ethics and Compliance Group of CSR and Compliance Department to TEIJIN AUTOMOTIVE TECHNOLOGIES CZECH to conduct interviews regarding 30 Ukrainian nationals and the situation their families face. The investigators stressed to the company's management the importance of paying attention to the working conditions of the 50 Ukrainian workers sent by the agency, in addition to the 30 directly employed, and of implementing the UNGPs in line with the National Action Plan of the Czech Republic. CRT Japan will support the further continuation of this effort.

Initiatives in FY2022

In FY2022, Teijin continued its CSR survey of business partners and conducted in-depth interviews directly with 72 domestic and foreign companies whose survey answers indicated concerns related to human rights issues such as not employing individuals under 15 years of age and not having young workers to work late at night or overtime. Among these 72

¹ In Teijin, however, labor-intensive assembly sites are increasingly automated and limited to combined operations.

companies, Teijin confirmed that none of them were involved in actual instances of slavery, human trafficking, or any other violations of human rights. For the remaining two companies, Teijin was unable to confirm the actual situation in FY2022. Consequently, Teijin continues to identify the actual situation.

In addition, Teijin conducted a survey to determine if any foreign technical intern trainees were employed within the Group, excluding those in the Fibers & Products Converting business which had already been subject to a prior Teijin survey. This revealed that there was employment at one of the business partners. Given the limitation in directly interviewing these foreign technical intern trainees, Teijin conducted an interview with the contact person in charge. The result of this interview confirmed that there were no human rights issues of particular concern to the foreign technical intern trainees. The efforts to conduct direct dialogue and attempt to approach rights-holders through an in-depth focused approach are commendable. CRT Japan acknowledges Teijin's efforts and expects Teijin to encourage that supplier to conduct human rights due diligence based on the UNGPs and to conduct direct interviews with technical intern trainees with a third-party organization.

Teijin has made a strategic decision to delegate a portion of its sustainability efforts to the procurement division, primarily responsible for actual procurement operations. This aims to foster the establishment of a management system based on the UNGPs and to widespread the understanding of the UNGPs across its supply chain. This move is a clear indication of Teijin's commitment to cross-divisional efforts in the future. Following the transfer, CRT Japan anticipates the procurement division to become responsible for CSR procurement-related activities and collaborate with the sustainability division.

CRT Japan's role and responsibility in Teijin's future initiatives

Toward the implementation of a management system for the UNGPs that incorporates external perspectives, CRT Japan expects that after completing the impact assessment of the three human rights themes identified so far in the potential risk assessment, Teijin will appropriately address, resolve, and monitor any matter that needs to be improved and will disclose information in a manner consistent with the UNGPs.

Teijin is also keen to establish and operate a grievance mechanism at the global level to take preventive measures against human rights violations in areas that have not been highlighted in this human rights due diligence process.

Teijin recognizes that it will probably take three to five years to implement the PDCA cycle following the UNGPs throughout the Teijin Group. In the meantime, CRT Japan, as a third



party, will navigate Teijin appropriately to ensure that its initiatives, processes, and paths lead to the desired results and do not diverge from what the UNGPs expect of private companies.

Caux Round Table

Below are references

The following is cited from Teijin's disclosed information

Progress of the Teijin Group's human rights due diligence efforts

2018: Potential human rights risk desktop assessment

The Global Alliance for Sustainable Supply Chains was contracted to conduct a desktop study of potential human rights risks in the Teijin Group by business domains and geographic regions, and RIGHTSDDLIMITED (UK), a subcontractor of the alliance, conducted a study on the "likelihood of complicity in modern slavery".

- Scope: 153 domestic and overseas group companies categorized into 11 businesses within the Teijin Group
- Methodology: Score the "risk of human rights violations" for each of the 11 businesses
- Results: The Fibers & Products Converting, which is positioned as a labor-intensive industry, was identified as having a relatively high potential risk of human rights violations due to the nature of its business characteristics and the regions in which it operates.

2019: Measures to address potential human rights risks

For the implementation based on the UNGPs, Teijin concluded an advisory service agreement with CRT Japan, a third-party non-profit organization. While incorporating the details of the Teijin Group's efforts to date, Teijin and CRT Japan discussed measures for a transition from human rights themes identified in the potential human rights due diligence risk to impact assessment for identifying human rights issues.

2019: Dialogues with overseas experts

On October 11, 2019, Teijin participated in a dialogue session in Tokyo organized by CRT Japan and held a dialogue between experts in "Business and Human Rights" and the Teijin Group Chief Social Responsibility Officer. While recognizing Teijin's efforts to date to involve the supply chain at Teijin Frontier, the experts expressed expectations that Teijin will be able to further identify and address human rights issues for rights-holders through impact assessments in the future.

- Overseas Experts (honorifics omitted)
 - Puvan J Selvanathan, CEO, Blunumber Foundation
 - Paulina Murphy, Engagement Director, World Benchmarking Alliance
 - Camille LePors, Senior Researcher, World Benchmarking Alliance, CHRB
 - Rishi Sher Singh, Specialist Global Supply Chain in India

- Teijin (honorifics omitted)
- Yasuhiro Hayakawa, Chief Social Responsibility Officer, Senior Executive Officer, TEIJIN GROUP
- Yukako Kurose Manager, Corporate Ethics and Compliance Group, CSR & Compliance Department
- Shuichi Osaki, General Manager, CSR Planning Department
- Kohei Hayakawa, General Manager, Corporate Ethics and Compliance Group, CSR & Compliance Department
- Facilitator (CRT Japan)
- Hiroshi Ishida

Human rights due diligence initiatives

From November 2019 to March 2020, Teijin conducted a human rights due diligence risk assessment in accordance with the UNGPs in collaboration with CRT Japan. In this process, Teijin explained to CRT Japan the flow of the CSR procurement questionnaire surveys conducted by the Teijin Group since FY2014 and the process for improvement based on the survey results. As a result, CRT Japan confirmed the scope and number of companies surveyed and efforts and initiatives regarding the post-survey process for improvement. Teijin then identified potential human rights risk issues from the Teijin Group's business domains which significantly cause adverse social impact.

Effectiveness of existing initiatives

Teijin explained to CRT Japan the flow of the annual CSR procurement questionnaire surveys conducted since FY2014 and the mechanism of the improvement process based on survey results. Based on this explanation, CRT Japan confirmed the validity of the overall mechanism. CRT Japan then provided advice on the importance of making suppliers aware of the improvement process that Teijin will be working on after the surveys and subsequently confirmed the effectiveness of the PDCA cycle for this improvement process by reviewing suppliers that received a low mark.

Teijin and CRT Japan then identified potential human rights risks from business domains of the Teijin Group that significantly cause adverse social impacts and formulated measures to be implemented in FY2020 and beyond.

1. Education and guidance for improvement for business partners
 - i. Online seminars in Japan and overseas (China, Vietnam, Indonesia) for business partners of Teijin Frontier Co.
2. Interviews with processing consignees
 - i. Interviews with domestic and overseas business partners that Teijin considered necessary to confirm their initiatives for human rights
3. Review of CSR Procurement Guidelines and survey items in response to the social conditions related to matters of human rights violations in the supply chain
4. Promoting the CSR Procurement Guidelines among business partners
5. Review of grievance handling mechanisms

Dialogues with experts

Teijin participated in a dialogue session in Japan organized by CRT Japan on October 13, 2020, and held a dialogue between leading experts in the field of “Business and Human Rights” and the Teijin Group Chief Social Responsibility Officer. The experts commented on the following points (1) In the future, the actual situation of foreign workers at suppliers in domestic operations should be monitored to see if any human rights issues are occurring among them; (2) In efforts based on the UNGPs, the management decision-making process should be made more visible; and (3) Information should be disclosed more proactively.

- Overseas experts (honorifics omitted)
 - Livio Sarandrea, UNDP Bangkok Regional Hub Manager and Chief Adviser of Regional Program on Business and Rights, and UNDP global lead of Business and Human Rights, UNDP Bangkok Regional Hub
 - Pauliina Murphy, Engagement Director, World Benchmarking Alliance
- Teijin (honorifics omitted)
 - Yasuhiro Hayakawa, Chief Social Responsibility Officer, Senior Executive Officer, TEIJIN GROUP
 - Yukako Kurose General Manager, Corporate Ethics and Compliance Group, CSR & Compliance Department
 - Shuichi Osaki, General Manager, CSR Planning Department
- Facilitators (CRT Japan)
 - Hiroshi Ishida, Executive Director
 - Hitoshi Morotomi

2020: Identification of actual human rights risks (Initiatives from the scope of direct impact)

The “Zero Fee Project” for technical interns at Teijin Frontier

The business of Fibers and Products Converting, which has adopted foreign technical intern trainees by utilizing the foreign technical intern training program for years, conducted its internal survey and found the fact that the foreign trainees have come to Japan by paying a large fee to sending organizations in their own country. To improve this, Teijin Frontier has launched the so-called, “ZERO-FEE PROJECT,” which would eliminate the foreign trainee’s fee burden by having the factory that accepts the foreign trainee pay such fee from FY2019. Subsidiaries of Teijin Frontier that accept the foreign trainee have established a Code of Conduct regarding Foreign Workers and informed the supervising organization, and from FY2020, such subsidiaries have borne the fee required for sending foreign trainees. In order to secure this ZERO-FEE, such subsidiaries have decided to accept foreign trainees from the supervising organization that discloses the information on fees at the sending agency. Such subsidiaries also confirm directly with the foreign trainees that they have not paid such fees.

2021: Dialogues with experts

Teijin participated in a dialogue session in Japan organized by CRT Japan on October 20, 2021, and held a dialogue between leading experts in “Business and Human Rights” and the Teijin Group Chief Social Responsibility Officer. In the future, Teijin will promote initiatives involving the supply chain to see if there are any environmental or human rights impacts in business areas other than Teijin Frontier, which Teijin has been implementing to date. Experts commented that it is time to move beyond human rights in a narrow sense to a broader approach to human rights. They also mentioned the need to evolve the form of engagement, including relationships with local communities, to make it a global effort.

- Overseas experts (participated online)
 - Paulina Murphy, Engagement Director, World Benchmarking Alliance
 - Livio Sarandrea, Manager & Chief Advisor, UNDP Bangkok Regional Hub
- Teijin
 - Toshiya Koyama, Member of the Board of TEIJIN LIMITED, Executive Officer, Chief Social Responsibility Officer, TEIJIN GROUP
 - Yukako Kurose, General Manager, Corporate Ethics and Compliance Group, CSR & Compliance Department
 - Shuichi Osaki, General Manager, CSR Planning Department
 - Kohei Hayakawa, Manager, Corporate Ethics and Compliance Group, CSR & Compliance Department
- Facilitators (CRT Japan)
 - Hiroshi Ishida, Executive Director
 - Hitoshi Morotomi

2022: Dialogues with experts

Teijin participated in a dialogue session in Japan organized by CRT Japan on October 19 and held a dialogue with leading experts and international NGOs in the field of “business and human rights” as part of efforts to verify the effectiveness of the methods and results of human rights due diligence in the Teijin Group and to consider the future direction of efforts. In that dialogue, Teijin received an excellent evaluation for its efforts to engage with external rights-holders. Teijin also received a number of comments, such as that having an opportunity for joint discussion and assessment between the departments in charge of human rights and those in charge of the environment is a good opportunity for understanding issues involving human rights and the environment, and that it is essential for the Teijin Group to identify stakeholders with whom it intends to have dialogue and to select reliable local partners in order to build relationships with them.

- Overseas experts (honorifics omitted)
 - Sean Lees, Business and Human Rights Specialist, UNDP Bangkok Regional Hub
 - Tayla Swissa, Research Project Manager for CHRB, World Benchmarking Alliance
 - Sarah Bradbury, Research Analyst to support the Social Transformation, World Benchmarking Alliance
- Teijin (honorifics omitted)

- Toshiya Koyama, Member of the Board of TEIJIN LIMITED, Executive Officer, Chief Social Responsibility Officer, TEIJIN GROUP
- Shuichi Osaki, Corporate Officer, Deputy Chief Social Responsibility Officer
- Kohei Hayakawa, Group Manager, Corporate Ethics & Compliance Group, CSR & Compliance Department
- Yukako Kurose, Manager, Corporate Ethics & Compliance Group, CSR & Compliance Department
- Seiichi Shibasaki, Manager, Corporate Ethics & Compliance Group, CSR & Compliance Department
- Facilitator (CRT Japan)
 - Hiroshi Ishida, Executive Director
 - Hirotshi Morotomi

Aim for the widespread understanding of human rights among business partners (cross-divisional efforts)

The Teijin Group recognizes the necessity of collaborative efforts with relevant departments to ensure that slavery and human trafficking do not take place in any part of the Group's operations or within its supply chains. Until FY2021, human rights efforts were led by the division in charge of sustainability. In FY2022, the Teijin Group decided to delegate a portion of these efforts to the procurement division. Following this transfer, the procurement division is in charge of CSR procurement-related activities, such as supplier surveys, and collaborates with the sustainability division. Through this management structure, Teijin aims to further promote the widespread understanding of UNGPs in its supply chains.

Human rights due diligence impact assessment (emphasis on an in-depth approach)

The Teijin Group recognizes the presence of certain issues related to foreign technical intern trainees such as long working hours, poor working environment, and low wages, and that the Teijin Group needs to address these issues. In FY2022, the Teijin Group proactively engaged with multiple suppliers employing foreign technical intern trainees under the technical intern training program with the objective of getting cooperation in conducting an on-site survey. The Teijin Group visited one supplier, which expressed its willingness to cooperate, and conducted an interview survey with the person in charge. Through this on-site survey, we confirmed that there were no issues of particular concern regarding the circumstances of the technical intern trainees at this supplier.