

CHIYODA CORPORATION

Environment
Social
Governance



www.chiyoda-corp.com/en/

The guiding philosophy for ESG issues at Chiyoda Group

A message from the Representative Director, Senior Executive Vice President
Mr. Katsuo Nagasaka

- The Chiyoda Group has embraced the philosophy of harmony between energy development and the environment several years ago, recognizing the potential contribution of such collaboration to the sustainable development of society.
- We recognize the unique responsibilities of major corporations in the engineering and energy sector, and the obligation to search for business strategies that are harmonious for all members of society.
- We promote open, transparent communications with all of our stakeholders, not only about the business of the Chiyoda Group but also with on commitment to ESG activities.
- We continue to support the spirit and the principles of the United Nations Global Compact (UNGC) signed in 2012.
- We strongly encourage the investment community and the rest of society to promote environmental considerations and best practices.
- The Chiyoda Group pledges to contribute toward the realization of a better society, in the practice of our business activities and cutting edge technologies.



Representative Director,
Senior Executive Vice President
Katsuo Nagasaka

Creating Shared Values

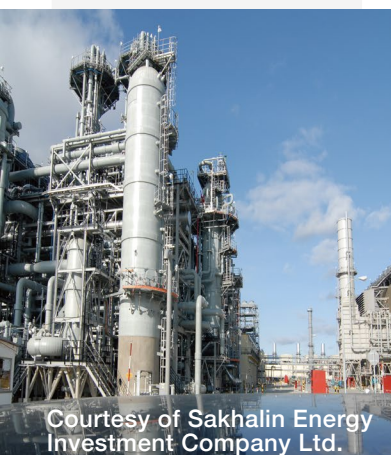
An important outcome of a vigorous approach to ESG issues is the Creation of Shared Value for the Company and its stakeholders.

Creating Shared Value can be defined as the product of Sustainable Growth using Sustainable Means: the creation of long-term growth for the Company by methods that address important environmental and social challenges.

At the Chiyoda Group, our Shared Value approach is built on a socially responsible oriented culture that recognizes the risks inherent in the energy engineering business, and aims for harmony realizing “Energy and the Environment in Harmony” using all the considerable resources available.

For example, 75% of Chiyoda’s current business backlog is in the engineering and constructing of LNG-related facilities. LNG is recognized as the environmentally-friendly burning fossil fuel used in the world today.

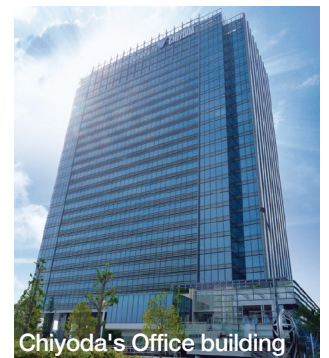
At the same time, the Company is continually investing in the research and development of diverse energy sources and effective use of water, including solar photovoltaic, biomass, wastewater treatment and others. Of especial interest is Chiyoda’s development of the world’s first technology that enables the storage and transportation of high volumes of hydrogen gas – through its SPERA Hydrogen technology. Hydrogen is expected to play a major fundamental role in the development of our future, low-carbon society and the Chiyoda Group is at the forefront of that thrilling opportunity.



Courtesy of Sakhalin Energy Investment Company Ltd.

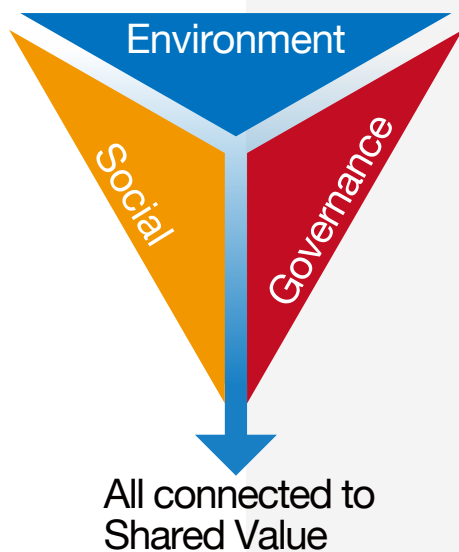


SPERA Hydrogen Chiyoda's Hydrogen Supply Business



Chiyoda's Office building

Chiyoda's ESG Initiatives



Environmental

- Climate Change
- Water Consumption
- Biological Diversity
- Pollution & Resources
- Supply Chain / Environmental Proposal in Project Work

Social

- Safety, Quality, Environment, and Information Security (SQEI)
- Labor Standards
- Human Rights
- Reliability
- Supply Chain/ Knowledge Sharing

Governance

- New Corporate Governance Policy
- Risk Management
- Tax Transparency
- Anti-corruption Practices

The Chiyoda Group demonstrates strong Environmental, Social and Governance (ESG) practices. Chiyoda's Management clearly defined ESG criteria for a transparent progress and achievement. ESG initiatives are consistently incorporated into our business, details on each activity are available on our website.

Shareholder and Investor Engagement

The Chiyoda Group works hard to ensure that communications between its stakeholders and the Company are relevant, timely and complete.



Shareholders are a key stakeholder and comprise several types of investors, all of whom deserve a constant flow of relevant information. Chiyoda Corporation's shareholders include Japanese and foreign investors, large institutions and individual investors. Other parties with a financial interest include banks and securities companies.

Chiyoda keeps its shareholders and investors updated on the Company's operation based on the corporate philosophy, management vision, and both short- and long-term business strategies. This qualitative information is supported and enhanced by quantitative data covering business performance, financial results and balance sheet updates, for example, that allow stakeholders to build a comprehensive picture of the health of the Company.

Chiyoda's Top Management and Investor Relations Department give a high importance to a regular engagement with stakeholders about the performance and development of the Company.

ENVIRONMENT

Environmental Accounting

Chiyoda realizes the importance of providing an estimate of the costs of corporate environmental initiatives. A more complete analysis of the Fiscal Year 2016 data is on our website, conducted in line with Ministry of Environment guidelines.

Breakdown of costs	Main activities Total	Costs (¥ million)
1.Resource recycling costs	Waste disposal, Recycling	113.3
2.Administration costs	Environmental training , internal audits, certification reviews, Committees, etc.	130.0
3.R&D costs	Environment-related research and development	972.6
4. Social activity costs	Company tours, Reconstruction activities, Volunteer activities.	8.6
		1,224.5

Environmental Management

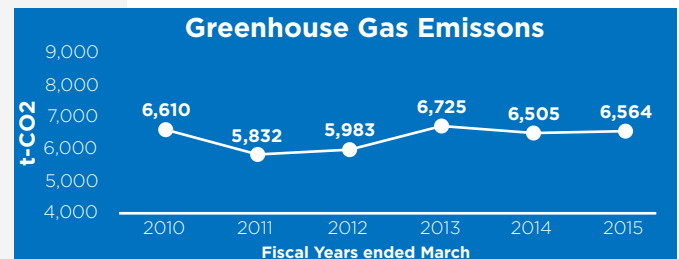
Chiyoda Corporation is proud to have achieved Japan's first ISO14001 certification for environmental management as an engineering and construction company in March 2001. Since then, the Company has continuously upgraded and updated the Corporate SQE policy and the associated Management System while conducting system-wide environmental education and awareness activities.



Environmental Training

Greenhouse Gas Emissions

Chiyoda contributes, simultaneously to a stable energy supply and the reduction of greenhouse gas, monitoring environmental data at domestic and overseas construction sites and offices and promoting environmental activities including recycling and green procurement. Comprehensive environmental data is published on our website.



The above data shows the domestic office data

Forest Preservation Activities

As part of the restoration and recovery activities following the Great East Japan Earthquake, The Chiyoda Group cooperates with local organizations in tree-thinning and planting activities, notably in those areas damaged by brushfires. For example, in FY2016, Chiyoda sent 64 employees as volunteer to support disaster-hit areas. This activity has been registered as "Green Wave" activities promoted by the UN Convention on Biological Diversity



SOCIAL

Engagement with Communities

The Company contributes to local communities in several ways, including human resource development, technology transfer and environmental protection. In addition, Chiyoda Group companies conduct fund-raising events, providing donations for various projects both at home in Japan and abroad. A full range of Company activities is available on the website.



Respect for Human Rights

The Chiyoda Group is dedicated to respecting the human rights of all people. The Company has created a corporate culture where the diversity, individuality and character of all employees are respected; where people are motivated to do their best; and of which employees and their families can be proud. The Group has recently established the “Action Plan to Promote Female Advancement” within the Company with a Female Employment of New Graduates ratio of 25% by 2020.



Occupational Health and Safety

One of the Chiyoda Group’s medium-term CSR policies is to instill a culture of safety as a core value. The Company makes ongoing efforts to ensure all employees accept safety as their number-one priority. The aim of the Chiyoda Group is to become “Reliability Number 1”, the world’s most dependable project engineering company. Placing particular importance on workplace safety, the Chiyoda Group has been promoting the C-Safe program, fostering a “safe” culture and adopting the motto “every incident is preventable” as included in the corporate SQEI (Safety, Quality, Environment, and Information Security) policy .



Employee Skill Development and Work Environment

The Chiyoda Group promotes employee training with respect for the diversity, individuality and character of all employees, and works hard to create a satisfying, fulfilling and energetic work environment. Our human resource development program consists of multiple opportunities to strengthen organizational and management capabilities, build individual professionalism and encourage self-improvement. Programs offered include:

Employee Training System

- Career Development Program (CDP)
- Stage Up training
- Training for key position of Project Management
- Chiyoda Engineering Academy
- Talent management through the Performance Appraisal system
- Self-improvement supporting program

GOVERNANCE

Board of Directors

The Board consists of 13 Directors, of whom 4 are External (Independent) Directors. All important matters concerning the Company are reported to and resolved by the Board. The Executive Committee, comprising the four Representative Directors examines matters before they are submitted to the Board for resolution. Decisions regarding business execution matters require unanimous resolutions



Corporate Governance System

In order to further reinforce its corporate governance structure, the Company has established a “Company with Audit and Supervisory Committee” structure. For details on the Corporate Governance Structure including the Audit & Supervisory Committee, new functions, responsibilities and authorities; please visit our website. The Company will review, improve and encourage the quality and transparency of management decision-making process, facilitate prompt and decisive actions and further enhance the Company’s corporate value.

Corporate Governance Policy

The Company’s pledge is to constantly strive for sustainable growth while enhancing the corporate values of the Chiyoda Group on a mid- to long-term basis. The Group established the “Chiyoda Corporation Corporate Governance Policy” in October 2015 to provide clear guidelines about the Company’s views on corporate governance. The Company will continually review the Policy to ensure its compliance with developing business trends and behaviors.



Stakeholders Dialogue on ESG and Chiyoda

The Chiyoda Group believes that the core components of a thorough ESG philosophy need to be continually discussed and reassessed, using the considerable resources available to the Company.



To ensure that our CSR approach and the ESG philosophy engage all group employees with due consideration to the expectations from all the stakeholders, a “Stakeholders’ Dialogue” was arranged, in March 2017, between the eminent researchers and experts from Japan in ESG and CSR, and the representatives of Chiyoda Group’s middle management.

The guests were:

- ① **Professor Kenichi Takayasu**, Faculty of Economics of Dokkyo University
- ② **Mr. Masao Seki**, Senior Advisor of Sompo Japan Nipponkoa Insurance,
- ③ **Ms. Mariko Kawaguchi**, Chief Researcher of Daiwa Institute of Research,
- ④ **Professor Katsuhiko Harada**, Liberal Arts Education Center of Meiji Gakuin University,

Chiyoda Group Representatives:

Mr. Shuichi Wada: Vice President, Deputy Division Director, Head of Corporate Planning,
Mr. Yasuyuki Maeda: Head of Corporate Risk Management
Ms. Kaoru Nakamura: General Manager of Procurement
Mr. Makoto Watanabe: Head of CSR

The members enjoyed a robust discussion on the creation of Shared Value, including how the Chiyoda Group could contribute to solving social issues while operating a successful business. The discussion covered such topics as the utilization of the Global Standards (ISO/UNGC/SDGs), how the top management’s commitment to ESG should be incorporated into the Company strategy, employee’s awareness or recognition of the significance of their relevant activities, and the importance of the information disclosure.

More details about this discussion will be available in our CSR report to be issued this summer.

Sharing the ESG Culture with Investors

In addition to communication with ESG experts, the Chiyoda Group invited a senior analyst from one of Asia’s largest asset management companies for a discussion about ESG.

The guest was:

Mr. Toshikazu Suzuki (*)

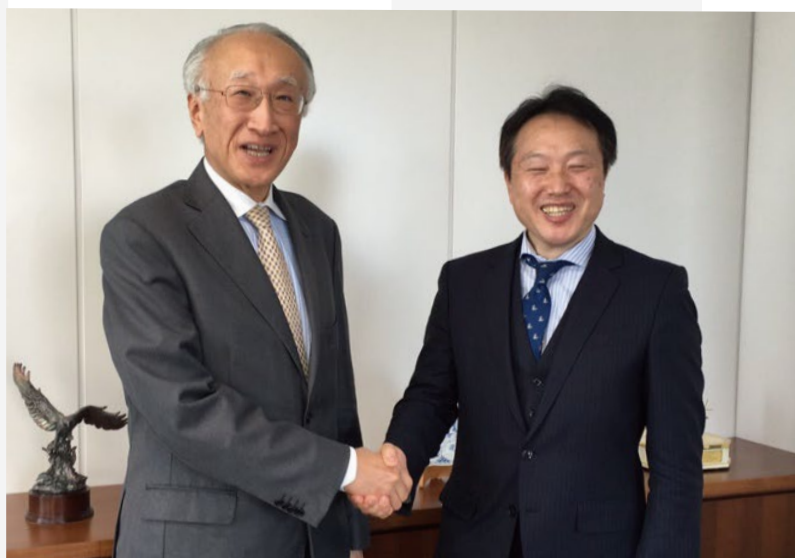
(*) Asset Management One is an asset management company that was established as a result of integrating DIAM Co., Ltd., Asset Management Division of Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd., and Shinko Asset Management Co., Ltd. on October 1, 2016.

Chiyoda Group representatives were:

Mr. Nobuo Tanaka: External Director
Mr. Shuichi Wada: Vice President, Deputy Division Director, Head of Corporate Planning;
Mr. Tomoyuki Tsukamoto: Section Leader, IR, PR & CSR Section
Ms. Tanja Kijima: IR Representative.

At the meeting both parties discussed several topics including: Chiyoda’s ESG activities, the potential for SPERA Hydrogen as a future energy; Carbon Taxation to lead to an environmental oriented society; Chiyoda’s progress on diversification and the composition of the Board of Directors.

The details of this discussion will be published in the Annual Report in September 2017.



Left side: **Mr. N. Tanaka**; Right side: **Mr. T. Suzuki**

Upcoming events planned: Investor’s Day.....

Chiyoda and Sustainable Development Goals

In 2015 over 150 countries organized by the U.N. adopted 17 goals to transform our world by ending poverty, protect the planet and enhance prosperity for all, as part of a new, sustainable development agenda.

The Chiyoda Group believes that providing financial disclosure and emphasizing compliance are not enough to satisfy social responsibilities under this code, and have decided to integrate SDGs in the Company's pursuit of long-term, sustainable growth of the society.

Each goal, has specific targets to be achieved over the next 15 years. The following circle indicates selected targets relating to Chiyoda's current business. However, the Chiyoda Group further realizes that achievement of these goals requires collaboration between Chiyoda, Government, the private sector and civil society.



Stable, Safe, Affordable Energy Production



Plant Construction & Providing Infrastructure



Environmental & Climate Protection



Cultural Advancement & Support of Communities



Technical Development for a Low-carbon Society



Working in Partnership with Local Communities



Sharing Technical Knowledge & Job Creation



Chiyoda supports the SDGs

