

# COMPLIANCE / RISK MANAGEMENT

## Compliance

### 1. Philosophy

JSR Group has been endeavoring, by building up and maintaining good relationship with all our stakeholders, to become a trustworthy and indispensable corporate citizen. We have been vigorously performing our Code of Conduct in order to materialize “Our Responsibility to our Stakeholders”, an essential part of our Management Policies, as well as to ensure compliance with the relevant laws and regulations during the course of our business.

### 2. JSR Group Principles of Corporate Ethics

JSR Group is advancing corporate ethics activities in an integrated manner at all Group companies both at home and abroad. To achieve this, we have formulated the JSR Group Principles of Corporate Ethics as a concrete guideline for globally-shared corporate ethics that reflects our “Essential Elements.” The principles serve as a Code of Conduct that all directors and employees (full-time, contract, part-time, and temporary employees as well as employees on short-term contracts) of JSR companies should comply with in order to develop our corporate activities while fulfilling the management policies spelled out in “Our Responsibility to our Stakeholders.”

JSR Group shall never require directors and employees of Group companies to act in violation of this Codes of Conduct. Additionally, JSR Group shall not disadvantage any director or employee who refuses to execute an order to perform an act that is in violation of the Code of Conduct because of that refusal.

### 3. Corporate Ethics Activities

#### (1) Corporate Ethics Awareness Survey

JSR Group works to grasp and improve corporate ethics-related issues by conducting annual surveys on corporate ethics awareness that target the directors and employees of JSR Group companies in Japan and overseas. The results are reported at the Corporate Ethics Committee and then to an Officers Committee. They are subsequently fed back to employees by being posted in a summarized form on the company intranet together with a message from the assigned officer explaining issues and other matters gleaned from the results. Some overseas Group companies also strive to build awareness of corporate ethics and legal compliance among their employees, including their locally hired employees, using methods that are appropriate for the local culture.

#### (2) Hotline (Internal Reporting Channels)

##### ① Hotline for Employees

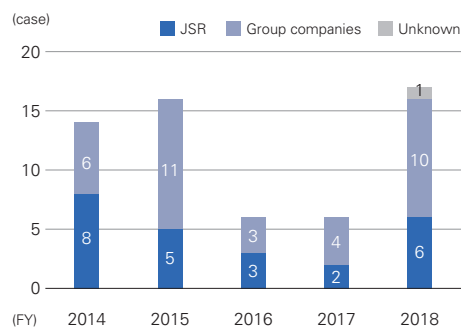
The JSR Group has introduced a system of internal reporting channels called the “Corporate Ethics Hotline.” The “internal hotline” is connected to the Corporate Ethics Committee in JSR or the relevant Group company. The “external hotline” is set up to connect to two contact points. One is a designated independent attorney and the other is an independent and specialized outside organization capable of handling communication in Japanese, English, Chinese, Korean, Thai, and Indonesian. This system is designed to facilitate use even by overseas employees. Reports made to the external hotline are also simultaneously reported to full-time auditors, and independence from management is ensured. We encourage our employees to use these hotlines through promotions via internal newsletters and other media, and strive to build trust in the hotlines by ensuring confidentiality and prohibiting

unfair treatment of hotline users.

For each report that comes in, the office of the Corporate Ethics Committee in the company concerned asks the relevant department to ascertain the facts. The office then discusses and decides on responses based on the department’s findings, and later follows up on the results. If the reporter desires feedback, the contact point that initially received the report contacts him or her with the results as well as the responses taken.

Six reports were received during FY2018. Of them, four involved abuse of power. Suitable responses are being implemented in all cases.

State of Use of JSR Group’s Hotline  
(Number of reports)



##### ② Hotline for Business Partners

JSR employs at its Procurement Department a “Suppliers’ Hotline,” an external reporting channel for business partners, namely suppliers and services providers, with whom domestic Group companies do regular business. It receives reports from business partners to quickly discover and resolve violations of the law as well as actual and possible violations of corporate ethics in business transactions. Hotline services are entrusted to the same outside organization employed for the employees’ hotline. Efforts are being made toward improving reliability, by thoroughly

enforcing strict secrecy of reports and prohibiting handling of reports that would be disadvantageous to those reporting something. Since its introduction in FY2014, there have been no reports made using the Suppliers’ Hotline.

### 4. Legal Compliance Measures

Every JSR Group member defines legal compliance regulations that form the basis of its legal compliance. Each company then uses the regulations to solidify its compliance through regular review and improvement as well as legal training to increase awareness of laws and regulations and instill commitment to compliance. JSR Group identifies laws and regulations that are particularly relevant to the execution of business as Overall Significant Laws and Legal Regulations, and concentrates on establishing individual systems to ensure compliance with these critical laws and regulations.

#### Approach to Preventing Bribery and Unfair Competition

JSR has formulated “Rules on Complying with Anti-Corruption Laws” and “Standards for Gift-Giving and Entertaining” that specify necessary items for all executives and employees to comply with the Japanese Unfair Competition Prevention Act, U.S. Foreign Corrupt Practices Act, U.K. Bribery Act and other anti-corruption laws when performing their tasks, based on the JSR Group Principles of Corporate Ethics and laws and regulations that require compliance.

In addition, JSR has also formulated “Rules on Antimonopoly Law” (Japan), “Rules on Complying with U.S. Antitrust Laws”, “Rules on Complying with the EU’s Antitrust Laws and “Rules on Complying with Korean Fair Trade Laws” that specify items necessary for complying with each country’s antimonopoly (antitrust) laws.

# COMPLIANCE / RISK MANAGEMENT

## 5. Protection of Personal Information

JSR Group recognizes the importance of protecting personal information under the circumstances of highly advanced information and communication technologies. We have therefore formulated a Privacy Policy and Rules for Handling Personal Information that sets out our approach to the acquisition, use, and management of personal information based on the Act on the Protection of Personal Information. We have also established Rules for Handling Specific Personal Information in response to the introduction of Japan's Individual Number system. Moreover, in accordance with relevant laws and our privacy policy, we ensure the appropriate handling of specific personal information in the company by defining precautions and security standards necessary to ensure the proper use and protection of this information at each of the stages of acquisition, storage, use, provision, disclosure, correction, suspension of use, and deletion.

Furthermore, for Group companies that will handle personal data covered by the EU's General Data Protection Regulation (GDPR), we are providing support for the development and operation of a GDPR compliance system to be applied to the acquisition, processing, and transfer of covered personal data.

## Risk Management

### 1. Philosophy

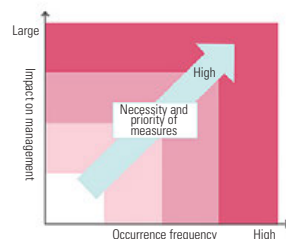
JSR Group believes that preventing a major crisis from occurring and minimizing its impacts on business activities is an important management role. The Group has formulated Risk Management Policies and established a Risk Management Committee through which it actively pursues risk management activities.

### 2. Risk Management Measures

#### (1) Identifying Risks and Selecting Important Risks

Since FY2009, JSR Group has fulfilled group-wide annual risk management procedures using its unique risk management system under the initiative of the Risk Management Committee. For each division of JSR Group companies in and outside of Japan, we identify and evaluate all potential risks, and formulate measures to control such risks.

Utilizing a risk map that represents level of business impact and frequency of occurrence, we identify risks that could have a significant impact on business continuity and organize them risks into the JSR Group Risk Factors. By monitoring and regularly reviewing risks that senior management has personally ascertained, we are building



and maintaining a system for prevention and crisis preparedness.

#### (2) Crisis Management Training

JSR has formulated BCM procedures that summarize the BCM/BCP\* systems in place for both peacetime and emergency situations. These procedures define the BCM organization and the actual BCP, which includes stipulations on target recovery times, and BCP activation and cancellation standards. They also define the organizational structure that takes effect during activations of the BCP, and corresponding priority businesses and operations.

We also systematically conduct disaster drills and evacuation drills at our plants and offices to improve our crisis responsiveness and minimize impact.

As for our physical infrastructure, we are proceeding with step-by-step seismic reinforcement. In particular, we are conducting seismic retrofitting at our production bases and manufacturing facilities after establishing independent standards that are even stricter than those required by law.



The headquarters for accident and crisis control during the crisis management training



General disaster drill conducted jointly by plants and offices in the Kashima District (JSR, Japan Butyl), and Kraton JSR Elastomers)

#### (3) Enhancing Information Security

JSR Group adopted an Information Security Policy and is working to implement appropriate information management by informing all personnel of the policy.

##### <Information Security Policy>

- The JSR Group, by complying with laws and regulations and by observing other social norms relating to the handling of information, will protect information that belong to the JSR Group, its customers, business partners and other third parties.
- The JSR Group will strive to develop and actively use its information assets for the efficient execution of its business. The Group's officers and employees will only use these information assets for the purposes of their work and within the scope of their authority.
- The JSR Group will improve organizations and systems, provide education on information security, thoroughly disseminate this policy and related regulations, and implement measures to ensure information security.
- The JSR Group will implement appropriate human, organizational, and technological measures and work to prevent unauthorized access to information assets from outside the company, as well as leaks, falsification, loss, theft and destruction of information assets.
- If an information security-related problem occurs, the JSR Group will promptly identify the cause and take measures to minimize damage and prevent recurrences.
- The JSR Group will periodically assess and review its information security measures to respond appropriately to changes in external environments.



Information security handbook