

Compliance

1. Philosophy

JSR Group has been endeavoring, by building up and maintaining good relationships with all our stakeholders, to become a trustworthy and indispensable corporate citizen.

We have been vigorously adhering to our Code of Conduct in order to fulfill “Our Responsibility to our Stakeholders,” an essential part of our Management Policies, as well as to ensure compliance with 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 Japan and overseas. To achieve this, we have formulated the JSR Group Principles of Corporate Ethics as a concrete guideline for globally-shared corporate ethics that reflect 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 Codes of Conduct because of that refusal.

3. Corporate Ethics Activities

(1) Corporate Ethics Awareness Survey

JSR Group works to identify 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

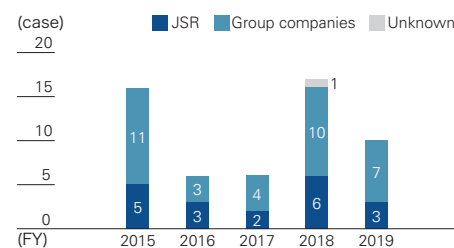
The JSR Group has introduced a system of internal reporting channels called the “Corporate Ethics Hotline.” An internal hotline is connected to the Corporate Ethics Committee in JSR or the relevant Group company. An external hotline is set up to connect to two contact points. One is a designated independent 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 so that independence from management is assured. 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.

We also hold regular once-yearly meetings between the corporate ethics officers of domestic Group companies and JSR’s Corporate Ethics Committee for the purposes of aligning all Group companies in Japan and tackling ethics-related issues. Furthermore, we post and display guides for accessing the hotlines on the Company intranet and online internal newsletters to make the hotlines easier to use.

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 then 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 any actions taken.

Ten reports were received during FY2019. Of them, five involved abuse of power.

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



② Hotline for Business Partners

In its Procurement Department, JSR employs a Supplier’s 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 employee hotlines. Efforts are being made to improve reliability by enforcing strict secrecy of reports and prohibiting any handling of reports that would be disadvantageous to those reporting.

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 establishes specific systems and executes other priority approaches to ensure compliance with laws and regulations that are particularly relevant to the execution of business.

① Approach to Preventing Bribery and Unfair Competition

JSR has formulated a “Policy for Bribery Prevention,” “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, The U.S.

Risk Management

Foreign Corrupt Practices Act, The U.K. Bribery Act and other anti-corruption laws.

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.

5. Protection of Personal Information

JSR Group recognizes the importance of protecting personal information. 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 stage 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.

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.

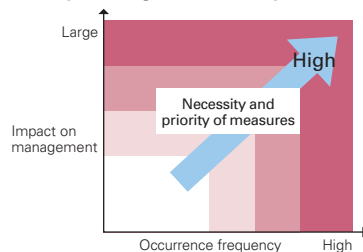
2. Risk Management Measures

(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 those 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.

Conceptual diagram of risk map



(2) Crisis Management Training

JSR has formulated BCM procedures that summarize the BCM/BCP* systems in place for both normal circumstances 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.

Moreover, we maintain a stable supply of funds on hand to allow us to manage our businesses flexibly if a major risk arises. We also acquire issuer ratings and commercial paper ratings from rating agencies each year. JSR’s rating information is available on rating agencies’ websites as well as the JSR website.

Amid concerns of a global economic slowdown resulting from the COVID-19 pandemic, we issued three types of unsecured straight bonds with a total value of JPY 35 billion on May 8, 2020.

* BCM: Business Continuity Management/BCP: Business Continuity Plan

A BCP defines activities that need to be conducted before the occurrence of an emergency situation that may threaten the survival of a company (large-scale natural disaster, explosion/fire, terrorist attack, etc.), judgment criteria and action guidelines that enable business continuity in the event of such emergencies, and other matters necessary for ensuring the continuity and early restoration of important businesses. BCM is a management system that has been developed to operate and continuously improve the BCP through a PDCA (plan-do-check-act) cycle.

(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 belongs 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.

Response to COVID-19

In view of the COVID-19 pandemic’s spread, we established a COVID-19 Response Committee led by the President at the end of January 2020. The committee’s first actions were to gather information in China, determine responses to be taken by local subsidiaries, and provide support. As it became clear that the pandemic was

Supply Chain Management

spreading to Japan and the rest of the world, we set up a BCP (Business Continuity Plan) Committee in mid-February. The committee quickly completed various measures taken with recognition that JSR Group is part of a materials industry that supports key industries around the world. They included establishing a code of conduct for maintaining operations at important manufacturing and R&D centers of the Group in Japan, Asia, Europe, and the United States; enforcing the supply of protective equipment and its use; stopping visits from outside personnel; sharing information with employees throughout the world; and establishing work-from-home environments at all business bases. The details of the BCP Committee's actions are also being shared with outside directors and auditors.

While respecting the cultural differences and individuality of JSR business bases around the globe, we are striving to manage the crisis and maintain our business by engaging in speedy and integrated information management within the BCP Committee and linking it to appropriate action. We are also endeavoring to post information concerning stakeholders on the "JSR's Response to COVID-19" page of the JSR website and to disclose new information as it becomes available.

JSR's Response to COVID-19
https://www.jsr.co.jp/sr_e/covid19/response/

1. Philosophy

We believe that an important role of JSR Group is to offer innovative materials and excellent products that meet customer needs and contribute to the making of a better society. We are able to respond to social issues through our business partners and supply chain management.

2. Supply Chain Management

(1) CSR/sustainable procurement

JSR Group is in a unique position as a chemicals manufacturer to deliver quality products to various industries to support society.

Supply chain management is specific to each of the businesses and is therefore different in the Elastomers, Plastics, Digital Solutions, and Life Sciences Business. The JSR Group Purchasing Policy states that when making purchases, JSR will give sufficient consideration to legal and regulatory compliance, resource protection, environmental conservation, safety, human rights, biodiversity, and other factors that lead to a sustainable society. With suppliers' understanding, and through communication, mutual understanding, and cooperation, we can continue engaging in effective initiatives.

Based on our Purchasing Policy and CSR/sustainable procurement initiatives implemented in FY2010, we surveyed the social and environmental considerations of our suppliers using a questionnaire. When an issue was detected, we dispatched the person in charge of procurement to the supplier to work on solving the issue together. We were able to survey the suppliers that

represent 99% of our purchased materials by FY2013. We will continue to conduct the same process as we establish new suppliers in the future.

Additionally, amid recent globalization of the supply chain, issues such as forced labor, child labor, environmental destruction, global warming, and corporate scandals have occurred, and boycotts and demand for improvement are being seen. Such developments are beginning to have significant impacts on corporate activities. In response, we revamped and expanded the questionnaire items used for surveying CSR/sustainable procurement in FY2017. We are now conducting the second round of surveys using this revised questionnaire.

Moreover, understanding that engaging in supply chain management in this way brings mutual prosperity to both JSR Group and our business partners. We rearranged the items that JSR Group wants business partners to comply with on the revised questionnaire and newly formulated the "JSR Group CSR/Sustainable Procurement Policy" in December 2018. We are distributing the new policy to our business partners asking them to adopt and communicate it within their organizations.

(2) Green procurement of raw materials

JSR has long been committed to green procurement, a policy that puts the highest priority on goods with minimal environmental impact when purchasing raw materials. In response to the growing industry trend in managing chemicals in the supply chain, JSR joined Joint Article Management Promotion-consortium (JAMP)*1 in October

2008, and reviewed its Green Procurement Guidelines*2. JSR will continue to practice green procurement with an emphasis on disseminating information through the supply chain.

*1 Joint Article Management Promotion-Consortium (JAMP) was established as an inter-industry organization in September 2006 to support activities that aim to create and expand specific systems for the proper management of information on chemicals in articles (components, products, and so on) and to facilitate the disclosure and dissemination of information within supply chains. JSR conducts activities that contribute to the practice of these principles through its participation in JAMP.

*2 Green Procurement Guidelines: JSR began formulating its Green Procurement Guidelines in 2000 and has been promoting environment-friendly "green procurement" based upon them. In 2008 JSR joined JAMP and revised the guidelines to bring its managed substances and format in line with JAMP MSDSplus. We again revised the guidelines during a switch from MSDSplus to chemSHERPA (a new format led by the Ministry of Economy, Trade and Industry for communicating information on chemical substances) in 2018. We will continue advancing green procurement with an emphasis on the dissemination of information so we can effectively manage chemical risks in our supply chains.