



Please refer to our Sustainability Report 2021 for a detailed explanation and data.
https://www.jsr.co.jp/jsr_e/sustainability/

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.

JSR Group Principles of Corporate Ethics

JSR Group is advancing corporate ethics activities in an integrated manner at all Group companies, both in Japan and overseas. To achieve this, we have formulated 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 Code 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.

* JSR Group's Essential Elements: The Essential Elements consist of the Corporate Mission, the Management Policies, and Course of Action: 4C action guidelines.

Corporate Ethics Activities

(1) Corporate Ethics Awareness Survey

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.

(2) Hotline (Internal Reporting Channels)

① Hotline for Employees

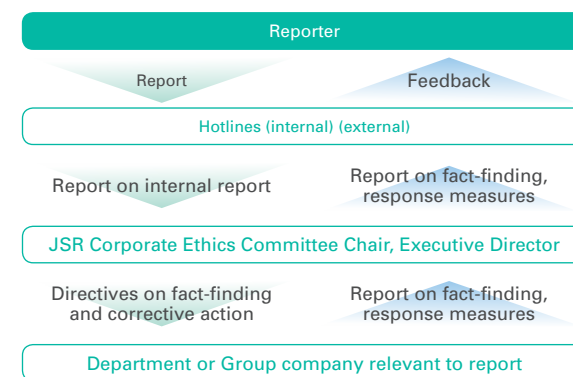
JSR Group has introduced an internal reporting system called the Corporate Ethics Hotline. To ensure employee awareness of the system, information on accessing the hotline is posted at the top page of our intranet and our online in-house newsletter. At the same time, we strive to build trust in the system by ensuring confidentiality of report content and prohibiting unfair treatment of hotline users. We have designed a system to facilitate use by overseas employees as well, setting up two contact points with specialized outside organizations capable of handling communication in Japanese, English, Chinese, Korean, Thai, and Indonesian. Reports made to the external hotline are also simultaneously reported to full-time auditors so that independence from management is assured.

For each report that comes in, the office of the Corporate Ethics Committee in the company concerned requests the relevant department to ascertain the facts. Based on the department’s findings, the office then discusses and decides on responses and 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.

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.

Internal Report Flow



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.

Approach to Preventing Bribery and Unfair Competition

JSR Group 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. 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.

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.

Information Security Policy

- 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 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.
- 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.
- 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, JSR Group will promptly identify the cause and take measures to minimize damage and prevent recurrences.
- JSR Group will periodically assess and review its information security measures to respond appropriately to changes in external environments.

Risk Management



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JSR Group believes that preventing a major crisis from occurring and minimizing the impact of a crisis on business activities should one occur are important management roles. The Group has formulated Risk Management Policies and established a Risk Management Committee through which it actively pursues risk management activities.

Risk Management System

JSR Group manages risk by largely classifying it into two types: risk related to business strategies and risk related to business operations.

For risk related to business strategies, we engage in risk management through deliberations and decisions made in important meetings, such as those of the Board of Directors, Executive Committee, and Business Issues Committee.

For risk related to business operations, we establish Risk Management Policies and engage in risk management centered on the Risk Management Committee.

The risk management system is incorporated into the internal control system. The status of the internal control system's execution is reported to the Board of Directors. JSR has a Corporate Audit Department that continuously verifies and evaluates the preservation and operation of internal control for the entire JSR Group as required by the Companies Act and Financial Instruments and Exchange Act. It also ensures that risk in existing business does not exceed permissible levels. The department additionally maintains and strengthens internal control levels for the

entire Group and conducts internal audits to ensure the appropriate and efficient execution of operations.

Risk Management Committee

JSR Group believes that preventing a major crisis from occurring and minimizing the impact of crises on business activities are important management roles. The Group has formulated Risk Management Policies and established a Risk Management Committee, chaired by the officer in charge of the Corporate Planning, which is primarily responsible for setting risk management policy.

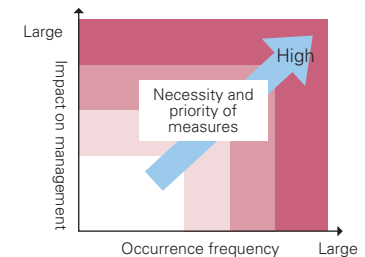
The Risk Management Committee promotes ongoing improvement of response policies and action plans in response to actual and potential crises.

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 the risks into 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



* For details on risks, please refer to Business Risks on page 6 of the Financial Section.

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.

* 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.

Supply Chain Management



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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.

Supply Chain Management

CSR/sustainable procurement

JSR Group is in a unique position as a chemicals manufacturer to support society by delivering materials to various industries through its supply chain management. We consistently deliver products of proven quality to customers. The recent globalization of supply chains has seen the emergence of numerous problems, such as forced labor, child labor, environmental destruction, global warming, and corporate misconduct. Corporate activities have more of an impact on society than ever. In December 2018, we formulated the JSR Group CSR/Sustainable Procurement Policy, described below.

Key Points of CSR/Sustainable Procurement Policy

• Fair Corporate Activity

In the processes of producing products and services, companies must engage in business activities that are based on fair, transparent, and free competition.

• Human Rights and Labor

Companies must act in accordance with the laws of each country and international standards, respect basic human rights, and give attention to the following items to ensure that their business activities do not violate human rights, either directly or indirectly

• Environmental Conservation

Companies have a responsibility to comply with the laws and standards of each country concerning environmental conservation, to specify and manage factors that impact on the environment by building a management system, and to work toward preserving the environment in their processes of producing products and services.

• Health and Safety

Companies must comply with the laws and standards of each country concerning occupational health and safety and establish management systems and mechanisms to prevent workplace accidents, promote the health and safety of employees, and create comfortable workplace environments.

• Information Security

Companies must properly manage and protect the information they obtain through business activities, take protective measures against threats to their computer networks, and manage the confidential information of customers and third parties in a manner that prevents leaks.

Assessment of business partners

We assess candidates for new business partners based on certain criteria concerning the status of their financial affairs and level of quality management. We conduct an onsite audit prior to the start of business as well, to verify items concerning safety, the environment, and quality. We also regularly check whether business partners with whom we have an ongoing business relationship meet the same criteria we expect. In particular, with regard to vital raw materials that are difficult to procure in an emergency due to issues of availability or scarcity, we strive to secure stable availability for our customers by conducting regular supplier audits and onsite confirmation of items pertaining to supply continuity and providing proposals and guidance for quality reliability.

Initiatives concerning conflict minerals

Our policy is to never permit the use of conflict minerals, directly or indirectly. We continuously verify that we use no conflict minerals with our business partners' cooperation. In FY2015, we conducted an investigation concerning the use of conflict minerals and confirmed that none of the targeted suppliers used them. Since then, we have investigated the use of conflict minerals when acquiring new raw materials or using a new supplier, and have maintained a system that guarantees we do not use such minerals.

Education and training of employees in charge of procurement

We recognize that educating and training on measures having to do with CSR/sustainable procurement and conflict minerals for purchasing department personnel is crucial in guaranteeing sound supply chain management. We support and encourage procurement staff to acquire Japan Management Association-accredited Certified Procurement Professional certification (CPP; certifying that a person has acquired specialized knowledge in the purchasing and procurement field) to further deepen their knowledge of procurement.

Participation in initiatives concerning CSR/sustainable procurement

JSR participates in Global Compact Network Japan's Supply Chain Working Group. We utilize knowledge obtained through dialogues with stakeholders to strengthen our CSR/sustainable procurement activities. For example, we apply this knowledge when formulating JSR Group CSR/Sustainable Procurement Policy and reflect it in questionnaire items used when surveying business partners.