

# JSR Group

## Policy, Principle, Philosophy

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JSR Corporation

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# Corporate Mission, Corporate Slogan, Management Policies, Course of Action

## Corporate Mission

### **Materials Innovation**

**We create value through materials to enrich society, people and the environment.**

The corporate mission of JSR Group clearly identifies the company's raison d'etre. By supplying materials that are indispensable to human societies, JSR aims to be trusted.

## Corporate Slogan

**With chemistry, we can.**

JSR is determined to keep providing solutions that benefit not only customers but also the broader society. The company's slogan highlights the word "chemistry" to succinctly convey its corporate identity and business positioning, and also expresses the confidence JSR professionals feel in the face of every challenge.

## Management Policies - JSR's Fundamental Pillars of Management

### **Continuous creation of businesses**

As society evolves, so does the demand for specialized materials and advanced products. JSR continuously evolves to anticipate and responds to changing marketing needs and, in doing so, achieve dynamic growth.

### **Enhancement of corporate culture**

As society evolves, so will our organization. JSR will build on its existing positive corporate culture to create an organization and management style with the vitality to keep evolving.

### **Increase in corporate value**

JSR will position itself to increase our overall corporate value by creating businesses through materials with focuses on customer satisfaction and the fulfillment of employees.

## Management Policies - Responsibility to Our Stakeholders

### Responsibility to our customers / business partners

When interacting with our business partners and customers, the JSR Group will:

- Constantly evolve to meet the demand for new materials
  - Always strive to increase customer satisfaction
  - Act in good faith and maintain fair and equitable business relations
- Continue to be socially and environmentally conscious throughout the supply chain

### Responsibility to our employees

All employees should expect:

- To be evaluated and rewarded based on fair standards
- Continuous opportunities to grow by challenging
- Acceptance of the diversity of fellow colleagues and to be provided a place where all employees can work together as a team

### Responsibility to society

All members of the JSR Group will honor our responsibility to both the local and global communities through:

- Responsible and respectful business practices (Responsible Care) that consider the environment and safety
- Support of environmental conservation by providing eco-friendly products
- Reduction of our environmental impact throughout the entire
- Active contribution to conserving biodiversity throughout its business activities and the entire product lifecycle

### Responsibility to shareholders

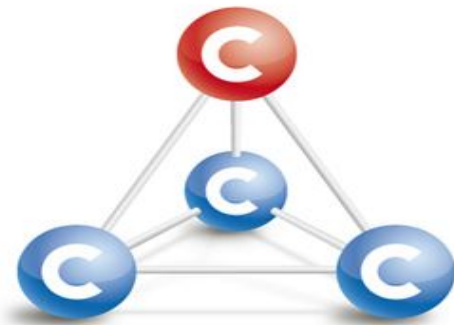
Group will maintain its responsibility to its shareholders by:

- Aiming to increase corporate value by creating business opportunities through materials
- Constantly enhancing its management efficiencies
- Inspiring trust by being highly transparent and conducting sound corporate management practices

## Course of Action : 4C

### Challenge

All employees of JSR Group should share a common, global focus and desire to succeed. Employees should feel confident to autonomously take on new challenges, learning from successes while viewing setbacks as opportunities to learn, grow and improve.



**CHALLENGE**  
**COMMUNICATION**  
**COLLABORATION**  
**CULTIVATION**

### Communication

All employees should feel comfortable and confident maintaining open lines of bi-directional communication at all levels within the JSR Group. Employees should strive for organizational transparency through direct conversations as the best means to share value and achieve common goals, especially in the face of growth and diversification.

### Collaboration

Employees will work together in the spirit of cooperation valuing common, corporate goals over internal or departmental barriers. Employees will also be encouraged to actively collaborate with external resources and not be bound to conventional ideas.

### Cultivation

All employees will cultivate an environment that supports bi-directional communication between managers and subordinates and provides opportunities to develop together as individuals and as members of productive, supportive teams.

## Environment

### Responsible Care Policy

Seeing industrial safety and accident prevention, environmental conservation, and product safety as key foundations for its business activities, JSR Group conducts all business undertakings under the following Responsible Care® (RC) policy.

- 1) We will strive to ensure the safety of employees and local communities and to contribute to environmental conservation and a sustainable global environment by ascertaining risks associated with our business activities and executing countermeasures.
- 2) We will strive to comply with laws, ordinances, and voluntary regulations by gathering information on and ensuring the full development of laws and regulations required for business activity.
- 3) We will strive to ensure the safety of our products by developing products with consideration for safety, health, and the environment and providing information about them.

### Philosophy concerning Climate Change

Environmental problems attributable to global warming (e.g., forest fires, droughts, water shortages, rising sea levels, threats of extinction, and impacts on ecosystems) are occurring on a global scale. Such problems are also seen in Japan. They are represented by floods caused by torrential rains, health problems such as heatstroke that result from more and more days of extreme heat, and such impacts on the ecosystems as coral bleaching.

JSR Group recognizes this problem as an important issue. Therefore, with the aim of helping realize a low-carbon society, we strive to lower our GHG emissions by, for example, reducing the amount of energy needed in the various processes of producing and supplying our products.

Amid a global trend whereby businesses are managing greenhouse gases (Scope 1 to 3) indirectly emitted from their supply chains and disclosing their emissions, JSR Group calculates and ascertains its emissions based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain issued by Ministry of the Environment, Government of Japan.

## Philosophy concerning Water Resources

Water is an essential resource for all living beings. And fresh water, in particular, is a limited and precious resource throughout the world. In Japan, as in other countries, water resources are being affected by natural disasters caused by abnormal weather events, some of which are a result of climate change. This makes the appropriate management of those resources vital.

JSR Group uses water for drinking, of course, but also as a raw material and coolant in its manufacturing processes. We strive to recycle water in our processes and, after using it, to appropriately purify it before discharging it to rivers.

## Philosophy concerning Industrial Waste Reduction

In Japan, waste disposal is becoming tougher as a result of waste import regulations in Asian countries. At the same time, more and more people around the world are demanding that society become more recycling-oriented, as the discharge of plastic waste into the seas is damaging marine ecosystems and environments and thus becoming a major global environmental issue.

JSR Group is controlling the amount of waste it produces, sorting waste, and searching for recycling locations with the aim of creating an industry-led recycling-based society.

## Philosophy concerning Biodiversity Conservation

JSR Group has formed biodiversity policies based on issues identified through conservation activities conducted in the past.

### **JSR Group Biodiversity Policies**

To contribute to the establishment of a sustainable society, JSR Group strives to identify how our business activities depend on and impact biodiversity, and to promote efforts in consideration of biodiversity.

1. We prioritize biodiversity conservation in procuring naturally derived raw and processed materials.
2. We work to make the green spaces of our business establishments biodiversity-friendly.
3. We strive to develop biodiversity-friendly products.
4. We emphasize staff engagement and cooperation with local communities.

established in April 2012

## **Philosophy concerning Chemical Management**

Under its CSR advancement scheme, JSR Group advances measures pertaining to chemical management based on promotion items and concrete action plans founded on those items that are established by the Responsible Care Advancement Committee.

## **Policy on Chemical Management**

In light of recent global trends in chemical management, JSR has established the following three basic policies in its environment and safety management organization.

- 1) Instead of hazard-based management,<sup>\*1</sup> we will endeavor to implement risk-based management.<sup>\*2</sup>
- 2) We will strive to manage our entire supply chain by utilizing a globally standardized method.
- 3) We will strive to comply with regulations and promote self-motivated initiatives to ensure the safety of our products.

\*1 Management based solely on the hazardous properties of substances

\*2 Management based on exposure to the hazardous properties of substances

## Social

### Philosophy and Course of Action for Occupational Health and

#### Philosophy for Occupational Health and Safety

At JSR Corporation, safety is our highest priority and the foundation of all of our activities. Accordingly, we will create safe worksites and strive to maintain physical and mental health, with the goal of ensuring a safe return home at the end of each workday.



#### Courses of Action of Philosophy for Occupational Health and Safety

1. No matter the situation, we will act with safety foremost in mind.
2. We will comply with established rules and never fail to act in accordance with safety basics.
3. We will maintain safety by identifying and eliminating both actual and potential hazards.
4. We will strive to create comfortable work environments and promote physical and mental health.



The safety monument

- Through communication and ingenuity, we will aim to
5. achieve 100% employee participation in all safety activities.

#### Policy for Security Management

##### (1) Extremely Safe Behavior

The Philosophy for Occupational Health and Safety has penetrated through the organization, the Courses of Action are established as applying to everyone, and safety competency is improving through independent safety activities.

##### (2) Enhanced Human Resources and Organizational Strength

High personal skills, organizational ability, and a healthy organizational culture are being maintained with the establishment and execution of the education and training programs needed for organizational management.

##### (3) Optimal Risk Management and Security Measures

Security measures corresponding to risk importance are being efficiently and effectively implemented using new technologies.





## Social

### JSR Group's Human Rights Policy

This policy explains in concrete terms JSR Group's thinking with respect to human rights and presents our pledge to make efforts in line with that thinking. It is based on JSR Group's "Code of Conduct for Respecting Human Rights," which is established in the "JSR Group Principles of Corporate Ethics." We position it as the prevailing policy of all documents and norms associated with actions concerning respect for human rights in JSR Group's business activities.

#### 1. Philosophy

JSR Group recognizes the importance of such international norms as the Universal Declaration of Human Rights, the UN Global Compact, and the UN Guiding Principles on Business and Human Rights. We agree with the thinking they represent and will respect human rights accordingly. We also understand that we must fulfill our responsibility to respect human rights in all of our business activities.

#### 2. Respect for human rights

JSR Group respects the dignity and human rights of all people. We pledge to comply with all international norms and local laws and regulations that concern respect for human rights in the countries and territories where we do business. When a local law or regulation is inconsistent with international norms, we will do our best to find ways of respecting international norms for human rights to the greatest extent possible. Moreover, we will not discriminate on the basis of gender, age, nationality, race, ethnic group, origin, religion, beliefs, social status, physical disability, or sexual orientation for any reason. Nor will we accept any type of harassment that degrades an individual's dignity.

#### 3. Avoidance of complicity in violating human rights

We apply this policy to all JSR Group corporate officers and employees, and thereby demand that they respect human rights and not infringe upon rights or engage in unfair discrimination. We also strive to ensure that they do not become complicit in human rights violations, even indirectly. Moreover, we endeavor to prevent or lessen negative effects on human rights that are directly tied to JSR Group's businesses, products, and services, and continually urge our business partners and suppliers to support our policy and to adopt a similar policy.

#### 4. Employment and labor

##### Prohibition of child labor and forced labor

JSR Group prohibits forced labor as well as labor by children who have not reached the employment age stipulated in the laws of the nations and regions in which we do business. We also demand that our business partners and suppliers do the same.

##### Respect for basic labor rights

JSR Group complies with the labor laws of the nations and regions where we operate. We also respect employees' right to organize and right to collective bargaining, in accordance with the applicable local laws and regulations.

##### Elimination of discrimination

JSR Group respects every individual's diversity, identity and human rights and strives to ensure equal opportunity without discrimination in every aspect of its dealings with employees, including recruitment, placement, promotion, and skills development.

## **5. Response when problems occur**

If a business activity by JSR Group has a negative consequence on human rights, we will respond swiftly and appropriately to provide relief and rectification. Moreover, if a negative consequence on human rights is caused by a business partner or a supplier, we will utilize our influence on that partner or supplier to encourage them to make an appropriate response.

## **6. Prevention of human rights violations**

JSR Group works to prevent human rights violations by acting in accordance with the “human rights due diligence” mechanism. We also provide appropriate education and training to all employees to ensure the dissemination of this policy throughout the Group.

Date of establishment : September 1, 2021  
Eric Johnson  
Representative Director, CEO JSR Corporation

## Philosophy concerning Human Rights

### Philosophy concerning Respect for Human Rights

JSR Group's Principles of Corporate Ethics establish its philosophy concerning human rights.

#### Code of Conduct for Respecting Human Rights

① We will respect and uphold basic human rights, such as United Nations "The Universal Declaration of Human Rights", United Nations "Guiding Principles on Business and Human Rights", declared internationally and protected under constitution and legal precedents of respective countries, and will not infringe basic human rights.

#### Code of Conduct for Fair and Proper Transactions

④ With regard to purchase transactions, we shall conduct transactions that are fair, transparent, and based on economic rationality, as well as consider our responsibility to society, such as compliance with laws and ordinances, protection of resources, environmental conservation, safety and human rights.

#### Code of Conduct for Providing a Comfortable Work Environment

⑦ In the event that a staff member reports the violation or possible violation of the law and/or the Principles of Corporate Ethics to his/her superiors and/or internal/external hotline, we shall fully protect the said staff member's identity and protect him or her from unfavorable treatment.

The JSR Group Principles of Corporate Ethics, revised in January, 2021.

### Philosophy concerning Inhumane Acts (Harassment)

JSR Group's Principles of Corporate Ethics establish its philosophy concerning inhumane acts (harassment).

#### Code of Conduct for Providing a Comfortable Work Environment

⑤ We shall provide a workplace free from sexual harassment and any harassment arising from positions of power. In addition, we will not engage in or make verbal comments with sexual connotations that will make counterparts feel uncomfortable.

The JSR Group Principles of Corporate Ethics, revised in January, 2021.

## Philosophy concerning Prevention of Discrimination

JSR Group's Principles of Corporate Ethics establish its philosophy concerning prevention of discrimination.

### Code of Conduct for Providing a Comfortable Work Environment

- ① We shall ensure the fair treatment of employees, based on each person's tasks, roles, and level of commitment.
- ③ We shall respect the human rights and diverse characteristics of all individuals, and shall not discriminate against gender, age, nationality, race, ethnic group, origin, religion, beliefs, social status, physical disability or other relevant conditions when determining employment status and/or working conditions.
- ④ We shall not force religion and/or belief on others.

The JSR Group Principles of Corporate Ethics, revised in January, 2021.

## Philosophy concerning Child Labor and Forced Labor

JSR Group's Principles of Corporate Ethics establish its philosophy concerning child labor and forced labor.

### Code of Conduct for Respecting Human Rights

- ③ We shall never allow child labor or forced compulsory labor, whether at the JSR Group or in the workplaces of business partners and collaborating companies.

The JSR Group Principles of Corporate Ethics, revised in January, 2021.

## Philosophy concerning Collective Bargaining

JSR Group enters into labor agreements with labor unions based on its Principles of Corporate Ethics, which establish its philosophy concerning collective bargaining.

### Code of Conduct for Respecting Human Rights

- ② We will abide by national and international labor codes and respect workers' right of association and right for collective negotiation in the realm of basic labor rights.

The JSR Group Principles of Corporate Ethics, revised in January, 2021.

## Philosophy concerning Customers

JSR Group's Management Policies establish its philosophy concerning its customers.

### Management Policies

Responsibility to Our Stakeholders

Responsibility to Our Customers / Business Partners

- Constantly evolve to meet the demand for new materials
- Always strive to increase customer satisfaction
- Act in good faith and maintain fair and equitable business relations
- Continue to be socially and environmentally conscious throughout the supply chain

## Philosophy concerning Social Contribution

JSR Group has been involved in various social contribution programs with a focus on community activities. In January 2009 we established our "Basic Approach to Social Contribution" as a philosophy aimed at further strengthening our activities. We are currently implementing the initiatives outlined in this philosophy.

### Basic Philosophy concerning Social Contribution

- (1) Our Corporate Mission dictates that we contribute to society through our business activities. Further, we are actively engaged in providing solutions to social requirements and issues as a responsible member of society.
- (2) We are continuously engaged in positive social contribution activities, capitalizing on the chemical and technical knowledge and skills that form the core of JSR business.
- (3) Every employee is a point of contact between the Company and society, and we actively support our employees in their voluntary participation in social contribution activities.

Basic Approach to Social Contribution, established in January 2009

# Fundamental Philosophy concerning Employees

## Fundamental Human Resource Philosophy

JSR Group drives its organization and personnel forward based upon the following measures:

1. Develop mechanisms and a corporate culture with a healthy balance of 'Freedom' and 'Discipline,' guided by the Course of Action's 4Cs to enable managers and junior staff to grow together, help all employees accurately perceive and solve issues in order to foster a JSR that not only maintains its organizational capacity, but ensures its future growth.
2. Promote the globalization of JSR corporation employees while developing a globalized workforce within JSR Group as well as train and manage the Group's human resources on a global level.
3. Generate synergies which take full advantage of the increasing range of diversity (in terms of nationality, culture, gender, values, etc.) throughout JSR Group's vast human resource pool.

## Human Resource Development Philosophy

We are working on human resource development with the understanding that it is the greatest priority for achieving sustainable, long-term corporate growth. In particular, we are promoting human resource development in order to strengthen our organizational capacity by implementing the Course of Action "The 4Cs" - "Challenge," "Communication," "Collaboration," and "Cultivation" - of our Course of Action at a higher level, and with focus on "skill/know-how" and "awareness/motivation."

### Human Resources = Skill and Know-How x Motivation

As a key goal, we will also strengthen our employees' international communication abilities.

#### **(1) Human Resource Development Policy**

1. Respect each employee's desire for personal growth and provide adequate support for employees who take the initiative to raise their skills and develop their careers.
2. Based on the idea that the development of employee skills is the foundation of a company, make "growth through work" a primary consideration and, from a long-term perspective, conduct systematic, planned, and continuous training at all group companies to support this.

#### **(2) Types of Personnel Sought by JSR**

##### All Employees

1. Professionals who are competitive on a global level in all areas of their responsibility.
2. Individuals who are willing to take on new challenges and who respond flexibly to changes in the environment, supporting innovation and advancement without settling for the status quo.
3. Team players with high ethical standards who emphasize communication, collaboration, cultivation, and taking on challenges.

##### Management

4. Supervisors who can delegate work and responsibilities to their junior staff while also leading by example, always mindful of organizational management and human resource development.
5. Leaders who effectively oversee the achievement of organizational goals and can also lead reforms.

## **Work-Life Management Philosophy**

JSR is actively promoting its Work-Life Management initiative. Employees are encouraged to not only develop work-related skills, but to also actively participate in social, and personal activities (e.g., social and community groups, family, volunteer activities, self-development, and hobbies). JSR believes that by encouraging our employees to become well-rounded individuals, and by finding a personal sense of self-fulfillment and satisfaction that they will then be able to bring that energy into their work.

JSR encourages all of our employees to closely manage their personal time and maintain a balanced work schedule. We are also working on implementing various systems that support flexible work styles, with special consideration for childbirth, childcare and family-nursing needs.

Work-life management is vital in the implementation of diversity management, because in order to create an organization with a diverse workforce, we must also promote a corporate culture that is open to diverse values and work styles.

We also ensure wages at wages that exceed the minimum wage based on the laws and ordinances stipulated by each country / region, and strive not to violate working time regulations.

## **Philosophy concerning Employees' Mental and Physical Health**

JSR feels that a healthy mind and body are extremely important for employees and their families to live happy lives. We also feel that they are imperative in the creation of a productive and vibrant workplace. Because of this, we have adopted various measures to help our employees work in good health, both mentally and physically.

## **Philosophy concerning the JSR Workers' Union's activities**

Through routinely-convened labor-management councils, labor agreement revision consultations and the like, we strive to maintain a relationship with the union that allows constructive exchanges of opinions. We also work with the union to create better working environments from the standpoints of "wage policy", "workplace environment policy", "welfare policy", "leisure time, public relations, and volunteer activities policy" and "organization policy", which are important matters for the union.



# JSR Group CSR / Sustainable Procurement Policy

JSR Group's Corporate Mission is "Materials Innovation - We create value through materials to enrich society, people and the environment."

Based on this, we make CSR activities a core part of our everyday operations. Our commitment to CSR includes establishing "The JSR Group Principles of Corporate Ethics" and consolidating our responsibilities to our customers/business partners, to our employees, to society, and to shareholders under management policies we call "Responsibility to Our Stakeholders."

At JSR Group, we believe that developing CSR supply chain management will lead to mutual prosperity for both the Group and our business partners. It was with this in mind that we established this JSR Group CSR/Sustainable Procurement Policy.

Below are listed 36 items in six areas that we ask our business partners to strictly observe. We call on our partners to accept them and put them into practice, keeping in mind the intent described above and fully understanding their content.

It should be understood that this policy may undergo review and revision as required in response to changes in society's demands on us.

## **I. Establishing and Maintaining a CSR Advancement Structure**

Companies must of course comply with the laws and regulations of each country in which they do business. But they also have a responsibility to abide by social norms and meet society's expectations.

For the following Areas II to VI (fair corporate activity, human rights and labor, environmental conservation, health and safety, and information security), companies that do business with JSR Group must establish CSR mechanisms to ensure that their business activities do not negatively affect society and the environment and, if negative effects do occur, to deal with them immediately.

The following actions are required:

1. Incorporate CSR mechanisms into the company's policies and code of conduct, make
2. Have raw material suppliers and other business partners also understand and execute
3. Voluntarily announce the status of their initiatives through environmental reports, CSR

## **II. 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.

The following actions are required:

1. Prohibition of corruption and bribery
2. Prohibition of giving or receiving inappropriate favors or payoffs
3. Prohibition of abuse of superior position
4. Prohibition of anti-competitive conduct
5. Provision of accurate product and service information
6. Respect for others' intellectual property rights
7. Proper import/export management
8. Proper tax payment according to the laws and regulations of each country
9. Prevention and early detection of improper behavior by maintaining an internal reporting system

## **III. 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.

The following actions are required:

1. Prohibition of forced labor
2. Prohibition of child labor and protection of young workers
3. Prohibition of inhumane treatment
4. Prohibition of discrimination in terms of employment, promotion opportunities, treatment, etc.
5. Payment of fair wages exceeding the minimum wage amount
6. Reduction of excessive working hours by proper management of working hours and non-work days
7. Respect for employees' freedom of association and right to collective bargaining

#### **IV. 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.

The following actions are required:

1. Establishment and operation of an environmental management system
2. Management of chemical substances and prevention of pollution
3. Reduction of environmental burden
4. Reduction of energy consumption and greenhouse gas (GHG) emissions
5. Resource conservation, resource recycling, and proper waste disposal
6. Conservation of water resources and reduction of water consumption
7. Preservation of biodiversity and reduction of negative impact
8. Disclosure of the status of environmental conservation initiatives

#### **V. 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.

The following actions are required:

1. Safety measures for machinery and equipment
2. Maintenance of workplace safety
3. Maintenance of workplace health
4. Employee health management
5. Pre-emergency preparedness measures

## **VI. 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.

The following actions are required:

- 1 . Compliance with the laws and regulations of each country concerning information security
- 2 . Protection against threats to computer networks
- 3 . Prevention of personal information leaks
- 4 . Prevention of leaks of confidential information pertaining to customers and third parties

Enacted on December 10, 2018

JSR Corporation

# Governance

## Corporate Governance

Please refer to JSR's Corporate Governance Report by clicking the URL shown below. The following are the gist of the report.

[https://www.jsr.co.jp/jsr\\_e/company/assets/pdf/CGreport\\_En\\_Dec17\\_2021.pdf](https://www.jsr.co.jp/jsr_e/company/assets/pdf/CGreport_En_Dec17_2021.pdf)

## Basic Views on Corporate Governance

It is the JSR Group's goal to make steady progress in realizing its corporate mission (Materials Innovation: We create value through materials to enrich society, people and the environment). This shall be done through efficient and transparent business management, by sustaining sound and healthy business practices. The Group will also continuously strive to create new corporate value with the hope of becoming an attractive corporation that can earn the trust of and satisfy the interests of all our stakeholders.

The Company therefore has been and will continue focusing on the enhancement of corporate governance as an important management challenge.

## Corporate governance structure

As a company with audit & supervisory board members (formerly known as statutory auditors), JSR principally monitors and oversees the execution of duties by directors and the management through its Board of Directors and audit & supervisory board members. JSR has continuously strengthened the function of management supervision, improved efficiency in decision making and execution of business duties, and enhanced the transparency and soundness of business management through the introduction of an officer system and the appointment of outside directors and audit & supervisory board members, who are independent from the Company and have extensive business experience and a high level of expertise.

## Composition of Board of Directors

The current Board of Directors consists of nine (9) directors (four (4) of whom are independent outside directors with independence and abundant experience and extensive expertise in the management of corporations and businesses). Koichi Kawasaki, who is a Director but not a CEO or COO, serves as the board's chairperson. In principle, the Board of Directors meets once monthly to establish the direction of management strategies, make important decisions, and supervise the execution of duties by Directors and Officers.

## **Composition of Audit & Supervisory Board (formerly known as Statutory Auditors Board)**

The current Audit & Supervisory Board consists of three (3) audit & supervisory board members, two (2) of whom are independent outside audit & supervisory board members with extensive and sophisticated expertise (one is a lawyer and the other is a certified public accountant qualified as a certified public tax accountant as well). In the future, the Company will elect two independent outside audit & supervisory board members with vast experience and extensive and sophisticated expertise in such fields as law, accounting, and etc., to effectively audit the execution of duties by directors and the management.

## **Policies on Remuneration for Directors and framework for determining the remuneration**

### **Remuneration Advisory Committee**

JSR established the Remuneration Advisory Committee of which majority members are independent outside directors and the chair of which is a lead independent outside director in order to ensure the objectivity and transparency of its directors' remuneration scheme. The committee deliberates the basic policy of remuneration, the remuneration structure, the mechanism of a performance-based remuneration, the setting of targets, and assessment of performance, and submits its findings to the Board of Directors.

### **Policies on Remuneration for Directors**

JSR establishes basic policies on remuneration with the objectives of training and recruiting highly globally-minded and diverse management personnel to ensure the corporate group's competitive advantage as a global company; setting short-term, medium-term, and long-term incentives for executives for the sharing of profits with shareholders; and ensuring the unfailing execution of management strategy and business strategy while maintaining transparency.

(1) The remuneration system shall be one that can attract, retain, and reward diverse and highly talented human resources, regardless of nationality, to build and improve competitive advantage and further advance global management.

(2) The system shall provide managers with a healthy entrepreneurial spirit oriented toward achieving operational objectives in management strategy for the Company's sustained development in order to motivate them to achieve those objectives.

(3) The remuneration system shall improve medium- and long-term corporate value based on the active sharing of profits by JSR directors with shareholders through stronger stock-holding during their time as directors.

Remuneration for JSR directors previously consisted of a fixed basic remuneration, an annual bonus linked to company-wide business performance in each fiscal year, a medium-term business performance-based bonus linked to medium- and long-term company-wide business performance, and remuneration for granting restricted stock shares (non-monetary remuneration) for the purpose of promoting the early sharing of value with shareholders. However, beginning in FY2021, the Company is abolishing the medium-term business performance-linked bonus and introducing performance-linked stock compensation (hereinafter “performance share unit”) to be issued afterward. It should be noted with respect to the medium-term performance-linked bonus that, in the future, no cash payments will be made based on the stipulation of the amount of such remuneration, except for cases in which the performance measurement period has already started. Additionally, with respect to shares with restriction on transfer, the Company has revised the period for lifting the restriction on transfer as well as the maximum monetary amount and maximum number of shares. Remuneration for outside directors and audit and supervisory board members consists of basic remuneration only in consideration of their roles.

## **Policies and procedures for nominating candidates for Directors and Audit & Supervisory Board members**

### **Nomination Advisory Committee**

1) JSR established the Nomination Advisory Committee of which majority members are independent outside directors and the chair of which is an independent outside director to ensure the transparency of the policy and procedures of nominating candidates for directors, audit & supervisory board member and officers with directorship status (including senior officers). At the committee, any of the members is not eligible for voting in the agenda in which such member has special interest.

2) The committee deliberates the standard for the diversity in breadth of knowledge, experience, and capability necessary for the Board of Directors, criteria and procedures for the nomination, and candidates for future appointment as president, directors, officers with directorship status (including senior officers), and audit & supervisory board members, and submits its findings to the Board of Directors. In order to ensure transparency of the deliberation, the committee takes necessary measures as deliberation solely among outside independent directors for the agenda relating to appointment/reappointment or dismissal of CEO and/or President.

3) The committee systematically develops and selects candidates for the successor to CEO and/or President in an objective and transparent manner by providing the pool of candidates with necessary training and coaching to enhance skills and leadership and by actively participating in selection process through interviews etc.

## **Criteria for nominating candidates for Directors**

1) When nominating candidates for directors, JSR makes it a rule to ensure an appropriate balance among diversity in breadth of knowledge, experience, and capability essential to the Board of Directors and the size thereof in order to make important management decisions and oversee the execution of duties in appropriate and timely fashion.

JSR nominates persons who are mentally and physically sound and have an exceptional personality and popularity, and high principles and ethical view.

2) Candidates for inside directors:

JSR nominates persons who have extensive knowledge, experience, and high capability with a superior track record in such fields as business management (including global one), R&D, manufacturing, manufacturing technology, human resources, and finance and accounting, etc.

3) Candidates for outside directors:

JSR nominates persons who have independence, vast experience and extensive expertise of management of the major companies in various fields and of business management both in Japan and overseas as well as the capability to actively express opinions and raise issues on growth strategy and enhancement of governance from a broad perspective.

4) The Nomination Advisory Committee will deliberate and report to the Board of Directors in a timely fashion when the committee judges there arises a reason that necessitates dismissal of CEO and/or other directors.

## **Criteria for nominating candidates for audit & supervisory board member**

1) From the perspective of ensuring the transparency and soundness of business management through auditing the process of directors' decision making and execution of duties in accordance with laws and regulations, such as the Companies Act, the articles of incorporation and internal rules, JSR nominates persons with vast experience and extensive and sophisticated expertise necessary for audit (including one person with sufficient knowledge of finance and accounting) among those who are mentally and physically sound and have an exceptional personality and popularity, and high principles and ethical view.

2) Regarding candidates for outside audit & supervisory board members, in particular, JSR nominates persons who have independence and extensive experience and knowledge of laws and accounting.



## **Views on capability and diversity of the Board of Directors as a whole**

1) With the aim of overseeing important management decision making and the execution of duties in appropriate and timely fashion in order to increase corporate value over medium and long-term, JSR considers it important that the Board of Directors as a whole effectively utilize both i) the extensive knowledge, experience and high capability in such fields as business management (including those of global businesses), R&D, manufacturing, manufacturing technology, human resources, and finance and accounting, etc. held by inside directors and ii) vast experience and extensive expertise of management of the companies in various fields and business and management both in Japan and overseas, and capability to actively express opinions and raise issues on growth strategy and enhancement of governance from a broad perspective held by independent outside directors and that the Board of Directors thus ensures such diversity in knowledge, experiences (including international ones) and skills as the Board of Directors deems fit and necessary.

2) The Company believes that its Board of Directors has acquired necessary diversities so that the Board is functioning effectively at present.

JSR will continue to ensure the sufficient diversity in knowledge, experience, and capability that are essential for the Board of Directors and maintain its optimum size but not exceeding 12 people in accordance with the deliberation to be made by the Nomination Advisory Committee and with its business strategies in the future.

## **Securing equitable Shareholders' rights**

JSR has continued to develop an environment where shareholders can appropriately exercise their voting rights at the ordinary general meeting of shareholders. JSR will continue to implement the following measures: holding an ordinary general meeting of shareholders earlier than other companies (in the middle of June each year); disclosure on the website before sending the notice of convocation; introducing an electronic voting platform via the Internet, etc.; participating in the electronic voting platform for institutional investors; enhancing contents of the convocation notice; and translating the convocation notice into English, etc.

## **Reduction of cross-shareholdings**

JSR holds listed shares as cross-shareholdings\* only after comprehensively reviewing the rationality of holding such shares in the light of business management strategies and economics of such shareholdings while it has been reducing cross-shareholdings when holding such shares has become irrational.

The Board of Directors periodically reviews the status and the policies for holding individual cross-shareholdings by taking such factors into consideration as the purpose of holding, potential risk and expected return, and cost of capital required for holding such individual shares.

When exercising voting rights of cross-shareholdings, JSR comprehensively determines to vote for or against their proposals after reviewing whether or not their corporate governance system and proposals will contribute to the improvement of their corporate value over the medium and long-term.

## **Ways to avoid conflict of interest transactions arising from the act of Directors**

- 1) In accordance with the Companies Act and JSR's "Regulations of the Board of Directors", JSR has obtained the Board of Directors' prior approval for competitive and conflict-of-interest transactions and reported important facts regarding such transactions to the Board of Directors after completion.
- 2) In accordance with applicable laws and regulations, JSR has disclosed the outline of transactions with related parties in notes to consolidated financial statements of the Securities Report and notes to non-consolidated financial statements of the ordinary general meeting of shareholders.
- 3) JSR has been determining the terms and conditions for the transactions with major shareholders by negotiating prices considering market conditions in the same way as it deals with third parties.

# Compliance

## Code of Conduct and Corporate Ethics

JSR Group has established a Code of Conduct as the rules that all JSR Group companies, their directors and employees (full-time, contract, part-time, and temporary employees as well as employees on short-term contracts) should comply with, in order to execute the management policies "Our Responsibility to our Stakeholders" in engaging in business activities. JSR Group shall not require its directors or employees to act in violation of the 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 for the reason of said refusal.

Please click on the following link for the English version of "The Group Principles of Corporate Ethics"

[http://www.jsr.co.jp/csr/pdf/CoC\\_en.pdf](http://www.jsr.co.jp/csr/pdf/CoC_en.pdf)

## Code of Conduct for anti-bribery and anti-corruption

The JSR Group established "Standards on Providing and Accepting Gifts and Entertainment" and "Regulations for Compliance with Anticorruption Laws" based on the principles of anti-bribery and anti-corruption established in "The JSR Group Principles of Corporate Ethics".

### Code of Conduct for Gifts and Entertainment

- 1) Whether inside or outside the country, we shall not give gifts to and/or entertain politicians, government officials or other relevant parties in a manner that may generate profits through illegal means or violate bribery regulations.
- 2) When making contributions to political figures/parties or other organizations, we shall do so in a proper manner and observe all applicable laws and regulations, such as the Political Funds Control Law.
- 3) We shall not give or receive gifts and provide or receive entertainment to or from customers, suppliers and other stakeholders, which may be regarded as bribery or unfair acts. We shall not be involved in the exchange of gifts or entertainment that may go beyond the accepted social norms.
- 4) Within the JSR Group, we shall not give and/or receive gifts and/or provide entertainment.

The JSR Group Principles of Corporate Ethics, revised in January 2021.

## **Policies Protection of Whistleblowers**

The JSR Group specifies its policies on protection of whistleblower in its "JSR Group's Principles of Corporate Ethics" as below;

### **Code of Conduct for Providing a Comfortable Work Environment**

7) In the event that a staff member reports the violation or possible violation of the law and/or the Principles of Corporate Ethics to his/her superiors and/or internal/external hotline, we shall fully protect the said staff member's identity and protect him or her from unfavorable treatment.

The JSR Group Principles of Corporate Ethics, revised in January, 2021.

## **Policies against Antisocial Forces**

The JSR Group expresses its principles against antisocial forces in "The JSR Group Principles of Corporate Ethics".

### **Code of Conduct against Antisocial Forces**

Our basic policy, upheld by our top executive and company as a whole, is to reject any relation with antisocial forces including any business transactions, and firmly reject any demand with collaboration from police and external organizations specialized in security issues.

The JSR Group Principles of Corporate Ethics, revised in January, 2021.

## **Information Security Policy**

JSR Group endeavors to manage information in an appropriate and secure manner by establishing Information Security Policy and by thoroughly disseminating the policy to its employees.

### **Information Security Policy**

- 1) 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.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) If an information security-related problem occurs, the JSR Group will promptly identify the cause and take measures to minimize damage and prevent recurrences.
- 6) The JSR Group will periodically assess and review its information security measures to respond appropriately to changes in external environments.

Established in January 2006

# Policy for Bribery Prevention

## 1. Prevention of bribery

JSR will not seek to gain profit or benefit, directly or indirectly, from any person who is subject to the regulations of anti-corruption laws, including commercial bribery regulations, by wrongfully influencing said person's professional conduct, nor provide benefit or promise to provide benefit<sup>1</sup> to said person, either in Japan or abroad.

## 2. Anti-bribery system

JSR will ensure that all officers, employees, etc., comply with this policy. If an act by an officer, employee, etc., that violates, or may violate, this policy is discovered, JSR will have the discovering person report the act using the internal reporting system or another channel and will not engage in retribution against said reporting person.

## 3. Audits and system reviews

JSR will conduct periodic internal audits and also evaluate and review its anti-bribery system to maintain a continuous and effective bribery and corruption prevention system.

## 4. Education

JSR will conduct appropriate education to officers, employees, etc., to ensure their compliance with this policy.

## 5. Recording and retaining transaction details

JSR will accurately and appropriately prepare accounting records concerning all transactions and disposals of assets and retain those records.

## 6. Punishment

If an officer, employee, etc., violates this policy, JSR will strictly punish the violating officer, employee, etc., based on the employment regulations and other regulations.

### Definition of terminology

- 1) Provide benefit or promise to provide benefit refers to the provision or promise to provide money or goods as well as any other tangible or intangible benefit (such as invitation to an eating or drinking establishment, provision of entertainment, coverage of travel expenses, donation, and participation in an outside organization) and includes the provision of said benefit done directly or indirectly through a third party, such as an agent.

Established: August 2020