

Material CSR Issues of the JFE Group

In response to the needs of various stakeholders, the JFE Group identified material CSR issues in FY2016 and set KPIs in FY2017 to find out where and how we should invest its resources to minimize negative social impact and maximize the Group's value creation.

Such initiatives will demonstrate our Corporate Vision of "Contributing to society with the world's most innovative technology." We aim to contribute to the establishment of the Group's sustainable growth as well as sustainable society through the implementation of these initiatives.



Corporate Vision

Contributing to Society with the World's Most Innovative Technology

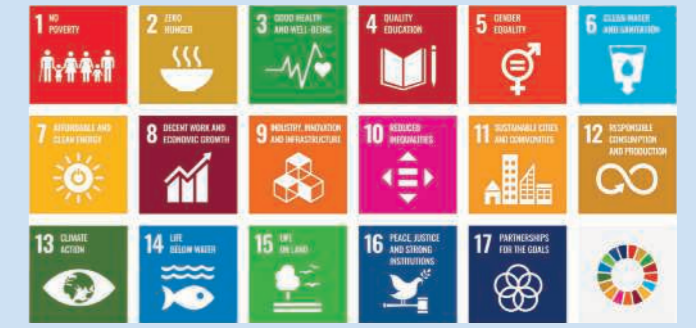
Areas of Focus	Details	Scope of Influence	Material CSR Issues	Relevant SDGs
Activity	<ul style="list-style-type: none"> Provide products and services based on advanced technologies Continue stable supply of safe, high-quality products Solve customer problems 	JFE Group Customers Society	Stably supply products	7 9 10 11 12 13 17
			Ensure quality	
			Pursue R&D operations	
			Respond to customer needs	
Activity	<ul style="list-style-type: none"> Mitigate environmental impact Contribute to recycling societies Utilize Group technologies to develop products that contribute to environmental protection 	JFE Group Local communities near manufacturing sites Customers Society	Develop and provide environmentally friendly products	6 7 9 12 13 14
			Mitigate climate change	
			Protect the global atmosphere	
			Pursue resource recycling	
Activity	<ul style="list-style-type: none"> Prioritize safety first Maintain the physical and mental health of employees and their families and create rewarding workplaces 	JFE Group Suppliers Business partners	Prevent workplace accidents	3 8
			Ensure the health of employees and their families	
Activity	<ul style="list-style-type: none"> Maintain work environments where all personnel can maximize their abilities Accumulate and hand down technologies and skills 	JFE Group Business associates	Pursue diversity and inclusion	4 5 8 9 10
			Strengthen human resource development programs	
Basis of activity	Thoroughly enforce compliance	JFE Group Suppliers Political authorities Society	Ensure adherence to Corporate Ethical Standards and compliance	10 16

Corporate Governance (Ensure Fairness, Objectivity and Transparency)

Respect and Maintain Awareness of Human Rights

Contributing to the Sustainable Development Goals (SDGs) through business activities

In September 2015, a United Nations Summit adopted 17 SDGs to be addressed through worldwide efforts to achieve sustainable development. In response to requests from global society, the JFE Group will strive to contribute to SDGs through its business activities.



FY2016: Identification of Material CSR Issues

Step 1 Identification

By measuring the businesses of the JFE Group against the following yardsticks, we have identified 35 core issues for our CSR initiatives:

- GRI G4 Sustainability Reporting Guidelines
- ISO26000
- Sustainable Development Goals (SDGs)
- ESG survey via external assessment
- Internal documents on employee satisfaction surveys, etc.
- Benchmark surveys on the three business areas

Step 2 Prioritization (Group-wide Meeting)

We prioritized the above 35 issues in two ways: stakeholder expectations and relevance to business (societal impact), and identified 13 issues in five focus areas.

Group-wide meeting

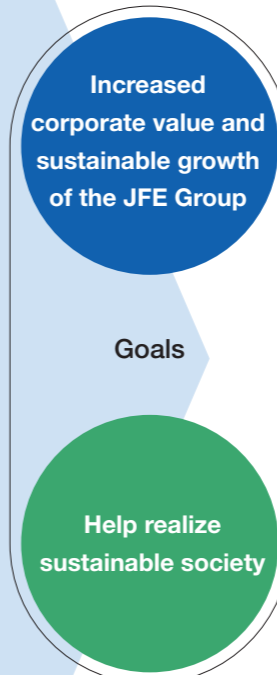
Managers from each operating company discussed the prioritization from the perspectives of group management and their respective operating companies' interests.

Step 3 Validation

The following process validated the material CSR issues identified:

- Confirmation and examination by each operating company
- Two-stage examination and approval by JFE Group CSR Council*

*Participants included the President of JFE Holdings (chairperson), executive vice president, Corporate Officers, full-time Audit & Supervisory Board Members, and the presidents of operating companies, etc.



FY2017: Setting KPIs

Step 4 Review / Setting KPIs

Conducting reviews

- Reviewed by the JFE Group CSR Council
- Examined comments by third-party experts on the CSR report

Setting KPIs

We set KPIs and implemented PDCA through the following processes.

- Review was conducted by each operating company
- Draft KPIs were submitted to the JFE Group Environmental Committee
- KPIs were deliberated at and approved by the JFE Group CSR Council

KPIs for Material CSR Issues



–Performance in FY2019 and revisions for FY2020 and beyond–

To address material CSR issues identified in FY2016, the JFE Group has set KPIs and has been working on the issues on a group-wide basis.

Continuing from FY2019, we again evaluated the previous year's results in FY2020 and revised the KPIs further based on the evaluation results and with input from stakeholders.

We will continuously take into consideration the business characteristics of each operating company upon setting KPIs, aiming to facilitate PDCA cycle and effective CSR management.

Evaluation criteria

■ JFE Steel ■ JFE Engineering ■ JFE Shoji

Target attributes		○	△	×
Quantitative	Set for each fiscal year	Accomplished 100% or better	Accomplished 80%-99%	Accomplished 79% or less
	Set medium- to long-terms (in case of setting a multi-year target)	Final target accomplished 100% or better	Final target partly accomplished with some results (80% or better with linear interpolation).	Working toward the goal but no results yet (79% or less with linear interpolation).
Qualitative		Fully accomplished with significant results.	Partly accomplished with some results.	Working toward the goal but no results yet.

*In Group-wide evaluations, the lowest result among the companies is taken as the overall result.

Areas of Focus	Material CSR Issues	Operating company	Targets/KPIs	Results and initiatives implemented in FY2019	Evaluation	Targets/KPIs for FY2020
Activity	Provide quality products (customer satisfaction)	Stably supply products	1. Stable products supply to customers through steady operations 2. Make steady progress on strengthening its manufacturing bases, starting with blast furnace stabilizing measures	• Steady progress on strengthening manufacturing bases to stabilize capacity utilization of each steelwork and district, and improved the successful delivery rates over the previous fiscal year	○	1. Flexibly adapt to shifting demand owing to changes in the environment, and ensure stable products supply to customers through steady operations 2. Make steady progress on strengthening its manufacturing bases, starting with blast furnace stabilizing measures
			• Secure a stable number of certificated managing engineers	• Secured a stable number of certified managing engineers while gaining a high level of net sales	○	• Secure a stable number of certificated managing engineers
			• Make consistent capital investment in processing and distribution operations	• Implemented all the required investment this fiscal year for a stable supply of products Amount of investment (selected amounts) ▶ Investment in quality enhancement: 1.7 billion yen ▶ Renewal and safety investment: 2.0 billion yen ▶ System investment: 1.8 billion yen	○	• Make consistent capital investment in processing and distribution operations
		Ensure quality	• Implementation of the capital investments for improving the level of quality assurance and product testing established in the Sixth Medium-term Business Plan	• Virtually completed in FY2019 permission for investment to achieve the four key items for 100% automation, a goal in the Sixth Medium-term Business plan (tensile testing: 96.7%; cast analysis: 100%; automobile steel sheet thickness measurement: 100%; coating weight measurement: 100%)	○	• Steadily proceeded with capital investments to improve the level of quality assurance and product testing, aiming at 100% automation for four key items (tensile testing, cast analysis, automobile steel sheet thickness measurement, and coating weight measurement)
			• No major quality problems	• No major quality problems	○	• No major quality problems
			• Conduct quality audits on affiliate companies Continue to conduct quality audits at least once annually on 30 manufacturing affiliate companies (audit executing rate: 100%)	• Steadily conducted quality audits as planned for 30 manufacturing affiliate companies. Due to COVID-19, six companies scheduled for the end of the fiscal year were rescheduled to FY2020 Audit executing rate: 80% (Japan: 14 companies; overseas: 10 companies)	○	• Conduct quality audits on affiliate companies Continue to conduct quality audits for 32 manufacturing affiliate companies (Expanded the number of companies subject to be audited from 30 to 32)
		Pursue R&D operations	• Conduct R&D operations established in the Sixth Medium-term Business Plan	• Invested in R&D operations at the same level as the previous fiscal year, and commercialized new products as planned • Company-wide deployment of optimized control technology using data science technologies	○	• Pursue strategic R&D operations ▶ Launch JDXC™ in FY2020 via technological development utilizing DS, aim to apply AI to blast furnaces, bring DS to Fukuyama No. 3 Sintering Machine, and apply J-dscom™ to all hot-rolling lines ▶ New product and technological development: 20 or more in FY2020 (Aim at a total of 135 from FY2015 to FY2020) *DS : Data Science, JDXC : JFE Digital Transformation Center J-dscom: JFE Detecting-anomaly-Signs & COlor-Mapping system
			• Make consistent or increased investment in R&D operations	• Investment amount is maintained and increased FY2017: 3.8 billion yen FY2018: 4.1 billion yen FY2019: 4.7 billion yen (15% growth from FY2018)	○	• Focus technological development on the three key areas of ICT utilization, climate change measures, and recycling plastics Target values: At least 30% of R&D expenses for the three key areas
		Respond to customer needs	1. Implement rank-based training within the sales department and ensure all employees receive training within two years from assignment 2. Implement customer satisfaction surveys and give thorough feedback	1. Office heads, General Managers, and newly appointed employees received training within two years 2. Implemented feedback of customer satisfaction surveys	○	1. Implement rank-based training within the sales department and ensure all employees receive training within two years from assignment 2. Implement customer satisfaction surveys and give thorough feedback
			• Use data collected from customer surveys to enhance customer satisfaction	• Giving feedback through work performance assessment notices for public works, and the QMS customer surveys for private works	○	• Use data collected from customer surveys to enhance customer satisfaction
			• Invest in the development of strong sales personnel Ensure that all target employees receive employee training such as skill development, and that all target staff from overseas offices receive group training in Japan	• Provided employee training such as skill development, and group training in Japan for staff from overseas offices, as scheduled (100%) Skill development: Four types, total of 130 participants Group training for staff from overseas offices: 24 participants	○	• Invest in the development of strong sales personnel Ensure that all target employees receive employee training such as skill development, and that all target staff from overseas offices receive group training in Japan
		Protect the global environment	Develop and provide environmentally friendly products	• Develop new products and technologies established in the Sixth Medium-term Business Plan	• Commercialized 16 environmentally friendly products as initially planned Low alloyed & low atmospheric corrosion steel - high salinity (LALAC-HS), BRITE-ACE™ tin-free steel for a welded can with excellent high-speed weldability, FM800 nickel-free-alloyed steel powder, etc.	○
-	-			-	• New businesses and products that contribute to protecting the global environment, or expansion of scale of such business: At least one per year ▶ Promote plastic recycling business ▶ Promote food waste recycling business ▶ Promote consumer appliance and fluorescent tube recycling business ▶ Promote electricity supplying business from renewable sources ▶ Newly develop and provide environmentally friendly products	

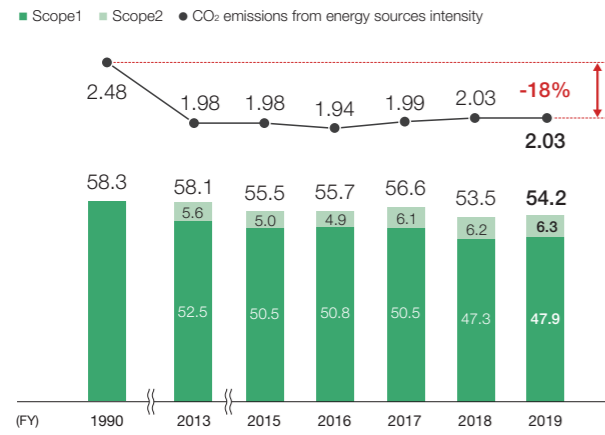
Areas of Focus	Material CSR Issues	Operating company	Targets/KPIs	Results and initiatives implemented in FY2019	Evaluation	Targets/KPIs for FY2020	
Activity	Mitigate climate change	■	1. CO ₂ reduction target defined in the Japan Iron and Steel Federation's "Commitment to a Low Carbon Society" 2. Continue to invest in energy conservation	1. Progressing as planned towards the FY2020 target defined in the Japan Iron and Steel Federation's "Commitment to a Low Carbon Society" 2. Made capital investment in energy conservation	○	<ul style="list-style-type: none"> ● Aim to reduce CO₂ emissions in FY2020 by at least 20% compared to FY2013 ● Launch a project team and formulate action scenarios in FY2020 to achieve this ● Participate in technological development by the New Energy and Industrial Technology Development Organization (NEDO) to achieve Zero Carbon Steel and formulate a long-term technological development roadmap in 2020-2021 ● Begin an actual operation test of the pilot plant for ferro-coke 	
		■	1. Contribute to global environment conservation through our products and services <ul style="list-style-type: none"> ▶ Spread of waste-to-energy plants ▶ Spread of woody biomass power generation ▶ Energy conservation in water and sewage facilities ▶ Spread of geothermal, solar and wind power ▶ Provide electricity from renewable sources 	1. Delivered three waste-to-energy plants and three biomass power plants, exceeding the planned two plants per year Amount of CO ₂ reduced by domestic plants (in operation) we introduced 4.13 million t-CO ₂ per year 2. Achieved the reduction of 13.7%, exceeding the planned reduction of 1% or more compared to the previous year (FY2018: 13,100 t-CO ₂ per year FY2019: 11,300 t-CO ₂ per year)	○	1. Provide at least two products and services per year contributing to climate change mitigation <ul style="list-style-type: none"> ▶ Spread of waste-to-energy plants ▶ Spread of woody biomass power generation plants ▶ Spread of digestion gas power generation plants ▶ Spread of geothermal, solar and wind power 2. Reduce CO ₂ emissions in factories and offices by 1% or more compared to the previous fiscal year	
	Protect the global environment	Protect the global atmosphere	■	1. Continue to work on keeping NO _x and SO _x emissions at low levels 2. VOC emissions: maintain at low levels (30% decrease compared to 2000) 3. Benzene emissions: maintain at low levels (80% decrease compared to 1999) 4. Dichloromethane emissions: maintain at low levels (40% decrease compared to 1999)	1. NO _x and SO _x emissions were kept at low levels through thorough combustion-control 2. VOC emissions: 51% decrease 3. Benzene emissions: 93% decrease 4. Dichloromethane emissions: 71% decrease	○	1. Continue to work on keeping NO _x and SO _x emissions at low levels 2. Keep VOC emissions at low levels (30% decrease compared to 2000) 3. Keep Benzene emissions at low levels (80% decrease compared to 1999) 4. Keep Dichloromethane emissions at low levels (40% decrease compared to 1999)
			■	<ul style="list-style-type: none"> ● Continue to work on keeping NO_x and SO_x emissions at low levels 	<ul style="list-style-type: none"> ● Successful in maintaining the low emission level, as it was significantly below the value equivalent to total allowable emissions per year NO_x 178Nm³ (18,000Nm³) SO_x 40Nm³ (100Nm³) (Figures in brackets indicate the equivalent value of total allowable emissions per year) 	○	<ul style="list-style-type: none"> ● Continue to work on keeping NO_x and SO_x emissions at low levels Numerical targets Stay below the equivalent value of the total allowable emissions per year NO_x : 18,000Nm³ SO_x : 100Nm³
	Protect the global environment	Pursue resource recycling	■	1. Maintain the efficient use of water resources Recycling rate: At least 90% 2. Recycling rate of co-products: At least 99%	1. Recycling rate: 92.9% 2. Resource recycling rate: 99.7%	○	1. Maintain the efficient use of water resources Recycling rate: At least 90% 2. Recycling rate of co-products: At least 99%
			■	1. Recycling rate at construction sites <ul style="list-style-type: none"> ▶ Recycle at least 99.5% of rubble ▶ Recycle at least 95.0% of sludge ▶ Recycle at least 85.0% of industrial waste 2. Recycling rate of office resources (Yokohama Head Office): At least 98.0% 3. Promote the recycling business (plastics, food, consumer appliances, fluorescent tubes, etc.)	1. Recycling rate at construction sites <ul style="list-style-type: none"> ▶ Rubble recycled: 99.7% ▶ Sludge recycled: 98.8% ▶ Industrial waste recycled: 85.0% 2. 98.8% 3. Promoted the food waste recycling business by J&T Recycling Corporation	○	1. Recycling rate at construction sites <ul style="list-style-type: none"> ▶ Recycle at least 99.5% of rubble ▶ Recycle at least 95.0% of sludge ▶ Recycle at least 85.0% of industrial waste 2. Recycling rate of office resources (Yokohama Head Office): At least 98.0%
			■	<ul style="list-style-type: none"> ● Global recycling of steel scraps Continue to implement measures that increases the volume of scraps compared to FY2017 (FY2020 target: 3% increase from FY2017)	<ul style="list-style-type: none"> ● Increased the volume of scrap transactions compared to FY2017 (+2.8%) Contributed to the expansion of a recycling-oriented society by focusing on finding new suppliers inside and outside Japan and increasing the volume of exports from Japan as well as transactions between other countries	○	<ul style="list-style-type: none"> ● Global recycling of steel scraps Continue to implement measures that increases the volume of scraps compared to FY2017 (FY2020 target: 3% increase from FY2017)
	Ensure occupational safety and health	Prevent workplace accidents	Group-wide	<ul style="list-style-type: none"> ● Workplace fatalities: zero occurrences 	<ul style="list-style-type: none"> ● Workplace fatalities: ■ 4 ■ 2 ■ 0 	×	1. Workplace fatalities: 0 2. ■ Lost-work injuries rate: below 0.10 Key measures 1) Strengthen safety activities with awareness of workplace vulnerabilities of each site 2) Rebuild health and safety management system (adopt ISO) 3) Roll out safety activities utilizing ICT (Specific actions: Adopt safety monitoring system, support safe work with AI image analysis, etc.) ■ Lost-work injury rate: below 0.25 Key measures 1) Install working platforms/handrails and safety belts for work in high places 2) Clear people from hoisting load areas/areas operating heavy machinery 3) Turn off equipment, machinery, and tools for non-operational work 4) On-site patrols for verbal communication of safety precaution and correction Examples of advanced approach ▶ Conduct trainings using safety-experience cars and VR ■ Key measures ▶ Prevent accidental contact between a person and operating machinery by making facility improvements (e.g. installing safety sensors)

Areas of Focus		Material CSR Issues	Operating company	Targets/KPIs	Results and initiatives implemented in FY2019	Evaluation	Targets/KPIs for FY2020
Activity	Recruit and nurture diverse human resources	Ensure the health of employees and their families	Group-wide	<ul style="list-style-type: none"> Provision rates of health guidance (by 2020) <ul style="list-style-type: none"> ■ 35% ■ 35% ■ 40% 	<ul style="list-style-type: none"> Actual rates of health guidance <ul style="list-style-type: none"> ■ 56.9% ■ 28.9% ■ 36.8% 	△	<ul style="list-style-type: none"> Provision rates of health guidance: 60% (by 2023) <ul style="list-style-type: none"> ■ 35% (by 2020) ■ 40% (by 2020)
				<ul style="list-style-type: none"> Rate of health examination for dependents: 60% (by 2020) 	<ul style="list-style-type: none"> Rate of health examination for dependents <ul style="list-style-type: none"> ■ 48.2% ■ 51.7% ■ 51.0% 	△	<ul style="list-style-type: none"> Rate of health examination for dependents: 60% (by 2020)
		Pursue diversity and inclusion	Group-wide	<ul style="list-style-type: none"> Percentage of female recruits <ul style="list-style-type: none"> ■ Career-track white-collar positions At least 35% ■ Career-track technical positions At least 10% ■ On-site positions At least 10% ■ Career-track positions At least 20% ■ Production/construction positions (technical) At least 5% ■ Career-track positions At least 25% 	<ul style="list-style-type: none"> Percentage of female recruits <ul style="list-style-type: none"> ■ Career-track white-collar positions 27% ■ Career-track technical positions 7% ■ On-site positions 10% ■ Career-track positions 14% ■ Production/construction positions (technical) 14% ■ Career-track positions 25.5% 	×	<ul style="list-style-type: none"> Percentage of female recruits <ul style="list-style-type: none"> ■ Career-track white-collar positions At least 35% ■ Career-track technical positions At least 10% ■ On-site positions At least 10% ■ Career-track positions At least 20% ■ Production/construction positions (technical) At least 5% ■ Career-track positions At least 25%
				<ul style="list-style-type: none"> Females in managerial positions: 5 times the August 2014 figure (by 2025) 	<ul style="list-style-type: none"> Females in managerial positions: 3.5 times the August 2014 figure 	△	<ul style="list-style-type: none"> Females in managerial positions: 5 times the August 2014 figure (by 2025)
		Strengthen human resource development programs	Group-wide	<ul style="list-style-type: none"> Improve technical skills and conduct high-quality human resource development programs 	<ul style="list-style-type: none"> Training provided Total training hours: 1,197,045 hours <ul style="list-style-type: none"> ■ Human resource development programs utilizing various educational systems <ul style="list-style-type: none"> ▶ Rank-based training: 389 participants ▶ Overseas Project Human Resources Development Program: 20 participants ■ Improved technical skills and promoted high-quality human resource development programs (Implemented rank-based training with 100% attendance from eligible staff) 	○	<ul style="list-style-type: none"> Training hours per person <ul style="list-style-type: none"> ■ At least 40 hours per year ■ At least 20 hours per year ■ At least 20 hours per year ■ Implement rank-based training with 100% attendance from eligible staff
				<ul style="list-style-type: none"> 100% attendance from the target audience for human rights awareness training 	<ul style="list-style-type: none"> Rate of attendance for human rights awareness training: <ul style="list-style-type: none"> ■ 99.98% ■ 100% ■ 100% 	△	<ul style="list-style-type: none"> 100% attendance from the target audience for human rights awareness training
Basis of activity	Thoroughly enforce compliance	Ensure adherence to Corporate Ethical Standards and compliance	Group-wide	<ul style="list-style-type: none"> Steady execution of training to foster and maintain a sense of compliance (100% achievement) 	<ul style="list-style-type: none"> Implemented rank-based compliance training (100% achievement) <ul style="list-style-type: none"> ▶ Implemented rank-based compliance training, law-based training, etc. (Classroom lectures: Total of 4,165 participants; e-learning: Total of 17,897 participants) ▶ Implemented training and awareness-raising activities for hotline (Training for hotline staff: 29 participants including Group companies) ■ Implemented training to foster and maintain a sense of compliance 100% as planned <ul style="list-style-type: none"> Compliance training: 13 sites in Japan (677 participants) 16 sites overseas (337 participants) Rank-based compliance training (237 participants) e-learning (3,487 participants) 	○	<ul style="list-style-type: none"> Steady execution of training to foster and maintain a sense of compliance (100% achievement)
				<ul style="list-style-type: none"> Improve employee awareness of ethics reflected in the Corporate Ethics Awareness Surveys Have all employees participate in the Corporate Ethics Awareness Survey 	<ul style="list-style-type: none"> Have all employees participated in the Corporate Ethics Awareness Survey <ul style="list-style-type: none"> ■ Compliance awareness improved 4 percentage points over last time from 65% to 69% <ul style="list-style-type: none"> Question: "Do you think that compliance systems and measures in the company are improving? Do you have a greater awareness of compliance?" ■ Hotline system awareness improved 14 percentage points over last time from 63% to 77% ■ Confirmed that overall employees are more aware of compliance than before. Issues: Increase awareness of the whistleblowing system and hotline, measures against power harassment 	○	<ul style="list-style-type: none"> Improve employee awareness of ethics reflected in the Corporate Ethics Awareness Surveys

Non-financial Highlights

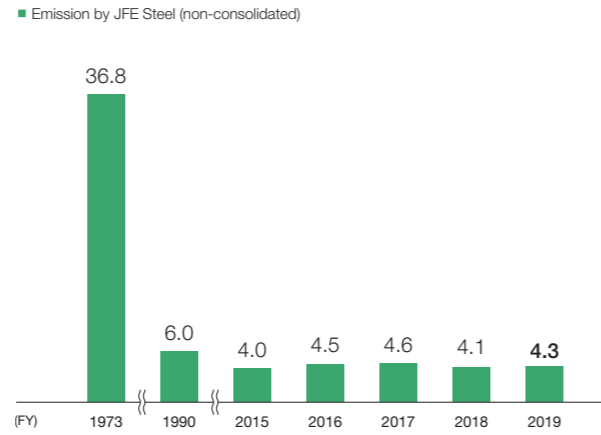
Environmental Indicators

CO₂ emissions from energy sources (million t-CO₂) and CO₂ emission intensity (t-CO₂/t-s) of JFE Steel

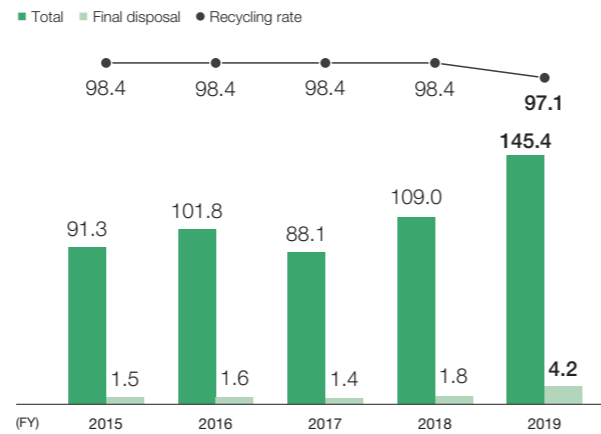


*1. The CO₂ coefficient for electricity purchased in FY2019 is that of FY2018 on the Japan Iron and Steel Federation's Commitment to a Low Carbon Society.
 *2. The figures in FY2018 has been updated as the CO₂ coefficient for electricity purchased in FY2018 on the Japan Iron and Steel Federation's Commitment to a Low Carbon Society was applied.
 *3. Data of JFE Bars & Shapes Corporation Sendai Works is included in the figures from FY2013 to FY2016.

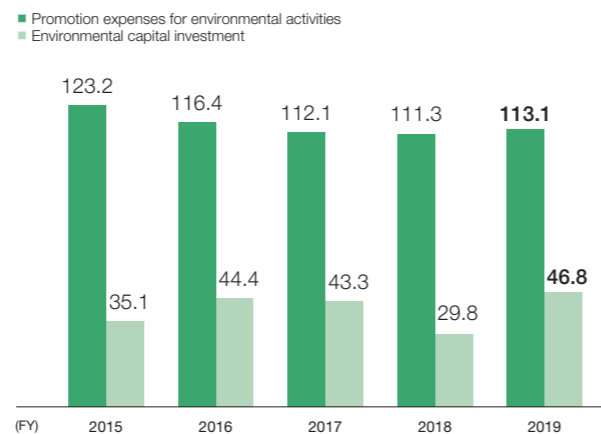
SOx emissions by JFE Steel (million Nm³)



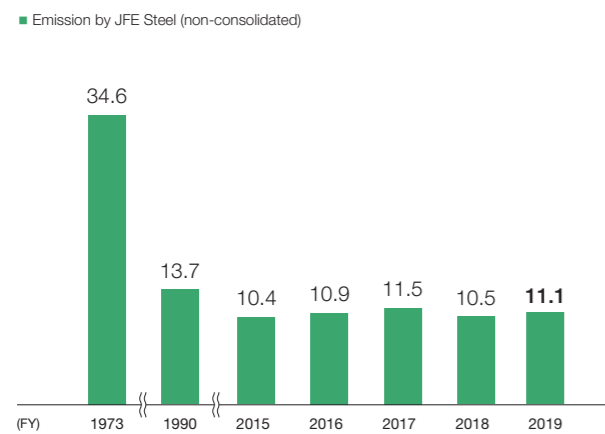
Waste generated at construction sites (thousand tons) and recycling rate (%) of JFE Engineering



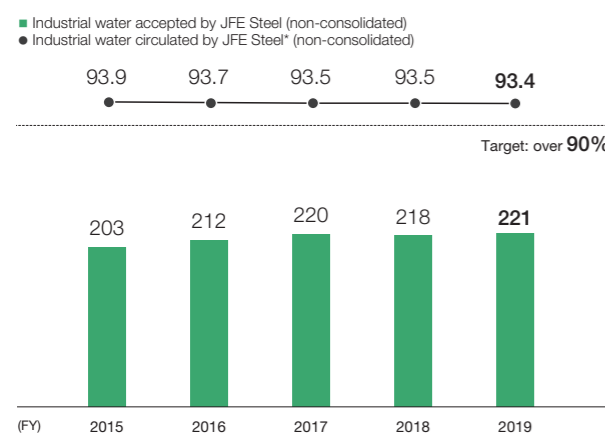
Environmental capital investment (billion yen) and promotion expenses for environmental activities (billion yen) of JFE Steel



NOx emissions by JFE Steel (million Nm³)



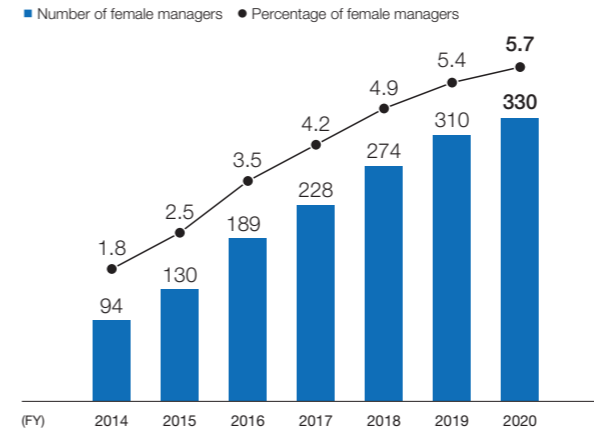
Industrial water accepted (million tons) and circulated (%) of JFE Steel



*Industrial water circulated (%) = (Total amount - industrial water accepted) / total amount x 100

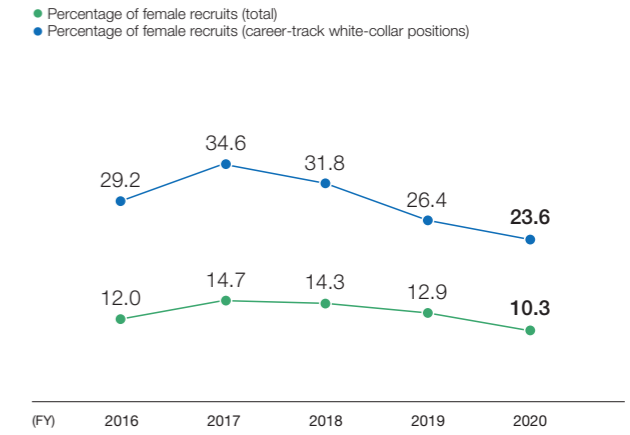
Societal Indicators

Number of female managers (persons) and percentage of female managers (%)



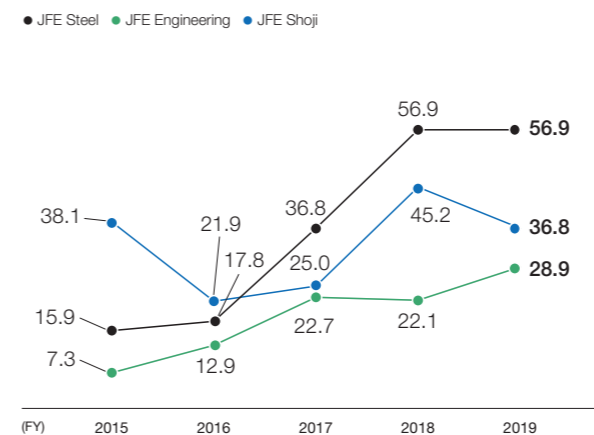
*Scope of calculation: JFE Holdings and operating companies

Percentage of female recruits (total) (%) and percentage of female recruits (career-track white-collar positions) (%)

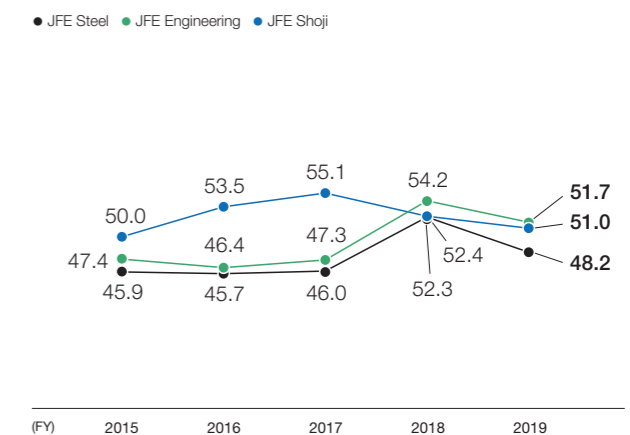


*Scope of calculation: total of three operating companies

Provision rates of health guidance (%)

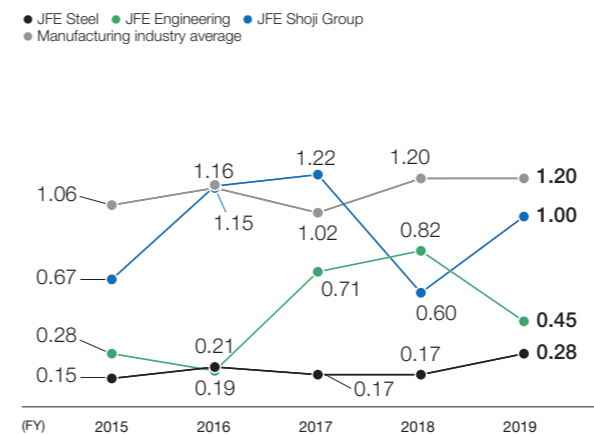


Rate of health examination for dependents (%)



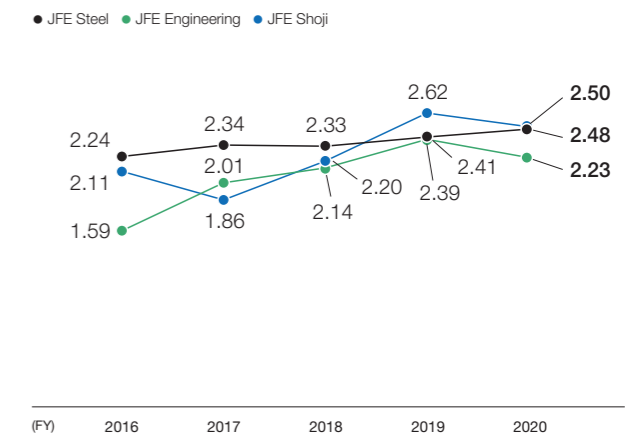
*Target: dependents aged 40 or older (including dependents other than spouses)

Lost-work Injuries



*JFE Steel and JFE Engineering: parent company, business associates and contractors; JFE Shoji: domestic parent and group companies, business associates and contractors
 *Lost-work injuries = Number of lost-time injuries / number of hours worked x 1,000,000

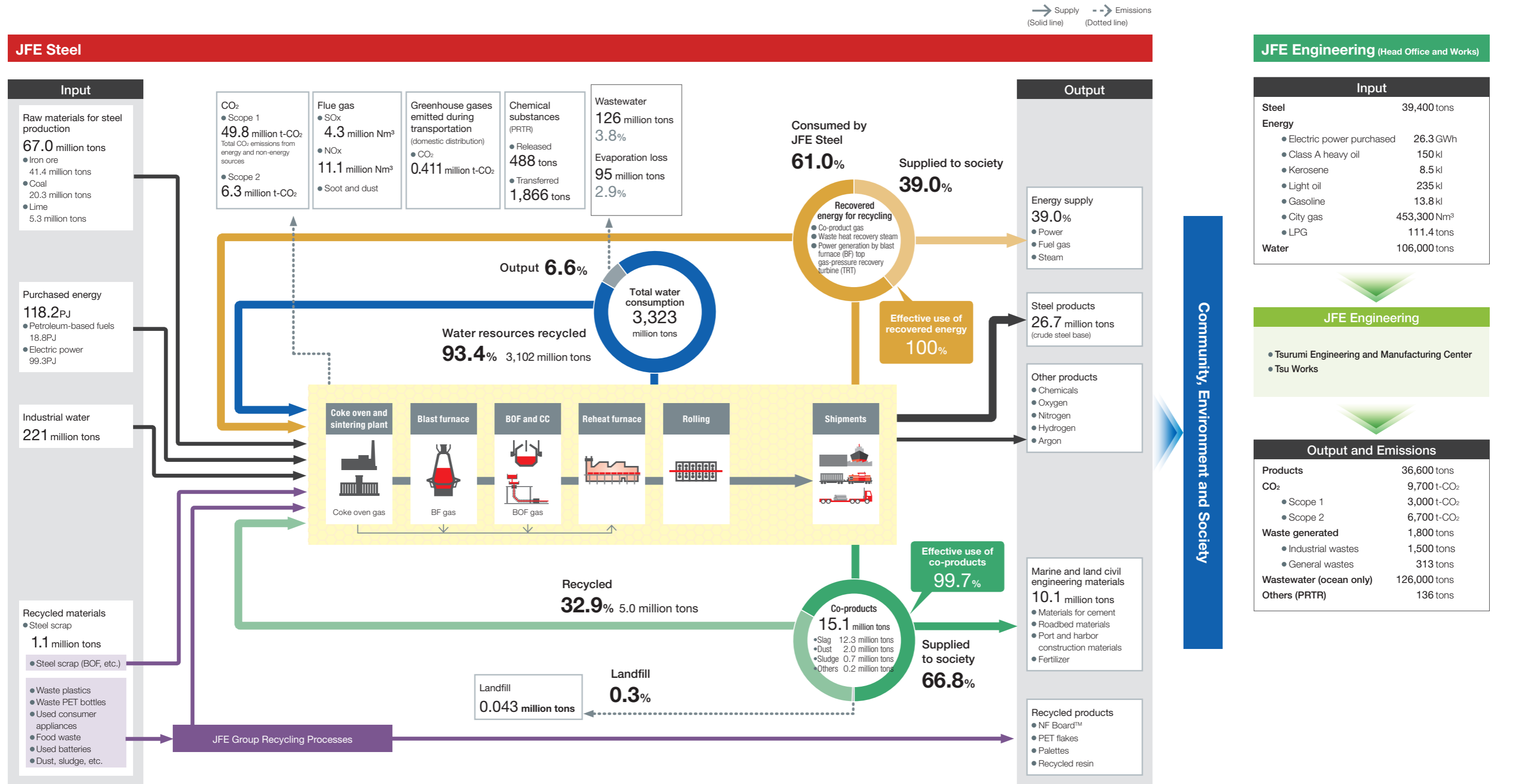
Employment of people with disabilities (as of June 1 of each year) (%)



Material Flow

JFE Steel works to reduce the environmental impact of its iron and steelmaking processes, including through the effective use of resources. The company recycles 93.4% of the water it uses for production and uses 99.7% of its co-products, such as iron-steel slag. In addition, 100% of co-product gas generated during production is reused as fuel for reheating slabs, generating power for internal use and supplying power to the public.

JFE Steel JFE Engineering JFE Shoji



Stakeholder Relationships



Promotion of interactive communication







The JFE Group strives to maintain agreeable and favorable relationships with all stakeholders, including shareholders, customers, clients, employees and local communities, for the sustainable growth and medium- to long-term increase of corporate value.

JFE Group's major stakeholders


Stakeholders	Approach	Major communication methods, etc.	Others	
			Frequency (per year)	Scale, etc.
Shareholders/ Investors	We work to disclose information accurately, fairly and in a timely and appropriate manner as well as strive for active communication. We established the Investor Relations and Corporate Communications Department as an organization responsible for communication with domestic and international shareholders and investors, and promote constructive dialogue as well as provide management with the information acquired, with the aim of maintaining and improving the relationship of trust.	Ordinary general meeting of shareholders (convocation notices, notices of resolutions, etc.) Investors meeting (financial results, medium-term business plans, etc.) Individual meetings (financial results, medium-term business plans, etc.) Briefings (at the branch offices of securities firms, etc.) Plant tours for shareholders (steel, engineering, shipbuilding bases, etc.) Publishing shareholder newsletters (JFE Dayori)	1	Approx. 150,000 persons (Unit shareholders)
			5	Approx. 500 persons in total
Customers	The Group believes that the stable supply of products and services and reliable quality assurance, along with advancing research and development, are necessary to meet customer needs. We will work to establish win-win relationships by continuously meeting customer needs and the trust they place in us.	Communication through sales activities and support for quality assurance Interviews and questionnaires, such as that on customer satisfaction Information via websites (product information), etc.	As needed	Conducted at each operating company
			As needed	Conducted at each operating company
Clients	CSR initiatives are being actively pursued together with our clients, who are important business partners. We have established Purchasing and Procurement Policies to promote fair and sincere procurement activities and to construct healthy relationships with clients.	Communication through purchasing activities Briefings and discussions Information via websites, etc.	As needed	Conducted at each operating company
			As needed	Conducted at each office
Employees	With the recognition of top management that creating workplaces to provide dignity and job satisfaction for all is essential for maximizing the potential of individuals, we have formulated the Basic Stance on Human Resource Management and Health Declaration and are conducting various activities toward attaining the goals.	Communication through daily operations and in the workplace Internal newsletters and intranet Various labor-management committees Corporate Ethics Hotline Various training sessions Family days (visits by employee families, lunch at employees' cafeterias, etc.) Corporate Ethics Awareness Survey	As needed	Management and labor unions at each operating company
			2 to 4	101 calls in FY2019
Local communities	To ensure business continuity at manufacturing bases where steelworks are located and elsewhere, constructing a relationship of trust with citizens in local communities and realizing coexistence and prosperity are crucial. We will pursue various activities with the aim of realizing sustainable growth and regional development, including continued initiatives toward ensuring safety and reducing our environmental impact.	Communication through local residents' associations, events, etc. Events at manufacturing bases (festivals, etc.) Plant tours Clean-up activities (vicinity of manufacturing bases, regional cleaning, etc.) Sports promotion (baseball or jogging workshops, various sports competitions, etc.) Others (education at elementary schools, craft workshops, workplace experience events, etc.) Information via websites (environmental information, etc.) Social contribution through JFE 21st Century Foundation (various research support, regional activity support, etc.)	As needed	Approx. 270,000 persons a year
			Approx. once in each region	100,000 or more persons a year

[Web JFE 21st Century Foundation](http://www.jfe-21st-cf.or.jp/eng/)

External recognition in recent years

Name of SRI index, etc.	Description of selection criteria, etc.	Evaluation / selection period
FTSE4Good Index Series, FTSE Blossom Japan Index	In July 2020, JFE Holdings was selected as a constituent of the FTSE4Good Index Series and the FTSE Blossom Japan Index, which are investment indices developed by FTSE Russell, a subsidiary of the London Stock Exchange Group. The FTSE4Good Index Series comprise companies that are demonstrating strong environmental, social, and governance practices. It is used widely to create and evaluate sustainable investment funds and other financial instruments. FTSE Blossom Japan Index measures the performance of Japanese companies that demonstrate excellent ESG practices, and is one of the investment indices used by Japan's Government Pension Investment Fund (GPIF).	At July 2020  
CDP 2019	Established in Britain in 2000, the Carbon Disclosure Project (CDP) is a nongovernmental organization that conducts ESG evaluations. It calls on companies to disclose ESG-related information by responding to CDP questionnaires to facilitate the ESG investment decisions of institutional investors. Currently, the CDP covers three environmental areas: climate change, water security, and forests, and companies are rated on an eight-point scale for each area. The volume of information collected by the CDP has become one of the largest in the world, with currently over 300 companies responding to the questionnaires, which are widely used in various indexes by institutional investors and for socially responsible investment. The JFE Group responds to climate change and water security questionnaires every year. We made sure to disclose appropriate information for the CDP 2019 questionnaire, and as a result we received a high rating.	2019 [CDP 2019 scores] Climate change: B Water security: A- Supplier/Engagement: A-
DBJ Environmentally Rated Loan Program	DBJ Environmentally Rated Loan Program is the first financing system in the world to incorporate special environmental ratings, which uses a screening system developed by the Development Bank of Japan (DBJ) to evaluate environmental management levels and select outstanding companies with three interest stages according to evaluation points. In March 2016, JFE Holdings was rated as a top-ranking company that pursues excellent and advanced environmental initiatives in recognition of our advanced environmental management, and we received a loan under the program.	2016 
Sompo Sustainability Index	JFE Holdings has been chosen for the ninth consecutive year as a constituent of the Sompo Sustainability Index (former SNAM Sustainability Index) which was launched by Sompo Asset Management in August 2012. The index, which encompasses companies with highly evaluated ESG ratings, contributes to investor asset formation by evaluating corporate value from a long-term perspective.	2012 to 2020 2020 
Quality Assurance Certification	JFE Steel West Japan Works (Kurashiki district) and JFE Shoji were named as Gold Level SQEP suppliers for the Supplier Quality Excellence Process, a quality certification of the U.S.-based construction equipment manufacturer Caterpillar Inc. for four consecutive years from 2017 to 2020. The program ranks suppliers for compliance with ISO 9001 standards and Caterpillar's own specifications and certifies the top firms as Platinum, Gold, Silver or Bronze. Only a few companies in Japan have received Gold Level certification, and JFE Steel is the world's first blast furnace company to be certified.	2017 to 2020 
Digital Transformation Stock Selection (DX Stock) 2020	JFE Holdings has been selected as Competitive IT Strategy Company Stock Selection jointly announced by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for five consecutive years. This index has been part of the initiatives to promote strategic IT investments that will lead to medium- to long-term increase in corporate value and reinforced competitive strength of Japanese companies. From this year, the program has been changed to Digital Transformation Stock Selection (DX Stock) with a focus on Digital Transformation (DX) that fundamentally changes business models based on digital technology, and leads to new growth and enhanced competitiveness. The company was selected as DX Stock 2020 for its proactive promotion of DX just as it was chosen for the Competitive IT Strategy Company Stock Selection.	2020 

Major external awards

Award name	Description of awards, etc.
Excellence Award in the 23rd Environmental Communication Awards	The JFE Group has received Excellence Award at the 23rd Environmental Communication Awards, sponsored by the Ministry of the Environment and the Global Environmental Forum, for its CSR Report 2019, published in September 2019. This is the first time for the JFE Group to receive this award. The Environmental Communication Awards is a program designed to promote environmental communication with stakeholders surrounding the business operator and further invigorate environmental activities by commending outstanding environmental reports and communications for multiple stakeholders among various media such as CSR reports, integrated reports, and environmental management reports. In this year's competition, 180 entries were submitted in the environmental report category and 118 in the environmental management report category, and the Group was selected as one of the 25 winners in the environmental report category. The award ceremony was held at Shinagawa Prince Hotel on February 19, 2020. 
Grand Prize of Minister of Economy, Trade and Industry in the Energy Conservation Grand Prize Award	Multi-site integrated energy network services (service name "JFE-METS," hereinafter referred to as the same) provided by JFE Engineering was awarded the Grand Prize of Minister of Economy, Trade and Industry, the highest prize in the product and business model category of the Energy Conservation Grand Prize Award 2019. JFE-METS is a service that provides energy optimization by centrally managing multiple sites, such as by business operator or by area, whereas conventionally, energy is optimized per individual site. Based on the analysis on customers' energy consumption facts, JFE-METS lays out and manages energy-related facilities to provide total optimization for each site on behalf of customers. By implementing energy sharing including remote areas, it makes comprehensive energy conservation possible.

Awards for technology and product development, etc. (FY2019)

Award name	Description	Sponsor
The Commendation for Science and Technology the Minister of Education, Culture, Sports, Science and Technology, Prize for Science and Technology (Development Category)	Development of high-strength high-workability thin steel sheet series by innovative microstructural control	Ministry of Education, Culture, Sports, Science and Technology
JSPMI Prize, Chairman's Prize	Development of the world's fastest precision thermal refining system for rolling	Japan Society for the Promotion of Machine Industry
Okochi Memorial Award	Development of texture-controlled heavy thick steel plate with brittle crack arrestability for mega container carriers	Okochi Memorial Foundation
Prize of the Chairman of ECCJ for Energy Conservation Best Practices at Workplaces, Energy Conservation Grand Prize Award	Energy conservation activities through reduction of heat loss in molten steel transportation containers at steelworks	The Energy Conservation Center, Japan
Prime Minister's Prize for Monozukuri Nippon Grand Award	Development of resource saving Si gradient magnetic material contributing to energy saving of electronic devices	Ministry of Economy, Trade and Industry
National Commendation for Invention, Japan Institute of Invention and Innovation Chairman's Award	Invention of electrical steel sheet that contributes to development of smaller electrical devices with higher efficiency	Japan Institute of Invention and Innovation
Derwent Top 100 Global Innovator 2018-2019 Award	JFE Steel's intellectual property activities	Clarivate Analytics

Award name	Description	Sponsor
Progress Award (Technical Category)	Establishment of boiler corrosion countermeasure technology and increase in power generation at waste incineration facilities	The Japan Institute of Energy
Prize of Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry in the Excellent Environmental Equipment Award	Fully-automated incinerator for general waste with AI and data analysis technology	The Japan Society of Industrial Machinery Manufacturers
Distinguished Service Award, Engineering Advancement Association of Japan	Yangon Waste to Energy Plant project	Engineering Advancement Association of Japan

Management Organization

Executive Structure (as of September 1, 2020)

Directors



Koji Kakigi
Representative Director

1977 Joined Kawasaki Steel Corporation
2015 Representative Director, President and CEO of JFE Steel Corporation, Representative Director of JFE Holdings, Inc.
2019 Representative Director, President and CEO of JFE Holdings, Inc. (current post)

Mr. Kakigi has abundant experience and knowledge required for management of the Group, which he has accumulated through his experience in operations in human resource and labor administration departments, and execution of duties as Corporate Officer in general administration, legal, accounting, finance, and procurement, in the company and JFE Steel Corporation.



Yoshihisa Kitano
Representative Director

1982 Joined Kawasaki Steel Corporation
2019 Representative Director, President and CEO of JFE Steel Corporation (current post), Representative Director of JFE Holdings, Inc. (current post)

Mr. Kitano has abundant experience and knowledge required for management of the Group, which he has accumulated through his experience in operations in steel making technology and production control departments, and execution of duties as Corporate Officer such as supervision of steel works and overseas business, corporate planning, and IT in JFE Steel Corporation.



Masashi Terahata
Representative Director

1982 Joined Kawasaki Steel Corporation
2018 Representative Director and Executive Vice President of JFE Steel Corporation
2019 Representative Director and Executive Vice President of JFE Holdings, Inc. (current post)

Mr. Terahata has abundant experience and knowledge required for management of the Group, which he has accumulated through his experience in operations such as general administration and legal departments in the company as well as operations in human resource and labor administration departments, and execution of duties as Corporate Officer in management divisions such as accounting, finance and procurement departments in JFE Steel Corporation.



Naosuke Oda
Director

1977 Joined NKK Corporation
2012 Representative Director and Executive Vice President of JFE Steel Corporation
2016 Representative Director, President and CEO of JFE Shoji Corporation (current post)
2017 Director of JFE Holdings, Inc. (current post)

Mr. Oda has abundant experience and knowledge required for management of the Group, which he has accumulated through his experience in operations related to sales of automotive steel at JFE Steel Corporation, and supervising sales divisions as Corporate Officer.



Hajime Oshita
Director

1982 Joined NKK Corporation
2017 Representative Director, President and CEO of JFE Engineering Corporation (current post), Director of JFE Holdings, Inc. (current post)

Mr. Oshita has abundant experience and knowledge required for management of the Group, which he has accumulated through his experience in corporate planning, accounting and finance, and a wide range of duties as Corporate Officer, including overseeing domestic and overseas businesses at JFE Engineering Corporation.

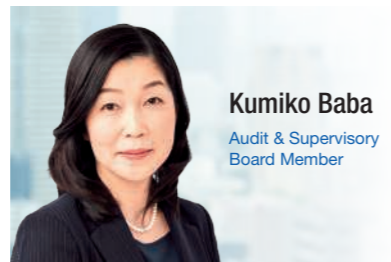
Audit & Supervisory Board Members



Nobuya Hara
Audit & Supervisory Board Member

1984 Joined NKK Corporation
2016 Audit & Supervisory Board Member of JFE Steel Corporation (current post)
2017 Audit & Supervisory Board Member of JFE Holdings, Inc. (current post)

Mr. Hara has abundant experience and knowledge in finance and accounting that he has accumulated through operations related to corporate planning, accounting and finance at JFE Steel Corporation as well as accounting operations at the company. He also has abundant experience and knowledge gained through corporate management operations at the group companies of JFE Steel Corporation, in addition to duties as its Audit & Supervisory Board Member.



Kumiko Baba
Audit & Supervisory Board Member

1989 Joined Toshiba Corporation
2014 Joined JFE Engineering Corporation
2018 Vice President of JFE Engineering Corporation
2019 Audit & Supervisory Board Member of JFE Holdings, Inc. (current post)

Ms. Baba had engaged in operations such as contract negotiation with overseas parties and business alliances and launches of new business in Toshiba Corporation. Since joining JFE Engineering Corporation, she has executed duties as Corporate Officer in the company in addition to supervision of overseas businesses and accounting and finance related operations and thus she has abundant experience and knowledge about finance and accounting.

Outside Executive Structure (as of September 1, 2020)



A Masami Yamamoto
Director



B Nobumasa Kemori
Director



C Yoshiko Ando
Director



D Shigeo Ohyagi
Audit & Supervisory Board Member



E Isao Saiki
Audit & Supervisory Board Member



F Tsuyoshi Numagami
Audit & Supervisory Board Member

Category	Name	Main concurrent positions	Independent executive	Expertise and background						Appointment as members of advisory bodies to the Board of Directors		
				Corporate management/Management strategy	Engineering	Global management	Finance and accounting	Legal	Academic	Public administration and public policy	Nomination Committee	Remuneration Committee
Directors	A Masami Yamamoto	Director and Senior Advisor of Fujitsu Limited	Independent	Corporate management/Management strategy	Engineering	Global management					Chair	Member
	B Nobumasa Kemori	Executive Advisor of Sumitomo Metal Mining Co., Ltd.	Independent	Corporate management/Management strategy	Engineering	Global management						Chair
	C Yoshiko Ando	Audit & Supervisory Board Member of Kirin Holdings Company, Limited	Independent					Legal		Public administration and public policy	Member	
Audit & Supervisory Board Members	D Shigeo Ohyagi	Senior Advisor of Teijin Limited	Independent	Corporate management/Management strategy		Global management					Member	
	E Isao Saiki	Partner Lawyer of Abe, Ikubo & Katayama Law Firm	Independent					Legal				Member
	F Tsuyoshi Numagami	Professor, Graduate School of Business Administration, Department of Business Administration of Hitotsubashi University	Independent	Corporate management/Management strategy			Finance and accounting			Public administration and public policy	Member	Member

For their career summary and significant concurrent positions, please refer to Outside Executives Group Interview on page 65 and Corporate Governance on page 87.

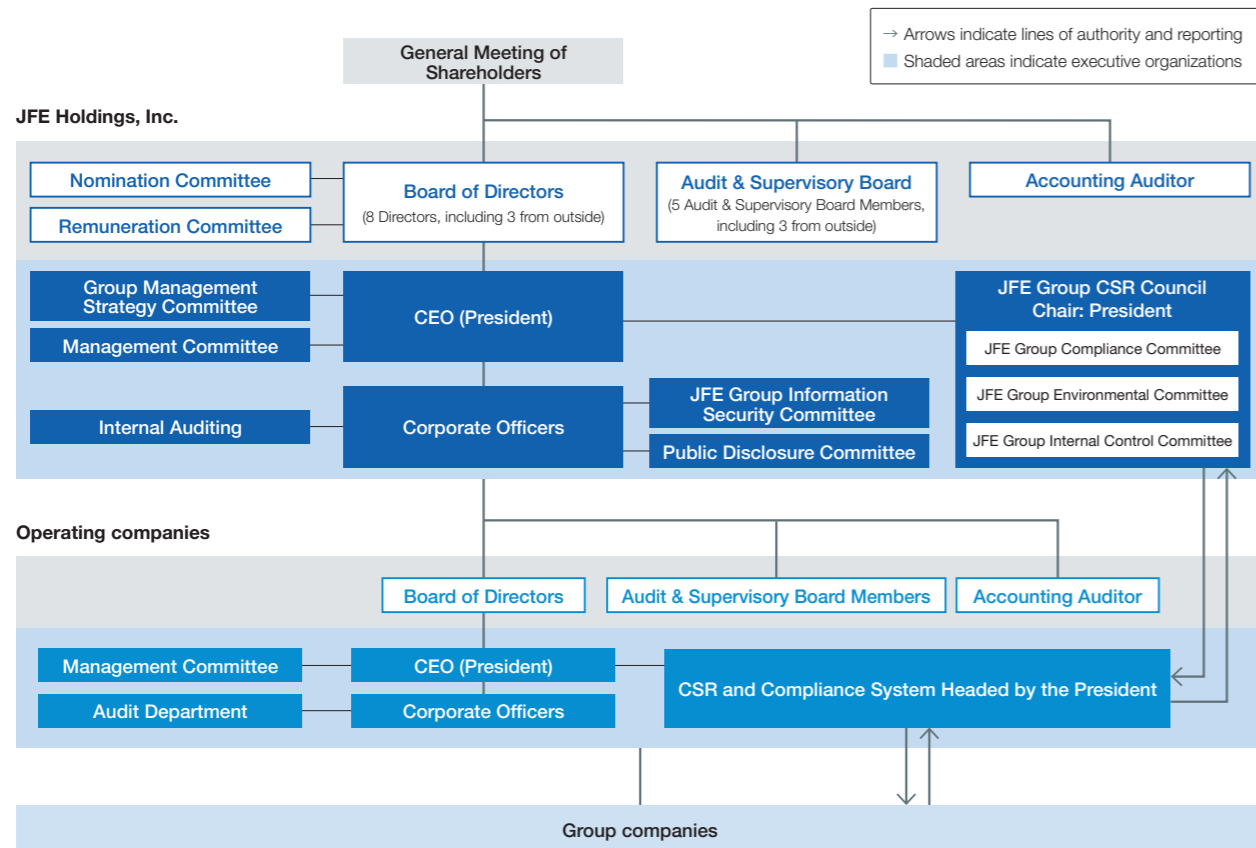
Corporate Governance



Basic Stance

With the steel business, engineering business and trading business at its core, the JFE Group develops a broad range of businesses in a wide range of areas together with many group companies and partners. Establishing a proper governance system is essential towards improving independence and raising efficiency in each operating company, along with the optimal management of risks, which include those related to the environment, safety and disaster prevention in the Group. It is also necessary for the sustainable growth of the Group and the medium- to long-term improvement of its corporate value.

Corporate governance system



Establishment of Basic Stance on Corporate Governance

The JFE Holdings, Inc. Basic Stance on Corporate Governance was established in October 2015 to strengthen efforts to achieve sustainable growth and increased corporate value over the medium to long term. Please review the Corporate Governance Report for more information.



JFE Holdings, Inc. Basic Stance on Corporate Governance
<https://www.jfe-holdings.co.jp/en/company/info/pdf/basic-policy.pdf>

Corporate Governance Report
<https://www.jfe-holdings.co.jp/en/company/info/pdf/corporate-governance.pdf>

Overview of the corporate governance system

Group governance system

The JFE Group comprises a holding company and three operating companies JFE Steel, JFE Engineering and JFE Shoji.

JFE Holdings, a pure holding company at the core of the Group's integrated governance system, guides Group-wide strategy, risk management and public accountability.

Each operating company has developed its own system suited to its respective industry, ensuring the best course of action for competitiveness and profitability.

Overview of the corporate governance system

Organizational design type	Company with an Audit & Supervisory Board
Number of Directors (Of which, the number of Independent Outside Directors)	8 members (3 members)
Number of Audit & Supervisory Board Members (Of which, the number of Independent Outside Audit & Supervisory Board Members)	5 members (3 members)
Term for Directors	1 year (The same for Outside Directors)
Corporate Officer System	Adopted
Voluntary advisory committees of the Board of Directors	Nomination Committee and Remuneration Committee

Major topics discussed at the FY2019 Board of Directors meeting

- M&A (Acquisition of Cogent Power Inc. in Canada, acquisition of Mitsui E&S Plant Engineering Inc., etc.)
- Overseas business investment (Specialty bar steel joint venture in China, etc.)
- Large scale capital investment (Revamping of the No. 4 blast furnace of West Japan Works (Kurashiki), etc.)
- JFE Steel's structural reform and long-term strategy
- ESG activity initiatives (Assessment and review of KPIs for material CSR issues, etc.)

Governance system

JFE Holdings and each operating company have their respective Audit & Supervisory Board Members. The companies are cross-checked by the Directors, who supervise operational execution, and the Audit & Supervisory Board Members, who conduct audits. Also, a Corporate Officer system separates decision making and execution to clarify authority and responsibility, as well as to accelerate execution. JFE Holdings' Board of Directors is responsible for maintaining and enhancing management efficiency and passing resolutions as legally required, laying down key management policies and strategies and supervising operational execution. The Audit & Supervisory Board oversees management for the purpose of strengthening its soundness.

Major initiatives to strengthen the governance system

- September 2002: Established JFE Holdings
- June 2007: Added two outside directors and shortened the term of directors from two years to one year
- October 2015: Established JFE Holdings, Inc. Basic Stance on Corporate Governance, Nomination Committee, and Remuneration Committee
- FY2015: Initiated analysis and evaluation of board of directors' effectiveness
- June 2017: Reorganized the Board of Directors and the Audit & Supervisory Board based on results of their effectiveness analysis and evaluation
 - Added the presidents of JFE Engineering and JFE Shoji to the Board of Directors, along with an increase of two outside members (Director and Audit & Supervisory Board Member)

Independent Outside Directors

We elect Independent Outside Directors with the aim of ensuring one-third or more of the Directors are Independent Outside Directors. Independent Outside Directors will be elected from persons who are appropriate to bear the responsibility of strengthening governance such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge and satisfy our independence standards. Currently, of the eight Directors, three are Independent Outside Directors.

Independent Outside Audit & Supervisory Board Members

More than half of the Audit & Supervisory Board Members are from outside. Independent Outside Audit & Supervisory Board Members will be elected from persons who are appropriate to bear the role of enhancing the auditing function such as those who possess abundant experience as management in global enterprises or experts who possess profound knowledge and satisfy our independence standards. Currently, of the five Audit & Supervisory Board Members, three are Independent Outside Audit & Supervisory Board Members.



Standards for Independence of Outside Directors/ Audit & Supervisory Board Members of JFE Holdings, Inc.
<https://www.jfe-holdings.co.jp/en/company/info/pdf/independence.pdf>

JFE Holdings Outside Directors and Outside Audit & Supervisory Board Members

(as of September 1, 2020)

Position	Name	Major concurrent positions	Independent executive	FY2019 Board of Directors attendees	FY2019 Audit & Supervisory Board attendees
Outside Director	Masami Yamamoto	Director and Senior Advisor of Fujitsu Limited Outside Director of Mizuho Financial Group, Inc.	✓	14 out of 14 times (100%)	—
Outside Director	Nobumasa Kemori	Executive Advisor of Sumitomo Metal Mining Co., Ltd. Outside Director of NAGASE & CO., LTD. Outside Director of Sumitomo Realty & Development Co., Ltd.	✓	14 out of 14 times (100%)	—
Outside Director	Yoshiko Ando	Audit & Supervisory Board Member of Kirin Holdings Company, Limited Outside Director of Sansei Technologies, Inc.	✓	—	—
Outside Audit & Supervisory Board Member	Shigeo Ohyagi	Senior Advisor of Teijin Limited Outside Director of KDDI Corporation Outside Director of MUFG Bank, Ltd. Outside Director of Tokyo Electric Power Company Holdings, Incorporated	✓	14 out of 14 times (100%)	20 out of 20 times (100%)
Outside Audit & Supervisory Board Member	Isao Saiki	Partner Lawyer of Abe, Ikubo & Katayama Law Firm	✓	14 out of 14 times (100%)	20 out of 20 times (100%)
Outside Audit & Supervisory Board Member	Tsuyoshi Numagami	Professor, Graduate School of Business Administration, Department of Business Administration of Hitotsubashi University	✓	14 out of 14 times (100%)	20 out of 20 times (100%)

Approach to diversity in the Board of Directors

With regard to the composition of the Board of Directors, the company elects Officers following deliberations by the Nomination Committee, by focusing on the enhancement of diversity of the Board members, such as their expertise, knowledge and experience in various fields, while balancing with the appropriate size of the Board. One female Audit & Supervisory Board Member and one female Director were appointed in June 2019 and June 2020, respectively. The company is working to enhance gender and global diversity mainly by electing Directors and Audit & Supervisory Board Members who possess a wealth of knowledge and experience as management in global enterprises. The company will continue to systematically engage in initiatives to foster such human resources suitable for candidates for Directors and Audit & Supervisory Board Members by setting specific targets.

Nomination Committee and Remuneration Committee

In October 2015, JFE Holdings set up the Nomination Committee and the Remuneration Committee as advisory bodies to the Board of Directors to secure fairness, objectivity and transparency in the appointment of and remuneration for Directors and Audit & Supervisory Board Members. For both committees, the majority of committee members are Outside Directors/Audit & Supervisory Board Members and the chairs are chosen from among these people.

Nomination Committee and Remuneration Committee structure

(as of July 1, 2020)

Committee	Inside Director	Outside Director	Outside Audit & Supervisory Board Member	Chair
Nomination Committee	2	2	2	Masami Yamamoto Outside Director
Remuneration Committee	2	2	2	Nobumasa Kemori Outside Director

The Nomination Committee deliberates and reports to the Board of Directors on matters pertaining to the basic stance on the election and dismissal of the President of the company, proposals for the election of candidates for the President of the company, succession plans of the President of the company, and the nomination of candidates for Outside Directors and Outside Audit & Supervisory Board Members. Four meetings were held in FY2019. The Remuneration Committee deliberates matters pertaining to the basic stance on the remuneration of Directors, etc. of the company and each operating company and reports to the Board of Directors. Three meetings were held in FY2019.

Support for Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board Members are provided with opportunities and funding to receive training in legal matters, corporate governance, risk management and other subjects that help them fulfill their roles and duties.

In addition, a briefing is held for Outside Directors and Outside Audit & Supervisory Board Members prior to Board of Directors meetings.

Furthermore, Outside Directors and Outside Audit & Supervisory Board Members are provided with relevant information and opportunities to exchange opinions with the president and other top managers, attend key hearings on the operational status of individual departments, and inspect business sites and Group companies inside and outside Japan.

Analysis and evaluation of effectiveness

Since FY2015, JFE Holdings has worked to improve the overall effectiveness of its Board of Directors by analyzing and evaluating it every year.

In FY2019, third-party questionnaires were sent to all Directors and Audit & Supervisory Board Members. Based on the discussions by the Board of Directors in light of the survey results and evaluation by the third-party organization, the Board of Directors determined that its overall effectiveness has been ensured through invigorated discussions among attending executives including Outside Directors/Audit & Supervisory Board Members, mainly by conducting a preliminary briefing session where all Outside Directors/Audit & Supervisory Board Members attended and by appropriate direction by the chairperson. In addition, the appointment of a female Audit & Supervisory Board Member and a female Director in June 2019 and June 2020, respectively, has helped further diversify the composition of the Board, thereby enabling more fruitful discussions.

Furthermore, in addition to accurate and fair audits performed by the Audit & Supervisory Board Members, the members also express opinions and actively ask questions at Board of Directors meetings on management decision making and reporting to further invigorate deliberations. Such outcomes support the conclusion that JFE functions more efficiently as a company with an Audit & Supervisory Board.

Meanwhile, regarding the business plans, we are implementing measures to further improve the effectiveness of the Board of Directors, including enhancing the Board's responses to the rapidly changing business environment as well as specific initiatives to pursue ESG issues which are crucial to achieving sustainable growth.

Operating system

Key decision making

JFE companies are responsible for business decisions in accordance with their respective rules and procedures, whereas JFE Holdings makes final decisions about Group-wide matters. Each operating company determines key matters through a deliberative process by its own Management Committee and Board of Directors. In April 2017, JFE Holdings changed the operating structure of key committees. Management strategies involving the entire group are now deliberated by the Group Management Strategy Committee and core issues of JFE holdings, the operating companies and the Group are deliberated by the Management Committee before they are submitted to the Board of Directors for resolution.

Structure of Group Management Strategy Committee and Management Committee

Committee	Company	Chairperson	Attendees
Group Management Strategy Committee	JFE Holdings	President	Inside Directors (including 3 operating company Presidents), Corporate Officers and full-time Audit & Supervisory Board Members
Management Committee	JFE Holdings	President	Inside Directors (excluding 3 operating company Presidents), Corporate Officers and full-time Audit & Supervisory Board Members
	Each operating company	President	Directors, major Corporate Officers and Audit & Supervisory Board Members

Executive remuneration

Executive remuneration is based on the basic policies founded on discussions and reports by the Remuneration Committee, and it is decided through either a resolution of the Board of Directors or deliberations by the Audit & Supervisory Board Members, for an amount within the total limit approved at the General Meeting of Shareholders.

Executive remuneration (FY2019)

Position	Total remuneration, etc. (thousand yen)	Number of executives
Directors (excluding Outside Directors)	267,653	7
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	78,296	3
Outside Directors/Audit & Supervisory Board Members	86,535	6

Officers whose consolidated remuneration exceeded 100 million yen (FY2019)

Name	Position	Company	Per company (thousand yen)	Total (thousand yen)
Koji Kakigi	Director	JFE Holdings	127,181	127,181
Yoshihisa Kitano	Director	JFE Steel	117,340	126,340

Basic Stance on Determination of Remuneration for Directors and Audit & Supervisory Board Members and Corporate Officers

- The Board of Directors shall determine remuneration system for Directors and Corporate Officers based on deliberations regarding its appropriateness by the Remuneration Committee to ensure fairness, objectiveness and transparency.
- The remuneration level for Directors and Corporate Officers shall be determined to secure excellent human resources who are able to put the Group's corporate vision into practice, taking into consideration the business environment of the Group and remuneration levels at other companies in the same industry or of the same scale.
- The ratio between basic remuneration and performance-linked remuneration (annual bonus and stock remuneration) shall be properly established according to the roles and responsibilities, etc. of each Director and Corporate Officer so as to function as sound incentives toward the sustainable growth of the Group.

The company pays only basic remuneration to Outside Directors and Audit & Supervisory Board Members given their respective roles of supervising and auditing management from an independent and objective standpoint.

Composition of remuneration for Directors and Audit & Supervisory Board Members and Corporate Officers

Medium- to long-term performance-linked remuneration system for Directors and Audit & Supervisory Board Members has been introduced from FY2018. Remuneration for Directors and Audit & Supervisory Board Members after the introduction of this system is as follows.

Basic remuneration

A fixed amount is paid every month according to positions and other factors.

Annual bonus

Directors and Corporate Officers, excluding Outside Directors, receive cash bonuses once a year, based on a standard determined according to single-year consolidated results. From FY2018 to FY2020, the “total amount of segment profit” will be used as a performance indicator.

Medium- to long-term performance-linked remuneration

The stock remuneration plan is a plan that provides the company's shares and an amount of cash equivalent to the market price of the company's shares to Directors (excluding Outside Directors) and Corporate Officers. Remuneration based on this system is paid based on the payment level, which is determined in accordance with the performance targets, etc. in the Group's medium-term business plan, and as a rule, it is provided at retirement through a trust in the form of the company's shares or cash.

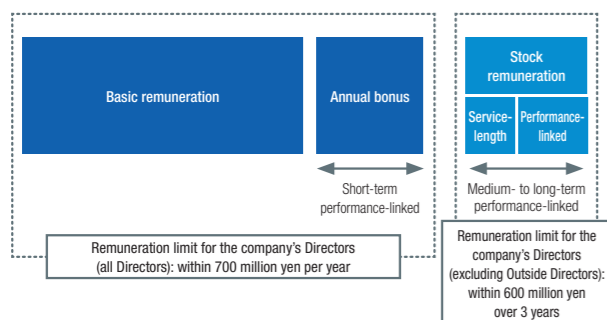
For the period between FY2018 and FY2020, the payment level is determined according to the level of achievement of the target profit attributable to owners of the parent company of 200 billion yen per year, set under the Sixth Medium-term Business Plan. Furthermore, 5% or more ROE is the minimal requirement for the payment.

Remuneration for the company president when the target goals have been attained is set so that the ratio of basic remuneration (fixed remuneration), annual bonus (short-term performance-linked) and stock remuneration (medium- to long-business performance-linked) roughly stands at 6:2:2.

Internal control

The JFE Group's internal control system, in accordance with the Basic Stance for Building an Internal Control System, is maintained through various committee regulations including the Rules of the Board of Directors, Regulations for Group Management Strategy Committee, Regulations for Management Committee, Regulations for the JFE Group CSR Council, Regulations for Organization and Operations, Regulations for Document

Composition of remuneration for the company's Directors



Management, Regulations for Addressing Violence Directed at Companies, and the installation of Corporate Ethics Hotline. The Basic Stance for Building Internal Control Systems is revised and improved from time to time to boost sustainable corporate value.

Web Basic Policies to Establish the Internal Control Systems
<http://www.jfe-holdings.co.jp/en/company/info/pdf/corporate-governance.pdf>

Strengthening internal control

Internal audits

JFE Holdings, its operating companies and key Group companies had internal audit organizations comprising 164 people as of April 1, 2020. These organizations share information to enhance overall auditing within the Group.

Audits by Audit & Supervisory Board Members

Audit & Supervisory Board Members attend meetings of the Board of Directors, Group Management Strategy Committee and Management Committee as well as other important meetings. To audit how Directors execute their responsibilities, they conduct hearings with Directors and corporate officers regarding operational status and receive operational reports from subsidiaries. In addition to undergoing statutory audits, JFE companies take the following initiatives to ensure the effectiveness of internal auditing by the Audit & Supervisory Board Members and to strengthen coordination among the Members.

- A total of 34 full-time Audit & Supervisory Board Members have been appointed to 28 companies, including JFE Holdings. Operating company personnel are dispatched to Group companies as part-time Outside Audit & Supervisory Board Members. Each absentee Audit & Supervisory Board Member serves one to four subsidiaries to raise the quality of the audits by their Audit & Supervisory Board Members and enhance Group governance. Eleven absentee Audit & Supervisory Board Members served 30 companies in total.
- The JFE Group Board of Auditors includes both full-time Audit & Supervisory Board Members of each Group company and part-time Audit & Supervisory Board Members. Subcommittees and working groups created to address specific issues meet autonomously to share information, investigate issues and enhance understanding. The findings of the year's activities are presented at the general meeting of JFE Group Auditors and used for audits.

Structure of JFE Group Board of Auditors



Cooperation between Audit & Supervisory Board Members and Accounting Auditor

In FY2019, the Audit & Supervisory Board Members held eight scheduled or unscheduled meetings with Ernst & Young ShinNihon, JFE's outside accounting auditor, in which the latter presented its audit plan, completed work and detailed results. The firm also presented a detailed explanation of its quality management system to confirm its validity. In turn, the Audit & Supervisory Board Members explained their own audit plans and other matters to the firm. The two sides also shared opinions on related matters.

Cooperation between Audit & Supervisory Board Members and Internal Auditing Department

In FY2019, the Audit & Supervisory Board Members held six scheduled or unscheduled meetings with the internal auditing department, in which the latter presented its internal audit plan, work status and detailed results. During the meetings, the Audit & Supervisory Board Members also shared opinions with the department.

Operating company governance

Some Directors, Corporate Officers and Audit & Supervisory Board Members of JFE Holdings serve concurrently as the Directors or Audit & Supervisory Board Members of operating companies to strengthen governance and information sharing across the Group. To strengthen governance, JFE Holdings' managers attend each operating company's General Meeting of Shareholders and Management Planning Briefing, receive reports on their activities and discuss the managerial policies of subsidiaries.

Approach regarding listed subsidiaries

To realize sustainable growth and enhancement of medium to long-term corporate value, the JFE Group forms a corporate group comprising companies with high expertise, divides business functions within the Group and conducts businesses development outside of the Group. Among the Group companies, Gecoss Corporation, JFE Container Co., Ltd. and JFE Systems, Inc., which are subsidiaries of JFE Steel Corporation, maintain their listed status as a means to enhance their competitiveness from the perspectives of their specialized business areas as well as to secure market recognition and credibility in funding, sales and marketing, and hiring. The aforementioned 3 companies are subject to rules different from those applicable to other consolidated subsidiaries, and other measures are also taken so as to ensure that each of the companies conducts autonomous corporate activities exercising autonomy and flexibility, secure management independence as listed companies, and make sure that the interest of the said subsidiaries' shareholders other than the said subsidiaries and the Company will not be unfairly impaired. In addition, with respect to matters necessary for the Group's risk management, prior consultation and reporting are required from the 3 companies while securing their independent decision making, so as to implement risk management as a member of the Group companies.

Furthermore, the Company shall regularly verify the significance of maintaining the listing of the listed subsidiaries and take necessary measures upon confirmation at its Board of Directors.

Basic policies for strategic shareholdings and exercise of related voting rights

All shares held by the company are the shares of subsidiaries or affiliates.

The company's wholly owned subsidiaries as well as operating companies, JFE Steel Corporation, JFE Engineering Corporation and JFE Shoji Corporation (hereinafter the “Operating Companies”), do not hold listed shares as strategic shareholdings, in principle. Strategic shareholdings, however, are allowed as an exception when holding the stocks of a company is determined to be necessary for maintaining and achieving growth for the Group's business.

The Board of Directors meetings regularly confirm the significance of the strategic shareholdings and whether the benefits and risks of such holdings are commensurate with their capital cost, and sell strategic shareholdings if there is no significance of such shareholdings or there is a risk of damage to shareholders' interest. In April 2016, the Company decided to reduce its strategic shareholdings by approximately 100 billion yen and sold its strategic shareholdings in the amount of approximately 140 billion yen (on a market value basis) by FY2018.

In November 2019, the Company decided on a policy to further sell its strategic shareholdings in the amount of 100 billion yen and sold all or part of 45 stocks in FY2019. (Total sales amount: approximately 23.2 billion yen (on a market value basis)). Furthermore, at a meeting held in August 2019, the Board of Directors examined the significance of its strategic holdings and return on investment.

The exercise of voting rights of strategic shareholdings is decided upon reviews by Operating Companies on the content of the proposal and is appropriately implemented in a way that will maximize shareholder interest. To be specific, the content of the proposal is to be checked by the investment application department and the investment control department, and approval will be given to proposals which are considered not to pose any threat to the maximization of interest of these Operating Companies as shareholders.

Of the shares for investment purposes held by JFE Steel, which has the largest balance sheet amount and accounts for the majority of the shares for investment purposes posted in the consolidated financial statements of the company, those shares of JFE Steel that are held for purposes other than pure investments are shown below.

	End of FY2017	End of FY2018	End of FY2019
Number of issues	242	238	219
Total balance sheet amount (billion yen)	259.1	241.0	166.1

Thorough Compliance



Basic Stance

In expanding our businesses in Japan and abroad, it is important that JFE maintains relationships of trust with all stakeholders, including its customers, shareholders and local communities. Trust can only be built upon a strong foundation of “Ensuring Thorough Compliance.” Misconduct and scandals resulting from compliance violations can instantly shatter the trust that has taken many years to establish. Therefore, JFE believes it is extremely important that all members of the organization deepen their knowledge and awareness of compliance and perform their jobs accordingly.

Compliance System

The JFE Group’s Standards of Business Conduct guides employees to conduct their business activities based on the Corporate Vision and Corporate Values. They also help to strengthen awareness among all JFE Group executives and employees and ensure adherence to corporate ethics.

The Compliance Committee chaired by the President of JFE Holdings generally convenes every quarter to deliberate basic policies and issues and then supervise their implementation. Each operating company has a similar in-house system for promoting and supervising compliance. In addition, operating companies have introduced a Corporate Ethics Hotline to ensure that crucial information regarding compliance can be communicated directly from the front lines to top management.

[Web](https://www.jfe-holdings.co.jp/en/csr/governance/compliance/index.html) [CSR Report: Compliance](https://www.jfe-holdings.co.jp/en/csr/governance/compliance/index.html)

Ensure adherence to corporate ethical standards and compliance

Configured KPI (Group-wide)

- Steady execution of training to foster and maintain a sense of compliance
- Improve employee awareness of ethics reflected in JFE’s Corporate Ethics Awareness Survey

Thorough compliance

The JFE Group conducts training on compliance with the Antimonopoly Act, insider trading restrictions, security export controls, the Construction Business Act, laws against bribery of public officials, etc. The Group has also compiled a Compliance Guidebook and distributed to employees and executives (domestic and overseas), to be used in activities such as collation, to ensure that the rules are fully communicated and informed.

Whistleblowing system

The JFE Group has established a Corporate Ethics Hotline to ensure that crucial information regarding compliance, including violation of the Antimonopoly Act, bribery, or all kinds of workplace harassment, can be communicated directly from the front lines to top management rapidly and accurately. The whistleblowing system aims to maintain corporate ethics, comply with laws and regulations, and prevent corruption. It is accessible to all officers and employees of the JFE Group as well as those of suppliers and other business partners. Additionally, an external hotline to a law firm is also provided. To encourage the active sharing of information, confidentiality is strictly respected and the hotline is operated under rules and regulations that protect people who report information or seek advice. Whistleblowing and requests for advice are regularly reported to full-time Audit & Supervisory Board Members. Moreover, the operational status of the system is reviewed every year by the Board of Directors.

Cases handled by the Corporate Ethics Hotline

Company	FY2017	FY2018	FY2019
JFE Holdings and operating companies	89	80	101

Prevention of bribery

The JFE Group does not tolerate any kind of illegal activity in Japan or any other country, including bribery, such as offering money or other benefits to public officials, and never resorts to these illegal activities to gain profit or resolve problems. Based on these thoughts, the Group issued JFE Group’s Basic Stance on Preventing Bribery of Public Officials and disseminate it throughout the Group including operating companies. JFE Group also maintains various systems to prevent the bribery of public officials.

[Web](https://www.jfe-holdings.co.jp/en/company/philosophy/anti-bribery.html) [JFE Group’s Basic Stance on Preventing Bribery of Public Officials](https://www.jfe-holdings.co.jp/en/company/philosophy/anti-bribery.html)

Resisting organized crime

The JFE Group declares in its standards of business conduct that it will firmly resist all antisocial forces, and has established the JFE Group Policies for Addressing Antisocial Forces and Regulations for Addressing Violence Directed at Companies to clarify the measures to be taken in response to any issues.

Employee ethics awareness surveys

The JFE Group regularly conducts Corporate Ethics Awareness Surveys to quantitatively assess employees’ awareness of ethics and help employees stay informed about JFE’s corporate vision.

Antimonopoly Act compliance

The JFE Group views past violations of the Antimonopoly Act seriously and continues to implement thorough measures to eliminate the possibility of future infringements.

Risk Management



Risk Management System

JFE Holdings is responsible for comprehensive risk management in accordance with its Basic Stance for Building an Internal Control System. The JFE Group CSR Council, chaired by the President of JFE Holdings, collects specific information and enhances management for the purpose of reducing the frequency and impact of risks. The Corporate Officer responsible for risk works to identify potential risks associated with business activities, ethical and regulatory compliance, the disclosure of financial reports and information, as well as ESG risks such as climate change, which have become increasingly important in risk management. If potential risks are identified, they are reviewed and assessed at an appropriate meeting as necessary for further examination or the deployment of countermeasures. The Board of Directors supervises the CSR and ESG activities of the JFE Group by receiving reports and holding discussion on its material issues.

[Web](https://www.jfe-holdings.co.jp/en/csr/governance/risk/index.html) [CSR Report: Risk Management](https://www.jfe-holdings.co.jp/en/csr/governance/risk/index.html)

Response to risks

Response to climate change risks

As an enterprise engaged in iron and steel manufacturing, which is associated with emitting massive volumes of CO₂, climate change is a critical managerial concern from the perspective of business continuity. Risks are identified and evaluated based on a scenario analysis conducted under the framework recommended by the TCFD, and important factors that may affect management are selected for further analysis and used in formulating future business strategies.

Intellectual property management

The JFE Group meticulously manages intellectual property across its diverse business activities. To prevent infringement on third-party intellectual property, it constantly monitors the latest information on intellectual property and implements all necessary measures.

Privacy protection

JFE has established the JFE Group Privacy Statement for managing information including “My Numbers,” which are personally identifiable numbers under Japan’s social security and tax number systems.

To maintain the appropriate protection of personal information, employee trainings on the rules, which have been set in place in accordance with the privacy statement, have been conducted as stipulated in applicable laws of each country related to businesses and guidelines.

[Web](https://www.jfe-holdings.co.jp/en/privacy.html) [JFE Group Privacy Statement](https://www.jfe-holdings.co.jp/en/privacy.html)

Information security

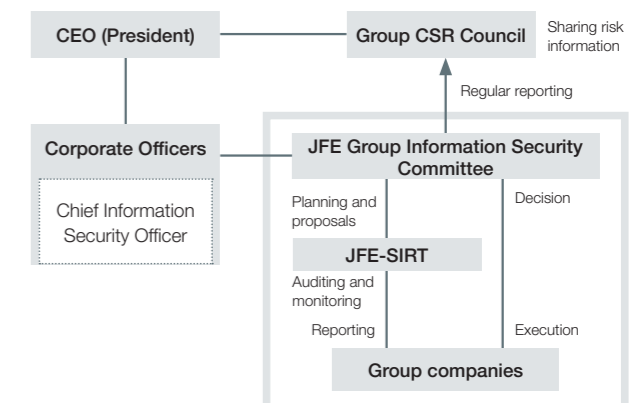
The JFE Group formulates various rules on information security management to prevent information leakage and system failures due to cyber-attacks and improper system use. Efforts are made to enhance information-security knowledge and awareness of rules among employees through training and education. Additionally, shared IT measures are applied in each Group company and regular information security audits are conducted to reinforce the overall information security management level in the Group.

Key issues related to information security are deliberated by the JFE Group Information Security Committee to determine Group policy.

Based on policies set by the committee, the JFE-SIRT formulates and implements information-security measures, performs information security audits, offers guidance on responding to incidents and generally enhances the level of Group-wide information security management.

* JFE-Security Integration and Response Team established in April 2016.

JFE Group Information Security Governance System



JFE Group’s BCP

Anticipating the possibility of natural disasters caused by typhoons and major earthquakes as well as a rapid expansion in infectious diseases such as a new strain of influenza, the JFE Group has formulated a business continuity plan (BCP) to address contingencies. We conduct regular training based on the BCP while also pursuing other countermeasures.