Management

CSR Management

Corporate Governance System Outline

**Governance System**
JFE Holdings and each operating company have their respective Audit & Supervisory Board members. The companies are crosschecked by the Board of Directors, which supervises operational execution, and the Audit & Supervisory Board members, which conducts 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.

For more details regarding our corporate governance, please refer to the JFE GROUP REPORT (Integrated Report).

**JFE CSR System**
The JFE Group considers corporate social responsibility (CSR) to be the foundation of its business as it contributes to the realization of a better society. The JFE Group CSR Council is chaired by the company president and convenes quarterly. Through its Group-wide internal units, comprising the JFE Group Compliance Committee, JFE Group Environmental Committee and JFE Group Internal Control Committee, the council discusses each activity. Furthermore it monitors, guides and supervises the wide range of JFE Group CSR activities such as compliance, the environment, climate change, human resources, safety, disaster prevention, social contribution, regulations for addressing antisocial forces, and ESG-related risk. The Group Management Strategy Committee also deliberates important CSR activities of the company.

The Board of Directors monitors the Group’s CSR activities by receiving reports on material issues and engaging in discussions about them.

**Topics Discussed at the Board Meeting**
- Set key performance indicators (KPIs) for material CSR issues and the status of each initiative
- Employee ethics awareness survey results
- Operational status of the whistleblowing system
- Publishing the CSR report and integrated report

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**Monitoring by the Board of Directors**

- Board of Directors
  - Report on CSR/ESG-related material issues
  - Monitor
- CEO (President)
- Group Management Strategy Committee
- Group CSR Council

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**Compliance**
The JFE Group believes that ensuring thorough compliance is the foundation for creating and maintaining relationships of trust with all stakeholders, including its customers, shareholders, and local communities. Misconduct and scandals resulting from compliance violations can instantly shatter the trust that has taken many years to establish.

Of extreme importance to the Group is that all of its members deepen their knowledge and awareness of antimonopoly law and laws prohibiting bribery of public officials via e-learning, guidebooks, guidebook reading sessions, and other means.

**Development of the Whistleblowing System**
JFE’s whistleblowing system helps to ensure that important compliance-related information, including Antitrust violation, bribery, or all kinds of workplace harassment, can be communicated from the frontlines to top management rapidly and accurately. A Corporate Ethics Hotline has been established in every operating company to maintain corporate ethics, comply with laws and regulations, and prevent corruption. In addition, an external hotline to a law firm is also provided to assure anonymity of internal whistleblowing system. We are promoting the use of the whistleblowing system through posters and have implemented regulations for ensuring confidentiality.
Corporate Governance System (as of June 21, 2019)

JFE Holdings, Inc.

- Nomination Committee
- Remuneration Committee
- Group Management Strategy Committee
- Management Committee
- Internal Auditing

Operating Companies

- Board of Directors
- Audit & Supervisory Board Members
- Corporate Officers
- Management Committee
- Audit Department

Group Companies

JFE Group CSR Council

Chairperson: President of JFE Holdings
Members: Executive vice presidents, corporate officers, full-time Audit & Supervisory Board Member, respective presidents of operating companies, etc.

- JFE Group Compliance Committee
- JFE Group Environmental Committee
- JFE Group Internal Control Committee

CSR Structure

- JFE Group CSR Council

Chairperson: President of JFE Holdings
Executive vice presidents, corporate officers, full-time Audit & Supervisory Board Member, respective presidents of operating companies, etc.

- JFE Group CSR Council
- JFE Group Compliance Committee
- JFE Group Environmental Committee
- JFE Group Internal Control Committee

Issues

Compliance, environment, climate change, internal controls, personnel/labor, safety, disaster prevention, social contribution, information security, ESG-related risk, etc.

- Group-wide deliberations including instructions and guidance on important issues
- Monitoring penetration of policies within Group
- Monitoring deployment of policies throughout Group

JFE Steel CSR Council

CSR Promotion Conference (chaired by the President)

- Environmental Committee
- Internal Audits Committee
-CSR Awareness Committee
- Personnel/Labor Affairs Committee
- Social Contributions Committee
- Compliance Committee
- Safety & Disaster Prevention Committee
- CS (customer satisfaction) Committee
- Risk Management Committee
- Establishing and Circulating Rules Committee

JFE Engineering CSR System

- Compliance Committee
- Occupational Safety and Health Committee
- Environmental Committee

JFE Shoji Trade CSR Council

CSR Promotion Conference (chaired by the President)

- Environmental Management Committee
- Compliance Committee
- Internal Controls Committee
- Safety and Industrial Health Committee
- Information Management Committee
- Quality Assurance Committee
- Disaster Prevention Committee
- Social Contribution Committee
- Labor-related Legal and Environment Committees
- Social Awareness Survey Committee

Correspondence between Shareholders, Management, and Group Companies

General Meeting of Shareholders

Shaded areas indicate executive organizations

Arrows indicate lines of authority and reporting
and protecting whistleblower. Furthermore, matters are regularly reported to the full-time Audit & Supervisory Board Members, and the operational status of the system is reviewed by the Board of Directors.

**Number of Cases Reported to the Corporate Ethics Hotline**

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<tr>
<th>Company</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
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<td>JFE Holdings and operating companies</td>
<td>62</td>
<td>89</td>
<td>80</td>
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**Whistleblowing System**

- Officers and employees of the JFE Group Officers and employees of customers, suppliers, and other business partners *Including former officers and employees
- Concerns raised or reported (The nature of this concern and personal information are kept strictly confidential)
- Email / Telephone / Personally written letter sent by ordinary mail
- Internal hotline
- Responsible department / Relevant department(s)
- Feedback
- External hotline (at a law firm) *On a non-retainer basis

**Internal Controls**

The JFE Group’s internal control system, in accordance with the Basic Policy for Building Internal Control Systems, 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 Management, Regulations for Addressing Violence Directed at Companies, and the installation of the Corporate Ethics Hotline. The Basic Policy for Building Internal Control Systems is periodically revised and improved to boost sustainable corporate value.

**Preventing Bribery**

JFE 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 thought, JFE established JFE Group’s Basic Policy on Preparing Bribery of Public Officials and disseminate it throughout the JFE Group companies and also develops systems to avoid bribery of public officials.

**Internal Audits/CSR Audits**

JFE Holdings, its operating companies, and key Group companies have established internal audit organizations, comprising 159 people as of April 1, 2019. The organizations conduct operational audits of each operating company and also share information to improve overall auditing within the Group.

To ensure that CSR activities are conducted properly, the JFE Group systematically audits environmental management, Antimonopoly Law compliance, expense management, overseas office management, tax law compliance, safety management, and disaster prevention. If an audit reveals a problem, the internal audit departments of JFE Holdings and relevant operating companies share information to support the implementation of corrective measures.

**Risk Management**

JFE Holdings is responsible for comprehensive risk management in accordance with its Basic Policy for Building Internal Control Systems. The JFE Group CSR Council, which is independent of the Audit &
Respect for Human Rights

**JFE Group Human Rights Basic Policy**
In response to the International Bill of Human Rights, the Universal Declaration of Human Rights, the International Covenant on Human Rights, and other international conventions, the JFE Group views respect for human rights as both a corporate social responsibility and a foundation of its business. We explicitly declared our determination in the Standards of Business Conduct to not engage in discrimination in our business activities and have upheld this policy throughout our actions. Furthermore, we established the JFE Group Human Rights Basic Policy to undertake a range of initiatives in line with the United Nations Guiding Principles on Business and Human Rights and are working to raise awareness of human rights among all employees.

Promoting Human Rights
In order to steadily work on human rights initiatives, we established the JFE Group Human Rights Promotion Council, chaired by the executive officer in charge of general administration, under the JFE Group Compliance Committee, chaired by the president of JFE Holdings. This framework allows us to define Group-wide policies and share information with departments responsible for human rights issues that have been set up at each operating company. Additionally, we have set up hotlines for harassment and other human rights violations at every operating company.

**Human Rights Promoting Activities**
Our initiatives include implementing human rights training courses, guaranteed employment opportunities and promotion of fair human-resource management, and preventing workplace harassment. Harassment of a sexual or power nature, or on any other basis, is prevented through measures including company regulations, training, workplace posters and hotlines staffed by men and women at each business location. In addition, during the annual Human Rights Week, leaflets with messages from senior management are distributed and employees are encouraged to submit slogans. Furthermore, we actively support and take part in initiatives undertaken by human rights organizations, such as the Industrial Federation for Human Rights, Tokyo and the Corporate Federation for Dowa and Human Rights Issues, Osaka. By attending seminars and workshops of such organizations, we have become increasingly aware of human rights trends and challenges as well as issues specific to Japanese business. In turn we apply this knowledge in JFE human-rights-awareness training programs and related initiatives. In line with the ongoing globalization of the Group’s business in recent years, these training programs now cover corporate responsibility for respecting human rights to meet the expectations of global society. In FY2019, we invited external experts to speak about business and human rights at an internal seminar so as to gain understanding of international trends. Across the JFE Group we are working to increase awareness of human rights.

In order to establish and maintain a sustainable system for purchasing raw materials, JFE Steel purchases them with full consideration of respect for human rights, legal compliance, and environmental preservation in accordance with the Raw Materials Purchasing Policy of the company. We also post our purchasing policy on our website to provide information about our policy throughout the supply chain and have begun exchanging opinions with suppliers. Raw materials are purchased after investigating a supplier to confirm that they are not using conflict minerals.

Respecting the Rights of Workers
The JFE Group adheres to the laws and regulations of various countries as well collective agreements. It also respects the rights to freedom of association as well as their right to collective bargaining.

Upper management, including the president and the representative of the union, meets regularly to discuss matters such as management issues, work-life-balance, working environments, and working conditions. By conducting earnest labor-management consultations, we strive to create a vigorous workplace while working to maintain healthy and sound labor-management relations.
## Initiatives and Relevant SDGs

The JFE Group is taking action to address CSR issues, even in non-material areas. The following chart summarizes all activities introduced in this report. Through these activities, the JFE Group intends to contribute to the achievement of the SDGs.

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