

# Compliance

Since our Group regards compliance with laws and social norms as a condition for the survival and development of the company, our Basic CSR Policy stipulates that we need to conduct “sensible business activities” and conduct ourselves as “good corporate citizens and decent members of society”. In response, we recognize that compliance means complying with laws and social norms, formulate compliance rules, and established a compliance basic policy.

## Compliance Basic Policy

1. We consider compliance to be an important management issue and ensure thorough compliance in every aspect of its business activities, thereby establishing corporate ethics.
2. All officers and employees of Nissan Chemical Group shall be sufficiently aware of compliance and prevent the occurrence of a compliance violation.
3. In the event that a compliance violation has occurred or is likely to occur, we take a prompt and appropriate response.

## System

In our Group, the Risk Management & Compliance Committee, which is held twice a year, has been established as an organization to enhance the effectiveness of risk management, and to maintain and promote compliance. The committee is chaired by the Chief Risk Management Officer (CRO), who is appointed at the Board of Directors meeting, and is composed of the Risk & Compliance Managers, who are heads of each division/department, plant/laboratory, and domestic consolidated subsidiary. The Risk & Compliance Managers are designated by the CRO. The important matters related to compliance of each division/department, plant/laboratory, and domestic consolidated subsidiary and countermeasure plans, etc. are approved by the Board of Directors after discussion by the committee.

The Risk Management & Compliance Office under the Corporate Planning Department has been established as a specialized organization to promote continuous improvement in all of our Group's compliance activities. In addition to providing education and guidance on risk management and compliance, the Risk Management & Compliance Office receives reports on the status of compliance with laws and regulations and the status of education and training in each department on a regular basis from Risk & Compliance Managers, and when necessary, supports improvement, and shares information within our Group.

Furthermore, we have established the Consultation Hotline to serve as an internal reporting system to prevent compliance violation or resolve the problem early on.

## Number of Compliance Violations

Indicator	Scope of reporting	Unit	2016	2017	2018	2019
Consultation Hotline Reports	Consolidated*	Cases	0	0	3	2
Legal actions received for anti-monopoly/anticompetitive practices (under investigation)	Consolidated*	Cases	0 (0)	0 (0)	0 (0)	0 (0)
Fines charged and settlement fees for anti-monopoly/anticompetitive practices	Consolidated*	1,000 yen	0	0	0	0
Confirmed corruption incident (under investigation)	Consolidated*	Cases	0 (0)	0 (0)	0 (0)	0 (0)
Fines charged and settlement fees for corruption	Consolidated*	1,000 yen	0	0	0	0
Other incidents related to compliance (excluding environmental)	Consolidated*	Cases	0	0	0	0
Fines charged and settlement fees for other compliance related incidents (excluding environmental)	Consolidated*	1,000 yen	0	0	0	0

\* Includes domestic unconsolidated group companies

### Consultation Hotline

We have Consultation Hotline to prevent compliance violation or resolve the problem early on. When an employee discovers a compliance violation or potential compliance violation, he or she shall address the problem in normal operation in principle, through measures that include reporting the matter to their superior. However, if he or she thinks it is difficult to address the problem promptly and effectively, they can use the Consultation Hotline. The contact point for reporting shall be the Risk Management & Compliance Office, outside attorneys, or outside Audit & Supervisory Board members, and the means for reporting may be selected by e-mail, mail, or telephone. Upon receipt of a report, the contents are reported to the Audit & Supervisory Board members. While accepting anonymous consultations, we have established a system that allows us to provide peace of mind by clearly defining in our rules the prohibition of interference with investigations, finding informants, and harassment.

### Compliance Training

We hold training sessions on corporate ethics for officers and employees, including new employee training, working to ensure that each and every one of us looks at compliance and actively promotes it.

In addition, regarding various laws and regulations, we regularly hold training on important business themes such as the “Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors”, insider trading regulations, and regulations on the “Combating

Bribery of Foreign Public Officials”. We also conduct training with an emphasis on practicality, such as systematically holding in-house seminars themed on familiar legal matters, lectured by internal instructors.

Various trainings are provided to officers and employees of our company as well as those of affiliated companies as efforts to improve the knowledge of the entire Group.



Compliance Training

### Compliance Manual

The Compliance Manual sets forth rules so that executives and employees, etc. (regular employees, contract employees, part-time workers, temporary workers and dispatched workers) of the Nissan Chemical Group comply with laws and regulations, company rules, social norms, and ensure compliance. In addition, by including information about the Consultation Hotline system and details about its features in the Compliance Manual, we are raising awareness about our internal reporting system.

### Measures for Promoting Compliance (FY2019)

General Compliance	Director and management level compliance training, new employee training
Anti-monopoly Act and Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors	Training related to the Anti-monopoly Act and Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors; Internal audit related to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors
Information Management	Information management training; Internal audit related to information management and My Number Act related management
Insider Trading Regulation	Training for insider trading prevention
Anti-bribery	Training for the prevention of corruption and Combating Bribery of Foreign Public Officials
Security Export Control	Foreign Exchange Law related training
Consultation Hotline	Continuous dissemination of related information via the in-house newsletter and posters
Others	Training for newly-appointed board members, training for board members, contract related training (Head Office and plants), and training related to legal and civil code revisions

## Human Rights/Anti-Corruption Initiatives

We joined the United Nations Global Compact (UNGC) in April 2018. In order to clarify our stance which supports the 10 principles advocated by UNGC in four fields in human rights, labor, the environment and anti-corruption, we formulated human rights policy and anti-corruption policy in 2019 to continue to make efforts aimed at all our stakeholders, including our employees.

### Human Rights Due Diligence Initiatives

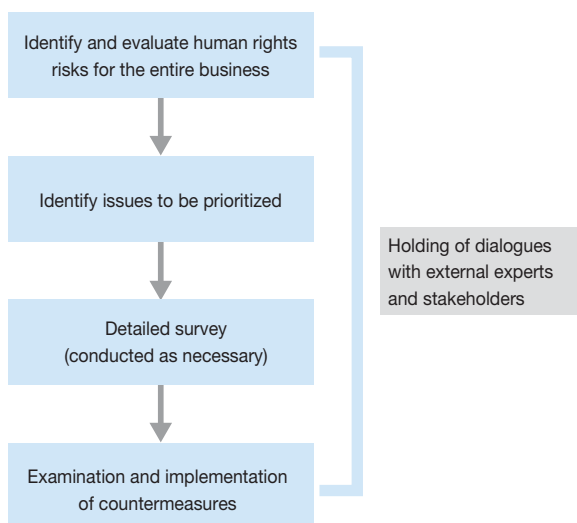
As it conducts business activities, a company may affect the human rights of various people who are its stakeholders. Therefore, the Guiding Principles on Business and Human Rights established by the United Nations indicates that companies have a responsibility to respect human rights. In addition, in order to realize respect for human rights, companies are asked to make a commitment to respecting human rights through policies and to implement human rights due diligence.

Human rights due diligence is a continuous effort to identify and evaluate the negative impact of corporate activities on human rights (equivalent to human rights risks) and take measures to prevent or mitigate it.

As part of our human rights due diligence efforts, we have begun to identify and evaluate risks that may have a negative impact on human rights through our business activities, targeting major businesses and their value chains.

In FY2020, we will identify human rights issues that we should place front and center, and consider how to deal with them.

### Human Rights Due Diligence Initiatives



### Nissan Chemical Group Human Rights Policy (Excerpt)

- 1 Respect for Human Rights
- 2 No Infringement of Human Rights
- 3 Employment and Labor  
Prohibition of Forced Labor and Child Labor, Good Labor-Management Relations, Fair and Equitable Remuneration, and Elimination of Discrimination
- 4 Remediation

In the event that the Nissan Chemical Group causes or contributes to an adverse impact on human rights in the course of its business activities, it shall make efforts to remedy and correct such impact through appropriate means.

### Nissan Chemical Group Anti-Corruption Policy (Excerpt)

- 1 Definitions  
“Corruption” means the abuse of entrusted official authority for personal or company gain, including bribery.  
“Bribery” means that, when company conducts its businesses,
  - any of its officers or employees provides improper benefits to a third party for the purpose of inducing a third party to conduct fraudulent or illegal acts, or upon request from a third party, or
  - any of its officers or employees demands or receives improper benefits from a third party.
- 2 Commitment to Anti-Corruption
- 3 Compliance with respect to Anti-Corruption  
“Unfair Competition Prevention Act”, the “U.S. Foreign Corrupt Practices Act” and the “Anti-Unfair Competition Law of the People's Republic of China”
- 4 Remediation

In the event that the Nissan Chemical Group violates this Policy in the course of its business activities, it shall make efforts to remedy and correct the said violation through appropriate means and fully cooperate with investigations by the relevant authorities.