

# Promoting Governance of the Entire Group

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Lintec Governance  Search

## Lintec Group's Approach

The Lintec Group regards the basics of corporate governance to be the practice of thoroughgoing compliance, maximum management transparency, awareness of corporate ethics, rapid decision-making, and efficient administration of business operations. The Lintec Group aims to increase its corporate value by continually improving its corporate governance and common benefit to shareholders.

## Corporate Governance Framework (as of July 1, 2022)

For organizational design<sup>\*1</sup>, Lintec has chosen to be a company with an audit and supervisory committee<sup>\*2</sup>, and appoints directors as Audit and Supervisory Committee members to enhance the function of supervising the Board of Directors, with the aims of stepping up corporate governance and improving management further.

The company has 12 directors, three of whom are members of the Audit and Supervisory Committee. Also, Lintec has five outside directors (three men and two women), including four independent outside directors (two men and two women). Of these four, two directors (one man and one woman) serve as Audit and Supervisory Committee members.

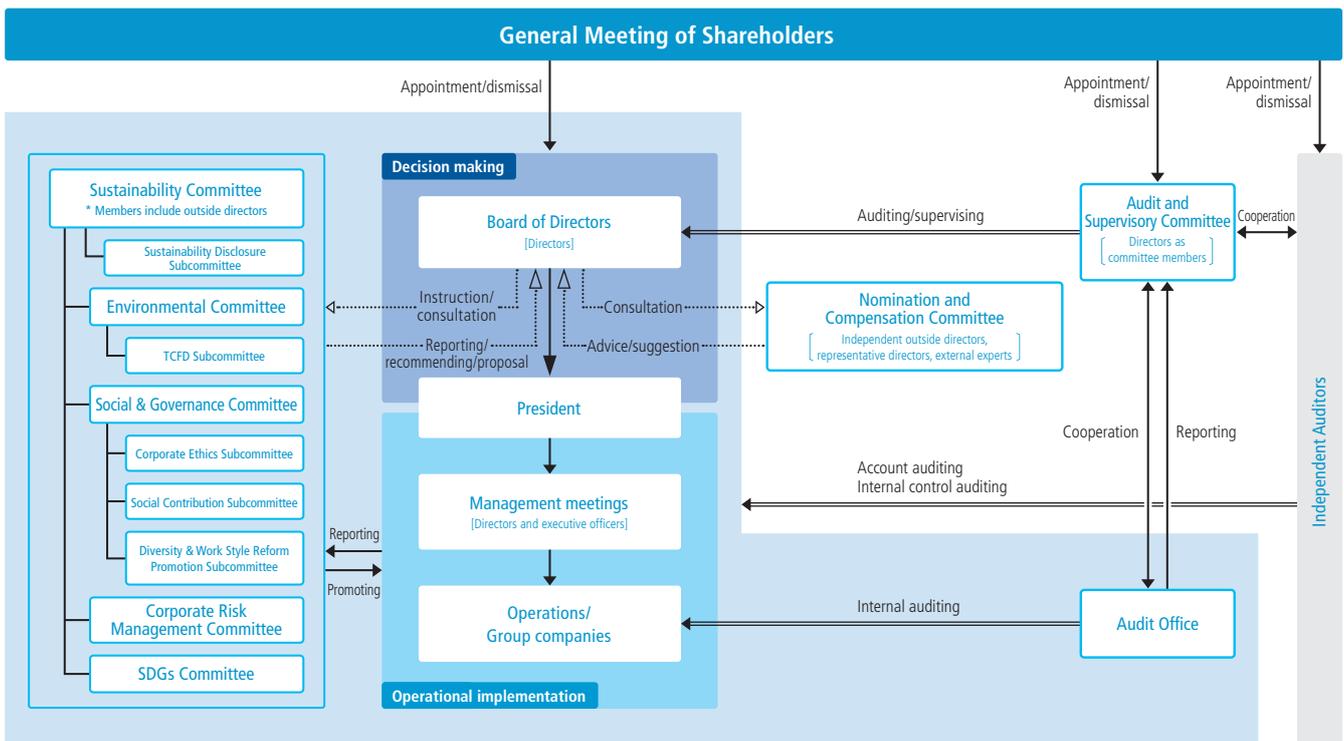
In addition, the Nomination and Compensation Committee (comprising all independent outside directors and all representative directors as well as external experts, with a majority of members

being independent outside directors; chaired by an independent outside director) has been established as an advisory body for the Board of Directors. The committee checks the validity of remuneration and personnel affairs of corporate officers, as well as makes general recommendations on corporate governance. Of the 12 directors on the committee, two are in their 70s, seven are in their 60s, and the other three are in their 50s.

## Compliance with the Corporate Governance Code<sup>\*3</sup>

Lintec complies with the Corporate Governance Code. Thus far, referencing the code, the company has taken various measures, such as the implementation of PDCA cycles through evaluating the effectiveness of the Board of Directors, and the establishment of the Corporate Governance Committee.

### Corporate Governance System



\*1 Organizational design: Determining the structure of organizations (e.g., shareholder meeting, board of directors) in charge of decision-making or operation of a joint-stock company

\*2 A company with an audit and supervisory committee: A stock company where its audit and supervisory committee, comprising more than three directors (with outside directors as a majority) as committee members, audits and supervises how directors administer business operations

\*3 Corporate Governance Code: A compilation of key principles in the form of a code that listed companies in Japan are expected to comply with to enhance corporate governance

## ■ Actions taken to enhance corporate governance

| FY   | Major actions   |
|------|---|
| 2004 | <ul style="list-style-type: none"> <li>Appointed an outside director, first in the company</li> </ul>   |
| 2006 | <ul style="list-style-type: none"> <li>Established the Audit Office</li> <li>Reformed the executive compensation system (abolished retirement benefits and introduced stock options)</li> <li>Established the Remuneration Assessment Advisory Meeting (to check the validity of remuneration of corporate officers)</li> </ul>   |
| 2008 | <ul style="list-style-type: none"> <li>Established CSR Management Office</li> <li>Increased the number of outside directors from one to two</li> </ul>  |
| 2011 | <ul style="list-style-type: none"> <li>Adopted the executive officer system; decreased the number of directors significantly from 18 to 10</li> </ul>   |
| 2015 | <ul style="list-style-type: none"> <li>Shifted to a company with an audit and supervisory committee (from a company with a board of auditors)</li> <li>Set the number of board members at 16 (including four directors serving as Audit and Supervisory Committee members and four outside directors)</li> <li>Complied with principles of the Corporate Governance Code</li> </ul>   |
| 2018 | <ul style="list-style-type: none"> <li>Reformed the executive compensation system (for the long-term incentive plan, replaced stock options with restricted stocks in order to encourage directors' holding of treasury stocks)</li> <li>Abolished the buyout countermeasure (anti-takeover measure)</li> <li>Established the Corporate Governance Committee, comprising two independent outside directors and a representative director and chaired by an independent outside director, as an advisory body for the Board of Directors to check the validity of remuneration and personnel affairs of corporate officers (Remuneration Assessment Advisory Meeting was dissolved as a result)</li> </ul>   |
| 2021 | <ul style="list-style-type: none"> <li>Increased the number of outside directors from four to five</li> <li>Increased the proportion of independent outside directors to one-third (four out of 12)</li> <li>Enhanced the constitution and function of the Corporate Governance Committee to mandate that it: be comprised of all independent outside directors and all representative directors, with the remainder of members being external experts; have independent outside directors in the majority; and be chaired by an independent outside director. Its function is to check the validity of nomination and remuneration of corporate officers and make general recommendations on corporate governance</li> <li>Corporate Governance Committee renamed Nomination and Compensation Committee</li> </ul> |

## Risk Management

To further enhance its risk management system, the Lintec Group established the Corporate Risk Management Committee, comprising executive general managers and general managers of offices under the direct control of the president, in April 2018. The committee holds meetings on a regular basis.

We restructured and strengthened our sustainability promotion system in April 2021, and redefined the purpose of the committee as "to comprehend business risks and opportunities, establish policies to respond to them, and implement and verify the policies within the corporate structure."

Agenda items brought up by each member and information based on annual risk clarification by managers constitute the main components of inputs to the committee. Discussions are reported to the Board of Directors every quarter to share information and receive instructions.

## Legal Education for Top Management and Employees

To promote understanding of corporate legal affairs, Lintec provides directors and executive officers with training. In fiscal 2021, we held

one session on the theme of "Revision of the Corporate Governance Code and Keys to Responses" in September 2021, and sessions on "Recent Trends in Disclosure of Non-financial Data" and "Organizing Issues Related to Digitization of Business Documents" in January 2022.

As for training for employees, we implement legal training for salespersons geared to mid-level employees in charge of sales. We are also incorporating legal seminars into group training programs for newly appointed managers and newly appointed section chiefs. In addition, Legal News is published six times a year to provide employees of the Lintec Group with timely information related to legal affairs.

These training programs and information disseminated help employees to improve their cognizance of potential legal risks lurking in daily business activities, which is expected to lead to early risk detection and response.

## ■ Legal News published in fiscal 2021

| Publication month | No. | Title  |
|-------------------|-----|--|
| May 2021          | 40  | Revised Act on Stabilization of Employment of Elderly Persons                                  |
| July 2021         | 41  | Worry no more! Annoying telemarketer tricks and how to deal with them                          |
| September 2021    | 42  | Surprisingly little known facts about copyright—it's not just about manga and movies           |
| November 2021     | 43  | Ongoing shift to paperless: electronic contracts and revised Electronic Books Preservation Act |
| January 2022      | 44  | Will the First Section disappear? New Tokyo Stock Exchange                                     |
| March 2022        | 45  | Summary of news between April 2021 and March 2022  |

## Establishing the Counseling Desk

The Lintec Group has a helpline (internal reporting system) to enable employees to report, without any disadvantage, any serious legal or ethical violations that they identify. Lintec added a third-party lawyer to ensure that the helpline system facilitates prompt investigations while protecting reporters and reported details. Instructions on how to use the helpline are provided in the Compliance Guidelines distributed to employees across the Group.

We established the harassment counseling desk for the improvement of workplace environments in May 2019, and have operated it since. Employees can consult clinical psychotherapists or other experts directly, who can then liaise with the Human Resources Department to solve problems related to harassment and others.

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## Global Surveys on Human Rights and Labor Standards

The Lintec Group conducts a survey of all Group companies once a year to monitor working conditions and human rights. The survey covers a wide range of items, including legal compliance, elimination of discrimination, respect for human rights, prohibition of child labor, prohibition of forced labor, wages, working hours, dialogue and negotiation with employees, safe/ healthy working environments, and human resource development. As a result of the survey in February 2022\*, it was confirmed that all sites comply with local and regional laws and regulations, that the Lintec Group Compliance Guidelines are well understood by employees, and that Lintec employees work in a healthy and safe working environment where their fundamental human rights are respected.

We will continue this regular survey every year to understand our current conditions, and improve them.

## Information Security

Lintec has developed Information Security Management Rules, and conducts an internal audit every year at each department based on the Information Security Operational Rules and Internal Audit Checklist. In fiscal 2021, we provided an e-learning program for performing a self-audit of information security to promote understanding and raise awareness among employees concerning information management. Furthermore, as well as ensure compliance with information management rules within the company, we also provide comprehensive education that includes things to note when using social media in a personal capacity to respond to the emerging issue of inappropriate social media use.

## Fostering a Sense of Ethics

"Rinri Kawaraban," which started in fiscal 2006, is an intranet ethics news column featuring *senryu* (short haiku-like poems) with an additional explanation to familiarize employees with standards for ethics and conduct. The poems are compiled into a biennial booklet, *Rinri Kawaraban Mamotte Masuka?* which is not only used internally but also introduced to suppliers and customers.

We issue the booklet, which features an endearing "etiquette patrol dog" character, under the concept of "making corporate ethics easier to understand and practice."



## Compliance with Antitrust Law and Prevention of Corruption

In 2013, the Lintec Group created an Antitrust Law Compliance Manual, copies of which were handed out to employees at sales divisions. The Group also provided relevant guidance to salespersons during legal training sessions, specifically referring to reported cases of violations at other companies involving cartel formation and resale price maintenance agreements.

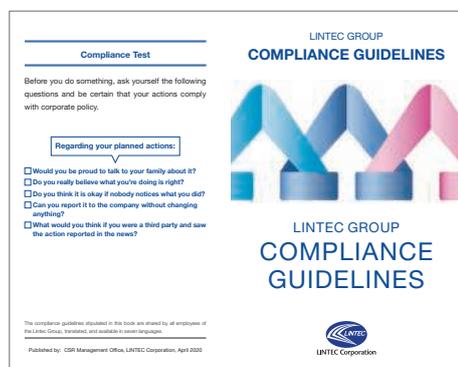
In December 2019, we published a Manual for Compliance with the Antitrust Law and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, which is a completely revised version of the aforementioned manual. The new manual was distributed to managers, including those of Group companies.

Moreover, in March 2020, we compiled a "List of Do's and Don'ts," which illustrates potential legal risks existing in everyday duties.

The Group also works to prevent bribery and corruption, incorporating the topic into the Compliance Guidelines, a booklet distributed to employees to raise their compliance awareness.

## Awareness Raising with the Compliance Guidelines

At the Lintec Group, we issue a code of conduct booklet, the "Compliance Guidelines," to enhance each employee's compliance awareness. The Guidelines booklet has been translated into seven other languages to be distributed to employees of Group companies outside of Japan. Following the revision of the Lintec Group Code of Conduct in January 2020, the Compliance Guidelines were also revised and reissued in April 2020. We distributed the revised guidelines to all employees of the Lintec Group. We also hold CSR study sessions using the Compliance Guidelines.



## Establishing Group-wide BCMS\*1

LINTEC Corporation, Tokyo Lintec Kako, Inc., and Lintec Speciality Films (Taiwan), Inc. have developed a BCP\*2 to allow them to minimize human casualties and resume business as early as possible after an earthquake or other disaster. Becoming certified under ISO 22301\*3 in March 2014, we are operating the BCMS to maintain and improve the BCP.

We will make continued efforts to share the BCMS among employees to initiate and enhance activities, while repeatedly performing drills.

## BCMS Drill

Employees at each site plan and conduct drills according to the business and characteristics of the site. Details of drills at all sites are shared group-wide via the intranet.

### ■ Drills conducted in FY2021

|                  |     |
|------------------|-----|
| Number of sites  | 26  |
| Number of drills | 476 |



Firefighting drill

March 2022  
Lintec Speciality Films (Taiwan), Inc.



Earthquake experience

April 2021  
Mishima Plant

## Related Data

### Outside Directors

#### Akira Sebe

Director  
(Executive Officer, Nippon Paper Industries Co., Ltd.)

Akira Sebe uses his knowledge and experience as an officer and his many years of business experience in the material division at Nippon Paper Industries to strengthen the supervisory function of Lintec's Board of Directors.

#### Akiko Okushima

Director  
(Representative Director and President, JBtoB CO., LTD.)

Akiko Okushima uses her extensive knowledge and experience in marketing as well as her many years of experience as a representative director and president in another industry to strengthen the supervisory function of Lintec's Board of Directors.

#### Shigeru Sugimoto

Director  
(Representative, Sakura & Co.)

Shigeru Sugimoto uses his abundant business experience as an outside director and auditor in another industry—where he also managed his own company—as well as his many years of practical experience, broad knowledge, and advanced expert insight as a certified public accountant, registered real estate appraiser, and certified tax accountant to strengthen the supervisory function of Lintec's Board of Directors.

#### Satoshi Ohoka

Director,  
Audit & Supervisory Committee Member

Satoshi Ohoka uses his long years of policy-based finance experience, his rich international experience, his specialist academic experience, and his knowledge and experience gained as an outside director in other industries to strengthen the supervisory function of Lintec's Board of Directors.

#### Kanako Osawa

Director,  
Audit & Supervisory Committee Member

Kanako Osawa uses her specialist expertise and extensive knowledge gained as an attorney, along with the knowledge and experience gained through her career in corporate legal affairs in and outside of Japan, to strengthen the supervisory function of Lintec's Board of Directors.

(As of June 22, 2022)

### Status of Board of Directors

|   |     |
|---|-----|
| ● Number of meetings held (times) .....   | 15  |
| ● Attendance of directors (%) .....       | 100 |
| Attendance of outside directors (%) ..... | 100 |

### Status of Audit & Supervisory Committee

|  |     |
|--|-----|
| ● Number of meetings held (times) .....  | 13  |
| ● Attendance of auditors (%) .....       | 100 |
| Attendance of outside auditors (%) ..... | 100 |

\*1 BCMS: BCMS stands for a Business Continuity Management System. It is a management technique to develop a business continuity plan, based on the understanding of the current conditions of the organization, to ensure that the businesses are continued in the event of a serious incident that will or may have grave impact on major products/services of the organization. Drills are also performed to validate the effectiveness of the BCP.

\*2 BCP: BCP stands for a Business Continuity Plan. It is a plan developed in advance to enable the

minimization of damage and the continuation or early resumption of business in the event that a company encounters an emergency situation such as an accident or disaster.

\*3 ISO 22301: An international standard for a business continuity management system (BCMS), which helps companies and organizations plan measures for disasters, accidents, and incidents such as an earthquake, fire, IT system failure, financial crisis, bankruptcy of a partner, or pandemic and efficiently and effectively respond to them.