

Promoting Governance of the Entire Group

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LINTEC Governance Report

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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 and common benefit to shareholders by continually improving its corporate governance.

Corporate Governance System

For organizational design^{*1}, LINTEC has chosen to be a company with an audit and supervisory committee^{*2}, 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.

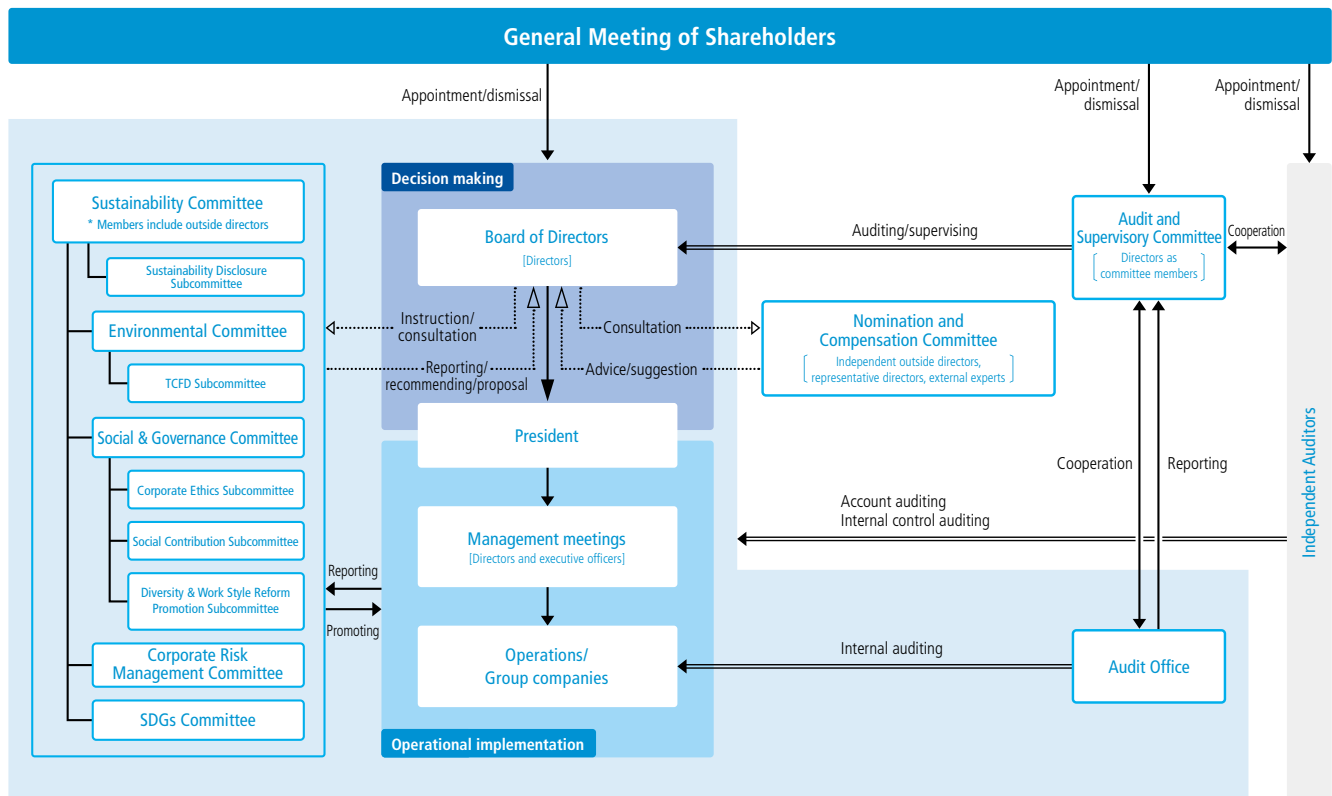
In addition, the Nomination and Compensation Committee (comprising all independent outside directors and all representative

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^{*3}

LINTEC complies with the Corporate Governance Code. We have been implementing PDCA (plan-do-check-act) based on the effectiveness evaluation of the Board of Directors, and established the Nomination and Compensation Committee in accordance with the Code.

Corporate Governance System



As of April 1, 2023

^{*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"> Appointed an outside director, first in the company
2006	<ul style="list-style-type: none"> Established the Audit Office Reformed the executive compensation system (abolished retirement benefits and introduced stock options) Established the Remuneration Assessment Advisory Meeting (to check the validity of remuneration of corporate officers)
2008	<ul style="list-style-type: none"> Established CSR Management Office Increased the number of outside directors from one to two
2011	<ul style="list-style-type: none"> Adopted the executive officer system; decreased the number of directors significantly from 18 to 10
2015	<ul style="list-style-type: none"> Shifted to a company with an audit and supervisory committee (from a company with a board of auditors) Set the number of board members at 16 (including four directors serving as Audit and Supervisory Committee members and four outside directors) Complied with principles of the Corporate Governance Code
2018	<ul style="list-style-type: none"> 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) Abolished the buyout countermeasure (anti-takeover measure) 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)
2021	<ul style="list-style-type: none"> Increased the number of outside directors from four to five Increased the proportion of independent outside directors to one-third (four out of 12) 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 Corporate Governance Committee renamed Nomination and Compensation Committee

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.

In April 2021, the sustainability promotion system was renewed and strengthened, and the purpose of this Committee was defined as "identifying risks and opportunities in business operation, formulating policies to deal with them, and planning and verifying worksite-level measures."

Input to this Committee consists mainly of agenda items brought by each committee member and an annual risk identification process for managers and others. The status of the Committee is reported quarterly to the Sustainability Committee and the Board of Directors for information sharing and instruction provision.

Legal Education for Top Management and Employees

LINTEC provides management-level legal training for directors and executive officers to promote understanding of corporate legal affairs. In fiscal 2022, the themes were "Recent Legal Topics (Status of Exercise of Voting Rights at General Meetings of Shareholders, etc.)" in September and "Latest trends in disclosure (Sustainability Information Disclosure, etc.)" in December.

For employees, legal training for sales personnel has been offered on an ongoing basis since fiscal 2018, and legal courses have been incorporated into annual rank-specific group training for new managers and new supervisors. We also publish Legal News six times a year, which disseminates a wide range of timely legal-related information, such as explanations of recent legal amendments and introductions to violation cases.

These training programs and information sharing are designed to increase employees' sensitivity to "legal risks" that may lurk in their daily business activities, and create a corporate culture that enables early detection and response to risks.

■ Legal training provided in fiscal 2022

Month	Target	Content
August 2022	Plants and sales offices	Briefing on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors
September 2022	Directors and executive officers	Legal training for management
October 2022	New managers	Legal risks that you should know about as a manager
November 2022	New supervisors	Legal risks that you should know about as a supervisor
June to November 2022	Sales personnel	Legal training for sales personnel (total of six sessions)
December 2022	Directors and executive officers	Latest trends in disclosure

Establishing the Counseling Desk

The LINTEC Group has a helpline (global whistleblowing 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.

A harassment counseling desk for the improvement of workplace environments is also available. This system allows employees to consult directly with a clinical psychologist or other specialist, and aims to resolve harassment and other workplace problems through a tie-up between the specialist and the Human Resources Department.

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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, underage employee prohibited, prohibition of forced labor, wages, working hours, dialogue and negotiation with employees, safe and healthy working environments, and human resource development and other items. As a result of the survey in February 2023^{*}, 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. Since 2021, LINTEC has been performing an information security self-audit as part of its efforts to promote understanding and raise awareness among employees concerning information management.

Given that inappropriate postings have become a social issue, LINTEC provides comprehensive education that includes points to note when using social media in a personal capacity, as well as internal rules on information management.

Fostering a Sense of Ethics

"Rinri Kwaraban," 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 Kwaraban Mamotte Masuka?" which is not only used internally but also introduced to suppliers and customers.

In March 2023, we published the booklet "Rinri Kwaraban Mamotte Masuka?" Vol. 13 and distributed it to all Group employees in Japan. We issue this booklet, which features the third generation "etiquette patrol dog" character, Mebuki, 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.

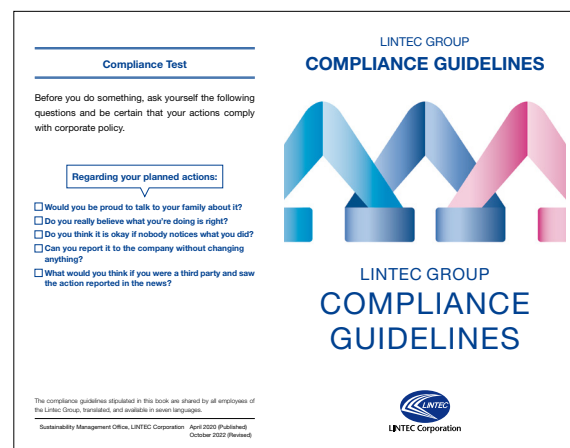
In December 2019, we published a Manual for Compliance with the Antitrust Law and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, which is a completely revised version of the aforementioned manual. The new manual was distributed to managers, including those of Group 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. To ensure that our overseas employees can act with the same awareness, we have translated the booklet into seven languages and distributed it to all employees. Furthermore, we conduct CSR study sessions using the Compliance Guidelines.



Establishing Group-wide BCMS^{*1}

LINTEC CORPORATION, TOKYO LINTEC KAKO, INC., and LINTEC SPECIALTY FILMS (TAIWAN), INC. have developed a BCP 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^{*2} 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 via the intranet.

Drills conducted in FY2022

Number of sites	27
Number of drills	482



Disaster drill at the Agatsuma Plant in June 2022



Emergency evacuation exercise at the Tatsuno Plant in October 2022

Joint BCMS Exercise with Other Sites

In November 2022, LINTEC SPECIALTY FILMS (TAIWAN), INC. and LINTEC CORPORATION's Niihama Plant conducted a satellite phone call exercise. Eleven employees from our company and eight from the Niihama Plant participated. Communication was verified through a variety of methods, including calls between landline and satellite phones, and between satellite phones, and all were confirmed to function without problems. It was also a good opportunity for employees in Taiwan and Japan to communicate with each other. We will encourage more employees to participate in the exercise and continue training so that we can promptly contact Japan in the event of an emergency.



Satellite phone call exercise

Ching-Shyang Tsai

LINTEC SPECIALTY FILMS
(TAIWAN), INC.



^{*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} 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.