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Fair Operating Practices

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Targets and Results

Enterprise Blueprint for 2020 To meet the expectations of society	Details of current activities (■: Completed, △: Ongoing)	Future initiatives and targets
<p>Ensuring compliance and ethical corporate activities</p> <ul style="list-style-type: none"> • Compliance awareness is established, various laws, regulations, agreements, and company rules are complied with, and Zeon acts ethically and within the bounds of social norms • Information is disclosed quickly and appropriately, and market value has increased (Including negative information regarding business conditions, CSR, risks, etc.) • Appropriately manage confidential information including trade secrets and personal information • Select business partners based on the CSR Procurement Guidelines and periodically confirm the Guidelines' status of implementation • Promoting understanding on the handling of intellectual property rights (including trade secrets) • The system of monitoring other companies' intellectual property rights to prevent violations is functioning properly 	<ul style="list-style-type: none"> △ Enact and implement management regulations including those on insider trading and appropriate disclosure △ Comply with internal regulations including the Export Security Control Regulations △ Appropriately implement regulations to comply with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act) △ Compliance with the Subcontract Act and the Act for Securing the Proper Operation of Worker Dispatching Undertakings (prevention of falsified contracts) △ Build a system that prohibits bribes △ Conduct CSR education including holding CSR informational sessions and legal compliance inspections △ Hold lectures on legal and regulatory compliance and conduct legal compliance inspections △ Promptly disclose information (websites, briefings) △ Operation of information management systems △ Purchasing following the CSR Procurement Guidelines ■ Institute regulations on intellectual property rights and intellectual property management △ Hold meetings on countermeasures for other companies' patents and patent risk audits as appropriate 	<ol style="list-style-type: none"> 1. Ongoing compliance education 2. Support the establishment of compliance systems at Zeon Group companies outside Japan (develop in the supply chain) 3. Shift from compliance to sustainability with focus on the SDGs (promote understanding among management and establish among employees) 4. To enhance the corporate brand and value <ul style="list-style-type: none"> • Improve the website (IR, CSR information) • Strengthen the information communications structure (PR) • Communicate information responsive to ESG investing (including CDP) 5. Raise compliance awareness in the supply chain by continuing to conduct the CSR procurement questionnaire

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Compliance

Compliance System

The Compliance Committee advances Zeon's compliance efforts. The Compliance Committee has three subcommittees, namely the Antitrust Law Regulatory Subcommittee, the Export Security Control Subcommittee, and the Corporate Governance Subcommittee.

Zeon's Risk Management and Compliance System



Compliance Committee

FY 2019 Results

- Continued activities to establish and instill compliance awareness
- Provided support to increase compliance awareness at Zeon Group companies outside Japan
- Established a system to prevent bribery of civil servants

Antitrust Law Regulatory Subcommittee

- Conducted reviews prior to the revision of product prices in business divisions, carried out preliminary screenings when meeting with executives of competitors, and reviewed the status of participation in industry bodies

Export Security Control Subcommittee

- Conducted seminars for ordinary employees and for department personnel in charge
- Implemented numerous final assessments of control list applicability and trade investigations

Corporate Governance Subcommittee

- Established controls for identifying the risk of and preventing errors in consolidated financial statements. Evaluated whether the controls were functioning correctly
- Convened five times in FY 2019, and no ineffective controls were found

Internal Reporting System

We established the Internal Reporting System to rapidly collect information on potential risks and facilitate their resolution.

(For more information about the Internal Reporting System, see Risk Management. → P. 20)

Internal Audits

Internal audits are performed for the purpose of preventing improprieties and errors in business operations.

The Department of Internal Auditing inspects and assesses whether business operations in all departments are being carried out appropriately and effectively in accordance with laws and internal regulations, and orders improvements when there are incidents of violations or non-compliance. In addition, the Department of Internal Auditing carries out periodic follow-up audits on the progress of measures taken by departments.

FY 2019 results: 36 departments (15 departments at Zeon Corporation, 9 Zeon Group companies and 12 plants inside Japan, 9 Zeon Group companies outside Japan)

FY 2020 plan: 37 departments (16 departments at Zeon Corporation, 10 Zeon Group companies inside Japan, 11 Zeon Group companies outside Japan)

Information Security Audits

Information security audits are internal audits on the handling of information assets. They are conducted for all divisions and departments at Zeon using a self-inspection format.

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CSR Procurement

In order to provide safe and reliable products, we procure raw materials based on the Zeon CSR Policy and the CSR Code of Conduct.

Procurement Policies

Policies related to procurement are as follows.

We have been developing initiatives for CSR-based procurement since FY 2012. We have established the CSR Procurement Guidelines and Requests to Suppliers, which integrate CSR perspectives into our existing QCD*.

*QCD
System of production management that controls and improves quality, cost, and delivery.

CSR Procurement Guidelines

1. CSR procurement

We will promote procurement activities that are based on our CSR Policy.

2. Procurement of optimal raw materials, products, and services

We will work to procure optimal raw materials, products, and services that meet our standards for quality, cost, delivery time, supply stability, and technological development capabilities in order to provide better products.

3. Consideration of the global environment

We will work to procure raw materials and products that have less impact on the global environment.

4. Open approach to purchasing and partnerships

We will use a global perspective to search for suppliers from across the world, build partnerships through dialogue, and work to create fair and equitable business opportunities.

Requests to Suppliers

We kindly ask that our suppliers:

1. Follow corporate ethics and thoroughly implement compliance.
2. Respect human rights and give consideration to workplace environments.
3. Give consideration to the environment, and provide safe raw materials, products, and services.
4. Provide raw materials, products, and services with competitive quality and pricing, and abide by agreed delivery dates.
5. Actively provide information during the creation of partnerships. Also, implement strict management of information disclosed by Zeon during our transactions. We will implement the same strict management.

Procurement Initiatives

We forbid substances whose handling is prohibited and monitor for the presence of substances governed by laws and the RoHS Directive. We also proactively disclose information on the substances contained in our products.

We conducted a customer questionnaire in FY 2013. In recent years, we have been sharing information and working to instill CSR to provide a uniform response as the Zeon Group to inquiries about sustainable procurement from customers, suppliers, and research institutes related to ESG investing.

To also implement the same kind of response in our supply chain going forward, we updated the CSR procurement questionnaire that we conducted in 2013 and conducted the CSR procurement questionnaire for our major suppliers in FY 2019. We will regularly conduct the CSR procurement questionnaire while taking into consideration social circumstances and our company situation.

Approach to Conflict Minerals and Initiatives

Regarding conflict minerals as well, we will conduct initiatives to meet society's expectations based on the aforementioned procurement policies.

When we surveyed our suppliers from whom we procure raw materials with their cooperation, we confirmed that they do not use substances applicable to conflict minerals.

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Fair and Appropriate Information Disclosure

Communications Approach and Framework

We conduct public relations activities to promote accurate understanding of our philosophies, approaches, and various undertakings by stakeholders and the public, and thereby increase our name recognition and become more known and trusted in the world.

Public Relations Committee

The Public Relations Committee discusses and sets policy related to internal and external information disclosure based on CSR management.

Information Disclosure

Website

- Communicates information relating to the company, IR, products, and employment, etc.

Advertising and PR

We conduct locally based advertising and PR activities with the aim of enhancing the Zeon brand.

TV commercials

- Currently on air on terrestrial TV broadcasting (Regions: Kanto region and Toyama, Fukui, Okayama, Yamaguchi, and Kagawa prefectures) and BS TV broadcasting (Regions: National)
- TV commercials for Asia are broadcast throughout Southeast Asia via satellite TV programs



New TV commercial

New advertisements

From 2018, a series with the “Chance” and “Once More” chapters is being rolled out.



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Communication with Shareholders

Policies related to constructive dialogue with shareholders

Dialogue with shareholders is led by the Department of Corporate Communications and overseen by the director in charge of CSR. The Department of Corporate Communications, the Corporate Planning Department, the Accounting and Finance Department, the General Affairs Department, the Legal Affairs Department, and other departments exchange information as appropriate to provide accurate and unbiased information to shareholders.

We will continue to expand the avenues of dialogue apart from individual meetings. These include holding quarterly briefings for investors, making financial statements available on the Zeon Corporation website, and participating in company seminars for individual investors. The Department of Corporate Communications collects and analyzes feedback received in dialogue with shareholders and makes reports to the President as appropriate. Based on management regulations including those on insider trading and appropriate information disclosure, we strictly control unreleased important information while engaging in dialogue with shareholders to prevent information leaks.

General Meeting of Shareholders

On June 27, 2019 (Thursday), we held our 94th Annual General Meeting of Shareholders in a conference room at the Head Office. To help investors have a clearer understanding of our business, on the day of the meeting we also set up a booth to introduce clients' commercial products that contain our products. We mail out notices approximately three weeks prior to the meeting to allow investors who cannot attend the meeting to exercise their voting rights based on a full review of the proposals. We also publish the details of resolutions from the General Meeting of Shareholders on our corporate website.

In addition, audio files of quarterly financial results briefings and videos of presentations given twice a year by top management on the current status of management at Zeon are available on our corporate website.



Video of a presentation by President Tanaka

For more information about the General Meeting of Shareholders, see

http://www.zeon.co.jp/ir_e/stock/meeting.html

For more information about financial results briefings, see http://www.zeon.co.jp/ir_e/library/presentationmeeting.html

Communicating Information to Shareholders

Twice a year, we send a booklet to our shareholders featuring updated business information and recent topics of interest, etc. The 95th Midyear Report, issued in December 2019, included a special feature on Cyclo Olefin Polymers (COP), which are

attracting attention as products that contribute to the health and safety of society, including their growing adoption in the latest medical devices, as well as information on their main applications, features, and market advantages.

We will continue to improve the Midyear Report to make it more accessible and better meet shareholders' needs.



95th Midyear Report

Annual Report and other Midyear Reports, see http://www.zeon.co.jp/ir_e/library/businessreport.html

Distributions

Our basic policy is to pay out steady dividends of excess earnings to shareholders.

In principle, Zeon Corporation distributes excess earnings twice annually, through interim and year-end dividends. The General Meeting of Shareholders decides the year-end dividend amount, and the Board of Directors decides the interim dividend amount. Retained earnings are leveraged for proactive capital investments, development of innovative technologies, and production innovations.

For more information about Zeon's share price and dividends, see <http://www.zeon.co.jp/ir/stock/dividend.html> (Japanese only)

Communication with Investors

We actively engage in communication with institutional investors and analysts both inside and outside Japan.

We held analyst briefing sessions to announce our FY 2019 quarterly results in July and October 2019, and in January and April 2020. In addition to briefings on our current management situation by the President, we also provided a progress report and description of the business topics in our mid-term management plan SZ-20 Phase III, which began in FY 2017, at the second quarter financial report and annual financial results briefing session. We have also deepened understanding of our company through technical seminars, plant tours, and presentations given at seminars organized by institutional investors.

For individual investors, we release content for individual investors on our websites and strive to communicate information on an ongoing basis.

Furthermore, we are working to distribute information for investors through various opportunities such as releasing a video introducing Zeon on the TSE (Tokyo Stock Exchange) IR Movie Square.