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Related SDGs



Organizational Governance

Basic Approach

The Lion Group's top priorities for corporate governance are to increase management transparency, strengthen supervisory functions, accelerate decision making and ensure compliance. By strengthening and enhancing its corporate governance system, Lion aims to increase its corporate value.

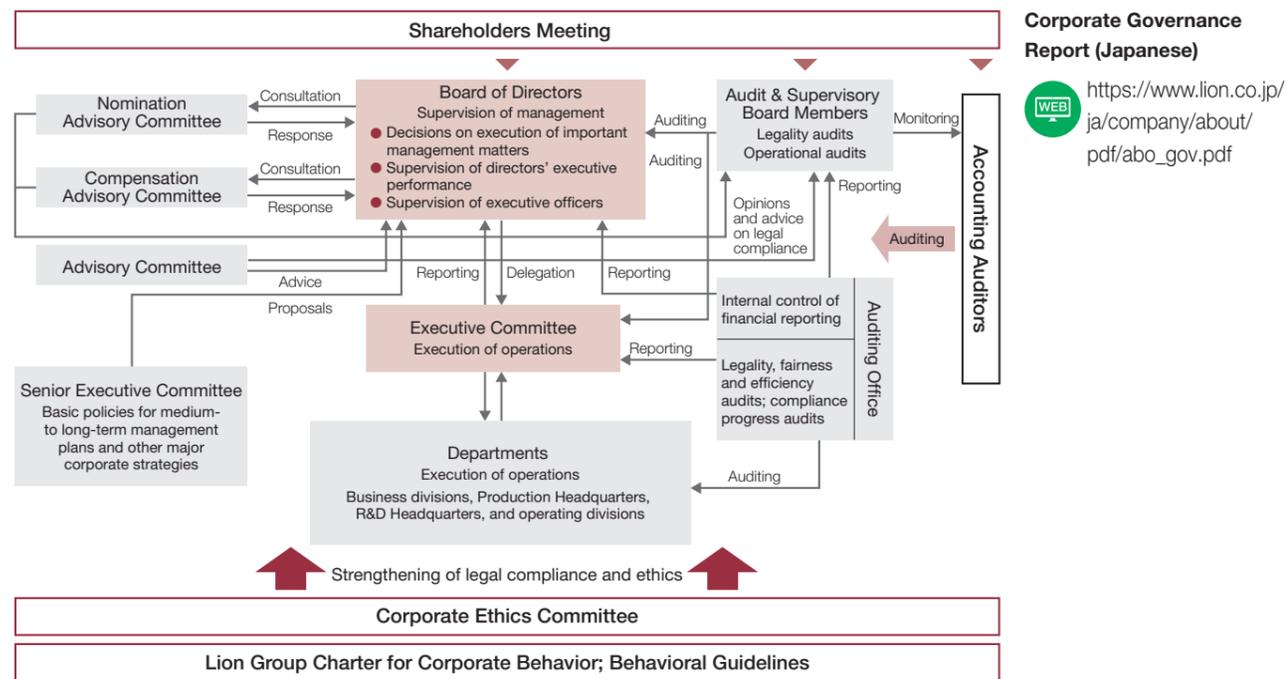
Corporate Governance System

At Lion, oversight of management is carried out under an audit and supervisory board system. In March 2004, Lion adopted an executive officer system and divided the functions previously handled by the Board of Directors. Under the new system, the Board of Directors is responsible for management decision making and oversight, and the Executive Committee is charged with business execution.

Moreover, Lion reduced the size of its Board of Directors from the 19 directors it had before adopting the executive officer system to the current nine in order to facilitate more substantive discussion and faster decision making. Also, a Nomination Advisory Committee and Compensation Advisory

Committee were established to increase management transparency and further enhance corporate governance. Membership of each of these committees comprises mainly five external officers (three external directors and two external Audit & Supervisory Board members), all of whom are qualified as independent directors. The representative directors and all the external officers exchange information regularly (once a month, in principle) in an effort to enhance management oversight and monitoring functions.

In addition, to reflect the opinions and advice of third parties with regard to legal compliance and management policies, we have set up an Advisory Committee consisting of external experts.



Sustainability Management

We believe that growing our business while reducing the burden on the planet contributes to the creation of a sustainable society.

In January 2019, the former CSV Management Meeting and Environmental Conservation Committee were integrated to

create the Sustainability Promotion Meeting. Comprising all executive directors, including the President, and related departments, the meeting deliberates on and monitors the execution of Company-wide CSV strategy, the Sustainability Material Issues and policy regarding environmental issues.

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Matters decided at the Sustainability Promotion Meeting are discussed by the Executive Committee and Board of Directors as necessary and then reflected in the business activities of business execution departments.

In 2020, objectives for 2030 regarding the Sustainability Material Issues were discussed by the Sustainability Promotion Meeting and approved.



Internal Control System

In accordance with the Corporation Law and the Enforcement Regulations of the Corporation Law, Lion has put systems in place to ensure the appropriateness of Group operations. With regard to the systems for evaluating and auditing internal control with respect to financial reporting, as prescribed in Japan's Financial Instruments and Exchange Act, we have established controls at the Company-wide and business process levels. Evaluations of the effectiveness of our internal control are made by the Auditing Office, which reports its findings to the President and Audit & Supervisory Board members. It also reports to the Board of Directors on a regular basis. As a result of these evaluations, we have determined that Lion's internal control with respect to financial reporting in 2019 was effective, and we submitted our Internal Control Report along with our Securities Report to the Prime Minister in March 2020.

Risk Management

In order to continue providing our customers with safe and reliable products, we have appointed a Director Responsible for Risk Management who comprehensively controls and supervises risk for the whole Lion Group. Appropriate countermeasures for the management of risk related to the environment, quality assurance, and accidents and disasters are formulated in advance by the Sustainability Promotion Meeting, CS/PL Committee, and Safety, Hygiene and Disaster Prevention Meeting, respectively, and deliberated by the Executive Committee when necessary. Each plant is certified with ISO 14001 or operates based on ISO 14001 and works proactively to maintain and improve quality management and environmental conservation. In the case of a physical emergency, such as a natural disaster or accident, in accordance with the Emergency Response System (a system of manuals outlining countermeasures against earthquakes or influenza and other infectious diseases), we report the relevant facts to the President and Audit & Supervisory Board members. At the same time, the directors of relevant departments collect all pertinent information, formulate response measures, clarify causes, determine countermeasures and submit reports on these actions to the Executive Committee and the Board of Directors.

Furthermore, among the various risks that may arise while doing business, the five listed at right are the main risks that

Internal Audits

The Auditing Office, under the direct supervision of the President, implements audits across the Lion Group, examining their operations from the perspectives of legality, fairness, efficiency and risk management in order to establish a foundation for sound business activities. One of the features of Lion's internal audit system is that we exchange information closely with the Audit & Supervisory Board Members, striving to reinforce coordination. Audit results and the status of improvements are reported to the President, directors with related responsibilities and the Executive Committee after each audit. A summary of the audit results is reported to the Board of Directors twice a year to advance PDCA management of audit operations. Reports are also provided to the Executive Committee to facilitate the sharing of information with business execution departments.

Business Continuity Plans (BCPs)

Lion works to build and maintain systems to minimize damage and to ensure the continuation of business operations so that it can provide products to customers even in the event of a major earthquake, outbreak of infectious disease (pandemic) or other such contingency. We will set up a task force and respond according to the "Manual on Countermeasures for Earthquake Disaster" when a major earthquake occurs, and according to the "Manual on Countermeasures against Novel Influenza and Other Infectious Diseases" if a pandemic due to a novel influenza virus or other infectious disease is foreseen. We will judge whether or not to activate a BCP according to the scale and other conditions of the disaster. If a BCP is activated, our system is designed to give top priority to businesses that supply consumer products.

A summary of countermeasures to risks that may have a serious impact on our business is reported to the Executive Committee annually.

- 1. Product quality and value
- 2. Changes in raw material prices
- 3. Exchange rate fluctuations
- 4. Major lawsuits
- 5. Earthquakes and other natural disasters



Spreading and Strengthening Compliance Awareness

The Lion Group Charter for Corporate Behavior and Behavioral Guidelines form the foundation of the Lion Group's compliance framework. The Corporate Ethics Committee, chaired by the director responsible for corporate ethics, works proactively to foster compliance awareness within the Lion Group. The Lion Group Charter for Corporate Behavior and Behavioral Guidelines are distributed in

● e-Learning Training

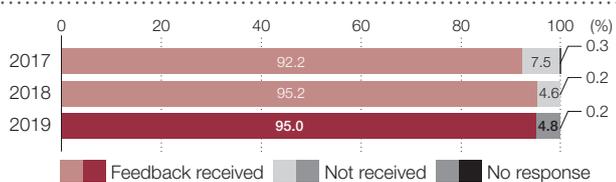
Lion conducts periodic e-learning and other training every six months. Topics covered in 2019 included a declaration of committing to the Lion Group Charter for Corporate Behavior, the basics of labor management, the workplace environment and compliance (including harassment prevention), Lion's conceptual approach to quality, information security and basic knowledge of insider trading regulations. We also provided new training regarding human rights, bribery and safety (including occupational accidents), in which 100% of employees participated.

● Compliance Awareness Survey

All domestic employees of the Lion Group (including part-time workers) are asked to complete the annual Compliance Awareness Survey.* In 2019, the survey was conducted for the 16th time. Approximately 92.8% of the targeted 4,406 employees responded. The survey results are reported to management and feedback is provided to individual divisions in order to help maintain and strengthen our compliance systems. Every year, improvements are made based on opinions solicited through the survey on such matters as problems in the workplace environment.

Going forward, Lion plans to expand the survey to overseas Group companies to further strengthen compliance functions.

Percentage of Employees Who Received Feedback from the Survey Results



* Compliance Awareness Survey

Anonymous questionnaire survey covering such topics as compliance with the Lion Group Charter for Corporate Behavior, whether there was feedback from the results of the previous Compliance Awareness Survey, and awareness of the AL Heart Hotline.

● Raising Awareness of the Hotline

Lion has set up an internal and external whistle-blowing system, the AL (All Lion) Heart Hotline, and is taking steps to raise awareness of said system among all employees, including temporary staff. Its recognition rate among employees was 98.6% in 2019.

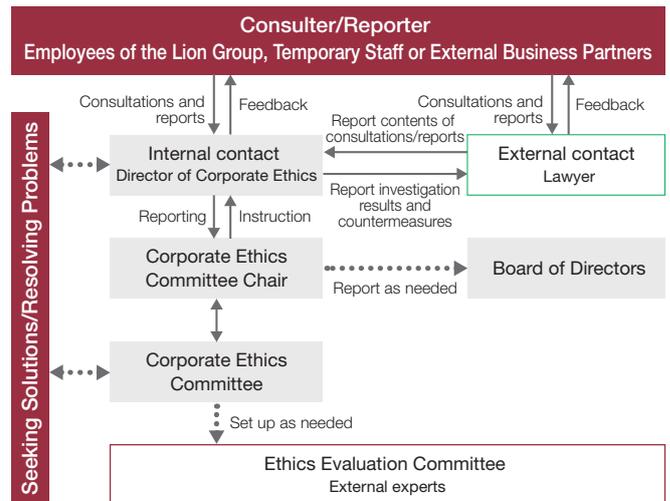
The AL Heart Hotline Employee Recognition Rate

2017	95.8%
2018	98.5%
2019	98.6%

pamphlet form to all employees and publicly available on Lion's website.

Moreover, we established the LION Anti-Bribery Principles in January 2019 in light of developments around the world related to strengthening legal regulations against acts of bribery and corruption.

The AL Heart Hotline System



AL Heart Hotline Consultations and Reports

In 2019, the hotline received 25 consultations and reports. However, none of the cases were judged to constitute serious misconduct, and all were appropriately addressed and resolved.

Content of consultations and reports made	2017	2018	2019
Harassment	9	15	11
Personnel and labor management issues	5	6	11
Others	4	2	3

AL Heart Hotline (Japanese)



<https://www.lion.co.jp/ja/company/compliance/>

Compliance Initiatives at Overseas Group Companies

The Lion Group implements initiatives at overseas Group companies aimed at spreading and strengthening compliance awareness Group-wide. In 2019, representatives from compliance-related departments visited overseas Group companies in Singapore, China and Taiwan to promote awareness of compliance-related efforts, such as the LION Human Rights Policy, LION Anti-Bribery Principles and AL Heart Hotline, as well as related initiatives.

Information about some of our other overseas initiatives is available on our website.

Embedding Compliance (Japanese)



<https://www.lion.co.jp/ja/csr/management/compliance/>