

# Reinforcing Management Resources for Continuous Growth

Continuous gains in corporate value depend not only on steady results from management strategies in the long-term management vision and medium-term business plan but also on reinforcing management resources that support sustained growth. Here, we describe JGC Group roles for society and the environment, including climate change and human rights initiatives. This chapter also introduces human and intellectual capital initiatives, our corporate governance system, stakeholder engagement, and others.

---

51	Sustainability Management
53	Addressing Climate Change
55	Human Rights Compliance
56	Occupational Health and Safety
57	Human Capital Initiatives
61	IP / Intangible Asset Initiatives
63	Quality Management
64	Corporate Governance
67	Management Structure
69	Messages from Outside Directors
77	Risk Management
79	Compliance
81	Stakeholder Engagement

## Sustainability Management

### Basic Stance

Sustainability initiatives consistent with the JGC Group's basic policy on sustainability are pursued which also support continuous growth of corporate value.

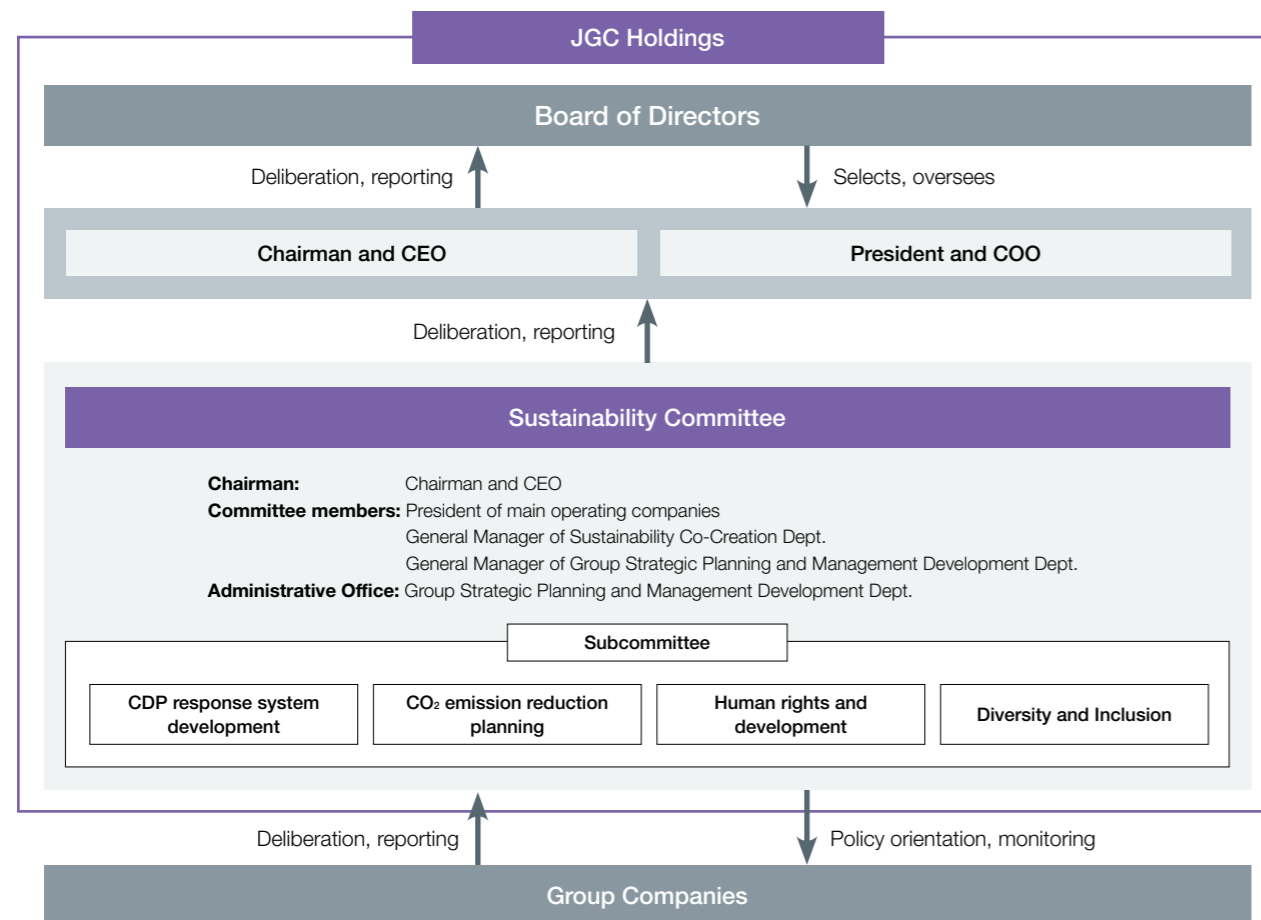
### Basic Sustainability Policy

Creating social value in line with the Group's purpose of "Enhancing planetary health" is intended to make JGC more valuable as a corporate group.

In this commitment, we will actively pursue sustainability in environmental, social, governance, quality, safety, and health initiatives.

### Framework for promoting sustainability

The Sustainability Committee formed in December 2021 formulates policies and action plans relevant to sustainability and manages and reports on progress in activities in which the Group operating companies collaborate.

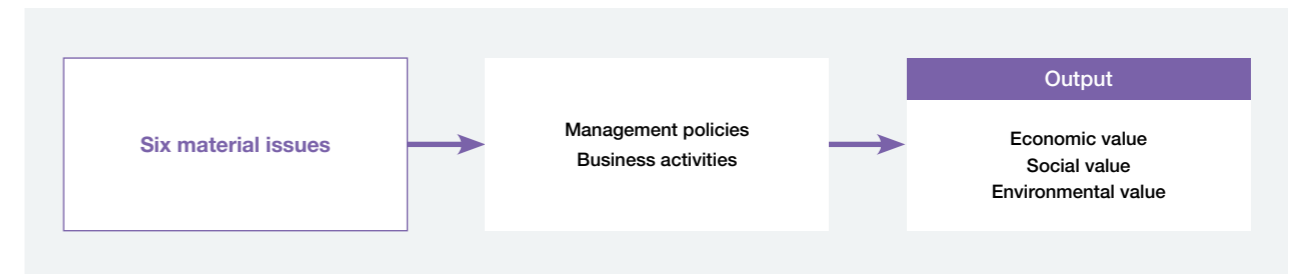


### Main activity

Fiscal 2021	1st meeting: Three subcommittees formed: CDP response system development, CO <sub>2</sub> emission reduction planning, and human rights and development.
Fiscal 2022	2nd meeting: Basic policy for human rights and development approved, diversity and inclusion subcommittee formed. 3rd meeting: CO <sub>2</sub> emission reduction plan and CDP response approved.

### Positioning as materiality and process to identify materiality

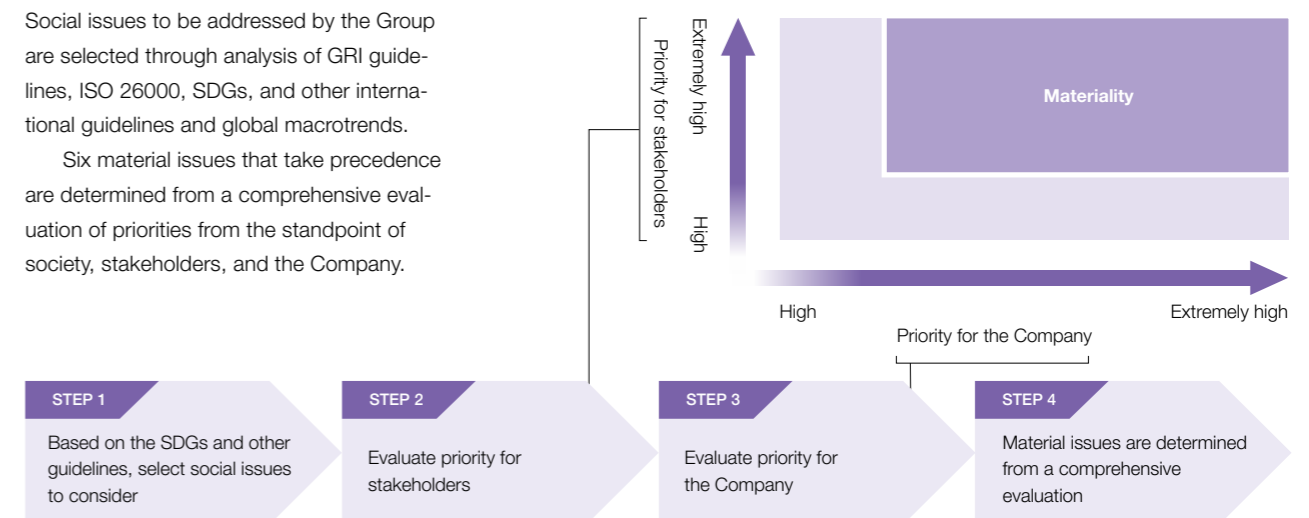
Issues positioned as materiality are viewed as a key element, fundamental in establishing management policies and conducting business. Through business activities, the JGC Group hopes to help resolve social issues and create economic, social, and environmental value.



### Process to identify materiality

Social issues to be addressed by the Group are selected through analysis of GRI guidelines, ISO 26000, SDGs, and other international guidelines and global macro trends.

Six material issues that take precedence are determined from a comprehensive evaluation of priorities from the standpoint of society, stakeholders, and the Company.



### Expanded disclosure on sustainability issues

The JGC Group emphasizes dialogue not only with investors, shareholders, clients, and employees but also local communities and other stakeholders. Broad access to information on our sustainability efforts is provided through expanded disclosure on the sustainability section of our corporate website. By recognizing stakeholder expectations and concerns for the JGC Group, we can incorporate measures to address these issues in our business activities and pursue activities supporting sustainability, and we will be considering further steps to improve information disclosure in the future.

### Sustainability section of the corporate website



Further details on sustainability initiatives are available on the JGC Group website.  
<https://www.jgc.com/en/esg-hsse/>



## Addressing Climate Change

### Basic stance

As we work toward a sustainable society, addressing climate change has become a global challenge. The JGC Group has identified “societies in harmony with the environment” as a material issue. Besides taking climate action through environmentally conscious business activities, the Group studies and formulates business strategies accounting for scenario analysis in recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

### Climate change related disclosure

In participating in international frameworks for climate change disclosure, the JGC Group has responded to CDP surveys since 2021 (when the Group received a B rating) and has followed TCFD disclosure guidelines as a supporter.



### Framework for governance

The JGC Group responds to climate change issues under the leadership of the representative director and CEO, who is responsible for ensuring that environmental issues are addressed in Group business strategies and targets. One facet of this is assessing and managing climate-related risks and opportunities. Accordingly, the long-term management vision and medium-term business plan announced in May 2021 were established through Board discussions based in part on results of climate change scenario analysis and an assessment of these risks and opportunities. Monitoring of climate change issues is conducted by the Sustainability Committee, an advisory body to the representative director, which formulates policies and action plans related to sustainability, including the Group response to climate change, and deliberates to evaluate and promote relevant action.

P. 51 Sustainability Management

### Risk management

The JGC Group is working to reduce and prevent risks from climate change and other factors under a framework that includes the Group Risk Management Committee.

P. 77 Risk Management

### Recognition of climate-related risks and opportunities

#### Main risks

<b>New regulatory risks</b>	Introduction of global carbon pricing may lead to higher equipment and fuel costs, which may affect business costs in the future. We also recognize that introduction of carbon taxes and stricter emission targets in various countries poses a risk of fewer contract opportunities, from a decline in oil & gas projects.
<b>Technology risks</b>	Lower gasoline demand from the spread of electric and fuel cell vehicles poses a risk of fewer contract opportunities for plants in the oil & gas industry. A similar risk is posed by the spread of decarbonized materials and a shift to renewable energy driven by the spread of high-performance storage batteries.
<b>Regulatory risks</b>	Firms bidding on plant construction projects are likely to face stricter information disclosure requirements regarding their climate change measures. This poses a risk of lost opportunities or unsuccessful bids, which may affect the corporate reputation.
<b>Market risks</b>	Lower plant demand in the oil & gas industry may result in fewer contract opportunities. An aversion in financial and capital markets to business related to fossil fuels also poses a risk that projects may not be approved.
<b>Policy and legal risks</b>	Failure to maintain or build on our reputation as an enterprise with the technical expertise to contribute to climate change solutions such as carbon reduction, renewable energy, and hydrogen applications may adversely affect the JGC Group in various ways, such as contract opportunities, financing, or securing human resources.
<b>Acute physical risks</b>	More frequent extreme weather events such as heavy rains, storms, typhoons, and flooding attributed to climate change may physically damage materials, equipment, and JGC Group facilities, adversely affect employees, and delay procurement.
<b>Chronic physical risks</b>	Higher average temperatures may make longer construction periods more common, due to lower labor productivity at construction sites in temperate and tropical regions. Another concern is increased costs for countermeasures and accident compensation, due to higher occupational safety risks. There is also a risk of higher shipping costs from a lack of ports if sea levels rise in coastal areas.

### Main opportunities

<b>Products and services</b>	The JGC Group has an extensive record in renewable energy plants such as solar and biomass power plants, which, as the international community shifts toward decarbonization, may increase contract opportunities. The Group has also taken steps to expand orders by establishing an organization dedicated to the promising segment of offshore wind power generation.
	Oil & gas sector applications of CCS, for which the JGC Group has completed multiple projects in Japan and overseas, and CCUS, for which joint development is underway, are expected to expand contract opportunities.
	The JGC Group is engaged in technological development and other initiatives in hydrogen, ammonia, and SMR applications aimed at a decarbonized society. More contract opportunities here can be expected in the future.
	Greater worldwide demand for a circular economy can be expected to drive demand for technologies under development by the JGC Group, which include chemical recycling of plastic waste, recycling of fiber waste, and SAF.

### Scenario analysis

Scenario Item		Definition
Target	2040	
Analysis reference data	Based on data from the International Energy Agency's (IEA) <i>World Energy Outlook 2020</i>	
Scenarios	Based on the following outlook scenarios <ul style="list-style-type: none"><li>Physical Climate Scenario (STEPS)</li><li>Transition Scenario (SDS)</li></ul>	
Target of analysis	Analysis of energy transition, circular economy, and high-performance functional materials areas that are highly relevant to climate change	

Business Area	Segment	Business Growth Potential (Scale of 1–6)	
		Physical Climate Scenario (STEPS)	Transition Scenario (SDS)
Energy transition	Refinery	➡	➡
	LNG	➡	➡
	Power generation, nuclear power, new energy	➡	➡
	Hydrogen / fuel ammonia	—	➡
Circular economy	Plastic waste Chemical recycling	—	➡
High-performance functional materials	Catalysts	➡	➡
	Fine ceramics	➡	➡
Other	Consulting	➡	➡

### Strategy

P. 29 2040 Vision

The introduction of policies in the transition scenario on matters such as expanded renewable energy use and carbon pricing that supports reduced greenhouse gas (GHG) emissions are viewed by the JGC Group as an opportunity to expand into related business areas by leveraging Group core competencies. Energy transition and circular economy are positioned as axes of climate-related business plan.

### Metrics and Targets

The medium-term business plan pledges net-zero Scope 1 and 2 GHG emissions by 2050 from Group business activities at our own sites, besides targeting a 30% reduction in emissions volume per unit of net revenue relative to fiscal 2020 levels by fiscal 2030. Scope 1 and 2 GHG emissions in fiscal 2021 stood at 133,573 tons CO<sub>2</sub> equivalent, an increase of 2% on a net sales basis. Scope 3 emissions in fiscal 2021 stood at 702,873 tons CO<sub>2</sub> equivalent (all figures based on CDP survey responses).

### Targets in the commitment to carbon neutrality by 2050

Target	Net-Zero Initiatives
<b>Scope 1+2 2050 Net-zero CO<sub>2</sub> emissions</b>	Develop “JGC Group CO <sub>2</sub> emission reduction plan” in fiscal 2022, and for Scope 1 and 2 reductions, adopt low-carbon / decarbonized practices, such as by reducing energy consumed in business activities, by using renewable energy, and by other means.
<b>Scope 1+2 2030 30% reduction in CO<sub>2</sub> emissions per unit of production</b>	
<b>Scope 3 Reduction as determined in consultation with stakeholders</b>	For Scope 3 reductions, leverage technologies cultivated by the JGC Group to provide energy transition solutions to stakeholders • Reduction of plant energy consumption through smart O&M • CCS technology • Construction of environmentally conscious facilities such as solar power, biomass power, offshore wind power, and SMRs • Hydrogen / fuel ammonia operations • Chemical recycling (plastic and fiber waste), SAF, etc.

## Human Rights Compliance

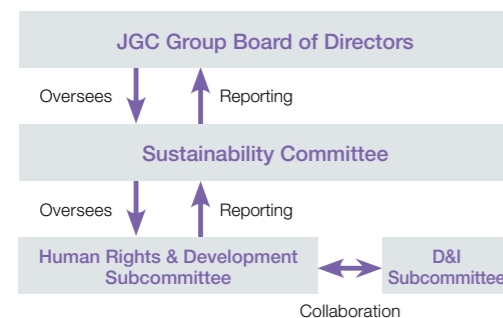
### Basic stance

Recognizing that a respect for the human rights of all people affected by our business is a fundamental principle of our business, the JGC Group abides by the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO). A basic policy on human rights was established in fiscal 2021 to emphasize this commitment, and we ask not only the Group members but also all business partners to join us in respecting human rights.



For details on the Basic Policy for Human Rights & Development, please visit the JGC Group website.  
<https://www.jgc.com/en/about/policies.html>

### Framework for promoting human rights



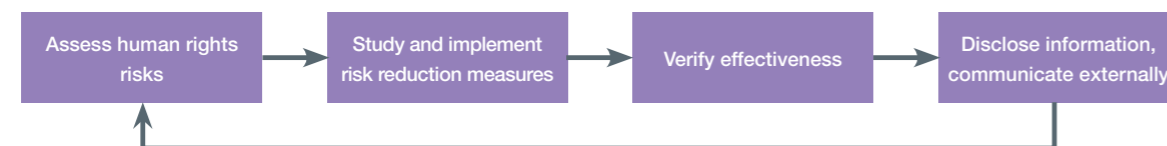
Under the Sustainability Committee chaired by the chairman and CEO of JGC Holdings, the JGC Group has established the Human Rights & Development Subcommittee as part of our human rights framework. To promote a unified, group-wide approach to human rights, the subcommittee consists of senior executives of main Group companies and works with the D&I\* Subcommittee led by a human resources department. This ensures that respect for human rights is part of our corporate culture.

\* D&I stands for Diversity and Inclusion

### Human rights due diligence

In accordance with the UN's Guiding Principles on Business and Human Rights, we conduct human rights risk assessment on all EPC business stakeholders, including JGC Group employees, subcontractors, suppliers, business partners, and clients, to determine any potential human rights issues that may arise over the course of business. These issues are evaluated from standpoints such as likelihood and severity in order to identify priority risk issues. Risk reduction measures will be studied and implemented starting in fiscal 2022–2023, and we will seek to take similar measures in Functional materials manufacturing and other business.

#### Steps in human rights due diligence



### Main initiatives

#### JGC Vendor and Contractor Expectations

Potential subcontractors receive and are asked to understand a JGC Vendor and Contractor Expectations document that includes rules on respecting human rights. Respecting human rights is also stipulated in contracts concluded with partner companies, who are requested to understand and respect internationally recognized human rights.

#### Member of Building Responsibly

Overseas operating company JGC Corporation is a board member of Building Responsibly (BR), an organization committed to protecting construction workers' rights and respecting their welfare. BR promotes respect of human rights for construction workers by establishing international standards and guidelines on work environments and conditions for occupational health and safety and housing.



## Occupational Health and Safety

### Basic stance

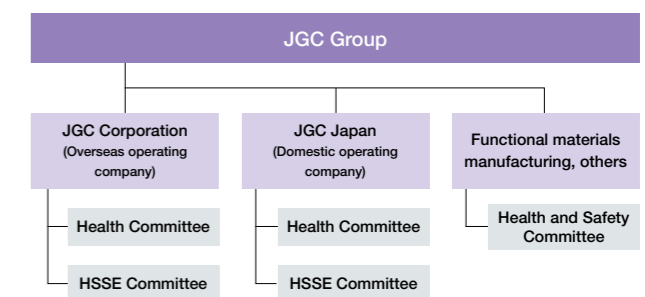
“Creating safe, secure, and healthy workplaces where all members can work with confidence” forms the basis of the JGC Group's stance on HSSE,\* which, under the leadership of top management, reflects our commitment to preventing worksite and traffic accidents involving Group or partner employees. While maintaining a stance that is also respected by our clients, the Group will continue to take a rigorous approach to health and safety.

\* HSSE stands for Health, Safety, Security and the Environment

### HSSE management framework

Health and safety committees at EPC and functional materials manufacturing operating companies discuss and decide on key matters to implement decisions promptly at each company. JGC Holdings reviews committee meeting minutes to monitor these activities and maintains an emergency contact system for any serious incidents at each company. JGC Japan and JGC Corporation also report construction safety statistics to JGC Holdings each month, and this safety performance data is shared internally as part of thorough health and safety practices.

### Framework for managing occupational health and safety



### Raising awareness of HSSE

To raise awareness of HSSE at offices and construction sites in Japan and overseas, JGC Safety Day activities are conducted from May to July each year.

The activities culminate in an annual HSSE Conference in July, hosted by the president and COO of JGC Holdings. Here, the president himself speaks on HSSE and each domestic and foreign worksite gives a presentation on their HSSE initiatives to raise HSSE awareness across the JGC Group.



HSSE conference in 2021

### High worksite safety performance

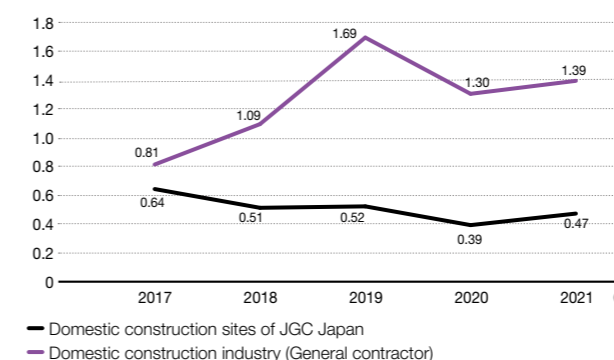
The Group's high safety record at construction sites in Japan and overseas attests to our constant commitment to safety as a core value shared by all members. Sites in Japan maintain a lost-time incident rate (LTIR)\*1 below the industry average for general construction, and overseas sites have outperformed the annual total recordable incident rate (TRIR)\*2 of the construction industry outside Japan as reported by CII/CURT.\*3

\*1 LTIR, indicating the frequency of lost-time incidents, is a safety benchmark in Japan representing the number of injuries due to workplace accidents per million actual working hours.

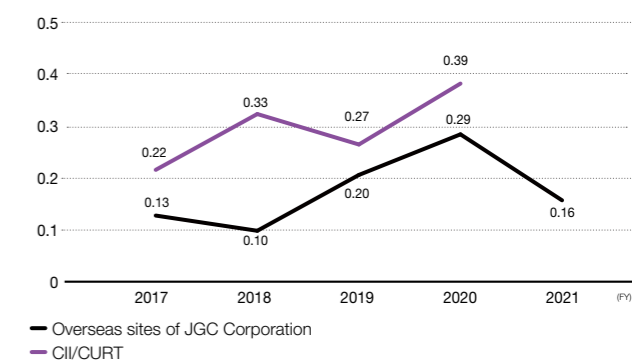
\*2 TRIR is an OSHA (Occupational Safety and Health Administration) benchmark metric for the occurrence of workplace accidents (including injuries without lost workdays) representing the frequency of recordable accidents per 200,000 hours.

\*3 Construction Industry Institute (CII) and Construction Users Roundtable (CURT) are U.S. construction industry organizations that compile safety performance of many companies in the U.S. and elsewhere.

#### Injury frequency at construction sites of JGC Japan compared to the domestic construction industry



#### TRIR of overseas sites of JGC Corporation compared to the CII average

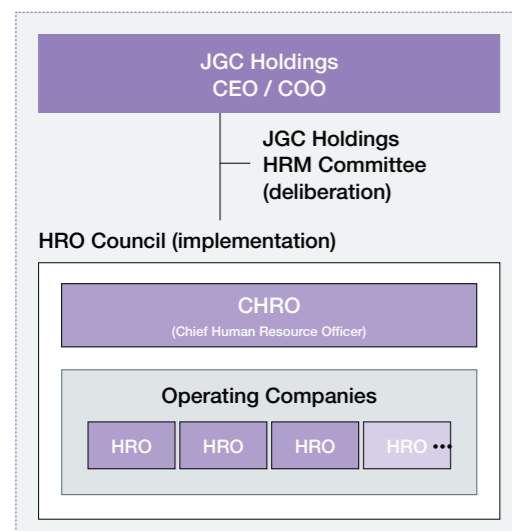
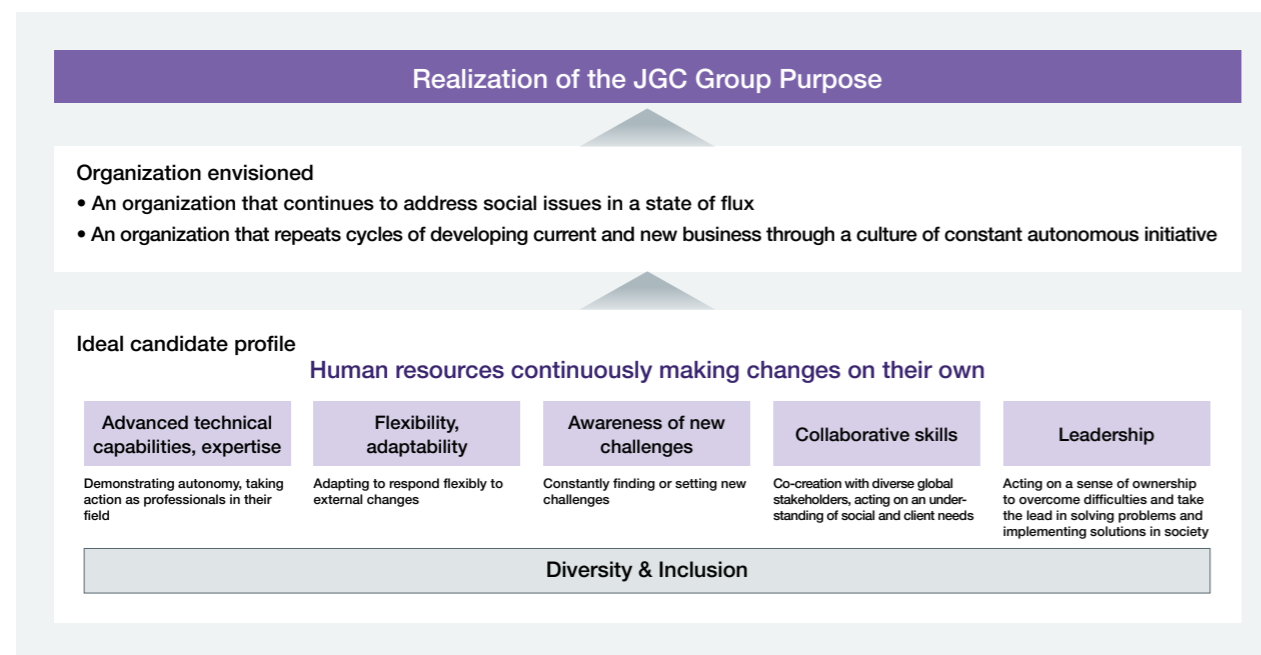


## Human Capital Initiatives

### Basic stance

Human resources are our foremost management resource in driving JGC Group growth in EPC business, functional materials manufacturing, and other operations.

Fulfilling our purpose as a company calls on us to take current business to the next level and embrace transformation as an innovative group of engineers creating and pioneering new technology and business. To attain this organizational vision, each member must take on and persist in challenges beyond current paradigms. HR strategies pursued under new organizational framework guide us in establishing and applying a personnel system for acquiring, assigning, and training diverse human resources, and for encouraging and supporting them in these challenges. The strategies promote a vibrant workplace environment for all and will continue to foster a dynamic workforce that contributes to sustained growth and higher corporate value across the JGC Group.



### Establishing a system for implementing HR strategies linked to management strategies

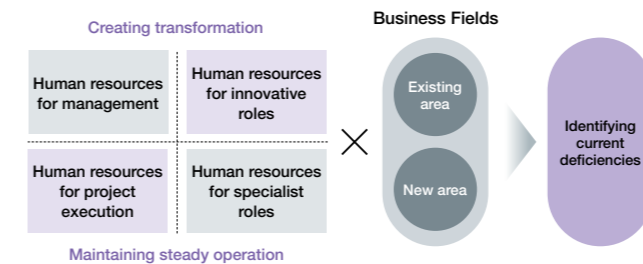
Human capital is an essential management resource to the Group, which makes HR strategies linked to management strategies a key theme. In April 2022, the Group appointed a Chief Human Resource Officer (CHRO) to lead in formulating and implementing strategic HR policies. Under this initiative, the CHRO chairs a council of the HROs of each company in a broad framework for formulation and implementation of HR strategies across the Group as we work toward the 2040 Vision. Besides formulating a human resources portfolio to identify the HR criteria and workforce needed for management strategies, this framework defines key issues and supporting strategies for strategic recruitment and development, retention, greater engagement, and succession planning, as well as guiding group-wide implementation.

### Securing and accurately deploying diverse human resources to fulfill our purpose

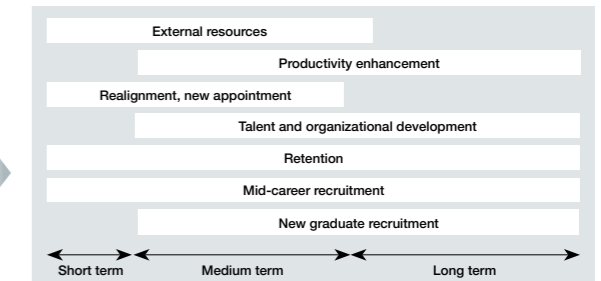
To realize the 2040 Vision and ensure sustained Group growth, we are building an ideal HR portfolio of four types of members in both existing business areas and new ones essential for growth. The portfolio is based on the dual axes of creating transformation and maintaining steady operation, with the former focused on long-term organizational management / sowing future business seeds and the latter on steady execution of current businesses, seeking revenue. As current deficiencies relative to the envisioned portfolio are identified, we conduct strategic recruitment, training, and deployment of human resources that includes recruitment of new graduates and mid-career professionals as well as reskilling and realignment of existing members.

#### Ideal human resources portfolio

Members classified into four roles



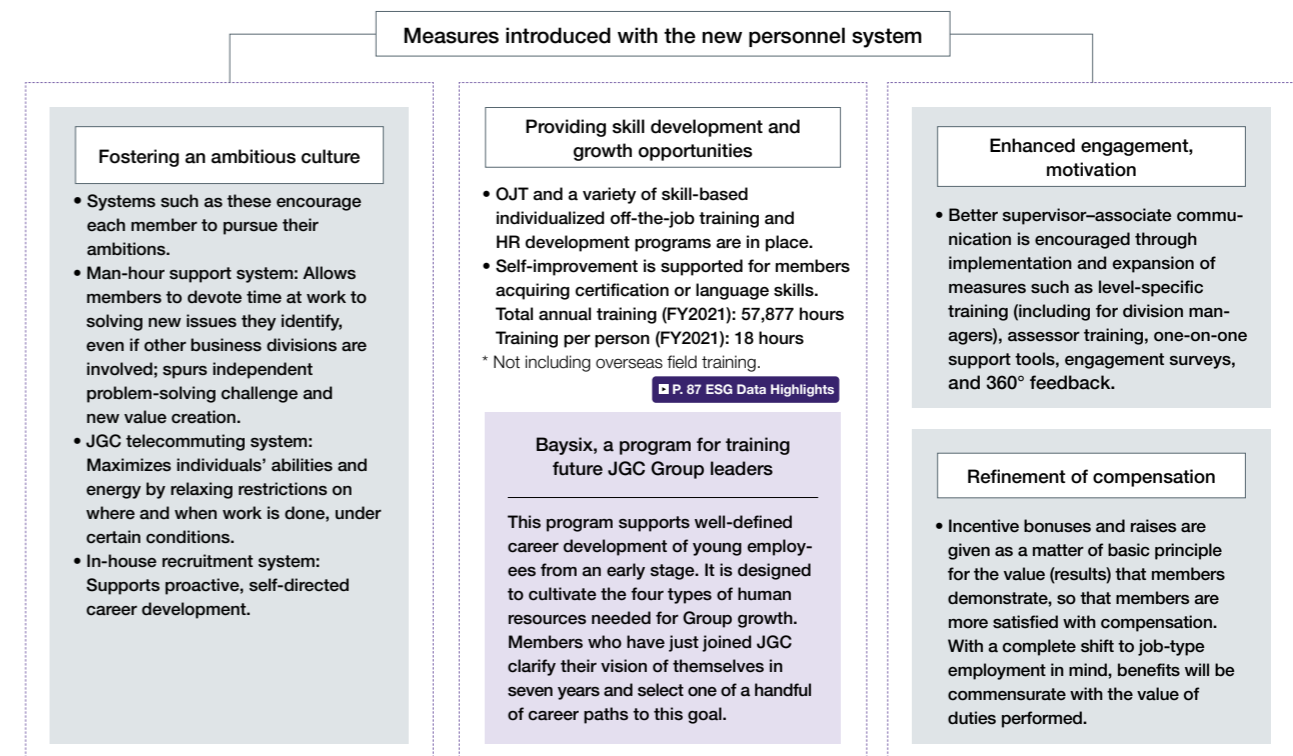
#### Methods for building the human resources portfolio



### Personnel systems for training and supporting an ambitious workforce

Dynamic human resources continuously making changes on their own are continually produced as a basic goal of the JGC Group's HR development policy. Opportunities for skill development and career advancement are provided regardless of differences such as nationality, race, age, disability, or religion.

We believe that this unwavering dynamism and an ambitious corporate culture cannot be attained unless each of our members take on and persist in challenges. Beyond our existing personnel development system, an updated personnel system launched in fiscal 2022 introduces an array of measures and programs to support each member's ambition as much as possible. In this way, we foster a culture where each member rises to challenges. We are also shifting to job-type employment with job-specific placement, for synergy between individual development and corporate group growth.



## Human Capital Initiatives

### Workplace environments supporting job satisfaction

Sustainable growth is driven by our Group employees. The JGC Group is committed to work environments that are healthy and motivating, where engaged members can make the most of their abilities and offer their best performance.

#### Promoting diversity and inclusion

Guided by the sense of purpose and values that represent our corporate philosophy, we apply the shared Group value of respect for all people in a variety of personnel measures and frameworks. Not only is the Group committed to ensuring diversity by respecting differences such as nationality, race, sex, age, disability, or religion, we are creating new value from diversity by providing opportunities for exchanges of individual talent and energy, among other measures.

We also respect diverse lifestyles, and are promoting D&I by establishing an internal environment where we can make the most of the abilities of each member of our diverse workforce and continue to enhance motivation.

### 1 Ensuring diversity

#### Promotion of women's careers

The Group provides a comfortable working environment for women though an extensive family care system with sick / injured childcare leave, support for those raising children that includes up to two days off per month for childcare leave, and leave or shorter working hours for nursing care. Opportunities are also given for informal talks among female employees and for career counseling. Moreover, we hope to double the number of female managers by 2025 compared to 2020, and we are actively promoting women to management positions across the Group.

#### Number and ratio of women in managerial positions\*

	Fiscal 2019	Fiscal 2020	Fiscal 2021
Number of total managers	1,182	1,221	1,256
Number of female managers	26	30	35
Ratio of female managers (%)	2.2	2.5	2.8

\* Applies to employees of JGC Holdings, JGC, and JGC Japan, after adoption of a holding company structure on October 1, 2019

#### VOICE

Many staff members are from other countries, and we have originally had a corporate culture that values diversity. As long as you welcome the chance to learn and grow, your abilities and achievements are recognized regardless of sex, nationality, or age. Some life events prevent people from working as much as they'd prefer, but recently, quite a few more men have been taking childcare leave for the birth of a child. We sense that the environment, both in our programs and in corporate culture, has become more conducive to work-life balance. Further promotion of diversity will call for management to listen to people's hopes and wishes and then plan and support their development over the long run.



**Hideko Izumi**  
JGC Corporation  
Project Solutions Center  
PSC Talent Development Department

#### Welcome Back system for returning members

This program encourages former female employees to rejoin us within three years of resigning to move and live at least a year with a spouse who was transferred or stationed abroad. Case-by-case decisions are made, with these members generally returning to their original division, for example.

#### FCW Meetings for a dynamic female workforce

Female empowerment and motivation aimed at greater dynamism are sought by inviting women at JGC to attend the annual FCW Meeting organized by the Friendship Committee for Women Career Development (FCW), a joint initiative of Japan Cooperation Center for Petroleum and Sustainable Energy (JCCP) and Abu Dhabi National Oil Company (ADNOC). To this end, open discussions on women's career development are held with male and female committee members from both countries.

#### Ricochare participation to cultivate potential female employees

We are also involved in nurturing future female Group leaders through participating in the Science and Engineering Challenge (Ricochare), an initiative of the Gender Equality Bureau of the Cabinet Office, to support female students interested in science or engineering careers.

#### Promoting recruitment of people with disabilities

To advance and stabilize recruitment of people with disabilities, Group company JGC Parallel Technologies Corporation was established in January 2021. Focusing on IT operational support and staffed by 11 workers as of June 2022, JGC Parallel Technologies has a personnel system in place for the convenience of those with disabilities.



Parallel × Technologies

#### Senior engagement and retention

The EPC business relies on proven engineering expertise, and we have long recognized the valuable experience of older engineers who have been actively recruited. JGC took the initiative to raise the retirement age to 65 in 2015, enabling senior employees to pass on expertise while bearing project responsibility and continuing to be compensated accordingly.

#### Globalized recruitment and engagement

Recent efforts supporting globalized recruitment and engagement include linking language proficiency to advancement at Group companies where English is common, establishing a prayer room at the Yokohama Head Office, cultivating a global mindset in members through measures such as overseas field training, and appointing non-Japanese to managerial positions.

P. 87 ESG Data Highlights

#### A warm welcome to returning JGC alumni

Recruitment by the Group is not limited to new graduates or other external applicants. We also actively rehire those who at one point left or retired from the Company. In fiscal 2021 these efforts were honored by the Japan Alumni Award, which promotes renewed ties between organizations and their former employees and recognizes outstanding efforts to this end.



P. 87 ESG Data Highlights

### 2 Promoting diverse working styles

#### Family care system

The family care system in place helps members balance work with family affairs, childcare, and nursing care. For men and women alike, the system supports career development mindful of life events.

P. 87 ESG Data Highlights



#### JGC telecommuting system

To maintain high productivity while respecting the work-life balance of each member, flexible working styles have been adopted with relaxed restrictions on where and when work is done. Our basic approach is a hybrid style combining commuting and telecommuting for greater convenience.

#### Shared offices

Shared offices at the Yokohama Head Office offer a variety of areas for different purposes, including private booths, open spaces for discussions, and smart cubicles for online meetings. This has inspired more flexible ways of working and stimulated internal interaction, leading to new ideas and value.



#### Promoting employees health

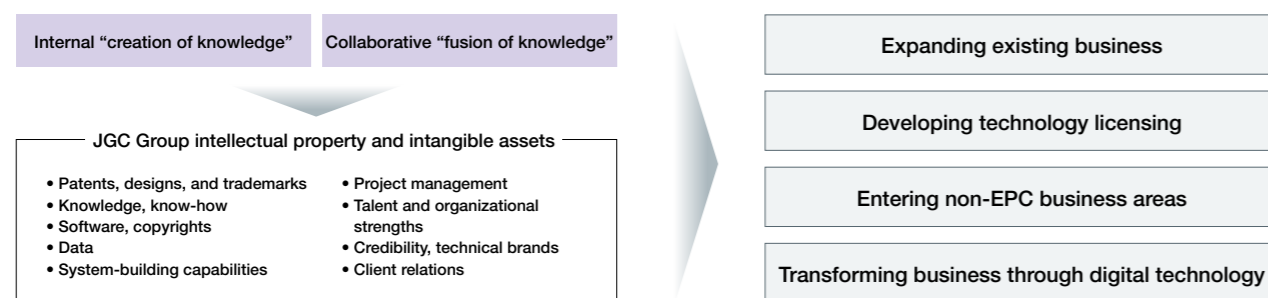
Members who thrive physically and mentally are considered by the Group to be basis for creating corporate value, and health is promoted accordingly. Besides workplace vaccinations and other preventive measures during the pandemic, the Group maintains several health programs, including regular stress assessment, an internal exercise program, and quarterly leave of nearly two weeks of vacation for employees stationed abroad.

## IP / Intangible Asset Initiatives

### Basic stance

Intellectual property and intangible assets are emphasized by the JGC Group as a management resource for sustained growth, and we are actively engaged in creating, protecting, and applying these assets and in associated risk management.

A broad range of these assets built up through internal “creation of knowledge” and collaborative “fusion of knowledge” are used to expand existing business, develop technology licensing, enter non-EPC areas, and transform business through digital technology while ensuring compliance, respecting others’ rights, and minimizing our own risks.



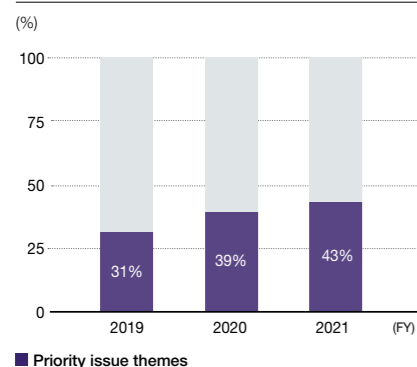
### Example of forms of usage of intellectual property and intangible assets

<b>Expanding existing business</b>	Contributing to securing project orders in existing segments such as oil & gas, renewable energy, and life sciences, expanding functional materials manufacturing, and ensuring a competitive advantage through cost-cutting technologies
<b>Developing technology licensing</b>	Expanding a license portfolio that includes low carbon / decarbonization, clean energy, and chemical process technologies, and finding licensees
<b>Entering non-EPC business areas</b>	Co-creation for circular economy applications (with recycling technologies for plastic and fiber waste and used cooking oil), entering new business areas
<b>Transforming business through digital technology</b>	Establishing “soft” business such as stable plant operation / higher productivity services, plant maintenance, and safety risk assessment; building systems to convert tacit knowledge (including skilled engineers’ experience, knowledge, and expertise) into explicit knowledge

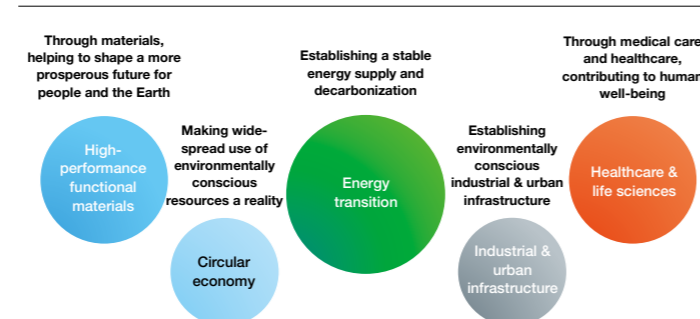
### Building a strategic IP portfolio

IP portfolio building by the JGC Group is focused in the five key areas identified in the long-term management vision (2040 Vision) and in technology for digital transformation – innovative technology for streamlining operations. We are gradually increasing our ratio of patent applications in these areas.

Transition of the number of patent applications in our key business areas



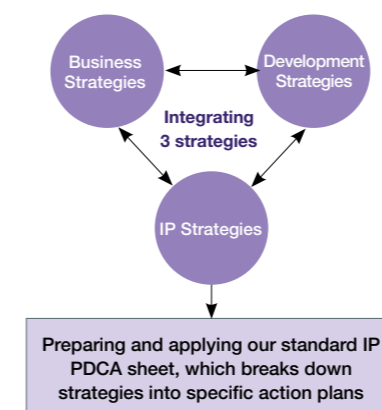
Five key business areas in 2040 Vision, our long-term management vision



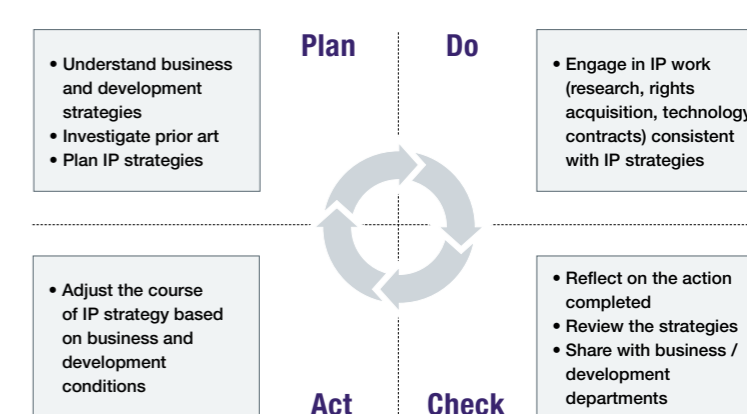
### Implementing IP strategies linked to business and development strategies

Growth of current business and creation of new business is promoted by formulating IP strategies linked to our business and development strategies. The Group then repeats PDCA cycles for IP that integrate all three strategies.

#### Planning IP strategies



#### Implementing a PDCA cycle for IP



#### Monitoring implementation of IP strategy

To monitor implementation of IP strategy in technology development and commercialization for business areas we are exploring, matters of intellectual property are reviewed in the transitions between stages set by various committees related to development and commercialization, and the IP Department.

### Risk management for IP / intangible assets

Departments in charge of business, technology development, legal affairs, and intellectual property collaborate to identify and reduce IP risks.

Thorough IP Clearance	Technology Contract Review	Management of Information Such as Trade Secrets
<ul style="list-style-type: none"> <li>Focusing on measures to respect others' intellectual property rights and a prudent course of action to prevent patent disputes or the like</li> </ul>	<ul style="list-style-type: none"> <li>Thorough management of technology contracts in agreements for projects, licensing, and joint development</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening trade secret protection by establishing information security rules, building an information management system, and conducting internal education</li> </ul>

### Educational programs on intellectual property

An original IP education program called JGC IP Academy is conducted to ensure that each member recognizes the importance of IP and intangible assets and brings an IP perspective to their own work.



Scope	Details
<b>New Employee Training</b> (classroom learning, exercises)	<b>Group Training</b> (practical skill-building program)
<b>E-learning</b> (improving IP literacy)	<b>Main Courses</b>
<ul style="list-style-type: none"> <li>Beginners</li> <li>Practitioners</li> <li>Management</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D members</li> <li>Engineers</li> <li>Sales representative and others</li> </ul>
	<ul style="list-style-type: none"> <li>Intellectual property systems</li> <li>Patent searching</li> <li>Using intellectual property</li> <li>Technology contracts</li> <li>Copyrights</li> <li>Branding</li> </ul>



For details on IP / intangible assets, visit the JGC Group website.  
[https://www.jgc.com/en/business/tech-innovation/intellectual\\_assets/](https://www.jgc.com/en/business/tech-innovation/intellectual_assets/)



Quality Management

Basic stance

Quality management is essential for safe operation and stable production at plants and other facilities. The JGC Group has established an ISO 9001-certified quality management system and ensures quality through systems and human resources that bring together valuable knowledge and skills built up over many years. These efforts include pursuing root causes of any quality issues and taking effective measures to prevent recurrence, as led by committees such as the Quality Assurance Committee to promote continuous improvement in ensuring quality.

Quality management system

Under the ISO 9001-certified quality management system in place at the JGC Group, quality policies established by each company form the basis for quality targets set at various organizational levels. After organizational issues are identified, quality targets and action plans are formulated, implemented, evaluated, and improved in PDCA cycles for continuous improvement of organizational performance.

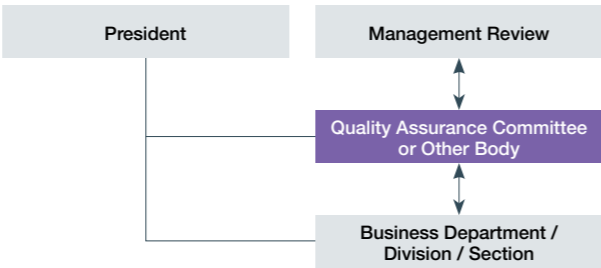
Framework for quality management at Group companies

Quality assurance committees or similar bodies in each Group company meet regularly.

The committees implement continuous improvements to ensure that quality of the products and services provided remains satisfactory, which includes investigating the root causes of any quality issues and preventing recurrence. The committees also evaluate these measures, as ongoing improvements are made.

In maintaining this framework for quality assurance, quality management activities are reviewed annually by the president of each company.

Positioning of each company's quality management system



Corporate Governance

Basic stance

The JGC Group remains aware that, in line with our purpose of “Enhancing planetary health,” sound governance is the foundation for management in pursuit of higher medium- to long-term corporate value and sustained growth. We are therefore strengthening our corporate governance, which we view as a priority material issue.

Our central mechanism for corporate governance is the Board of Directors. Its governance structures, functions, and roles are continuously reviewed, with Board effectiveness analyzed and assessed each year as we seek progress through steady improvement.

In shareholder and investor engagement, we take a proactive stance in highly transparent information disclosure, and viewpoints from this dialogue are applied to strengthen governance and management.

In regulatory compliance and other matters essential to appropriate corporate governance as well, our purpose and values call on each employee and officer to maintain high ethical standards in everything they do, so that the Group as a whole works to enhance medium- to long-term corporate value and achieve sustained growth.

Outline of corporate governance system

JGC Holdings maintains a board of directors and an audit and supervisory board. The JGC Group has adopted a holding company structure under which operating companies pursue the Group’s core business.

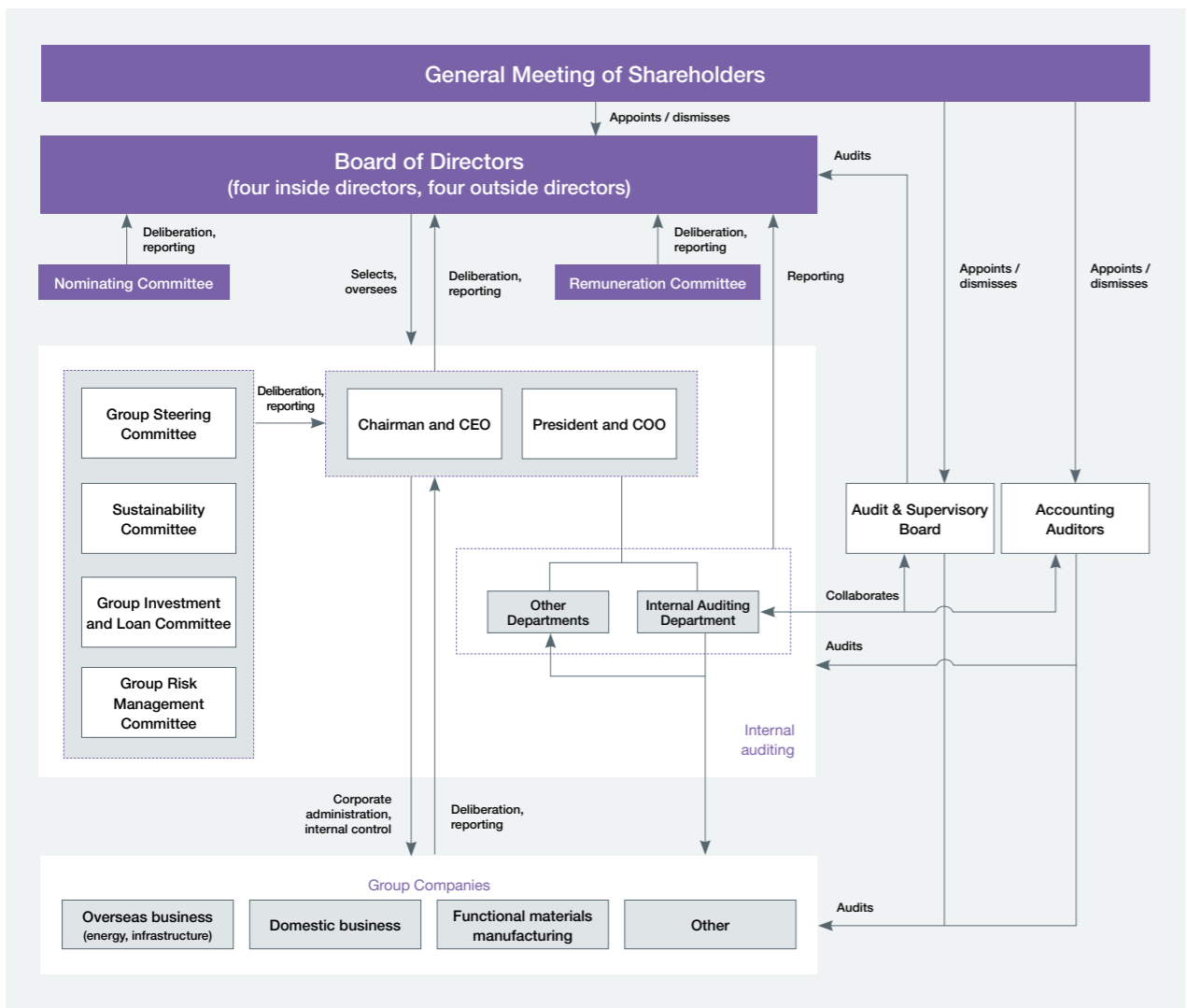
Separating management from execution provides greater clarity on roles and responsibilities of the holding company and operating companies. The holding company’s role is to formulate management policies and oversee the operating companies from a medium- to long-term Group perspective. Operating companies apply Group management policies and strategies to respond flexibly and rapidly to market characteristics and seek further business expansion. This is intended to maximize corporate value and ensure optimal allocation of management resources for the Group as a whole while enhancing transparency of corporate management and strengthening overall Group governance. Committees have been established to deliberate key Group matters, and an executive officer system has been introduced to ensure efficient managerial decision-making and execution. Main elements of the corporate governance system are as follows.

Outline of corporate governance system

Body	Purpose	Meetings	Members	Head of organization
Board of Directors	<ul style="list-style-type: none"><li>Resolves key matters of business execution</li><li>Oversees directors' executive actions</li><li>Deliberates on medium- to long-term strategies and issues</li></ul>	Generally monthly	Eight directors (including four outside directors) Five auditors (including three outside auditors) (For fuller discussions, others also attend as needed, such as operating company officers, executive officers in charge of certain areas, and those in relevant divisions)	Chairman and CEO Masayuki Sato
Audit & Supervisory Board	<ul style="list-style-type: none"><li>Discusses or resolves issues based on reports of key auditing matters</li><li>Presents opinions based on the results above to directors or the Board of Directors as necessary</li></ul>	Generally monthly	Five auditors (including three outside auditors)	Full-time Audit & Supervisory Board member Yasumasa Isetani
Nominating and Remuneration Committees	<ul style="list-style-type: none"><li>Deliberates on appointment and dismissal of officers, remuneration, etc.</li></ul>	Annually (and as needed)	Chairman and CEO Masayuki Sato President and COO Tadashi Ishizuka Four outside directors* (Shigeru Endo, Masayuki Matsushima, Kazuo Ueda, and Noriko Yao) <small>* In order to improve fairness and transparency, the majority of the committee consists of outside directors.</small>	Nominating Committee: Outside Director Shigeru Endo Remuneration Committee: Outside Director Masayuki Matsushima
Group Steering Committee	<ul style="list-style-type: none"><li>Reports on and discusses the direction that the Group should take as well as steering matters such as management / business strategies for the Group as a whole and each operating company</li></ul>	Generally monthly	Chairman and CEO Masayuki Sato President and COO Tadashi Ishizuka Auditors (rotating) (Consists of members such as Group company officers appointed by the chairperson)	Chairman and CEO Masayuki Sato
Group Investment and Loan Committee	<ul style="list-style-type: none"><li>Deliberates on holding company and Group investment and lending projects</li></ul>	Generally monthly	Standing members: Seven directors, executive officers, and auditors of the holding company and Group Non-standing members: Two executive officers of the holding company may attend, depending on the agenda	Chairman and CEO Masayuki Sato
Sustainability Committee	<ul style="list-style-type: none"><li>Formulates Group policies and action plans related to sustainability; deliberation to evaluate and promote action supporting sustainability</li></ul>	Generally annually	Chairman and CEO Masayuki Sato Consists of members proposed by presidents and chairpersons of Group companies and approved by the president of their company	Chairman and CEO Masayuki Sato
Accounting Auditors	<ul style="list-style-type: none"><li>CPAs Takemitsu Nemoto, Atsushi Nagata, and Takashi Inoue of KPMG AZSA LLC audit JGC accounts.</li><li>Auditing support is provided by nine other CPAs and eight assistants.</li></ul>			

## Corporate Governance

### Corporate governance system



### Improvement Status of Internal Control System

JGC Holdings' Board of Directors determines the basic principles of the internal control system and revises them as necessary.

#### Improvement status

- 1 The Internal Auditing Department monitors, evaluates, and improves the effectiveness of the internal control systems of JGC Holdings and the JGC Group and conducts separate audits as necessary
- 2 Rules of Management Authority regulate the duties and authority of each role, and clarify the system of responsibilities in corporate management and business execution
- 3 Management rules for Group companies have been formulated and implemented to ensure efficient and appropriate operations across the Group

### Response to the Corporate Governance Code

Since the implementation of the Tokyo Stock Exchange's Corporate Governance Code in June 2015, we have consistently held discussions on appropriate corporate governance for JGC Holdings and are making steady efforts to further solidify our corporate governance. A corporate governance report based on the revised Corporate Governance Code of June 11, 2021, is available on the JGC website.

#### Content

- 1 Implementation of all principles laid out in the Corporate Governance Code
- 2 Disclosure according to all 14 general principles, principles, and supplementary principles required by the Tokyo Stock Exchange

### Board of Directors

#### Board functions

The Board of Directors is responsible for decision-making on medium- to long-term Group strategies and issues, and it provides oversight regarding business execution of Group companies. Board composition is intended to enable effective and efficient execution of these functions.

#### Basic policy on Board composition and diversity

From the standpoint of further enhancing discussions on medium- to long-term Group strategies and issues and of strengthening oversight regarding business execution of Group companies, the Board consists of the following members.

- 1 Consists mainly of directors with broad experience in business markets and directors with a high level of knowledge and expertise in EPC operations, which is the primary Group business.
- 2 Independent outside directors are appointed in order to incorporate outside perspectives in management, with the expectation that these directors will provide objective advice to the Board and fulfill oversight functions from an independent viewpoint.

As a matter of policy respecting the importance of diverse perspectives, members are appointed not solely based on professional experience and expertise but also on competence, regardless of nationality, race, or sex.

JGC Holdings appointed Ms. Noriko Yao as an outside director in June 2021, and continues its efforts to ensure Board diversity.

#### Skills Matrix of Directors (Four inside, four outside)

Name and position at JGC	Term as director (in years)	Outside director attendance at Board meetings in fiscal 2021	Field					
			Corporate management	Technology, project management, and IT	Global business	HR, human resource development, and labor relations	Finance and accounting	Legal and risk management
<b>Masayuki Sato</b> Chairman and CEO	12	–	●	●	●	●	●	
<b>Tadashi Ishizuka</b> President and COO	5	–	●	●	●	●		
<b>Kiyotaka Terajima</b> Director, Senior Executive Vice President, and CFO	6	–	●		●	●	●	●
<b>Shoji Yamada</b> Director	1	–	●	●	●	●		
<b>Shigeru Endo</b> Director	9	15/15 (100%)			●	●		●
<b>Masayuki Matsushima</b> Outside Director	6	15/15 (100%)	●		●	●	●	●
<b>Kazuo Ueda</b> Outside Director	3	15/15 (100%)			●	●	●	
<b>Noriko Yao</b> Outside Director	1	12/12 (100%)			●	●		●

#### Skills Matrix of Auditors (Two inside, three outside)

Name and position at JGC	Term as auditor (in years)	Outside auditor attendance at Board meetings in fiscal 2021	Field					
			Corporate management	Technology, project management, and IT	Global business	HR and human resource development	Finance and accounting	Legal and risk management
<b>Yasumasa Isetani</b> Audit & Supervisory Board Member	4	–	●	●	●	●		
<b>Kazuyoshi Muto</b> Audit & Supervisory Board Member	1	–	●	●	●	●		
<b>Masao Mori</b> Outside Audit & Supervisory Board Member	11	14/15 (93%)		●				
<b>Koichi Ohno</b> Outside Audit & Supervisory Board Member	8	15/15 (100%)					●	●
<b>Norio Takamatsu</b> Outside Audit & Supervisory Board Member	6	15/15 (100%)	●	●		●	●	

Note: Selection rationale for each skills matrix is shown on p. 67. The above list is not exhaustive or prescriptive, which indicates disciplines where directors and auditors can further demonstrate their expertise, not all disciplines in which each director and auditor excels.

## Management Structure (As of June 2022)

### Directors



**Masayuki Sato**

Representative Director, Chairman and Chief Executive Officer (CEO)



**Tadashi Ishizuka**

Representative Director, President and Chief Operating Officer (COO)



**Kiyotaka Terajima**

Member of the Board



**Shoji Yamada**

Member of the Board



**Shigeru Endo**

Outside Director



**Masayuki Matsushima**

Outside Director



**Kazuo Ueda**

Outside Director



**Noriko Yao**

Outside Director

### Audit & Supervisory Board Members

**Yasumasa Isetani**

Audit & Supervisory Board Member

**Kazuyoshi Muto**

Audit and Supervisory Board Member

**Masao Mori**

Outside Audit & Supervisory Board Member

**Koichi Ohno**

Outside Audit & Supervisory Board Member

**Norio Takamatsu**

Outside Audit & Supervisory Board Member

### Executive Officers

**Kiyotaka Terajima**

Senior Executive Vice President  
Chief Financial Officer (CFO)

**Takuya Hanada**

Executive Vice President  
Chief Human Resource Officer (CHRO)  
& Chief Digital Officer (CDO)

**Yasuhiro Okuda**

Senior Executive Officer

**Masahiro Aika**

Senior Executive Officer  
Technology Commercialization  
Officer (TCO)

**Masaki Ishikawa**

Senior Executive Officer

**Aya Yamazaki**

Executive Officer

**Takeshi Kawasaki**

Executive Officer

**Shigeru Adachi**

Executive Officer

**Yoshihiro Mizuguchi**

Executive Officer  
Chief Technology Officer (CTO)

**Akihito Sawaki**

Executive Officer  
Chief Information Officer (CIO)

**Keiji Tanigawa**

Executive Officer

**Satoshi Kurata**

Executive Officer  
General Counsel

### Selection Rationale for Each Skills Matrix

Skill	Selection rationale
<b>Corporate management</b>	To achieve goals of the medium-term business plan (BSP 2025) and the 2040 Vision in line with the Group purpose of "Enhancing planetary health," the Group requires directors experienced in establishing clear strategies for sustained growth and higher corporate value even in a turbulent business environment.
<b>Technology, project management, and IT</b>	The Group requires directors with a high level of knowledge and expertise in our main businesses in order to pursue, manage, and oversee growth strategies for sustained growth and greater corporate value. Directors must also be highly knowledgeable and experienced in the five business areas of energy transition, high-performance functional materials, circular economy, healthcare & life science, and industrial & urban infrastructure that will be essential in social issues we must begin to address to fulfill our purpose of "Enhancing planetary health."
<b>Global business</b>	Implementing growth strategies and managing and supervising progress toward sustainable Group growth and higher corporate value calls for directors with experience in overseas business management and extensive knowledge of and familiarity with everyday life, culture, business environments, and so on outside of Japan.
<b>HR, human resource development, and labor relations</b>	JGC Group employees are required to possess advanced technical capabilities and expertise, an appreciation of different cultures and diversity in order to work with others of many nationalities, and a mental attitude that helps us make the most of our organizational strengths. To this end, personnel management must be established that ensures peak employee performance, and the Group requires directors with solid knowledge and experience in human resources management or development, including promotion of diversity.
<b>Finance and accounting</b>	Beyond ensuring accurate financial reporting, the directors required by the Group must have reliable knowledge and experience in finance and accounting, as needed to build a strong financial foundation and to formulate financial strategies both for growth investments (including M&As) aimed at sustainable gains in corporate value and for higher shareholder return.
<b>Legal and risk management</b>	A suitable governance system is fundamental to sustainable growth in corporate value. Moreover, to continue enhancing Board oversight effectiveness, the Group requires directors with solid knowledge and experience in corporate governance, risk management, and compliance.

### Introduction of Outside Directors

This section introduces JGC Holdings' outside directors, who serve an important role on its Board of Directors, Nominating Committee, Remuneration Committee, etc., as well as their resumes and reasons for their appointment.

Name	Resume	Reason for appointment
 <b>Shigeru Endo</b> Outside Director	<p>Apr. 1974 Joined the Ministry of Foreign Affairs</p> <p>Apr. 2001 Director-General, Middle Eastern and African Affairs Bureau</p> <p>Feb. 2002 Director-General, Consular and Migration Affairs Department</p> <p>Aug. 2003 Ambassador to The Permanent Mission of Japan to the United Nations and Other International Organizations in Geneva and Consul General, Consulate General of Japan in Geneva</p> <p>Mar. 2007 Ambassador Extraordinary and Plenipotentiary to the Republic of Tunisia</p> <p>Jul. 2009 Ambassador Extraordinary and Plenipotentiary to Saudi Arabia</p> <p>Oct. 2012 Retired from the Ministry of Foreign Affairs</p> <p>Jun. 2013 Outside Director, former JGC CORPORATION</p> <p>Jun. 2013 Outside Director, IINO KAIUN KAISHA, LTD.</p> <p>Apr. 2014 Special Assistant to the Minister for Foreign Affairs (current post)</p> <p>Jun. 2018 Outside Director, ADEKA Corporation (current post)</p> <p>Oct. 2019 Outside Director, JGC HOLDINGS CORPORATION (current post)</p>	Mr. Shigeru Endo does not have direct experience in corporate management, but he has served as the ambassador extraordinary and plenipotentiary to Saudi Arabia and Tunisia and possesses extensive experience and knowledge of the Group's principal business market. Appointment as outside director reflects the Group's determination that this experience and knowledge will be applied in appropriately performing the duties of providing accurate advice and opinions on management and business and fulfilling a supervisory role from an independent standpoint, which will contribute to sustainable enhancement of corporate value.



**Masayuki Matsushima**

Outside Director

Apr. 1968 Joined Bank of Japan

Jun. 1998 Executive Director, in charge of the Bank's International Affairs

Jun. 2002 Senior Advisor, the Boston Consulting Group

Feb. 2005 Senior Executive Advisor, Credit Suisse Securities (Japan) Limited

Jun. 2008 Chairman, Credit Suisse Securities (Japan) Limited

May 2011 Senior Advisor, the Boston Consulting Group

Jun. 2011 Outside Director, Mitsui O.S.K. Lines, Ltd.

Jun. 2011 Outside Director, Mitsui O.S.K. Lines, Ltd.

Sep. 2014 Senior Advisor, Integral Corporation (current post)

Jun. 2016 Outside Director, former JGC CORPORATION

Jul. 2017 External Councillor, Grant Thornton Taiyo LLC (current post)

Oct. 2019 Outside Director, JGC HOLDINGS CORPORATION (current post)

Mr. Masayuki Matsushima has extensive experience and knowledge in finance and corporate management, having served as executive director of the Bank of Japan and in other significant positions. Appointment as outside director reflects the Group's determination that this experience and knowledge will be applied in appropriately performing the duties of providing accurate advice and opinions on management and business and fulfilling a supervisory role from an independent standpoint, which will contribute to sustainable enhancement of corporate value.



**Kazuo Ueda**

Outside Director

Apr. 1989 Assistant Professor, Faculty of Economics, The University of Tokyo

Mar. 1993 Professor, Faculty of Economics, The University of Tokyo

Apr. 1998 Member of the Policy Board, Bank of Japan

Apr. 2005 Professor, Graduate School of Economics, The University of Tokyo

Oct. 2005 Dean, Graduate School of Economics, The University of Tokyo

Oct. 2005 Dean, Faculty of Economics, The University of Tokyo

Oct. 2008 Outside Director, Development Bank of Japan Inc. (current post)

Apr. 2017 Director, Center for Advanced Research in Finance, The University of Tokyo

Apr. 2017 Professor, Faculty of International Studies, Kyoritsu Women's University

Jun. 2017 Professor Emeritus, The University of Tokyo (current post)

Jun. 2017 Outside Audit & Supervisory Board Member, MELCO HOLDINGS INC.

Jun. 2019 Outside Director, former JGC CORPORATION

Oct. 2019 Outside Director, JGC HOLDINGS CORPORATION (current post)

Apr. 2020 Dean, Faculty of Business, Kyoritsu Women's University (current post)

Apr. 2020 Professor, Faculty of Business, Kyoritsu Women's University (current post)

Mr. Kazuo Ueda does not have direct experience in corporate management but has extensive academic experience as an expert on macroeconomics. Appointment as outside director reflects the Group's determination that this experience and knowledge will be applied in appropriately performing the duties of providing accurate advice and opinions on management and business and fulfilling a supervisory role from an independent standpoint, which will contribute to sustainable enhancement of corporate value.



**Noriko Yao**

Outside Director

Mar. 1995 Graduate, Legal Training and Research Institute

Apr. 1995 Registered as an attorney, Fukuoka Bar Association

Sep. 2001 Joined Paul, Hastings, Janofsky & Walker LLP

Oct. 2002 Registered as an attorney, Daini Tokyo Bar Association

Oct. 2002 Admitted as an attorney, New York State Bar Association

Jul. 2007 Joined TMI Associates

Jan. 2008 Partner, TMI Associates (current post)

Oct. 2014 Outside Audit & Supervisory Board Member, Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development

Nov. 2015 Outside Director, Meiko Network Japan Co., Ltd. (current post)

Jun. 2016 Outside Audit & Supervisory Board Member, Sato Holdings Corporation (current post)

Jun. 2019 Outside Director, Asahi Net, Inc. (current post)

Jun. 2021 Outside Director, JGC HOLDINGS CORPORATION (current post)

Ms. Noriko Yao does not have direct experience in corporate management, but she possesses professional knowledge and keen insight as an attorney at law with extensive international experience. Appointment as outside director reflects the Group's determination that this experience and knowledge will be applied in appropriately performing the duties of providing accurate advice and opinions on management and business and fulfilling a supervisory role from an independent standpoint, which will contribute to sustainable enhancement of corporate value.

## Messages from Outside Directors (Outside director profiles are provided on p. 68.)

### Turning Risk into Value

#### Shigeru Endo

Outside Director



As the first year of the medium-term business plan, “Building a Sustainable Planetary Infrastructure 2025 (BSP 2025),” fiscal 2021 saw the JGC Group sow various seeds for the future despite challenges such as the ongoing pandemic and the Ukraine crisis. These included starting full-scale production at a plant for high thermal conductivity silicon nitride substrates, demonstrating a supply chain model for SAF sourced from used cooking oil, investing in U.S.-based NuScale, and establishing JGC Asia Pacific. This last achievement epitomizes the company’s founding ideal of “local production for local consumption,” which I think will become increasingly important in the EPC industry. I look forward to seeing the Group reap the fruits of this labor, and good results will be essential in attaining BSP 2025 goals. Still, a significant loss was recorded from the Ichthys LNG project in Australia. This was regrettable, but success in BSP 2025 requires the Group to redouble efforts to increase margins. Proactive marketing will also be put to the test. To address several years of low ROE, the Board has also been engaged in discussions on increasing capital efficiency.

In April this year, JGC Holdings moved from the First Section to the Prime Market in the newly restructured Tokyo Stock Exchange. Investors expect constant improvement of corporate governance, and the Group’s efforts also include taking on sustainability management at a deeper level. This fiscal year saw the first appointment of a non-Japanese as president of the subsidiary JGC Corporation, and besides addressing environmental matters such as establishing the Sustainability

Committee, supporting TCFD recommendations, and responding to CDP evaluation, the Board now also discusses human rights policies and similar issues more thoroughly. Further consideration will need to be given to principles upheld by the UN and the international community. Delving more deeply into DX, job-focused employment, reskilling, and the like is no easy task for the Group, and I sense that it calls for company-wide discussions, especially on how to reconcile these things with a corporate culture fostered over many years.

In my message last year, I shared my belief that international geopolitical dynamics would be quite different in the future, and we saw this come to pass in February with the Ukraine crisis. It is unclear how the conflict will be resolved, and we must carefully monitor the impact on the Group. Nature itself may also pose serious challenges to the Group. Although I have so far emphasized the importance of crisis response, this time I should stress the importance of resilience as a corporate group. It’s a matter of persevering despite setbacks. All companies must minimize risk, and the JGC Group is no exception. Indeed, JGC has distinguished itself as a corporate group that manages risk well—what they might describe as placing oneself at the core of risk, and address directly from intimate knowledge of it. And the Group shows its true worth by turning risk into value. This is difficult work, but I believe that the Group is called on to manage risk to create economic value, and in turn, social and environmental value, which ultimately enhances planetary health.

### Steady Initial Steps in BSP 2025

#### Masayuki Matsushima

Outside Director



Fiscal 2021 brought its share of challenges in the business environment as the pandemic reemerged, conditions in Ukraine deteriorated, and environmental problems worsened.

Ultimately, the JGC Group did fall short of the year’s order target, but adversity teaches wisdom. The Group invested in its future in several ways—by strengthening and streamlining Total engineering business, establishing a base for project execution in the Asia-Pacific region, and in Japan, by establishing a CVC fund for start-ups and by founding the cultured-meat enterprise Organoid Farm, among other efforts.

In Functional materials manufacturing, a mechanism to promote group-wide investment in growth fields from the standpoint of planning, funding, and human resources is also beginning to work.

In these ways, the Group has responded to changes in the business environment and flexibly adapted its framework for pursuing sales. I have seen steady progress in establishing the basis for sustainable growth.

Meanwhile, in corporate governance, the Board’s main agenda item has been how to monitor and review the medium-term business plan, “Building a Sustainable Planetary Infrastructure 2025 (BSP 2025).” Although much work remains in pursuing the three key strategies of transforming EPC operations, expanding manufacturing business for high-performance functional materials, and establishing future engines of growth, steady initial steps were taken this first year of the plan.

Besides resolutions, Board meetings involve deliberation and reporting. Supplemental study meetings are also arranged. It’s clear that these exchanges of opinions are both lively and sincere. An additional outside director has joined us, bringing the total to half of the Board. We are determined to fulfill our vital mission.

As the world targets carbon neutrality by 2050, the Group has also set a target of net-zero CO<sub>2</sub> emissions by this date. In business, pursuing the energy transition toward decarbonization is essential, but we should also remember that our offices themselves are hotbeds of GHG emissions. Even taking a stand on clearing out unneeded documents and other material has an added benefit of freeing up office space and enhancing productivity.

The Group’s future rests on the shoulders of each employee. I encourage them to take pride in this ambitious role. At the same time, members should do their part in designing the future of the JGC Group.

## Messages from Outside Directors (Outside director profiles are provided on p.68.)

### Faithful Allocation of Management Resources Required, Even with Stronger EPC Demand

#### Kazuo Ueda

Outside Director



In last year's report I observed that the market appeared not to have fully appreciated the significance of the Group's long-term management vision (2040 Vision) and medium-term business plan "Building a Sustainable Planetary Infrastructure 2025" (BSP 2025). The share price changed greatly over the next year, however, reaching a low of ¥885 in August 2021 and at one time more than doubling to ¥2,088 in June 2022.

Still, market analysts mainly attributed the higher share price to optimism about the JGC Group securing more LNG projects in North America and elsewhere due to higher geopolitical risks and energy prices, rather than investors truly beginning to appreciate BSP 2025.

This market assessment, and the underlying global economic and political conditions, suggest that Group management is still in a difficult phase. In essence, as underway since last year, BSP 2025 calls for the transformation of EPC operations (in LNG projects and others), expansion of manufacturing business for high-performance functional materials, and establishment of future engines of growth. Global EPC business in particular has faced the considerable challenge of low profitability in recent years. The Group continues to pursue greater profitability through extensive use of DX, among other measures, as some management resources are gradually shifted to new growth segments and future pillars of business are developed. This is the basic stance.

Yet while stronger demand for EPC projects is expected due to geopolitical risks that are suddenly more acute, several encouraging developments we have seen in new growth segments have not reached the point of

making these segments viable sources of revenue in the near future. Although Functional materials manufacturing business has been performing well amid a global economic recovery that has favored goods over services, we will need to stay vigilant, as a global economic slowdown is expected.

In this environment, the Group faces a dilemma in how management resources should be allocated. Nevertheless, I believe the Group should remain true to their initial position. Specifically, in EPC operations, the Group should continue working toward higher margins during this anticipated period of brisk orders while cutting costs through DX and other means. Over the medium to long term, the Group should strengthen its focus on projects with low environmental impact in this segment. The leeway in management resources this affords should then be channeled into new business segments and Functional materials manufacturing.

Admittedly, steering this course in management will not be easy. Functional materials manufacturing is profitable, but besides the issue of how demand will evolve over the short term, the Group must also be ready to manage the larger scale of the business that investment will create. Amid great changes, it is a pleasure to see how active the EPC segment is, however, human resources should also be invested in new segments.

Many management challenges remain, but I can observe that our discussions are now more often positive. While keeping these points in mind, I welcome the opportunity to continue speaking at Board meetings and other exchanges.

### Leveraging Strengths in an Unwavering Transformation

#### Noriko Yao

Outside Director



By way of introduction, I was appointed outside director in June 2021, one month after the announcement of the JGC Group's long-term management vision (2040 Vision) and medium-term business plan "Building a Sustainable Planetary Infrastructure 2025 (BSP 2025)." This is my second year as a director.

Fiscal 2021 was the first year of BSP 2025, positioned as the initial phase in the 2040 Vision and expected to be "five years of challenge." This year, the Group implemented an array of specific new measures and projects supporting BSP 2025 objectives, which included establishing the Sustainability Committee, demonstrating a supply chain model for SAF production sourced from used cooking oil, and starting full-scale production at a high thermal conductivity silicon nitride substrate plant.

Regrettably, a dispute over Ichthys LNG plant construction that had been pending for some time ultimately led to the posting of a substantial extraordinary loss. The settlement was made to eliminate uncertainty in future management and move on, as the Group pursues BSP 2025, but it will be imperative to avoid such incidents. To this end, internally, the Company is reexamining and analyzing causes from various perspectives, considering countermeasures, holding many discussions, and strengthening efforts and frameworks to prevent recurrence.

As for the Group's business environment, changes continue to unfold at a rapid pace. We have seen multiple waves of COVID-19 infection, costlier procurement and transport due to the conditions in Ukraine and other

factors, developments in the global trend toward decarbonization, and energy security issues, for example. In such uncertainty, there is an even greater need for timely insight and responsiveness to the potential impact of these abrupt environmental changes. Effective monitoring and review of BSP 2025 is also more important.

In organizational transformation supporting transformation of business areas and models, the Group established JGC Asia Pacific, which is expected to strengthen the framework for regional management in the Asia-Pacific region considerably. At the same time, in our role as the holding company of the corporate group that includes this company, we will continue to monitor management of Group governance, ensuring a balance between assertive and defensive positions.

Taking on new challenges presents a variety of risks that the Group has not faced before. No enterprise is entirely free of risk, but risk can be reduced. A turbulent environment calls for prompt decision-making and managerial judgment, but also essential is constant reinforcement of corporate governance. This includes defensive structures and governance systems that support appropriate risk-taking while companies also pursue assertive management.

The business environment remains difficult, but it is precisely in times such as these that I hope to see JGC, in supporting the foundations of industry and society at large, apply its strengths of vision, technical expertise, management capabilities, and risk management as a unified group, boldly take on new challenges, address social issues, and grow and expand as a corporate group.

Corporate Governance

■ Policies and procedures for senior management appointment and dismissal

Appointment process	<b>Appointment of senior management and nomination of candidates for directors</b> <b>1. Deliberations of the Nomination Committee, which consists of a majority of outside directors and is chaired by an outside director, are focused on the following items.</b> (1) Qualities such as character and views (2) Senior management and inside directors: Qualities such as experience, performance, and management capabilities, as defined in succession planning (3) Outside directors: Qualities such as independence and expertise <b>2. After comprehensive deliberation by the Nominating Committee, a decision is made by the Board.</b> Appointment of senior management and nomination of director candidates follows this process and involves ample discussion before decisions are made, with the understanding that these individuals may one day be candidates to succeed the CEO.
Dismissal process	<b>Dismissal of senior management</b> In the event of any of the following, the Board decides on dismissal after deliberation by the Nominating Committee. (1) Wrongdoing, impropriety, or breach of faith (2) Violation of laws or articles of incorporation (3) Loss of the qualities and capabilities initially required for appointment

■ Succession plan

The following succession plan in place informed by discussions of the Nominating Committee and Board is beginning to be initiated, reflecting the Group's recognition of the importance of succession planning in sustainable growth of corporate value.

Purpose

- Toward attainment of BSP 2025 and the 2040 Vision, and for lasting enhancement of corporate value beyond this, we recognize the necessity of appointing optimal directors and executive officers for the current business environment and management strategies.
- Based on the business environment and management strategies, the plan clarifies the knowledge, experience, abilities, and personal qualities sought in top management, guiding development and selection of the Group's next leaders and enabling continuous appointment of these leaders whenever needed.

Stance on leadership criteria

- Leadership criteria are determined through talks with current top management facilitated by a third-party organization, and future needs in leaders are defined from a medium- to long-term management vision.
- These criteria are classified on minimum essential attributes and ideal attributes (3-level scale), and candidates are assigned to groups with specific level requirements.

Stance on succession planning

- The basic stance taken on succession planning involves defining leadership criteria, selecting several individuals for near- and far-term candidate groups, providing opportunities to develop required attributes and gain experience, and monitoring progress each year as candidates are groomed over the medium to long term.

■ Cross-shareholdings

1 Purpose

Following revision in June 2018, the Corporate Governance Code now includes guidance on topics such as reduction of cross-shareholdings and the cost of capital. The Group refrains from cross-shareholdings except in cases where maintaining and strengthening relationships with clients and business partners will contribute to higher medium- to long-term corporate value for the Group. Moreover, each year, the Board of Directors reviews the significance of maintaining each cross-shareholding. Both quantitative and qualitative aspects are reviewed. Quantitatively, total shareholder return and ROE are checked for each company. Aspects that are difficult to quantify include whether business advantages and the like are commensurate with the cost of equity. Sale of shares deemed to have lost their significance is investigated accounting for the market environment and changes in stock prices. The review process is described below, along with a record of past sales and reductions.

2 Basis for exercising voting rights

In exercising voting rights for cross-shareholdings, advantages and disadvantages are weighed based on whether the decision will contribute to sustained growth of the company involved, and thus, higher Group corporate value over the medium to long term.

Review process of holding objective and stock to be sold



History of sales and reductions in cross-shareholdings since the introduction of the Corporate Governance Code

	Number of companies whose stock was sold	Total value of sales (based on acquisition price)	Reduction rate*
Fiscal 2015 to fiscal 2021 (fiscal 2021 in parentheses)	37 companies (two companies)	¥4,537 million (¥30 million)	Approx. 35%

\* Represents the reduction rate for publicly listed stock held as of April 1, 2015 (ratio based on acquisition prices).

## Corporate Governance

### ■ Board effectiveness evaluation

Board effectiveness is analyzed and evaluated annually, efforts toward improvement are reviewed, and issues linked to further gains in effectiveness are discussed by the Board in pursuit of continuous improvement. Presented below is a summary of the process of evaluating Board effectiveness in fiscal 2021, the survey, results, and future issues to address, and main past efforts to enhance efficacy.

<b>Process</b>	<ul style="list-style-type: none"><li>Directors and auditors complete a survey conducted by the Board secretariat</li><li>Progress is reviewed, including progress in areas for improvement when effectiveness was last evaluated</li><li>Opinions are collected on current Board effectiveness and ways to enhance Board effectiveness</li><li>The Board reviews the results, focusing on key future issues</li></ul>
<b>Content of survey</b>	<ul style="list-style-type: none"><li>Checks compliance with principles of Section 4, “Responsibilities of the Board,” of the Corporate Governance Code, including progress since the previous evaluation</li><li>Main evaluation items: Board composition, management, discussion, oversight functions, dialogue with shareholders, own involvement, and management of Nominating and Remuneration committees</li><li>Solicits open-ended responses on Board performance and areas for improvement</li></ul>
<b>Evaluation results and future issues to address</b>	<b>Evaluation results</b> Survey analysis and evaluation has indicated that overall, the Board is functioning effectively. Key issues identified for fiscal 2021, based on the fiscal 2020 Board effectiveness evaluation, included improving the framework for monitoring and review of the medium-term business plan, implementing DX and SDG initiatives, creating opportunities for a free exchange of opinions, and reporting to the Board on Nomination and Remuneration Committee discussions. A variety of measures were taken for these issues. Results confirmed that a majority considered all issues to have been addressed adequately or generally adequately.
	<b>Issues to address for greater effectiveness, response policy</b>
	<b>Issues</b> <ul style="list-style-type: none"><li>Effective monitoring and review of the medium-term business plan</li><li>Discussing the Group business portfolio from the standpoints of sustainable profitability and cost of capital</li><li>Spurring further deliberation at Board meetings</li></ul> <b>Policy in responding</b> <ul style="list-style-type: none"><li>Enhance Board discussions and supervision on the issues listed above</li></ul>

### ▶ Main efforts to date for improving Board effectiveness

	Fiscal 2019	Fiscal 2020	Fiscal 2021
<b>Main Board and committee efforts</b>	<ul style="list-style-type: none"><li>Reduced inside directors by three and increased outside directors by one following the June 2019 general shareholders’ meeting, to introduce a system of nine directors (including three outside directors)</li><li>Reorganized various committees under the holding company structure and revised matters discussed by the Board</li></ul>	<ul style="list-style-type: none"><li>Revised Board rules and internal decision-making rules to make agenda item criteria more fitting for the holding company structure</li><li>Held multiple Board meetings to discuss the establishment of the 2040 Vision and medium-term business plan, BSP 2025</li></ul>	<ul style="list-style-type: none"><li>Basic policy on sustainability enacted, Sustainability Committee established, and committee rules formulated by the Board</li><li>Improved the framework for monitoring and review of measures in the medium-term business plan</li><li>Revised Board rules and internal approval procedures in accordance with clarification of investment and loan categories and revision and improvement of review and approval procedures</li></ul>
<b>Director training*</b>	<ul style="list-style-type: none"><li>Company seminars (Board of the holding company)</li><li>Company seminars describing business of Group operating companies involved in manufacturing and consulting</li><li>On-site plant and office visits by outside directors and auditors to workplaces of the manufacturing operating company</li></ul>	<ul style="list-style-type: none"><li>External seminars (workshops on “ambidextrous” management led by a business school professor)</li></ul>	<ul style="list-style-type: none"><li>Internal workshops on EPC risk and financial risk management</li></ul>

\* Policy on director training: JGC Holdings bears costs for and provides opportunities and information for directors and auditors to acquire the knowledge and competence to fulfill their roles and responsibilities.

### ■ Director compensation

#### ▶ Policy on determining director compensation amounts or calculation methods

<b>Basic policy, general shareholders’ meeting resolutions</b>	<ul style="list-style-type: none"><li>Under a basic policy to secure the management personnel needed for greater global competitiveness and higher medium- to long-term corporate value, a resolution made at the 113th general shareholders’ meeting on June 26, 2009, set maximum annual director compensation at ¥690 million, with maximum auditor compensation at ¥88 million.</li><li>As for the policy on determining the amount, calculation, and breakdown of compensation for individual directors, compensation shall not exceed the range resolved at the general shareholders’ meeting, and details are discussed in advance by the Remuneration Committee (which consists of a majority of outside directors and is chaired by an outside director), whose report is considered by the Board to reach a decision.</li></ul>
<b>Process for determining amount of compensation</b>	<ul style="list-style-type: none"><li>The amount and breakdown of compensation for individual directors within the range set at the general shareholders’ meeting is at the discretion of the chairman of the Board, who as the Company’s chief executive officer is most familiar with the duties and responsibilities of each director, their performance, and the extent to which this performance contributes to higher corporate value.</li><li>To ensure fairness, transparency, and consistency with this decision policy, decisions by the chairman and CEO reflect the results of comprehensive deliberation by the Remuneration Committee on evaluation of individual directors and the amount of remuneration.</li><li>The Board has determined that final decisions have been consistent with this policy, and in making this determination, the Board has been informed of a summary and results of Remuneration Committee deliberations, as well as final decisions by the chairman and CEO.</li></ul>
<b>Fixed, performance-based, and restricted stock compensation</b>	<ul style="list-style-type: none"><li>Inside directors receive fixed compensation as well as performance-based and restricted stock compensation, with the former being a short-term incentive and the latter a medium- to long-term incentive.</li><li>The compensation mix is designed to provide a higher proportion of variable compensation (performance-based and restricted stock compensation) for higher performance and rank.</li></ul> <b>Fixed compensation</b> <ul style="list-style-type: none"><li>Determined according to each director’s position and the value of their duties, accounting for the capabilities required and the weight and impact of those duties.</li><li>Consists of base compensation and an allotment for directors or representative directors, both paid monthly.</li><li>Outside director compensation is limited to fixed compensation, to enable management oversight from a position independent of business execution.</li></ul> <b>Performance-based compensation</b> <ul style="list-style-type: none"><li>Designed as a key incentive to meet performance figures each fiscal year and steadily improve corporate value over the medium and long term.</li><li>Specifically, individual performance-based compensation is determined from a base amount (calculated for each position and indexed to operating income and net income attributable to owners of the parent, which are targets in the medium-term business plan) and individual evaluation (accounting for responsibilities to fulfill in order to attain the long-term management vision and medium-term business plan) and paid in July of each year.</li><li>As a performance indicator, net income attributable to owners of the parent is weighted, in view of the responsibility to shareholders for results. It is weighted higher for those in higher positions.</li><li>Performance-based compensation does not apply when there is a net loss attributable to owners of the parent.</li><li>Individual evaluations are discussed by the Remuneration Committee to ensure transparency and fairness.</li><li>To secure outstanding management personnel, remuneration standards were reviewed in fiscal 2021 by referring to information including market data on remuneration provided by specialized external organizations. Also, the linkage between performance and remuneration was further reinforced to ensure that performance figures for each director are met.</li></ul> <b>Restricted stock compensation</b> <ul style="list-style-type: none"><li>Introduced so that directors share the benefits and risks of stock price fluctuations with shareholders and conduct business accordingly, and to further incentivize a higher stock price and greater medium- to long-term corporate value.</li><li>Restricted stock compensation is allocated in August, and on August 6, 2021, some 13,713 restricted shares corresponding to 10% of base compensation (equivalent to ¥13 million) were allocated to three directors.</li><li>The restricted stock compensation system is summarized below.</li></ul> <b>Scope:</b> Directors and executive officers of the holding company and directors of Group companies <b>Maximum monetary compensation:</b> ¥190 million per year <b>Total shares of restricted stock (maximum):</b> 149,300 shares per year (approximately 0.06% of total issued shares) <b>Restricted stock period:</b> 3–30 years

#### ▶ Breakdown of executive compensation

Category	Total value of compensation, etc.	Breakdown of compensation, etc.					
		Fixed compensation		Performance-based compensation		Restricted stock compensation	
		Number of eligible executives	Total amount provided	Number of eligible executives	Total amount provided	Number of eligible executives	Total amount provided
<b>Seven directors (excluding outside directors)</b>	¥199 million	7	¥184 million	0	–	5	¥14 million
<b>Three Audit &amp; Supervisory Board members (excluding outside Audit &amp; Supervisory Board members)</b>	¥36 million	3	¥36 million	–	–	–	–
<b>Seven outside executives (four outside directors and three outside Audit &amp; Supervisory Board members)</b>	¥66 million	7	¥66 million	–	–	–	–

Note: As of the end of fiscal 2021, there were nine directors (including four outside directors) and five auditors (including three outside auditors).

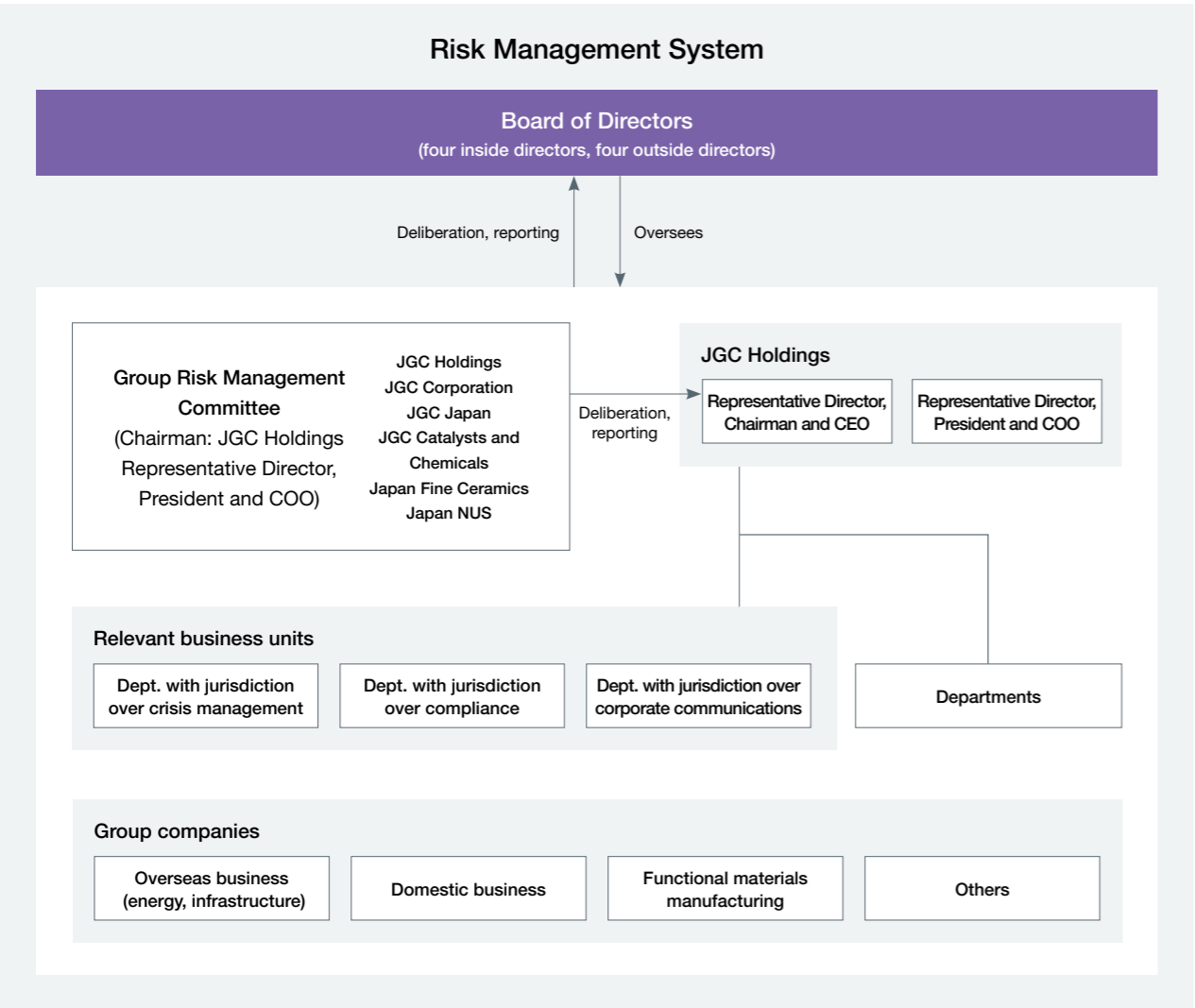
Risk Management

Basic stance

Recognizing that appropriate risk management reduces losses and contributes to profits for the Group, we strive to reduce and prevent risks routinely by understanding and organizing risks posed to the Group as a whole and by building, maintaining, and refining our risk management system. If risks do materialize, we respond rapidly and appropriately to minimize the impact and associated loss.

Risk management system

Based on the Group Risk Management Committee rules, the JGC Group has established and uses a comprehensive risk management system for a systematic understanding of the risks posed to the Group as a whole. We are committed to further reducing these risks. Management of business risks of the Group is mainly carried out by each operating company, with significant individual risks reported to the holding company Board and discussed as necessary.



Primary Group risks and responses

Primary Risk Area	Nature of Typical Risks	Countermeasures
<b>Risk associated with receiving and executing projects</b>	<ul style="list-style-type: none"><li>Change of plans, cancellation, suspension, or postponement of projects in Total engineering business after orders are received</li><li>Worsening financial conditions of joint venture consortium partners as comprehensive engineering projects are executed</li></ul>	<ul style="list-style-type: none"><li>Specific risk analysis by the holding company and operating companies, monitoring of project progress and profitability</li></ul>
<b>Country risk</b>	<ul style="list-style-type: none"><li>Impact on business activities from political instability, war, revolution, domestic conflict, terrorism, sudden changes in economic policies or conditions, or economic sanctions</li></ul>	<ul style="list-style-type: none"><li>Use of trade insurance</li><li>Gathering information on country risk</li><li>Setting reasonable contract conditions with clients, addressing force majeure clauses and regulatory changes</li><li>Strengthening crisis management functions by the Crisis Management Dept.</li></ul>
<b>Risk associated with natural disasters, epidemics, etc.</b>	<ul style="list-style-type: none"><li>Impact on business activities from natural disasters of unforeseen magnitude such as earthquakes, torrential rain, or typhoons, or from global pandemics such as new strains of influenza</li></ul>	<ul style="list-style-type: none"><li>Establishing disaster response procedures, introducing systems to confirm safety, and implementing disaster training</li><li>Gathering information on risk</li><li>Taking necessary measures in response to official requests, confirming safety in accordance with national conditions and regulations</li><li>Setting reasonable contract conditions with clients, addressing force majeure clauses and regulatory changes</li><li>Requesting and discussing with clients any necessary rescheduling or rebudgeting</li></ul>
<b>Foreign exchange volatility risk</b>	<ul style="list-style-type: none"><li>Impact on sales and profit / loss from sharp fluctuations in foreign exchange rates</li></ul>	<ul style="list-style-type: none"><li>Using project contracts denominated in multiple currencies, using overseas procurement</li><li>Issuing orders denominated in foreign currencies, using forward foreign exchange agreements</li></ul>
<b>Risk of construction worker shortages, substantial wage increases</b>	<ul style="list-style-type: none"><li>Impact on business activities in Total engineering business from shortages of construction workers or substantial increases in wages</li></ul>	<ul style="list-style-type: none"><li>Monitoring and forecasting trends in the construction industry labor force for primary plant markets</li><li>Adopting modular construction techniques to minimize on-site construction</li><li>Working with companies that have extensive track records in local construction</li></ul>
<b>Risk of substantial increases in material and equipment costs</b>	<ul style="list-style-type: none"><li>Increased procurement and transport costs for material and equipment in Total engineering business</li><li>Substantial rises in prices of raw materials or fuel in Functional materials manufacturing</li></ul>	<ul style="list-style-type: none"><li>Monitoring and forecasting price trends, ongoing efforts to improve forecast accuracy</li><li>Placing orders for materials and equipment early on</li><li>Diversifying suppliers</li><li>Addressing this risk in contracts</li></ul>
<b>Investment risk</b>	<ul style="list-style-type: none"><li>Loss from unforeseen circumstances in the investment environment</li><li>Inability to withdraw from investments at the preferred time or in the preferred manner, due to low liquidity or similar factors</li></ul>	<ul style="list-style-type: none"><li>Clarifying the significance and purpose of new investment, and making decisions after deliberation by the Board or committees</li><li>Careful selection of new investments</li></ul>
<b>Legal and regulatory risk</b>	<ul style="list-style-type: none"><li>Restrictions under business laws and regulations such as tax or construction laws, various domestic and international environmental laws, import/export trade regulations including those for security purposes, various laws and regulations to prevent corruption such as graft, laws and principles on human rights protection, or business or investment licenses</li></ul>	<ul style="list-style-type: none"><li>Developing, implementing, monitoring, and improving compliance programs and Group policies and rules</li></ul>
<b>Information security risk</b>	<ul style="list-style-type: none"><li>Leaks and loss of information from power outages, disasters, failure, loss, or theft of host computers, servers, or network equipment, external attacks, or virus infections</li></ul>	<ul style="list-style-type: none"><li>Security measures such as preventing intrusion by establishing information security policies, adopting antivirus measures, and using encryption</li></ul>
<b>Risk associated with quality</b>	<ul style="list-style-type: none"><li>Poor quality of supplies or items procured, recall of delivered products due to defects, liability for damages</li></ul>	<ul style="list-style-type: none"><li>Promoting quality management system activities by establishing organizations with jurisdiction over quality assurance</li><li>Using product liability insurance</li></ul>
<b>Risk associated with changes in the macroeconomic environment and social and international affairs</b>	<ul style="list-style-type: none"><li>Impact on business activities from fluctuating energy prices linked to global recessions</li></ul>	<ul style="list-style-type: none"><li>Diversifying our business portfolio by shifting to a Group management structure</li><li>Developing technologies to reduce environmental impact</li><li>Building value chains in collaboration with other companies that possess advanced technologies</li></ul>
<b>Risk associated with climate change</b>	<ul style="list-style-type: none"><li>Natural disasters at construction and manufacturing sites</li><li>Impact on business activities from lower fossil fuel-related investment by clients, or from similar changes to client business itself</li><li>Changes in the business environment, including social and industrial changes caused by the COVID-19 pandemic</li></ul>	<ul style="list-style-type: none"><li>Receiving and executing non-fossil fuel, circular economy, and renewable energy projects</li><li>Transforming business areas, business models, and the Group's internal organization in line with the 2040 Vision, our long-term management vision</li></ul>

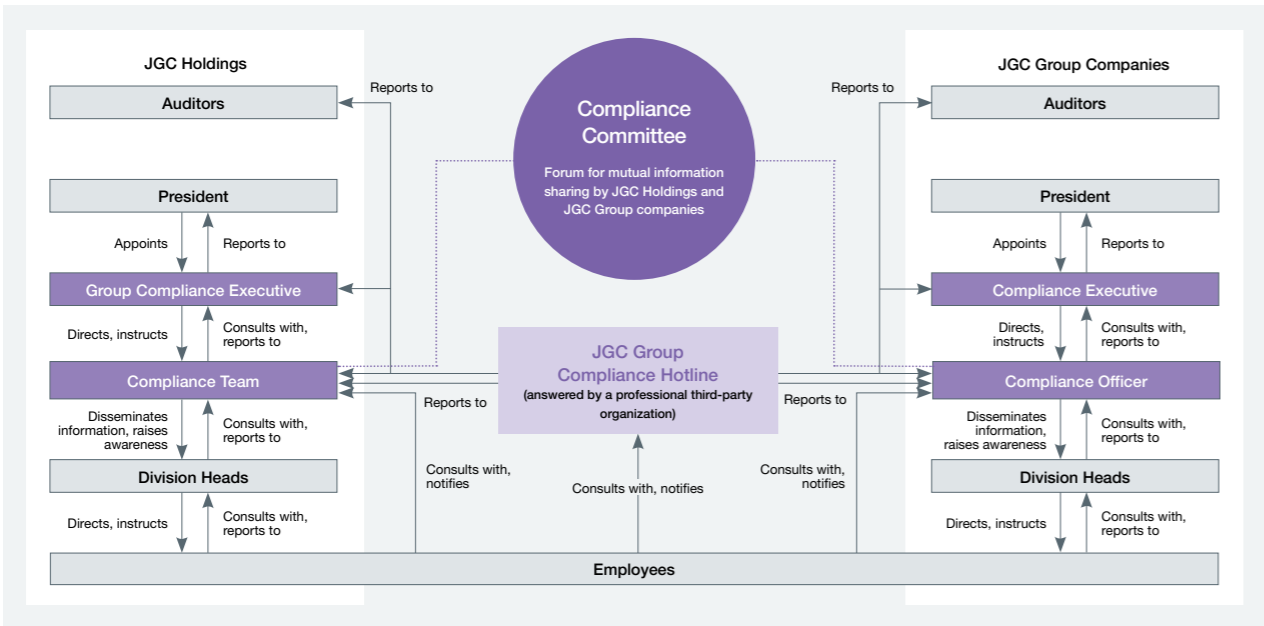
Compliance

Basic stance

Guided by our sense of purpose and values representing our corporate philosophy, we view compliance as the cornerstone of management, based on two keywords in a list of shared values—respect and integrity. As a member of the international community, the JGC Group believes that compliance with the laws of Japan and all other countries where the Group operates, as well as fair and equitable business practices in accordance with corporate ethics, are essential to the pursuit of sustainable business development. Based on this belief, the Group has developed the JGC Group Code of Business Conduct. The code, which must be followed by all employees, contains key points to ensure that the JGC Group’s corporate philosophy is implemented in practice.

Group compliance system

The JGC Group has established a Group compliance system to ensure each company carries out its business based on high ethical standards. Compliance executives assigned to each main Group company work with compliance officers under their supervision to evaluate risks faced by the company and implement suitable measures. The JGC Group has also established the Compliance Committee as a forum to share information and collaborate among Group companies. We are aiming to achieve a sense of unity to the entire Group through the Committee. The Compliance Team at JGC Holdings Corporation is in charge of comprehensive measures, coordination, and other functions to promote Group-wide compliance.



Measures to prevent bribery

The JGC Group follows a basic policy of complying with all anti-bribery rules and regulations, such as provisions in Japan’s Unfair Competition Prevention Law prohibiting the bribing of foreign public officials, the US Foreign Corrupt Practices Act (FCPA), and the UK Bribery Act 2010. Group rules on preventing bribery, based on our corporate philosophy and Code of Business Conduct, are summarized in the following table.

Under these anti-corruption programs, the agents, consultants, vendors, subcontractors, joint ventures, and others who intend to do business with the JGC Group are screened to ensure compliance. The results enable us to implement any necessary risk-based measures, such as stipulating strict anti-corruption clauses in contracts with business partners. Any gifts, entertainment, donations, or contributions must be approved in advance, so that we are aware of transactions that may be linked to corruption.

Compliance is also monitored to ensure implementation of anti-bribery programs at Group companies. Each year, members of the Compliance Team of JGC Holdings visit several Group companies. Executives and employees are interviewed and records audited to identify issues and make improvements.

JGC Group Corporate Philosophy

JGC Group Code of Business Conduct

Bribery Prevention Regulations

Regulations to prevent bribery by employees	Regulations to prevent bribery by business partners	Regulations to ensure effective operation of bribery prevention programs
Gifts, entertainment, and travel policy	Anti-corruption policy for commercial representative	Rules related to the JGC Group Compliance Hotline
Policy on charitable donations	Anti-corruption policy for joint ventures	Bribery risk management guidelines
Policy on political contributions	Anti-corruption policy for suppliers and subcontractors	Bribery prevention training guidelines
		Compliance monitoring guidelines

Compliance training

Awareness of compliance is enhanced through thematic and level-specific compliance training programs. Beginning, intermediate, or advanced training is given for all JGC group employees when they are promoted. Beyond compliance basics, the training features case studies and encourages each employee to view matters of compliance as personally relevant. Since fiscal 2021, a compliance training for general manager on responsibilities and preparedness as a compliance leader in their division was newly started.

Training is also conducted on specific topics, such as preventing corruption, dealing with harassment, or complying with subcontracting laws. For those involved in projects, other training addresses local compliance risks. In addition to these training programs organized by the head office, some domestic and overseas Group companies also conduct their own training programs for anticipated risks.

Courses and participation

	Fiscal 2021
Number of courses	27
Number of participants	846

\* Figures represent the number of days the training was held.

Training courses in fiscal 2021

Type of training	Course	Participants
Level-specific	New employee training	New employees of domestic Group companies
	Basic compliance training	Newly appointed assistant managers of domestic Group companies
	Intermediate compliance training	Newly appointed section managers of domestic Group companies
	Advanced compliance training	Newly appointed general managers and managers of domestic Group companies
	Compliance training for general manager	General managers at JGC Holdings, JGC Corporation, and JGC Japan
Thematic	Project compliance training	Members involved in projects
	Anti-harassment training	Group employees in Japan (applies only to specific departments and positions)
	Risk-specific compliance training (anti-corruption, sub-contracting and anti-monopoly laws, and other risks)	JGC Japan employees at domestic sites or regional offices

Compliance hotline

For prompt identification and prevention of compliance risks, the JGC Group Compliance Hotline was established as a resource that employees can use without hesitation to seek advice or report any concerns about actual or potential violations. Calls are answered by a third-party organization, which also enables anonymous consultation and reporting. The hotline is supplemented by internal lines at the two main operating companies, JGC Corporation and JGC Japan, to provide direct lines for consultation and reporting, which enables faster investigation and response. Offering several ways to seek advice and report suspicions provides a more convenient environment for employees to receive assistance. In addition to accepting reports from employees, we also accept reports of violation of corporate ethics from all suppliers working with Group companies.

\* Number of reports received by hotlines is shown on p. 87.

## Stakeholder Engagement

### Basic stance

Attentive communication reflects our belief that broad engagement with our diverse stakeholders is essential to sustained growth and higher corporate value. By providing regular feedback from shareholders and investors to management and relevant departments, applying this knowledge in management strategies, and diligently disclosing both financial and non-financial information, we create a forum for a consistent, long-range understanding of our management policies.

### Shareholder and investor engagement

#### Enhancements to the JGC Report (Integrated Report)

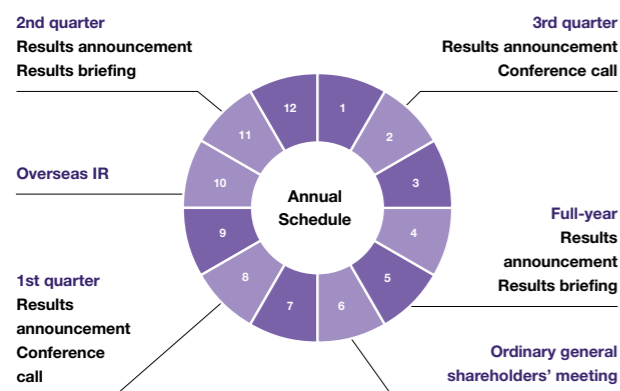
More informative each year, the JGC Report serves a key role in disclosure for long-term investment decisions. A variety of shareholder and investor opinions were addressed in the 2021 JGC Report, which discussed the background, goals, and specific strategies of the announced 2040 Vision and BSP 2025 through carefully designed page layouts and sections providing a clearer understanding of JGC Group strategy. Investor interest in how the Group was able to develop such strategies as the 2040 Vision and BSP 2025 was met with a compelling retrospective on the value-creation mechanism that the Group has cultivated from the start to expand and grow, demonstrating how the vision and plans are consistent with our corporate history. This expanded coverage of non-financial information was recognized by domestic equity investment managers of the Government Pension Investment Fund (GPIF) with a Most-Improved Integrated Report award in 2021.



#### Online earnings release conferences

Online conferences are held to provide a more in-depth understanding of our business activities. Designed to be informative for shareholders and investors, the conferences covered two topics of particular interest by providing an LNG market outlook from an EPC contractor perspective and reporting on the status of sustainability-oriented business development. We will continue to ensure that shareholders, investors, and many other stakeholders are well informed of our business.

#### IR activities schedule



#### Main IR activities

Activity	No. of events	No. of companies
Responses to requests for information, phone calls from institutional investors in Japan / overseas	194	96
Results briefing conference calls	2	50
Results briefings by senior management	2	62
ESG-related meetings	12	12
Overseas IR roadshows by senior management*	0	0
Business activities briefing conference	1	35

\* Suspended during fiscal 2021 due to the pandemic.

#### Ordinary General Shareholders' Meetings

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Date held	June 26 (Fri)	June 29 (Tue)	June 29 (Wed)
Shareholders attending	15*	19*	32*
Ratio of voting rights exercised	84.0%	84.2%	87.1%

\* From fiscal 2020 to 2022, we asked shareholders to avoid attending the meeting at the venue as much as possible, as part of measures to prevent the spread of COVID-19.

### Employee engagement

#### Dialogue with top management, quarterly newsletter, and more

Internally, ties are strengthened at executive-employee roundtables where people speak freely and share in our vision. These meetings are featured on a JGC Group video channel that encourages a vibrant corporate culture. Knowledge of management policies and issues is shared across the Company through a variety of media such as newsletters and Company-wide bulletin boards, part of communication that fosters a sense of belonging among employees.

### Client engagement

#### HR training programs in resource-rich countries

Over the past few decades, the JGC Group has held training programs for engineers and students of chemical engineering and similar disciplines in efforts to strengthen ties with resource-rich countries. Many past participants have later contributed to domestic resource development and industrial growth. Expanded JGC business in these countries is another outcome of trainees' understanding of our business, technical expertise, and corporate stance.

### Supplier engagement

#### Supporting vendors with technical assistance

The JGC Group actively promotes domestic procurement where plants are built, and when sophisticated equipment is ordered, our engineers may go on-site to provide technical assistance tailored to local vendors' expertise and facilities. Viewing these close ties as an asset, we take the initiative in providing technical assistance to vendors.



Training for welders

### Community engagement

#### Initiatives for Basra elementary students

Academic decline in postwar Iraq has been significant, and educational investment has not kept pace with the growing population of young Iraqis in Basra Province and elsewhere. Unemployment also remains high among young people, with jobs scarce even for university graduates. In a long-term commitment consistent with national needs, the JGC Group launched JGC Code Education in March 2022, to teach computational thinking at local elementary schools. The project provides educational experiences for children and creates youth employment opportunities. Nearly 20,000 students will have opportunities to learn programming concepts over the next two years, as we foster future IT professionals in Iraq while addressing youth employment. Additionally, science shows held on June 5 and 6 this year targeted some 2,600 students at about 20 Basra elementary schools.



JGC Code Education participants

#### Company visits from Yokohama high schools

The JGC Group hosts company visits by Yokohama high school students. Here, talks with employees and student VR experiences encourage communication. Besides helping students gain a clearer understanding of work, another goal is to foster the ability to choose one's own career path. In fiscal 2022, the program also raised awareness of our efforts toward sustainability, as students learned about JGC sustainable aviation fuel (SAF) initiatives.

#### Chemistry workshops for elementary students

Each year at its Kitakyushu facility, JGC C&C has held workshops with chemistry experiments for local elementary students. For a functional materials manufacturer, this represents a meaningful way to interact with and contribute to the community. JGC C&C will continue to kindle an interest in chemistry through these opportunities, which also educate people about their business activities. We will continue to build positive engagement with the community.



An experiment at a chemistry workshop