



Corporate Governance Structure

JSW recognizes that it must earn the trust of shareholders, customers, employees, and other stakeholders to aim to enhance enterprise value and thereby contribute to the economy and society as a whole.

We therefore created a corporate governance setup that encompasses a management organization and framework to implement essential measures and pursues fair disclosure to ensure business transparency.

Overview of Corporate Governance Structure

We employ a statutory auditor system comprising eight directors, one of whom is independent, and four statutory auditors (hereafter, “corporate auditors”), two of whom are external.

The term of office of directors is one year. We maintain a corporate officer system and separate decision-making and oversight from the executive functions of corporate officers. The goal is to accelerate decision-making and enhance oversight and execution.

In principle, the Board of Directors convenes once monthly to decide and report on important management issues, including basic operational policies and legally stipulated matters. Senior executive officers and above attend these meetings, positioning the Board as a vehicle for

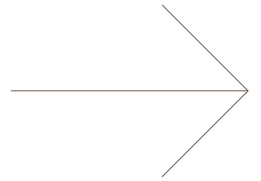
mutual oversight of directors and corporate officers.

An Executive Board of three representative directors and other president-designated directors meets once weekly. The other attendees are one outside director and one corporate auditor (chosen by rotation). This gathering is to deliberate and decide on matters that are important for management or the performances of directors and corporate officers. Another function is to discuss, report, and monitor overall operational matters.

Our Management Council also convenes once monthly, in principle. Members include directors, corporate auditors, divisional heads, plant general managers, headquarters managers, and others with executive responsibilities. This body’s tasks include assessing the business environment and monitoring the progress of the Company’s business

plan. Its goals are to share such knowledge throughout management and reflect it in their decisions as well as to ensure risk management and compliance.

The Board of Corporate Auditors comprises four corporate auditors, two of whom are external (one serves full time). These auditors attend meetings of the Board of Directors, the Executive Board, the Management Council, and other important gatherings. In principle, they visit the Company’s plants and offices and major subsidiaries once every six months. The auditors receive divisional reports as necessary and exchange opinions with directors and key employees. Based on these efforts, the auditors express their views to management from an objective and neutral perspective, and exercise strict oversight with regard to the execution of directors’ duties.



Internal Control and Risk Management Systems

An effective internal control system is vital for business performance. We are therefore improving internal controls in line with our Basic Policy on Internal Control Systems, which the Board of Directors adopted, and our Regulations Regarding the Promotion of Internal Control Activities. We will address social changes and streamline our setup of internal controls by reviewing our issues and responses.

The points below delineate management's basic stance on internal controls.

1. Implementation structure

The Internal Control Committee sets up a specialist unit, which meets as necessary, to supervise internal controls with the aim of streamlining our internal control system.

2. Adhering to laws and regulations and the Articles of Incorporation

At JSW, compliance extends beyond preventing fraud and adhering to

laws and regulations and in-house rules to encompass diverse rules for fulfilling broad social responsibilities. Our efforts center on directors and corporate officers taking the lead in practicing integrity and in raising employee awareness of compliance issues through education and training.

We established the Internal Audit Division to ensure that operations observe all laws and regulations and in-house rules. The division conducts scheduled and spot audits. It submits reports on the results to the president and relevant parties. They may include the Board of Directors, the Executive Board, the Management Council, and corporate auditors.

We created internal and external channels for reporting and discussing compliance violations, and guarantee anonymity and protection from reprisals.

The Corporate Code of Conduct opposes criminal behavior. We maintain an office to share relevant information and manage counter-measures to help eliminate criminal elements.

3. Safeguarding information

The Company appoints a director or corporate officer to oversee information safeguards. In keeping with document and information management rules and regulations, the Company stores and manages important information relating to the work of directors and corporate officers as printed or digital records. This information includes the minutes of important meetings, written requests for management approvals, and other important information. Further, directors and corporate auditors may view or copy this information as needed.

The Company properly discloses financial and important management information.



4. Risk management

Directors, corporate officers, and employees concurrently serving as general managers identify and evaluate risks arising in the course of business. They address these risks in keeping with regulations and the management approval system. The Board of Directors and the Executive Board deliberate on key risks.

We maintain risk management rules and a Companywide risk management system. Divisions overseeing risks in such areas as safety and hygiene, environmental management, information security, and export controls set up committees and create and administer rules for containing such risks throughout the Company. A risk management director or corporate officer monitors progress in collaboration with the Internal Audit Division and reports to the Board of Directors or the Executive Board.

Risk managers at all divisional headquarters, business units, and plants evaluate measures and identify daily risks. A crisis management headquarters tackles emergency situations.

5. Ensuring efficiency

We ensure rapid decision-making and flexible and efficient management by having the president act as chief executive officer, with directors overseeing key headquarters divisions and business units. The Board of Directors appoints and supervises corporate officers. Directors and corporate officers discuss, decide, and report on important matters in meetings of the Board of Directors and the Executive Board.

The Board of Directors formulates the medium-term management plan and annual business plans as Companywide objectives for directors, corporate officers, and employees. Directors and corporate officers produce and implement specific policies for reaching goals, segregating tasks in line with in-house regulations. They also review progress and submit periodic and spot reports to the Board of Directors, the Executive Board, and the Management Council.

6. Ensuring appropriate conduct at Group companies

We encourage subsidiaries to employ our Vision, Management Philosophy and Corporate Code of Conduct, and to create their own internal controls in keeping with our respect for their autonomy.

We drafted operational and management rules for subsidiaries and defined the related management responsibilities and leadership structures. We maintain a system for reporting, notifying, and gathering data about subsidiary decisions on important matters. At the same time, we ensure that listed subsidiaries retain a degree of management autonomy.

We dispatch officers and employees as directors and corporate auditors of Group subsidiaries. We ensure that subsidiaries comply with all laws and regulations and in-house rules by mandating scheduled and spot internal audits through relevant departments or the Internal Audit Division. We also audit operations directly and instruct subsidiaries on internal control improvements.

7. Appointing corporate auditor assistants and ensuring their independence

On request from corporate auditors, we offer employees as assistants. We seek the opinions and consent of these auditors for appointments, dismissals, evaluations, and other personnel treatment regarding these assistants to secure their independence from directors and corporate officers.

8. System for directors and employees to submit reports to corporate auditors

As is their right, corporate auditors attend meetings of the Board of Directors, the Executive Board, the Management Council, and other managerial meetings that discuss, determine, and report on important matters.

These auditors receive management decision approval records, and may request reports from directors, corporate officers, or employees whenever necessary.

9. Ensuring corporate auditor effectiveness

We encourage directors, corporate officers, and employees to value corporate auditors and to accord them their fullest cooperation. These auditors can seek assistance from the Internal Audit Division, other headquarters divisions, and all other divisions for auditing tasks.

We enable corporate auditors to collaborate closely with the accounting auditor and the Internal Audit Division.

Corporate auditors have the discretion to employ the services of legal advisors and other outside experts.

10. Ensuring reliable financial reporting

We evaluate the effectiveness of internal controls for financial reports in keeping with basic policies. The Board of Directors and the Executive Board discuss the findings.

Policy Regarding Large-Scale Purchase of Company Shares

On May 7, 2014, the Board of Directors resolved to amend Measures against Large-Scale Share Acquisitions (takeover defense measures), a set of rules and procedures for parties seeking to purchase our shares (namely, holders of Company-issued shares seeking to increase their stakes to more than 20% through purchases, or those making a tender offer to boost their combined shareholding ratio with the inclusion of the holdings of special parties to more than 20% through a tender offer). The amendment was approved at the 88th Regular General Meeting of Shareholders on June 25, 2014.