

# Compliance

Kumiai Group views Compliance as an important element of sustainability management, and our “Basic Policy on Sustainability” requires the realization of a disciplined organization.

Because of this, we also established our “Basic Policy on Compliance” for organizing systems and promote various initiatives.

## Basic Policy on Compliance

Based on diligent compliance education activities, it is our aim to emphasize and raise compliance awareness and foster a corporate culture where officers and employees act in harmony with the Corporate Philosophy and Code of Conduct.

## Three Fundamentals of Compliance

### 1. Active communication at workplace

Being able to ask for help or advice without hesitation when you need it, sharing something you noticed to your supervisor or a senior worker, and speaking up whenever you feel that something is wrong at workplace.

### 2. Considering your behavior from the perspective of the public as if it were broadcasted on the news

Stop and think calmly to maintain a public perspective (common sense).

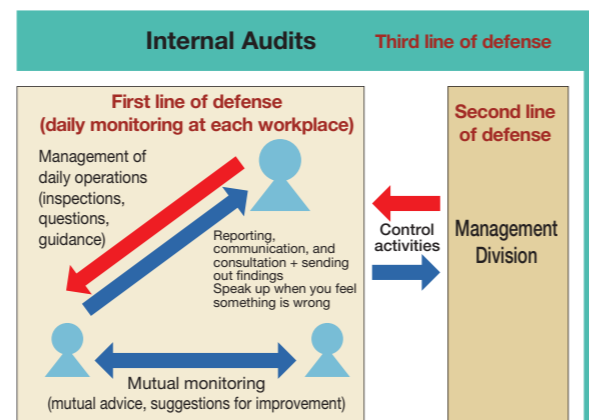
### 3. Constant awareness that you are wearing a uniform bearing the Company's name

Since the Company name appears on the back of the uniform, it is easy to forget, but others can always see it. Also, the uniform does not come off after the end of work.

Based on these Three Fundamentals of Compliance, we will engage not only in defensive compliance, but proactive compliance as we endeavor to earn the trust of society and improve corporate value continuously.

## Monitoring and Control with Compliance and Internal Control

Company risk management functions can be explained in terms of three lines of defense, which are (1) business divisions, (2) management divisions, and (3) internal audit division. Kumiai Group performs mutual monitoring and control within business divisions and within divisions on compliance and internal control. Our routine monitoring includes (1) daily monitoring by supervisors, (2) cross-monitoring among colleagues at workplace, and (3) sharing individual awareness to superiors and seniors. This three-way monitoring is important for detecting and preventing misconduct and mistakes by individuals. Follow-up and correction measures are handled within report line in the workplace or by using the internal reporting system (Helpline). Daily monitoring is done at each workplace, and this is the first line of defense against misconduct and mistakes. We have also added monitoring that is handled by management divisions and internal audits to increase the effectiveness of internal control. There could be cases where a certain custom in a company is actually a law violation without it being recognized as misconduct. Therefore, it is essential for individuals to speak up when they feel something is wrong. We review procedures for this and update manuals every year to improve the effectiveness of internal control.



## System

In Kumiai, important matters related to compliance are discussed by the Risk Management & Compliance Committee, which is chaired by the President. We hold meetings twice a year.

We also have the Corporate Governance Office in charge of compliance. To improve its effectiveness, we provide compliance education and training for officers and employees. We are always looking for ways to improve the system. (Organization chart in Corporate Governance on page 54)

## Compliance Promotion

### Internal reporting system

Kumiai Group has established an external consultation desk (compliance and harassment) as an internal reporting system (Helpline). To help employees understand how to use the system, we published a Q&A. The Helpline phone number and website address are posted in the monthly Compliance Newsletter (e-mail magazine), and we allow anonymous reporting to encourage its use. The Helpline also functions as a window for whistleblowing\*, and “Regulations for using the internal reporting system” have been established to indicate the protection of the person making report and proper way of processing report.

The number of reports to the internal reporting system (Helpline) during FY2022 was 13 for the whole Kumiai Group (5 from Kumiai itself), and there was no case of whistleblowing. We prepare a poster for informing about the internal reporting system and distribute it to group Companies, and create an environment where it is easy to consult.

\* Whistleblowing: Reporting actions regarding violation of certain laws and regulations

### Data on Compliance

		FY2019	FY2020	FY2021	FY2022
Number of reports and consultations made to the internal reporting system (Helpline)	Cases	4 (1)	10 (7)	11 (2)	13 (5)
Fines and settlement costs related to bribery	Millions of yen	0	0	0	0
Fines and settlement costs related to anti-competitive practices	Millions of yen	0	0	0	0

Kumiai Chemical Group (Kumiai Chemical only)

## Compliance Education

As requests on compliance from stakeholders have become more diverse and strict, if the statement or actions by Company employees are out of harmony with social norms, it could lead to loss of trust from society. During FY2022, we provided in-person compliance training by means of an inhouse lecturer for new employees and mid-career hires.

### Compliance awareness survey

Kumiai Group regularly conducts a compliance awareness survey with employees. This allows us to understand tendencies for the whole group, offices, and individual workplaces, which we use to promote compliance and education/training.

### Distribution of a compliance newsletter

Kumiai Group has a Compliance Newsletter (e-mail magazine) that is distributed monthly to all officers and employees. It includes examples along with explanations regarding compliance and harassment cases that are common at workplace, and cases that have appeared in the news. We create opportunities for officers and employees to understand the latest information to improve the compliance awareness of the whole group.