

Established on May 18, 2006  
Amended on April 27, 2007  
Partially amended on April 24, 2008  
Partially amended on April 23, 2010  
Partially amended on July 22, 2010  
Partially amended on April 22, 2015  
Partially amended on April 1, 2020

## **Fundamental Policy to Enhance Operational Compliance Systems**

### **1. Systems to ensure that Members of the Board and employees carry out their duties in compliance with laws and regulations and the Articles of Incorporation**

- (1) Members of the Board shall recognize that compliance is at the core of good management and shall faithfully comply with all compliance-related regulations, including the Action Guidelines for Taisei Personnel and the Taisei Group as a Whole.
- (2) Taisei Corporation (the “Company”) shall ensure that all officers and employees recognize their compliance-related obligations:
  - by implementing programs recommended by the Compliance Committee, such as strict disciplinary punishments for officers and employees found to have violated a law or regulation, enhancement of systems to prevent collusive bidding practices, and ensuring the effective operation of the Corporate Ethics Helpline; and
  - by promoting compliance education and encouraging internal audits (self-audits) at the department level.
- (3) The General Affairs Department shall guide the compliance-related activities of individual corporate bodies, and the Auditing Department shall ensure the effectiveness of internal audits by working closely with the individual corporate bodies.

### **2. Structure to retain and manage information regarding the performance of duties by Members of the Board**

- (1) The Company shall codify the rules and procedures concerning information and shall develop systems to appropriately manage all information belonging to the Company in order to appropriately record and retain information relating to the performance of the Members of the Board of their duties, to prevent any leakage or unauthorized use of such information, and to effectively use such information.

### **3. Risk management rules and measures; and internal system**

- (1) The Company shall develop systems to appropriately manage primary risks, including those relating to quality, safety, environment, compliance, information and profit and loss, in accordance with the Company's fundamental policy for development of risk management system.

- (2) The Company shall develop systems to manage the risks in the event of an emergency or a large disaster, including arrangements to ensure the continuation of business operations.
- (3) Each corporate body shall enhance its risk management business unit capacity by providing its members with risk management education and other programs.
- (4) The General Affairs Department will promote proper management of company-wide risks, and the Auditing Department will promote endeavors to continually improve the risk management system through internal audits.

#### **4. Systems to ensure the efficient performance of duties by Members of the Board**

- (1) The Company has established the Executive Committee as a decision-making body and adopted the executive officer system that enables the Company to operate its business in a swift manner. In addition, the Company shall also enhance the decision making process and supervisory roles of the Board by utilizing the committees within the Board to examine important issues prior to their submission at the meetings of the Board and consulting the External Members of the Board.
- (2) The Company shall develop and enhance the rules and procedures regarding the delegation of decision making and other powers to managers, to facilitate more efficient decision making and management processes, including with respect to the execution of duties and responding to changes in the managerial environment.

#### **5. Systems to ensure proper operation of group companies**

- (1) The Company shall promote the establishment of rules in each group company regarding reporting requirements to the Company in accordance with the Company's fundamental policy and operational guidelines concerning group operation.
- (2) The Company shall establish a risk management system in each group company, promoting the establishment of internal rules in each group company for its risk management with respect to quality, safety, environment, compliance, information, profit and loss and large-scale disaster and other major risks in accordance with the business characteristics of such group company.

In addition, the Company shall ensure the effectiveness of group company's risk management system through an internal audit by the Auditing Department and a group liaison meeting held by the Legal Department and other departments of each group company, promotion of risk management education in each group company, and provision of the group helpline amongst other things.

- (3) The Company shall assist, advise and collaborate in the business of each group company by clarifying the functions and roles of each company in the group, assisting each such group company to implement an organizational structure appropriate for its business characteristics and size thereof and utilizing the management resources in the group.

In addition, the Company shall hold group management meetings from time to time to facilitate communication among its group companies and promoting mutual understanding and

cooperation with respect to issues related to technology, production, marketing and sale, transaction and other issues surrounding the group.

- (4) The Company shall share within the group its ideals (ongoing objectives and goals), spirit (respect for the opinions of all officers and employees in our group), and code of conduct (the fundamental principles of conduct for the organization and standards of behavior and decisions criteria which officers and employees in our group shall adopt and strictly comply with), and the Company shall also establish a compliance system, promoting the enhancement of internal rules appropriate for the business characteristics of each group company.

In addition, the Company shall ensure the effective operation of the compliance system of each group company through internal audits conducted by the Auditing Department and group liaison meetings held by the Legal Department and other departments of each group company, including the promotion of compliance education for each group company, and provision of the group helpline.

**6. Systems regarding employee support of the Audit & Supervisory Board Members, the independence of such employees from Members of the Board and ensuring effective instructions from the Audit & Supervisory Board Members to such employees**

- (1) Audit & Supervisory Board Members and the General Manager of the Personnel Department shall discuss in advance assignments, transfers, evaluations and other issues regarding the staff of the Audit & Supervisory Board Members' Department, whose primary role is to assist the performance of duties by Audit & Supervisory Board Members.
- (2) Each department shall properly perform its duties in order to ensure that staff of Audit & Supervisory Board Members shall effectively implement the instruction from the Audit & Supervisory Board.

**7. System for reporting to Audit & Supervisory Board Members and preventing the adverse treatment of persons who make reports**

- (1) For the purpose of auditing the internal controls of the Company and each group company by Audit & Supervisory Board Members, the Company shall determine the matters that officers and employees of the Company and each group company, or any recipient of a report from such officer or employee of the Company, should report to the Audit & Supervisory Board Members, and shall establish the following systems:
  - 1) A system in which Audit & Supervisory Board Members can receive reports from officers and employees of the Company at any time;
  - 2) A system in which Audit & Supervisory Board Members can receive reports from officers and employees of each group company or a recipient of a report from such officer or employee; and,
  - 3) A system in which the Audit & Supervisory Board Members shall receive reports of any violation of law or regulation by any officer or employee of the Company through the corporate ethics helpline and the group helpline.

- (2) The Company shall establish a system to prevent any adverse treatment of a person who makes a report under the preceding paragraph based on the fact that he/she made such report.

**8. Matters concerning policies regarding the allocation of costs arising from the performance of duties by the Audit & Supervisory Board Members and system to ensure that the Audit & Supervisory Board Members can effectively conduct the audit of the Company**

- (1) If an Audit & Supervisory Board Member claims costs arising from the performance of its duties, Members of the Board shall properly handle such claim in order to ensure the audit is effectively conducted.
- (2) Members of the Board representing the Company and Audit & Supervisory Board Members shall facilitate their mutual understanding, through regular meetings, regarding the status of the audits conducted by Audit & Supervisory Board Members, and other important issues.
- (3) The relationship among Audit & Supervisory Board Members shall be strengthened by measures such as:
  - Audit & Supervisory Board Members and General Manager of the Auditing Department shall exchange documents regarding the cooperation between Audit & Supervisory Board Members and the Auditing Department; and
  - The Auditing Department and Accounting Auditor shall have regular meetings with Audit & Supervisory Board Members.

**9. Structure to ensure appropriateness of financial reports**

- (1) The Company shall develop internal controls sufficient to ensure the appropriateness of all financial reports.