



# Strengthening and Promoting the Governance System

# Strengthening and Promoting the Compliance System

We are reinforcing the foundation that sustains our Group while simultaneously seeking to enhance our compliance system in cooperation with suppliers.



## GLOBAL MESSAGE



## Fostering Compliance Awareness and Thoroughly Preventing Bribery

In Vietnam a new anti-corruption law was enforced in July 2019. Under this law, various obligations for compliance are also imposed on general private enterprises, further reinforcing our nation's anti-bribery efforts.

As the anti-bribery manager at SVAW, I check daily the contents of hospitality, entertainment, gifts, donations, and so forth in order to ensure thorough regulatory compliance within the company. I will continue to work at preventing bribery while fostering the compliance mindset of each and every employee through regular in-house training and other appropriate means.

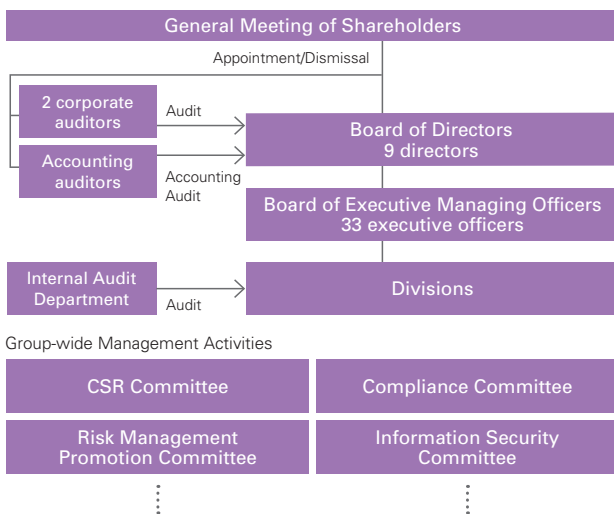
Guenbao Chin / Manager, General Affairs Department / Sumiden Vietnam Automotive Wire Co., Ltd. (SVAW) (Vietnam)

### Corporate Governance System

Sumitomo Wiring Systems adopted the Executive Officer System to accelerate decision-making and enhance supervision and business execution.

The Board of Executive Managing Officers conducts preliminary reviews of key issues to inform the Board of Directors in its deliberations as the final decision-making authority. Two corporate auditors audit the business execution performance of the directors at SWS to ensure the soundness and adequacy of management. The auditors attend Board of Directors and other key meetings and also exchange information with the Internal Audit Department and accounting auditors to reinforce the effectiveness of our auditing.

#### ► Corporate Governance System (as of June 30, 2019)



### Compliance System

We established a compliance manual in 2005 as a set of guidelines for daily operations. Every SWS Group employee is expected to adhere to the guidelines in the spirit of acting under the highest ethical standards.

Compliance Committee meetings, chaired by the director

in charge of legal affairs, are held on a regular basis to reinforce this effort through the planning and implementation of measures that ensure business operations are being conducted legally and ethically and compliance risks are being identified, analyzed, and dealt with. We also developed a worldwide legal risk reporting system to obtain and understand potential or identified legal risks both quickly and comprehensively within each Group company and to act promptly when addressing them.

In February 2018, we modified the anti-bribery program so that now employees are required to obtain approval from the anti-bribery manager and anti-bribery secretariat prior to offering hospitality and a gift to government employees.

In fiscal 2018, we started special activities to prevent bribery as well. Every quarter, we monitor companies that frequently interact with government employees. In fiscal 2018, we monitored four companies in China, Vietnam, and the Philippines.

### Compliance Training

For the SWS Group to earn the trust of stakeholders and realize sustainable growth, every employee must develop a compliance mindset and act as a good corporate citizen. In addition to annual executive training, we actively engage in compliance training and education tailored to the characteristics of each workplace by designating areas to be improved each year.

In addition, to ensure that employees are aware of their compliance obligations, we use our group newsletters to introduce topics related to compliance and discuss issues that can arise in the course of business such as anti-harassment, prevention of insider trading, and information leakage in social networking sites for new employees.

We also provide training for our overseas sites. Together with Sumitomo Electric Industries, we visit about ten overseas companies every year to provide training focused on the competition law and bribery prevention. Starting in fiscal 2019, we plan to conduct training on compliance and information leakage for managers at 21 business sites in Japan.

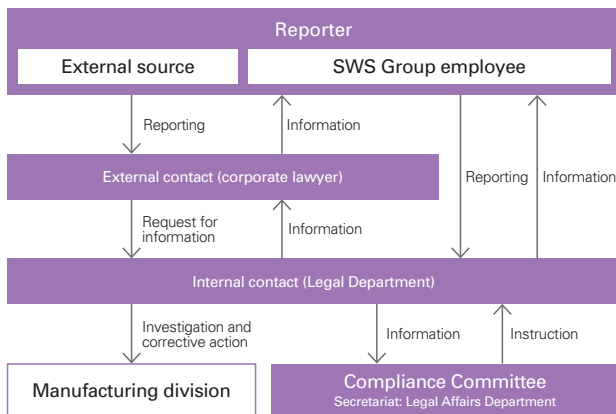
► Compliance Training (Fiscal 2018)

Type of Training	Sessions	Participants
Training for New Employees	1	162
Training for Mid-career Recruits	12	137
Position-based Training	16	652
Optional Training	14	548
Compliance Training on Competition Law and Anti-bribery Training	14	1,193
Total	57	2,692

**Contacts for Compliance Reporting**

Contacts for compliance reporting were established as an effective system for the early detection and correction of any incidents of legal or ethical non-compliance. To make filing reports easier, we set up an internal contact run by our Legal Department as well as an external contact operated by our corporate legal counsel. Reports of non-compliance are mainly investigated and handled by the Compliance Committee Secretariat. In fiscal 2018, 18 incidents (12 internal and 6 external) were reported, investigated, and otherwise appropriately addressed.

► Compliance Reporting



**CSR Procurement**

Sumitomo Wiring Systems is closely collaborating on the global stage with suppliers who are valued business partners by emphasizing openness, fairness, and equitability under our procurement policy. Along with our purchase agreement that includes clauses on CSR procurement and the exclusion of antisocial forces, we have distributed our CSR Guidelines for Suppliers, clearly stating our expectations and requests to our main suppliers, and continue to keep them informed.

In fiscal 2019, we will revise our purchase agreement in accordance with the relevant laws and regulations and start a survey of 132 companies in Japan on CSR procurement. The survey will be rolled out to overseas sites, and suppliers will receive guidance and audits based on the results.

► Procurement Policy

Our procurement activities reflect our commitment “Connect with the Best” and are conducted under the following policies.

- 1 Provide open and fair opportunities
- 2 Adhere to basic principles of mutual understanding, mutual reliance, and mutual enlightenment
- 3 Establish global partnerships
- 4 Ensure legal compliance
- 5 Promote green procurement

**Efforts to Strengthen Compliance with the Subcontract Act**

We have implemented initiatives to strengthen and promote appropriate transactions with our subcontractors in line with the revised Subcontract Act Operation Standards and revised promotion standards under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises, which details rules concerning transactions between subcontracting companies and subcontractors governing price determination, cost bearing, and payment conditions.

We also raise employee awareness of legal compliance by assigning persons in charge of promoting compliance with the Subcontract Act in each workplace and providing company-wide training on the Subcontract Act six times a year.

As for a payment method, we have for all subcontractors established a mechanism requiring that cash payments be made within periods shorter than those stipulated by law. In fiscal 2019, we started to bear the costs of the disposal and storage of molds no longer used by subcontractors.

**Communication with Suppliers**

Sumitomo Wiring Systems convenes an annual Global Suppliers Meeting to promote mutual trust with suppliers.

A total of 164 participants from 116 companies in 7 countries attended our April 2019 meeting. We provided an overview of our business environment of our harness business, shared our procurement policy and key measures, and requested the active commitment and initiative of our suppliers to make sure everyone was on the same page. The meeting also included an award ceremony recognizing outstanding suppliers based on a comprehensive evaluation conducted from standpoints including quality, cost, and delivery (QCD). Seven companies were recognized as outstanding suppliers for fiscal 2018.

Voice



**Striving to Become a Global Company Offering an Impressive Array of Products**

Gojiro Sannomiya  
President, Fineplas Co., Ltd.

We deliver molded and assembled products such as connectors and relay boxes used in wire harnesses to customers across the world, including Japan, China, and Thailand.

The year that Sumitomo Wiring Systems celebrated its 100th anniversary also coincided with our 50th anniversary and the beginning of our new journey into the next 50 years.

At the 2019 Global Suppliers Meeting, we received the “excellent delivery” award and were asked to bring greetings as the representative of award winners, which was a significant honor for us.

Sumitomo Wiring Systems has always given us a great deal of guidance on QCD activities, and we will continue to work with the company to strengthen our governance and compliance systems.

The demand for work style reform and legal compliance has also been recently increasing for small and medium-sized enterprises, and we are working to enhance our internal training and increase compliance awareness of each and every employee.

We appreciate your continued guidance and support.