



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 further enhance our compliance system in cooperation with suppliers.



Imelda Concepcion
Senior General Manager, Business Management Division
Pilipinas Kyohritsu Inc. (PKI) (Philippines)

Making the Utmost Effort to Prevent Bribery

Today the entire nation of the Philippines is working to eradicate criminality and corruption, and PKI also recognizes this as a significant issue that must be addressed. My main role as a bribery prevention manager is to watch for any employee who may have engaged in illegal bribery with government officials, such as by offering entertainment or gifts. In fiscal 2016, all of the 36 incidents related to the offering of entertainment, gifts and donations were confirmed as appropriate through investigating events, including such considerations as amount or value, date of event, method, background and frequency.

We will continue to make the utmost effort to fully comply with all laws and regulations. At the same time, we will be ever-mindful of the Sumitomo Spirit, Banji-nissei (meaning: do your sincere best, not only in business but also in every aspect of your life), and Shinyo-kakujitsu (meaning: place importance on integrity and sound management), as well as Fusu-furi (meaning: no immoral business).

» Corporate Governance System

We adopted the Executive Officer System in June 2003 to accelerate decision making and enhance supervision and business execution.

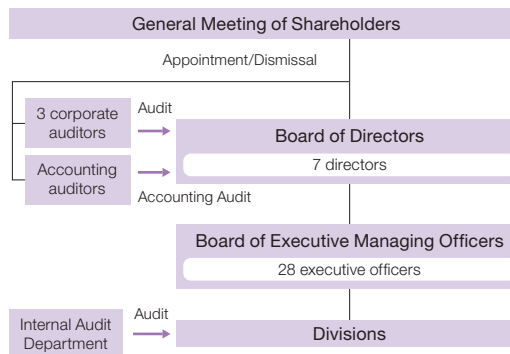
The Board of Executive Managing Officers conducts preliminary reviews of key issues to inform the Board of Directors in its deliberations as the final decision-making authority. Three corporate auditors audit the business execution performance of the directors at SWS to ensure the soundness and adequacy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

» Compliance System

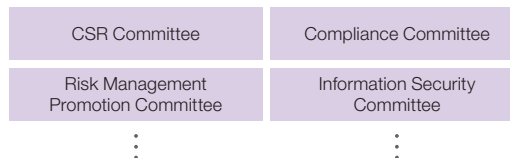
We established a compliance manual in 2005 to as guidelines for daily operations. Every SWS Group employee is expected to adhere to the guidelines in the spirit of acting under the highest ethical standards. Meetings of the Compliance Committee, chaired by the director in charge of legal affairs, are 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.

Bribery prevention in Japan and overseas remained our priority in fiscal 2016. We developed a global system by assigning 41 managers who were charged with preventing bribery in 37 Group companies in 12 countries. As part of our commitment to strengthen the monitoring and prevention of bribery, we conduct quarterly reviews of the entertainment expense reports of each department that are submitted to the Legal Affairs Department.

» Corporate Governance System (as of September 30, 2017)



Group-wide Management Activities



» 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. To that end, we actively engage in compliance training and education tailored to the characteristics of each workplace.

In fiscal 2016, we provided position-based training programs that focused on compliance, internal control and corporate governance to further bolster our internal controls. In addition to the training programs, we use our Group newsletters to introduce topics related to compliance and discuss issues that can arise in the course of business such as the Antimonopoly Act, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and key points to keep in mind when signing contracts. Through these efforts we ensure that our employees are always aware of their compliance obligations.

» 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 Affairs Department and also an external contact run by our corporate legal counsel. Reports of non-compliance are mainly investigated and handled by the Legal Affairs Department, which serves as the Compliance Committee Secretariat. In fiscal 2016, 11 incidents were reported, investigated and appropriately addressed.

» 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. In February 2015, we partially revised our basic transaction agreement by adding clauses on CSR procurement and exclusion of antisocial forces. We have also distributed our CSR Guidelines for Suppliers, which clearly state our expectations and requests, to our main suppliers and have been keeping them informed. Internally we have assigned officers in each division to be responsible for enforcing compliance with the Subcontractor Act to ensure education and raise awareness of CSR procurement.

» Communication with Suppliers

Sumitomo Wiring Systems convenes an annual Global Suppliers Meeting to promote mutual trust with suppliers. A total of 220 participants from 118 companies in 9 countries attended our April 2017 meeting. We provided an overview of the 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 that everyone is 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). Six companies were recognized as outstanding suppliers for fiscal 2016.

* Q: Quality, C: Cost, D: Delivery

» Efforts to Strengthen Compliance with the Subcontract Act

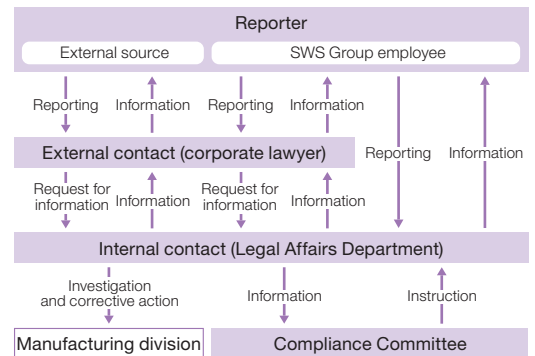
In December 2016, the Subcontract Act Operation Standards and the promotion standards under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises specified by the Small and Medium Enterprise Agency were revised. The revisions added new detailed rules concerning transactions between subcontracting companies and subcontractors governing price determination, cost bearing and payment conditions. In response to the revisions, we have begun implementing initiatives to strengthen and promote appropriate transactions with our subcontractors.

In terms of price determination and cost bearing for mold storage expenses, we have established internal rules based on the new standards. As for the payment method, we have strengthened initiatives to promote cash payment. Moreover, we are raising the awareness of all employees on legal compliance by providing extensive and effective internal training programs on how to conduct proper transactions.

» Compliance Training (Fiscal 2016)

Type of Training	Number of Sessions	Number of Participants
Training for New Employees	2	137
Training for Mid-career Recruits	12	85
Position-based Training	14	615
Optional Training	8	201
Compliance Training on Competition Law	1	761
Harassment Prevention Training	4	256
Other	12	231
Total	53	2,286

» Compliance Reporting



» Procurement Policy

Our procurement activities reflect our commitment to "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



Working to Be the Best Partner by Deepening Collaboration across Global Businesses

Voice

Jianxiong Hu
General Manager
Ningbo Schlemmer Automotive Parts Co.,Ltd.

As an automotive parts manufacturer offering integrated design, development, production, sales and services, we mainly deliver harness protection parts and tube system parts to customers around the world. Sumitomo Wiring Systems has provided tremendous support and valuable input on the costs at each stage, from recommendation and procurement of raw materials to production and shipment. As a result, our cost improvement efforts have paid off, as confirmed by the two awards we received at the Global Suppliers Meeting in fiscal 2016: the Global Contribution Award and the Cost Improvement Award. With our "positive and progressive spirit," we will continue our efforts to establish the best possible partnership worthy of the trust of Sumitomo Wiring Systems.