

## Basic Stance on Compliance

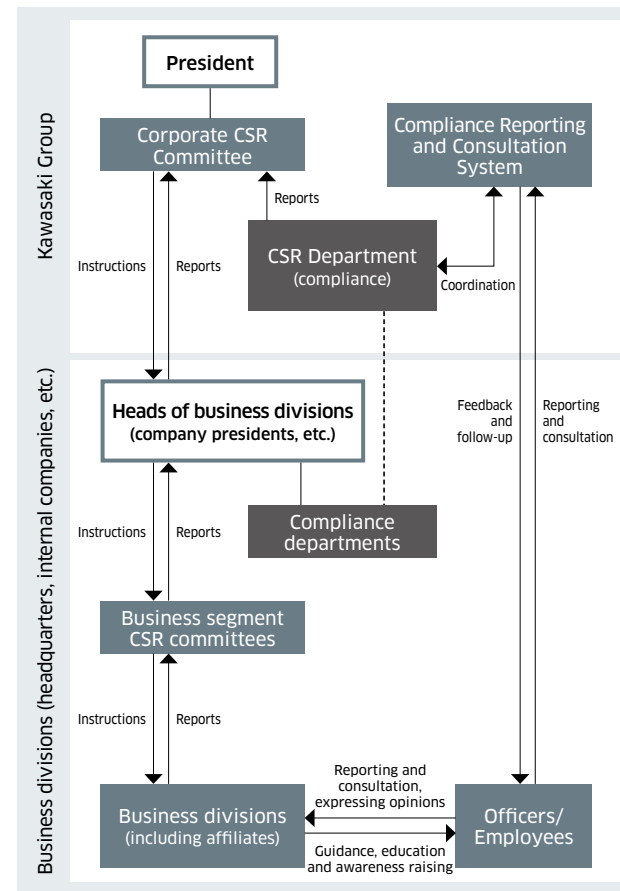
The Kawasaki Group Management Principles, part of the Kawasaki Group Mission Statement, extol the corporate virtue of “recognizing social responsibility and coexisting harmoniously with the environment, society as a whole, local communities, and individuals,” and in the Kawasaki Group Action Guidelines, we ask each and every member of the Group to “earn the trust of the community through high ethical standards and the example you set for others.”

We have established the Kawasaki Group Code of Conduct and set ethical standards to be the basis of decisions. At the same time, the Regulations Concerning the Kawasaki Group Code of Conduct, a set of internal rules, requires executives and employees to comply with the Code of Conduct.

## Compliance Promotion Structure

The Corporate CSR Committee comprises all Directors and Audit & Supervisory Committee Members and is chaired by the Kawasaki president. The committee meets at least twice a year (three meetings in fiscal 2019). Its functions are to discuss and determine measures to ensure that the Kawasaki Group fulfills its corporate social responsibilities and maintains thorough compliance, and to monitor the achievement levels and status of compliance efforts. To ensure that the objectives of the Corporate CSR Committee extend to all corporate structures, at the head office and internal companies, business segment CSR committee meetings are held at least twice a year to promote compliance throughout the Group.

Compliance Promotion Structure



## Compliance Reporting and Consultation System (Whistle-blower System)

We have established the Compliance Reporting and Consultation System, with an outside lawyer acting as the contact, so that employees (including contract employees, temporary staff, and retired employees) of the Company and domestic consolidated subsidiaries can report or seek consultation regarding suspected violations of compliance practices relating to their operations.

Under the Compliance Reporting and Consultation System, employees report to or consult with an outside lawyer directly. The lawyer then investigates to determine whether or not there is in fact a compliance problem, and if a problem is found, advises the Company on how to remedy it. Furthermore, the lawyer reports the results of this process back to the employee who used the system. During the investigation, the employee’s name is not disclosed to the Company without his or her permission. Furthermore, in October 2019, the system began to accept anonymous reports in addition to reports filed under the complainants’ names. By allowing anonymous reporting, we are able to gather information on and address a wider range of compliance issues.

The Group works to ensure that employees know how to use this system by providing information on it via such means as the Company intranet, Kawasaki Group Code of Conduct pamphlets, *Compliance Guidebook*, and Group newsletters.

There were 47 reports or consultations made through the Compliance Reporting and Consultation System in fiscal 2019.

Number of Reports or Consultations (in fiscal 2019)

Contents of report or consultation	Cases
Abuse of authority	12
Labor issues	14
Disadvantageous treatment of hotline users	2
Sexual harassment	1
Multi-category	5
Others (Unethical behavior, inquiries about legal interpretation, etc.)	13
<b>Total</b>	<b>47</b>

Note: The numbers of cases listed above refer to reports and consultations received, not those identified as actual compliance violations

## Compliance Promotion Initiatives

### Kawasaki Group Code of Conduct

In July 2017, we established the Kawasaki Group Code of Conduct as a set of ethical standards to guide the decision making of Kawasaki Group executives and employees. This code is a set of common conduct guidelines that all members of the Group must abide by, regardless of the situation or

where in the world they are.

The Kawasaki Group Code of Conduct contains 12 sections under the theme “Acting Correctly” and 10 sections under the theme “Working with Stakeholders.”

### Compliance Guidebook

The *Compliance Guidebook* provides knowledge that is necessary and useful for ensuring thorough compliance within the Company in an easy-to-understand way. The guidebook is distributed to all executives, employees, and temporary staff at all Group companies in Japan.

The *Compliance Guidebook* outlines the Group’s compliance system and activities as well as the Compliance Reporting and Consultation System, which serves as the Group’s internal whistle-blower system. The guidebook uses illustrations to present easy-to-understand examples of important compliance-related matters. It is divided into 20 sub-sections within six

sections: “Securing the Trust of Customers and Business Partners,” “Matters to Be Observed as a Corporate Citizen,” “Data Protection,” “Handling Financial Transactions,” “The Workplace,” and “Responsibilities of Managers.” The guidebook also contains an index of the corresponding sections of the Kawasaki Group Code of Conduct and serves as a text for increasing compliance awareness.

The *Compliance Guidebook* is used in internal compliance training and educational activities. Since the first edition was issued in 2003, its content has been constantly updated in light of evolving compliance requirements around the world.

### Employee Awareness Surveys

The Kawasaki Group implements periodic employee awareness surveys to monitor internal compliance violation risks. Recent surveys aimed at measuring compliance awareness among

employees were implemented in 2008, 2011, 2014, and 2018. Survey results are analyzed and reflected in subsequent initiatives.

## Basic Stance on Risk Management

In accordance with the Companies Act, the Kawasaki Board of Directors has adopted a basic policy for internal control systems. This policy stipulates that we identify, classify, analyze, and assess risks and then implement risk management (avoidance, reduction, etc.) in line with the Risk Management Regulation.

In addition, to achieve sustained improvements in profitability and enterprise value, the Kawasaki Group Mission Statement identifies risk management as a guiding theme of the Kawasaki Group Management Principles.

## Responding to Major Risks

To undertake integrated risk management on a Group-wide basis, each year, divisions responsible for operations re-check for the presence of risks, identify major risks that have the potential to significantly impact operations (Group-level risks), and monitor responses to these risks. Furthermore, they specify a few risk items from among those identified as requiring Group-wide response measures and specifically confirm the status of response to these at the Group-wide level.

With regard to individual risks associated with business

execution, in accordance with such company regulations as the Major Project Risk Management Regulations, the relevant divisions must assess and analyze such risks in advance and fully consider appropriate responses. In particular, the Company practices even more thorough risk management for major projects with significant impact on operations, including that at the time of bidding and concluding agreements for such projects as well as regular follow-up by the Head Office and internal companies as needed after the project begins.