



# Governance

The ADEKA Group, under its management policies of “Contributing to society through our business” and “Realizing harmony and co-prosperity with society,” strives to meet public expectations and demand. At the same time ADEKA Group is consistently enhancing its brand and corporate value by reinforcing its corporate governance and rigorously managing compliance.

## Corporate Governance

### •Basic Stance on Corporate Governance

The ADEKA Group places a top priority on the strengthening of corporate governance in order to realize its mission and management policies as well as achieve sustainable growth and enhance its mid- to long-term corporate value. Based on the audit and supervisory board system adopted under its management system, the company is strengthening its governance systems through efforts such as the appointment of independent external directors, introduction of the executive officer system and establishment of Management Committee.

[Management Policy/Code of Conduct](https://www.adeka.co.jp/en/company/philosophy.html)  
<https://www.adeka.co.jp/en/company/philosophy.html>

### •Compliance with Corporate Governance Code

In accordance with the ADEKA Group Corporate Governance Guidelines, the ADEKA Group is constructing a highly effective system of corporate governance that allows each organizational entity, including the board of directors and the audit and supervisory board, as well as executives and employees, to fulfill their respective roles.

[ADEKA Group Corporate Governance Guidelines](https://www.adeka.co.p/ir/library/pdf/cgg.pdf)  
<https://www.adeka.co.p/ir/library/pdf/cgg.pdf> (in Japanese only)

### •Assessment of the Effectiveness of the Board of Directors

ADEKA conducts an analysis and assessment of the effectiveness of the board of directors at the end of each fiscal year and discloses a summary of the results.

All directors and auditors are asked to complete a self-assessment questionnaire on the level of active discussions and strategic decision making/supervision functions of the board of directors. An assessment/analysis is made at a meeting attended only by the external directors and external audit & supervisory board members (collectively “External Officers”) based on the aggregated results from the questionnaire.

#### FY2017 Assessment Result

- The board of directors is adequately and efficiently managed.
- Stronger supervision is needed over corporate governance and compliance of Group companies, including those of overseas, to regularly monitor the progress and results of the mid-term management plan and large-scale investment projects and deepen the discussions on issues that need to be addressed.

### •Incentive Compensation for Directors

ADEKA's incentive compensation for directors is composed of remuneration paid as compensation for performing their duties, bonuses linked to performance of the company and individuals and “restricted stock compensation” introduced as a medium- to long-term incentive in June 2017.

### •System for Providing Information and Support to External Officers

The ADEKA Group continues striving to improve its support system for external officers so that they can deepen their understanding of the Group's business activities and make sound decisions. Soon after external officers are appointed, the Group holds an orientation session on the Group's businesses and financial conditions and organizes facility tours as needed. Reference materials for meetings of the board of directors are distributed. Also, important issues are explained by the secretariat in advance to ensure that external officers are fully briefed and can engage in constructive discussion.

### •Internal Control System

ADEKA has established an internal control system that allows management to properly manage company operations and assets. The Internal Control Promotion Committee is in charge of developing, operating and overseeing the internal control system based on the Companies Act and adequate financial reporting procedures based on the Financial Instruments and Exchange Act.

## Compliance

### •Basic Stance on Compliance

The management policies of the ADEKA Group support the effective response to changes in the social and managerial environment. They are intended to realize sound management and harmony with international society by sufficiently protecting stakeholders' interests. The Group's compliance management is intended to fulfill public expectations and demand through the provision of new value that is useful for addressing social issues by providing high-quality products and services created using ADEKA's unique technologies and through actively communicating with stakeholders as well as engaging in social contribution activities.

### •System for Promoting Group Compliance

The Compliance Promotion Committee meets quarterly to manage and monitor compliance at ADEKA. A system for instilling the Basic Compliance Policy across the company and swiftly collecting information has been established by appointing Compliance Leaders in each section. In addition, representatives and compliance officers of major Group companies meet twice a year for the Group Compliance Conference. Also, the company conducts a

survey on compliance awareness biannually, targeting all executives and employees of major Group companies. Survey results are used to improve activities in a united Group effort to enforce compliance rigorously.

### •Strengthening Group Compliance

In fiscal 2017, ADEKA also included executives and employees of the domestic affiliates of the ADEKA Group as subjects of the biennial survey on compliance awareness. The results were published on our intranet and individual interviews were held with the Group Compliance Council and representatives/compliance managers of each affiliate to provide feedback. We will use these surveys and their results to improve the quality of our activities for promotion and to ensure compliance is achieved throughout the Group.

### •Preventing Bribery

ADEKA is committed to combatting bribery through employee training and risk assessment based on the ADEKA Group Anti-Bribery Guidelines and related regulations.

[ADEKA Group Anti-Bribery Guidelines](https://www.adeka.co.jp/csr/en/anti-bribery.html)  
<https://www.adeka.co.jp/csr/en/anti-bribery.html>

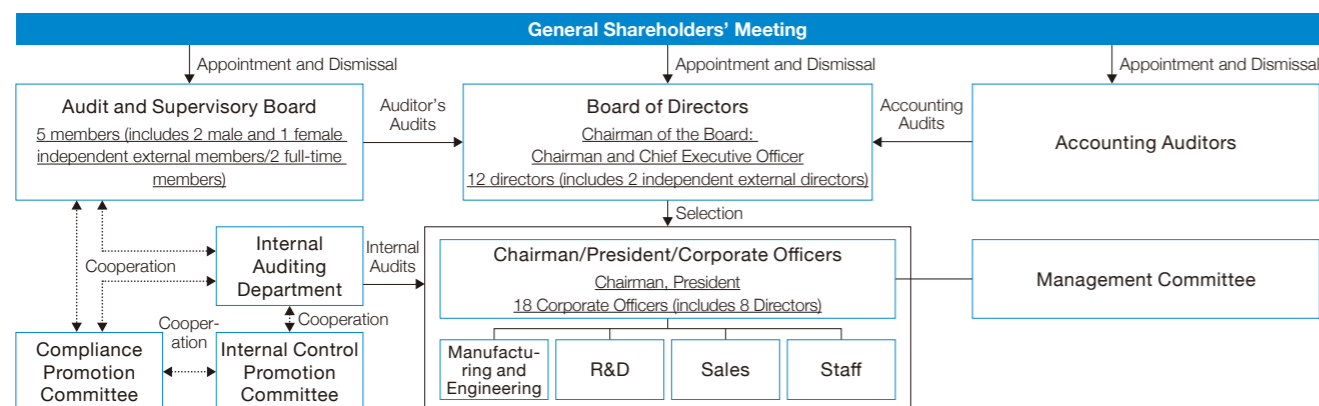
### •Operational Status of System for Reporting Compliance Issues

The ADEKA Group has maintained an internal reporting system since 2003. We received nine reports in fiscal 2017 from ADEKA Hot-line including, an external web-based service “D-Quest Helpline” that is now more widely known, with a new employment/labor hotline that opened in July 2017. The details of the reports and correspondence were also shared with auditors and external lawyers as required and reported to the board of directors. Moreover, we give careful consideration to ensure that individuals who use the systems are not placed at any disadvantage and are able to use the systems without undue concern.

## Respect for Human Rights

The ADEKA Group intends to create a society that respects the rights and diverse values of all stakeholders involved in our business activities. We are making every

### ► Overview of Corporate Governance as of June 30, 2018



effort to promote respect for the basic human rights of all stakeholders, including customers, business partners, local communities and employees. In order to eliminate any violations of human rights, such as child and forced labor, in the Group or by the domestic and overseas supply chain.

## Risk Management

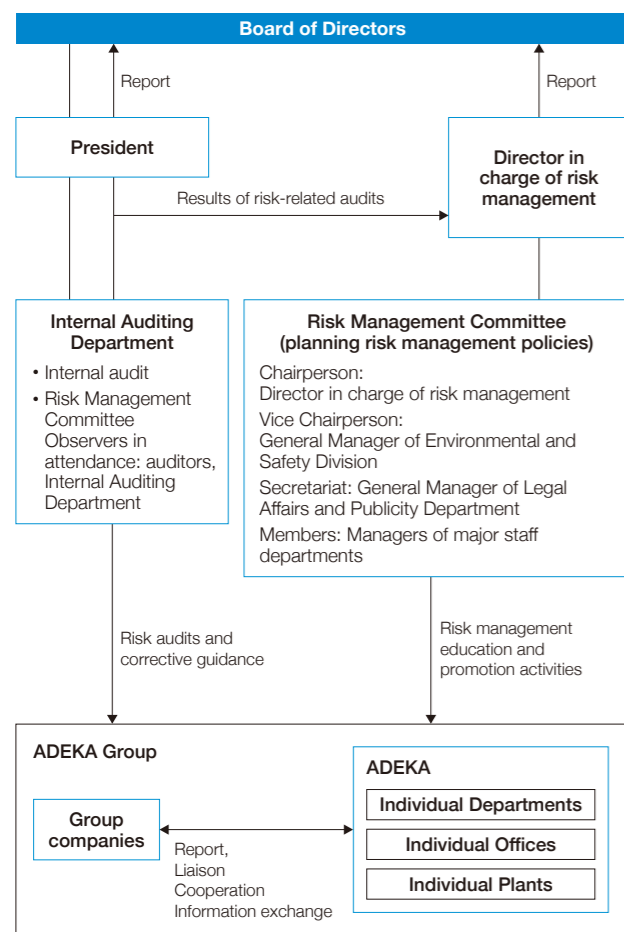
### Basic Stance on Risk Management

As business risks increase in the management environment, the ADEKA Group has been seeking prevention of the incidents and minimization of the damage thereof. This has been done by outlining a system for managing risks in the ADEKA Group Risk Management Manual focusing on prevention and countermeasure effort.

### Risk Management System

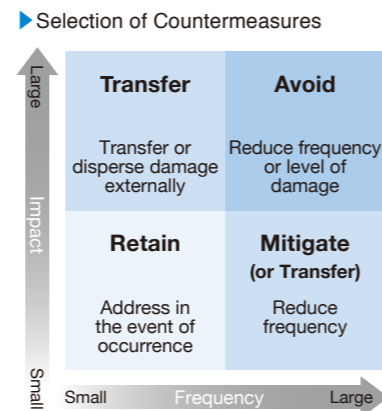
The Risk Management Committee, led by managers of the staff departments in the head office, regularly meets to formulate and manage the Basic Risk Management Policy.

#### Overview of Risk Management



### Risk Identification

We conduct risk assessment surveys of all department and office managers concerning the frequency and impact of risks. Risks associated with information management, security and business identified by risk mapping and countermeasures, are discussed by the Risk Management Committee.



### Theme Selection Method

A risk matrix is created using the survey, and the area in which the level of damage and impact is higher than 3 and level of frequency is above 2 is designated as a high-risk zone. Themes that should be addressed by the Risk Management Committee are selected from the priority issues.

### Crisis Management

The ADEKA Group Risk Management Manual also sets the framework and workflow for enabling each section and Group company to work in concert for quick and effective emergency response. In addition, ADEKA has published and distributed an Emergency Public Relation Manual with the aim of minimizing the loss of credibility in the event of any scandal, including incidents and accidents within the ADEKA Group.

### Business Continuity Management

The BCMS Committee takes the initiative on business continuity management for minimizing any damage to business assets and enabling the continuation or early recovery of business activities in the event of an emergency.

### Strengthening Information Security

In September 2017, an external lecturer, invited by the Information Management Subcommittee, conducted a seminar on information security to improve employee knowledge and awareness of information security, and 588 employees attended. To strengthen information security, the Information Security Policy and related regulations were also formulated and have been in effect since May 2018.

## CSR Management

We are developing a CSR promotion structure to contribute to society through our businesses under the fundamental CSR policy of the ADEKA Group, "Gentle harmony between people and technology" and "Harmony with society."

### CSR Management System

As stakeholder demand regarding our CSR practices grows along with rising public interest in CSR, we recognize that we need to embody the viewpoints and approaches of the ADEKA Group toward CSR.

In 2007, we established the CSR Promotion Committee under the Compliance Promotion Committee and have since been working to meet the demands of stakeholders, formulating measures to promote CSR activities and reviewing information disclosure practices through CSR reports. Identifying our commitment to "promote CSR and grow together with society" as one basic policy of the mid-term management plan launched in fiscal 2018, we plan to establish a CSR committee chaired by the president and supported by Group-wide efforts.

#### CSR Promotion Committee (as of the end of March 2018)

Constituent members	Executives and managers (total of 10)
Secretariat	Legal Affairs and Publicity Department
Number of meetings in fiscal 2017	2

### Spreading CSR Awareness Among Employees

For the purpose of deepening employee understanding concerning the interests expressed by stakeholders and our CSR activities, we invited an external lecturer to hold a CSR seminar in October 2017, and 453 employees attended, including those watching via a television broadcast.

The seminar followed an interactive format in which all attendees brought their CSR reports and studied the types of information that stakeholders are interested in while



CSR seminar

sharing reports from the standpoint of various stakeholders. A post-seminar survey confirmed that the seminar helped employees deepen their understanding of the importance of Group-wide efforts to promote CSR activities. In order to help all employees incorporate CSR efforts into their own frame of reference, we will continue our efforts to deepen the understanding of CSR among employees.

### Deepening the Understanding Towards SDGs

In March 2018, the CSR Promotion Committee held a study meeting on the SDGs with 15 members at the executive/manager levels in attendance. In relation to trends and examples of SDGs

initiatives, the members discussed the initiatives highly relevant to our business activities and matters that we need to address in the future.



SDGs study meeting

## Opinions Expressed at the Study Meeting

### SDGs that are highly relevant to ADEKA

- 5 Gender equality**  
Achieve gender equality in all positions throughout the Group
- 7 Affordable and clean energy**  
Improve production efficiency and achieve sustainable industrialization
- 8 Decent work and economic growth**  
Promote a healthy work-life balance and reduce long working hours
- 9 Industry, innovation and infrastructure**  
Enhance the quality of commodities by providing high-value added products
- 12 Responsible consumption and production**  
Ensure product safety and reliability and reduce impacts on human health and the environment
- 13 Climate action**  
Reduce CO<sub>2</sub> emissions related to our businesses
- 17 Partnerships for the goal**  
Develop partnerships (safety, human rights and environment) across the entire supply chain and promote joint research

### Initiatives that ADEKA Can Take in the Future

Strengthen communication beyond the boundaries of domestic and overseas companies, utilize AI and IoT technologies, promote environmentally friendly products and efforts to eradicate food crises, develop materials to achieve zero waste, improve employee work styles and so on.