

Fiscal 2019 CSR Activity Report

Corporate Ethics and Legal Compliance

Governance

Ensure all executives and employees uphold a sense of responsibility, fairness and high ethical standards, and act with a keen sense of compliance to maintain the trust of society



Basic Approach

Toray Group's corporate philosophy is "Contributing to society through the creation of new value with innovative ideas, technologies and products."

To deliver on this commitment, Toray Group is contributing to society by leveraging innovative technologies and advanced materials to tackle important global issues. This efforts requires that the Group earn and maintain the trust of diverse stakeholders by ensuring that its business activities comply with the laws and regulations of the countries where it does business, and by always acting with integrity.

Top management is taking the initiative by giving the highest priority to securing compliance, and by requiring that the Group and its suppliers facilitate ethics and compliance practices.

Related Policies

Internal Rules for Ethics and Compliance

Toray Industries, Inc. has established a set of internal rules for ethics and compliance, together with related standards and procedures. These internal rules set out the framework for practicing corporate ethics and legal compliance, and they are designed to foster a healthy corporate culture. The rules also outline how to respond to issues, identify causes and prevent recurrence, as well as initiatives to be taken by group companies in and outside Japan.

[> Ethics & Compliance Code of Conduct](#)

Ethics & Compliance Code of Conduct

Toray Group has established the Ethics & Compliance Code of Conduct as an important rule which every Toray Group executive and employee must comply with.

Structure

Toray Industries has established an Ethics and Compliance Committee, which is chaired by the president with membership comprising the Company's vice-presidents. At this committee, management and workers come together to consider and discuss policies related to corporate ethics and compliance. The status of the whistle-blowing system in Toray Group, including number of reports (consultations) received through hotlines and the outline of the cases, are reported to directors by the Ethics and Compliance Committee.

In fiscal 2019, the Ethics and Compliance Committee convened twice to deliberate on and discuss the results of fiscal 2018 initiatives, action plans for fiscal 2019, and the progress of implementation thus far. The committee also discussed individual measures such as revision of Toray Group Ethics & Compliance Code of Conduct.

In each workplace, the general manager of the division or department serves as a leader, facilitating initiatives in a top-down manner. In initiatives for group companies around the world, Toray Group has established the Affiliate Companies' Compliance Meeting and the Overseas Affiliate Companies' Compliance Meetings under the Ethics and Compliance Committee. Through these committees, Toray Group is promoting compliance activities in each company, country and region.

CSR Road Map Targets and Results

01

No major cases throughout the Toray Group of non-compliance with or violation of bribery regulations, antitrust laws, etc.

[Related material issue for CSR]

- Corporate ethics and legal compliance

■KPI

Number of major violations of laws or ordinances

■Reporting scope

Toray Group

■Target in fiscal 2019

0

Result in fiscal 2019

1¹

02

Promote compliance activities in accordance with the conditions of each country or region

■KPI

Implementing internal legal and compliance audits of group companies, group companies improving problems found in internal legal and compliance audits in the previous year (%)

■Reporting scope

Toray Group

■Target

Audits: In fiscal 2019 at group companies outside Japan; in fiscal 2017 and 2018 at Toray Industries, Inc. and its group companies in Japan
Percent that improved: 100% for all audits by the following fiscal year

Result in fiscal 2019

100%

03

Enhance awareness-raising and educational activities relating to corporate ethics and legal compliance

■KPI

Group companies providing information and implementing education on major laws and regulations

■Reporting scope

Toray Group

■Target in fiscal 2019

100%

Result in fiscal 2019

100%

¹ Toray discovered in March 2020 that Suido Kiko, a subsidiary engaged in water and sewage facility engineering, had potentially allowed an employee to take the First Class Civil Engineering Works Execution Managing Engineer test despite not having satisfied the practical experience requirements for this test. Thereafter, a third-party committee was established and commissioned to investigate the facts and make recommendations on how to prevent a recurrence. On September 24, we received the report of the investigation by the third-party committee, and on September 25, we reported to the Ministry of Land, Infrastructure, Transport and Tourism on the content of the report and measures to prevent a recurrence. Going forward, the Group will strive to further strengthen compliance and prevent any similar recurrence.

Looking to the Future

With the slogan “Have the Integrity to Do the Right Thing in the Right Way,” since fiscal 2018, Toray has been promoting initiatives including the following four principles for taking more effective action to ensure compliance.

Compliance Action Principles

- **B** : Be fair, be honest and have Integrity
- **E** : Encourage respect and communication
- **A** : Adopt a *genba*¹ approach – Look to the facts!
- **R** : Responsibility as a member of our excellent company

¹ *Genba* is the Japanese word for “actual worksite.”



Under the name “Mission BEAR,” taking its acronym from the first word of each principle, Toray Group companies establish action plans and execute initiatives in line with the actual conditions of each company.

Toray Group performs regular follow-up to check the progress of each group company. Outstanding initiatives are shared with other companies in the Group, which are encouraged to independently enhance their compliance activities.

In fiscal 2019, Toray Industries continued to assist and monitor compliance initiatives at group companies and actively share compliance-related best practices and educational materials. Through the efforts, the Company strengthens the Group’s overall risk response by emphasizing factors unique to each region and type of business while reinforcing integrity driven corporate culture.

Fiscal 2019 CSR Activity Report - Corporate Ethics and Legal Compliance

Establishing a Corporate Culture of Total Respect for Corporate Ethics and Legal Compliance

Governance

Toray Group Ethics & Compliance Code of Conduct

The Ethics & Compliance Code of Conduct was updated in May 2020, and is an important set of rules that must be followed by every Toray Group executive and employee, including contracted, part-time and dispatched workers. They are fully informed of this code of conduct, along with the Group's internal whistle-blowing system and promotion framework for ethics and compliance.



[Download \(0.4MB\)](#) [PDF](#)

Distribution rate of the Toray Group Ethics & Compliance Code of Conduct

Distribution rate of the Toray Group Ethics & Compliance Code of Conduct

100%
Toray Group

Major Contents of Toray Group Ethics & Compliance Code of Conduct

1. Compliance for safety and the environment

(1). Working environment

We must protect the health and safety of ourselves and our co-workers by maintaining safe equipment, working conditions and working procedures. Besides following related laws and company rules, we should continue to take an active part in safety initiatives, with the aim of reducing workplace accidents to zero.

Also, we should be mindful of the importance of close communication in promoting mental health in the workplace. Showing respect for others helps to create a positive and healthy work environment for all.

(2). Caring for the environment

We must follow all laws and company rules that relate to the environment, disaster prevention and the handling of chemical substances, based on the principle that we must leave the environment in a better state.

We should strive to reduce the impact that our business activities, products and services have on the environment, while also promoting diversity and sustainable use of resources.

2. Compliance for quality

(1). Safe and satisfactory products

We must always act according to the law and in the interests and spirit of product safety to ensure that we continue to make safe and satisfactory products in response to requirements of our customers. Also, we must understand the requirements of our customers appropriately, and design, manufacture and provide products in response to such requirements. If a problem should arise, we must respond quickly.

(2). Quality data management

We must obtain, forward, store and confirm quality data in agreed ways, and correctly inform customers of the data as necessary to ensure that we continue to keep our promise to customers. We as a company do not permit quality data falsification.

3. Compliance for human rights

(1). Respect for the character and individuality of employees

We must respect the individuality of every Toray Group employee and must not engage in spiteful treatment or discrimination. We must respect the privacy of other employees and handle personal information with the utmost care.

(2). Preventing harassment and discrimination

We as Toray Group do not tolerate any form of harassment or discrimination, including sexual harassment and power harassment.

(3). Respect for the human rights of all stakeholders

We will not infringe on human rights or be complicit in infringing on the human rights. We must respect international human rights norms and act consistently with the Toray Group Policy for Human Rights.

4. Compliance for fair business activities

(1). Competing fairly

We must not participate in cartels or other illegal concerted practices, unfair treatment of business partners, or any conduct violating competition laws of each country/region.

We must not give or receive bribes both in relation to public officials and other business partners, or participate in any other form of corrupt practice. We must follow relevant laws and company rules in making political contributions and charitable donations.

We must accurately communicate information about the quality, functions and price of our products and services so as not to mislead our business partners and end users.

(2). Fair transaction and asset management

All transactions including purchase, sales and payment of expense must be done appropriately in accordance with the law and general accounting principles.

All company assets such as inventories and fixed assets must be controlled, used and maintained for business purpose only.

(3). International trade control and security trade administration

We must follow the relevant laws and regulations and comply with appropriate import and export procedures and trade controls when purchasing, exporting or importing products, machines, materials and samples, or when sharing our technology overseas, to avoid violation of sanctions imposed by the United Nations and governments such as the United States.

(4). Compliance with applicable laws in general

We must acknowledge that a violation of laws and regulations could undermine trust in the company, and comply with any and all laws and regulations including those related to;

- Insider trading
- Shut off of any relationship with antisocial forces
- Conflicts of interest

5. Compliance for intellectual property

(1). Respect for intellectual property rights of others

We must ensure that we do not infringe intellectual property rights of others, either intentionally or as the result of insufficient investigation.

6. Compliance for information management

(1). Information management

When we become aware of confidential information owned by either Toray Group or others, we must not disclose, publicize or use such information for unauthorized purposes both during and after our employment at Toray Group.

When handling personal information as part of our work, we must follow company policies for protecting such information and manage such information carefully and appropriately.

(2). Reporting and public disclosures

We must make disclosures as required by law and follow the Toray Group's Information Disclosure Principles with the aim of providing full, fair, accurate and timely reports and public disclosures about our business.

Corporate Ethics and Legal Compliance Education

Group companies providing information and implementing education on major laws and regulations

■Reporting scope
Toray Group

■Target in fiscal 2019
100%

Result in fiscal 2019

100%

Toray Industries posts information on CSR and legal compliance on its corporate intranet. Toray Group circulates important information about legal and compliance matters that are highly relevant to its business in Japan and other countries. Group companies implement workshops to examine these matters and study cases of corporate misconduct in an effort to foster discussion in the workplace.

Since fiscal 2012, Toray Industries has provided online training courses on corporate ethics and legal compliance for all executives and employees, including contracted, part-time and dispatched workers. In fiscal 2019 the Company conducted online training on human rights issues and Toray Group Anti-Bribery Regulations issues. For human rights issues, the Company worked to raise awareness using case studies based on actual reports and consultations within Toray Group, reminding all participants that issues can occur in any department. Group companies in Japan are using these materials to implement their own training.

Expanding the Whistle-Blowing System

Toray Industries established the Corporate Ethics and Legal Compliance Helpline as a whistle-blowing system in fiscal 2003 and expanded the system to include all Toray Group companies in Japan in fiscal 2010. By introducing this system, the Company expects employees first to take the initiative in managing conduct with regard to corporate ethics and legal compliance, and to consult with a supervisor as soon as an issue arises.

Recognizing that reporting or consulting with supervisors may be difficult, the Company ensures that employees have access to alternative means of reporting and consulting such as via contact points at its offices, plants and labor unions or directly to the secretariat of the Ethics and Compliance Committee via phone or email.

In addition, each Toray Group company in Japan has established a Helpline contact point. Moreover, Toray Industries has also created an external Helpline contact point shared by all group companies in Japan to make it easier for employees to report and consult.

Each group company outside Japan has also established a Helpline contact point (internal, outside, or regional contact points). These Helpline contact points have been in operation at all companies since fiscal 2017. There were reports in several countries/regions, and Toray Group is working to resolve the issues, while carefully confirming circumstances in interviews and investigations.

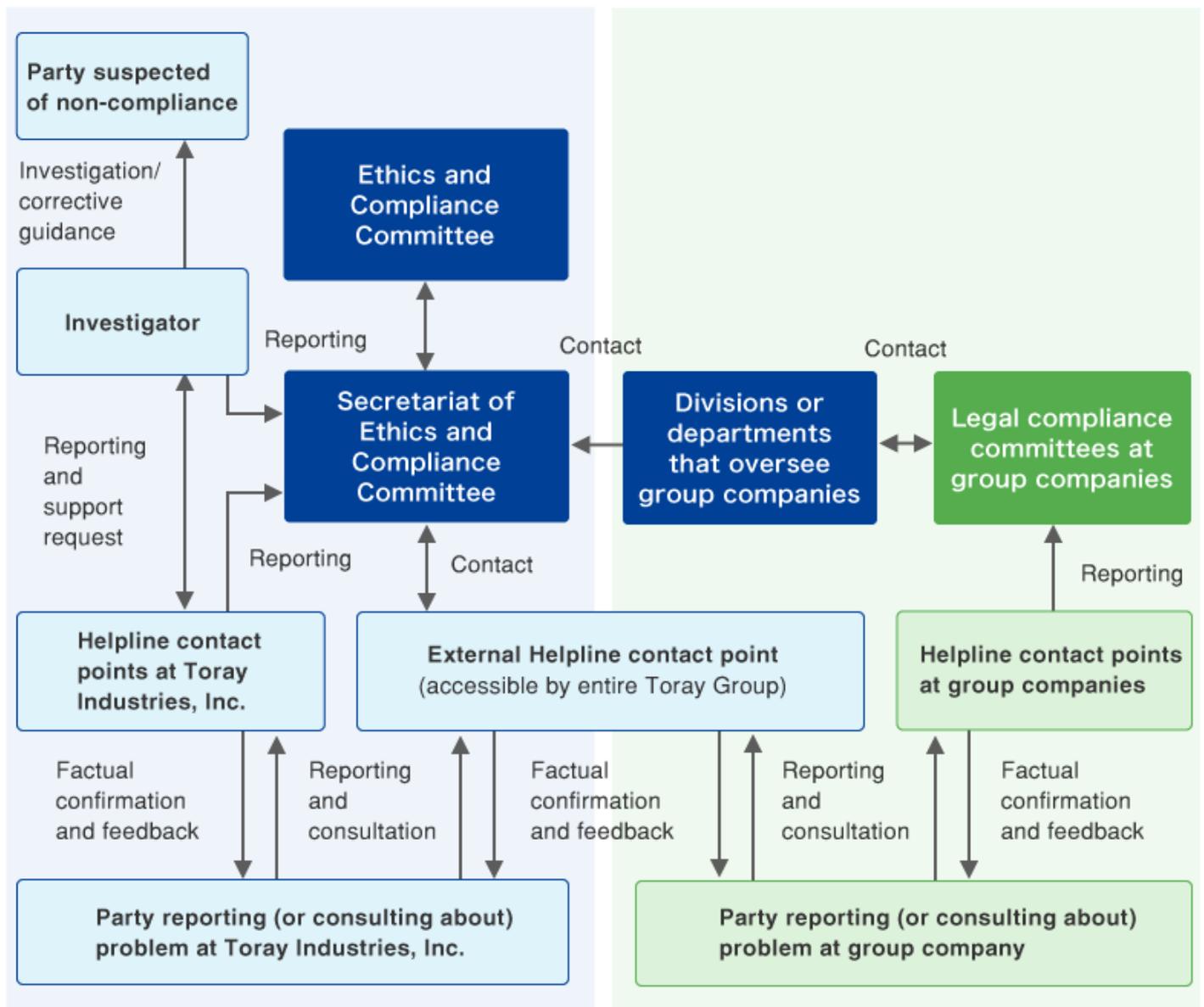
Since fiscal 2016, Toray Industries has also maintained an additional whistle-blowing system for group companies to directly report serious misconduct such as violations of antitrust laws and bribery, and it is working to inform all Toray Group companies about the system.

The number of inquiries (consultations) received through the hotline and the details of the cases are reported to directors by the Ethics and Compliance Committee, which convenes twice a year.

Group companies in and outside Japan that have established a whistle-blowing system

100%

Corporate Ethics and Legal Compliance Helpline System (Toray Industries, Inc. and its Group Companies in Japan)¹



¹ In addition to the above avenues, Toray Industries, Inc. receives reports on and addresses serious misconduct at all group companies in and outside Japan.

Implementing Internal Legal Audits

Implementing internal legal and compliance audits of group companies, group companies improving problems found in internal legal and compliance audits in the previous year (%)

■Reporting scope

Toray Group

■Target in fiscal 2019

100%

Results in fiscal 2019

100%

(including companies under improvement)

In fiscal 2016, Toray Group adopted a group-wide system for self-inspections and mutual internal control audits. Designated divisions of Toray Industries and designated group companies in and outside Japan must receive an internal legal and compliance audit every other year.

In fiscal 2018, Toray Industries undertook an internal legal and compliance audit of the designated divisions of Toray and the designated group companies in Japan. In fiscal 2019, the Company confirmed the improvement status of problems found in the audit, verifying that 100% of the companies had made improvements (including companies under improvement).

Audits are carried out to ensure compliance with the highly important antitrust laws, bribery regulations, whistleblowing systems, and contract signing rules.

To enhance the effectiveness of these legal and compliance audits, the methods are being revised in fiscal 2019, and the new methods will be implemented starting in fiscal 2020.

Ensuring Tax Compliance

Governance

Toray Group Tax Policy

With the recent release of a policy by the Organisation for Economic Co-operation and Development (OECD) to combat base erosion and profit shifting (BEPS), the complexity of taxation rules worldwide is steadily increasing. Due also to the growing importance of corporate governance related to taxation in Japan, Toray Group recognizes the necessity of highly transparent tax practices and corporate social responsibility. Therefore, the Group has been enhancing its tax compliance efforts based on the Toray CSR Guidelines. To ensure that this initiative can be taken to an even higher level, the Group has once again clarified the basic taxation compliance approach that each employee should take, and established the Toray Group Tax Policy. Toray Group will continue striving to improve its tax compliance while building its tax governance structure to enhance corporate value.

Basic Policy

1. Toray Group makes efforts to pay taxes appropriately by complying with the tax laws of each country and international taxation rules.
2. Toray Group makes efforts to enhance corporate value and maximize shareholder value while minimizing tax risks and optimizing tax expenses.
3. Toray Group will not conduct arbitrary tax avoidance using tax havens or other methods.
4. Toray Group establishes good relationships with the tax authorities of each country.

Tax Compliance

Toray Group employees (including officers) recognize that complying with tax laws and rules is the best way to minimize tax risks and enhance corporate value. The Group conducts trainings so that employees can ensure tax compliance.

Tax Governance

Toray Group clarifies and implements tax rules within the Group to manage tax expenses and aim for an appropriate tax burden. The Group makes efforts to establish good relationships with tax authorities in each country when cooperation is required.

Other Initiatives

Transfer pricing is becoming more important as global trade increases. The Group therefore strives to allocate income appropriately by calculating transfer pricing using the arm's length principle. Moreover, the Group does not carry out tax planning strategies with the intention of inappropriately reducing Group taxes

Fiscal 2019 CSR Activity Report- Corporate Ethics and Legal Compliance

Improving Security Trade Controls

Governance

Watching the Latest Trends and Management Strategies for Security Trade Controls

Concerns about the spread of conventional mass weapons of destruction and changes in the international security balance necessitate risk management addressing security trade controls.

Toray Industries, Inc. convenes a Security Trade Administration Committee comprising officers of divisions that are involved in exports and technology transfer. In fiscal 2019, the committee decided on measures to implement for the fiscal year after considering pressing risks based on recent international circumstances and regulatory trends. The committee members also convene a Divisional Security Trade Administration Committee that communicates corporate measures and implements supplementary programs, such as precautions to be taken by departments and group companies under its supervision.

Practically Addressing Risks

Toray Group performs risk management of security trade controls with regard to the export of all products, devices, materials, and samples, as well as the transfer of technologies outside Japan. Particularly strict management is necessary for TORAYCA™ carbon fiber and its composite materials, semiconductor coating agents, and water treatment membranes, which are listed as restricted items requiring export permission from the Japanese Minister of Economy, Trade and Industry.

The following measures to enhance risk management associated with security trade controls have been implemented based on conditions in and outside of Japan.

(1) Enhanced employees' capacity for accurate judgment within Toray Industries' divisions and group companies

Toray Industries provided the necessary practical knowledge to mid-level employees who play a central role in security trade control. Training was also given to newly appointed managers to promote appropriate management on the front lines. A total of 769 employees participated in the 13 courses. The Company also conducted a series of advanced courses for employees with specialized expertise to practice classifications. A total of 127 employees participated in 2 courses. In addition, the Company systematically encourages employees to take the exam authorized by the Center for Information on Security Trade Controls in Japan. 221 Toray Group employees passed the exam in fiscal 2019, bringing the cumulative number of Toray Group employees who have passed the exam to 3,996 persons.

Cumulative number of Toray Group employees who have passed the exam authorized by the Center for Information on Security Trade Controls in Japan

**3,996
persons**

(2) Conducted regular audits

Toray Industries carried out paper audits and onsite audits of group companies, and provided individualized guidance based on the results to help group companies make improvements.

(3) Enhanced information sharing and reporting

Toray Industries integrated and centralized information on concerns such as suspicious trade inquiries, reported or consulted with the appropriate authorities as required, and took the appropriate measures. The Company also shared suspicious trade information at various company meetings, and took steps to improve its risk management.

(4) Improved inspection systems

Toray Industries began to fully link its security trade control system with its backbone sales system, and put in place a mechanism to prevent erroneous shipments due to human error. In order to improve management efficiency through use of the linked system, support was given to outstanding initiatives and the successful cases were shared with other departments.

Fiscal 2019 CSR Activity Report- Corporate Ethics and Legal Compliance

Antitrust Compliance and Corruption/Bribery Prevention

Governance

1. Compliance with Antitrust Laws

The Toray Group Ethics & Compliance Code of Conduct, revised in May 2020, stipulates the rules that all Toray Group executives and employees must follow regarding antitrust laws. Educational materials on antitrust laws have also been prepared in Japanese and English for all group employees. The Group has an Antitrust Law Compliance Program that is utilized by departments in Japan, along with Antitrust Law Red Cards that can be carried as a guide by employees.

2. Corruption and Bribery Prevention

In January 2020, the Group issued Anti-Bribery Regulations to clearly prohibit corrupt relationships with public officials and business partners. Approval and reporting rules were also established concerning the provision (or receiving) of money and other items to (from) public officials and business partners. Similar rules have been implemented at group companies worldwide.

The Ethics & Compliance Code of Conduct stipulates the guidelines that all Toray Group executives and employees must follow to avoid involvement in corruption and bribery. Educational materials on corruption and bribery prevention have also been prepared in Japanese and English for all Group employees.

Protection of Personal Information

Governance

In order to comply with Japan's Act on the Protection of Personal Information, Toray Industries, Inc. has established Regulations for the Management of Personal Information, together with a management framework and practices to ensure each department manages personal information appropriately. Audits are regularly conducted into the management conditions in each department. In fiscal 2019, the Company received no complaints concerning personal information and there were no data breaches. Major Toray Group companies in and outside Japan also appropriately manage personal information in accordance with the management systems and methods set forth in the rules and regulations of each company.

Fiscal 2019 CSR Activity Reports - Corporate Ethics and Legal Compliance

Disclosure of Information Regarding the Ethical Treatment of Laboratory Animals

Governance

Toray Industries, Inc. aims to contribute to the human development and health enhancement through the creation of pharmaceuticals and medical devices.

We believe that animal testing is necessary and required for safety and efficacy verification in the development of new pharmaceuticals and medical devices. This testing must be carried out with respect for animal life, considering the 3R principles for animal experiments; Refinement (minimization of pain), Reduction (reducing the number of animals used), and Replacement (pursuit of alternatives to animals).

In order to ensure that animal testing is conducted ethically, we have established in-house rules in accordance with the Act Concerning Humane Treatment and Management of Animals, the Standard for Care and Management of Laboratory Animals and Alleviation of Pain, the Guidelines for Proper Implementation of Animal Experiments, and other relevant guidelines.

We have also set up the Animal Care and Use Committee, which carries out ethical and scientific review of all animal testing conducted at the company. All of our staff involved in animal testing receive training in standards of care and ethics on the use of animals in research to ensure appropriate conduct of animal testing based on the 3R principles.

We carry out self-monitoring and evaluation of animal tests to verify that each test is conducted appropriately.

We have received certification from the Health Science Center for Accreditation of Laboratory Animal Care and Use of the Japan Health Sciences Foundation.