

CSR Activity Report (CSR Guideline Activity Reports)

Corporate Governance

Continually revise management systems, strengthen internal controls as part of efforts to fulfill the company's social responsibilities.



Basic Approach

From the outset, one of Toray Group's managerial principles has been that the purpose of a company is to contribute to society. The Group has developed the Toray Philosophy that incorporates this principle. The Toray Philosophy is structured with the following components: the Corporate Philosophy, Corporate Missions, and Corporate Guiding Principles. The Corporate Missions specify the Group's commitment "To practice sincere and trustworthy management," and the Corporate Guiding Principles stipulate the Group's commitment to "Acting with fairness, high ethical standards and a strong sense of responsibility while complying with laws, regulations and social norms to earn trust and meet social expectations."

In establishing its corporate governance structure, the Group seeks to fulfill these philosophies as its basic policy.

Related Policies

> [Basic Policy on Corporate Governance](#)

Related Information

> [Corporate Governance](#)

[Corporate Governance Report](#) **PDF**

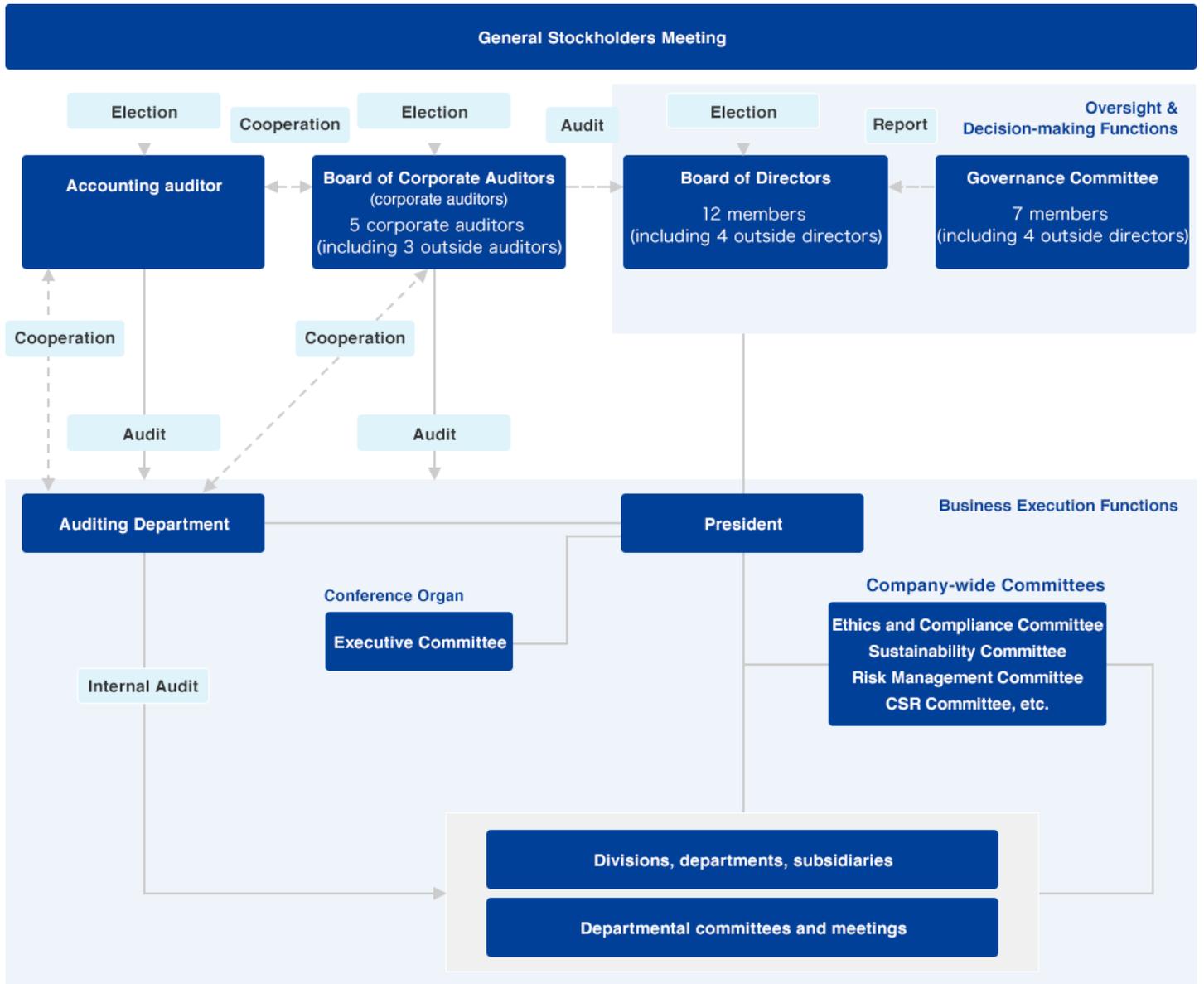
Structure

Toray Industries, Inc. operates as a company with a Board of Corporate Auditors and Board of Directors. The Board of Directors, which includes outside directors, decides on the business execution and supervises the execution of duties by the directors. The Board of Corporate Auditors includes outside auditors and independently audits the execution of duties by the directors, separately from the Board of Directors and the executing organization. This framework is designed to secure the transparency and fairness of decisions made by the Board of Directors. In addition, there is a Governance Committee, which serves as a voluntary advisory body to the Board of Directors. The Governance Committee deliberates on all matters relating to corporate governance, enhancing the effectiveness of governance by the Board of Directors.

Toray Group operates in a broad spectrum of business fields at a global level. Business management and decision-making, as well as oversight, require assessment of a wide variety of risks from multiple perspectives based on expertise related to the day-to-day operations of the Group's worksites. To that end, the composition of the Board of Directors is designed to ensure that members bring a diverse range of perspectives to management oversight and decision-making based on their expertise in the Group's businesses. Meanwhile, outside directors are elected to the Board to ensure transparency and fairness, to ensure oversight from an even broader perspective, and to obtain appropriate managerial advice from a medium- to long-term perspective.

The Board of Corporate Auditors is entirely independent of the Board of Directors. Based on professional expertise in finance, accounting, and law, as well as an understanding of the Group's businesses, the Board of Corporate Auditors exercises oversight over directors' execution of their duties.

The Governance Committee consists of three internal members of the Board, and four outside directors, and an outside director serves as a chairperson.



CSR Roadmap 2022 Targets

CSR Roadmap goals

1. Further improve governance by ensuring that Board of Directors operates in a manner that contributes to the enhancement of corporate value over the medium to long term.
2. Perform monitoring based on the Basic Policy for Internal Control Systems, in accordance with Japan's Companies Act.

Main Initiatives and Key Performance Indicators

	KPI
(1) Regularly hold Toray Group Business Strategy Discussion sessions at Board of Directors meetings	1-①
(2) Consider the appropriate form of Toray head office involvement in the execution of business at each group company from the viewpoint of balancing the effectiveness of group-wide governance with the dynamic decision-making of subsidiaries	-
(3) Expand the opportunities for training, etc., needed for directors and corporate auditors to acquire the knowledge necessary for their responsibilities (excluding execution) and to fulfill their roles appropriately	-
(4) Operate an effective internal control system	1-②

Key Performance Indicator (KPI)	Target			Fiscal 2020 Result
	Fiscal 2020	Fiscal 2021	Fiscal 2022	
1-① Toray Group Business Strategy Discussion sessions held at Board of Directors meetings (number)	8 times	8 times	8 times	8 times
1-② Board of Directors' positive assessment of the implementation of the Basic Policy for Internal Control Systems (%)	90%	90%	90%	94%

Reporting scope : Toray Group

Looking to the Future

Toray Industries' Board of Directors conducted a "Questionnaire Survey to Evaluate the Effectiveness of the Board of Directors in the Fiscal Year Ended March 31, 2021." The survey had among 17 respondents, comprising all of the Board members and corporate auditors. Additional interviews were also conducted with seven outside directors and outside corporate auditors to hear their opinions in relation to their responses to the questionnaire. In order to ensure transparency and objectivity, the Company contracted a third-party organization to collect and tabulate the questionnaires and conduct the interviews.

Analysis and evaluation of the effectiveness of the Board of Directors based on the above process concluded that the Board had generally fulfilled its roles and responsibilities in fiscal 2020. With regard to the matter, "further activating discussions at the Board of Directors meetings," however, the process indicated that specific measures for improvement should be taken from a practical standpoint, continuing from fiscal 2020, to further improve the effectiveness of the Board of Directors in fiscal 2021 and beyond. In addition, the Company will promote the provision of opportunities for outside directors to communicate with people who execute the business in order to improve the functionality of the outside director system.

With respect to the opinions, etc., received from the members of the Board and corporate auditors in the course of evaluating the effectiveness of the Board of Directors, the Governance Committee will hold in-depth discussions based on those opinions with a view to further improving the effectiveness of the Board of Directors, as necessary.

Ensuring Proper Business Conduct and Transparency

Toray Group Business Strategy Discussion sessions held at Board of Directors meetings (number)

■Reporting scope
Toray Group

■Target in fiscal 2020
8 times

Result in fiscal 2020

8 times

Board of Directors' positive assessment of the implementation of the Basic Policy for Internal Control Systems (%)¹

■Reporting scope
Toray Group

■Target in fiscal 2020
90%

Result in fiscal 2020

94 %

¹ To evaluate the effectiveness of internal control relating to the Board of Directors, a questionnaire is given to all 17 directors and corporate auditors. It covers each of the nine items in the Basic Policy on Internal Control System set in accordance with the provisions of the Companies Act of Japan. In this way, internal control effectiveness is evaluated by all directors and corporate auditors, and then monitored as a KPI of the internal control system to be shared with stakeholders.

Toray Industries operates a Basic Policy on Corporate Governance based on Japan's Corporate Governance Code, and regularly publishes a Corporate Governance Report, which also summarizes the status of internal control systems.

Toray Group will continue to make every effort to ensure compliance with laws and regulations, efficient execution of duties, preservation and management of information, and control over risks of loss.

Toray Industries has set a KPI for "Board of Directors' positive assessment of the implementation of the Basic Policy for Internal Control Systems." The result for fiscal 2020 was 94%, surpassing the target of 90%.

Related Information

> [Basic Policy on Corporate Governance](#)

[Corporate Governance Report](#) **PDF**

> [Basic Policy on Internal Control System](#)

> [Information Disclosure Principles](#)

Click [here](#) for the main initiatives for CSR Guideline 1, “Corporate Governance” in CSR Roadmap 2022.