

Based on its Corporate Philosophy, the Sanden Group is working to create global frameworks for strengthening corporate governance and compliance with laws and regulations

Strengthening Corporate Governance

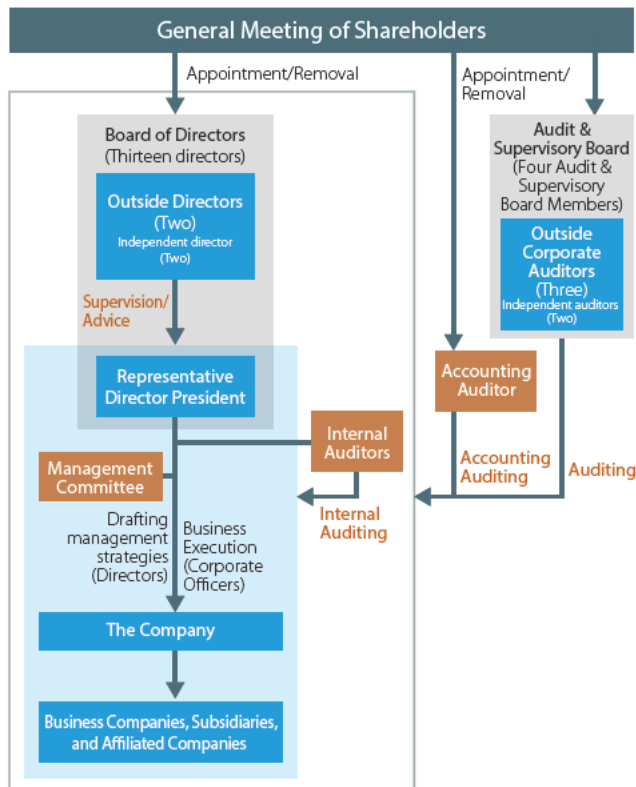
The Sanden Group strictly complies with all relevant laws and regulations, based on its Management Principles, and is working to strengthen its corporate governance systems to enhance the quality of its management.

The Sanden Group has structured a governance system comprising a Board of Director, Auditors and an Audit & Supervisory Board, and an Accounting Auditor. At present, there are 13 Directors (including two Outside Directors) and 4 Audit & Supervisory Board (including three Outside Auditors). To strengthen the oversight of management, Sanden has appointed Outside Directors and Outside Auditors who are highly independent. At present, all four of the Outside Directors and Outside Auditors meet the qualifications for independence as specified by the Tokyo Stock Exchange.

Sanden has set the term of office of Directors at one year and increased the transparency of management. To ensure prompt responses to changes in the business environment and other developments, Sanden has introduced the Corporate Officer system, and this has strengthened Sanden's business execution functions and increased the efficiency of management.

Major management issues, such as compliance and risk management, are discussed at meetings of the Management Committee and Board of Directors. In addition, to ensure legal compliance Sanden is working to enhance and strengthen its systems for ethical compliance and risk management. These include a "whistle blower" system for internal reporting as well as internal and external compliance and risk management advisors.

■ Global Corporate Governance Framework



Compliance Performance

Sanden positions compliance with laws and regulations as a management issue of highest priority for the Sanden Group as a whole. A range of initiatives are ongoing to ensure that all Directors and employees act in compliance with all relevant laws.

● Structuring of Global Compliance Systems

After making the transition to a holding company structure of organization in April, 2015, Sanden has worked to restructure its compliance systems. During the first half of the fiscal year, training and education courses were conducted related to the supervision of exports and preparations prior to going on overseas assignments. For employees going overseas, Sanden provides necessary training, mainly in the laws of the countries where they will work. Education regarding anti-monopoly matters is provided through e-learning for employees in overseas operations, domestic operations, and management. In February 2016, in the Management Meeting, a report was presented on initiatives related to the compliance systems. In addition, as a means to strengthen the global legal compliance system, Sanden dispatched legal staff to Europe in fiscal 2016, and is working to further strengthen compliance systems.

● Compliance Training Initiatives

To strengthen compliance systems, compliance officers and the harassment prevention committee hold meetings three times a year (in October, February, and March) to review reports on training and compliance initiatives as well as conduct training on specific compliance cases. To deal appropriately with anti-social elements, an employee has been appointed in each Group company to be responsible for preventing these elements from making unreasonable demands. In addition, training is provided for employees responsible for dealing with these elements.

● Consideration and Review of Internal Rule System and Regulations

In fiscal 2015, accompanying the transition to the holding company structure, Sanden conducted an overall review of its internal rules systems and regulations and took steps to verify whether the objectives of the holding company structure are being achieved. Thereafter, follow-up reviews have been conducted as necessary. At present, Sanden is working on a compliance system to ensure the functions of internal rules and regulations.

● Establishment of Compliance Hotline and Advisory Functions

To prevent compliance violations and discover those that occur as quickly as possible, Sanden has created a hotline for internal reporting (comprising two advisory desks internally and two external functions). Sanden is working to acquaint all employees with this function by continuing to distribute a card explaining how to access these functions and through posters on internal bulletin boards.

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