

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 2020). 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 throughout the Group, business segment CSR committee meetings are held at least twice a year at the head office and internal companies.

In fiscal 2021, the committee was renamed the Company-wide Compliance Committee and the committee structure revised to place greater weight on discussing Company-wide compliance issues and measures going forward.

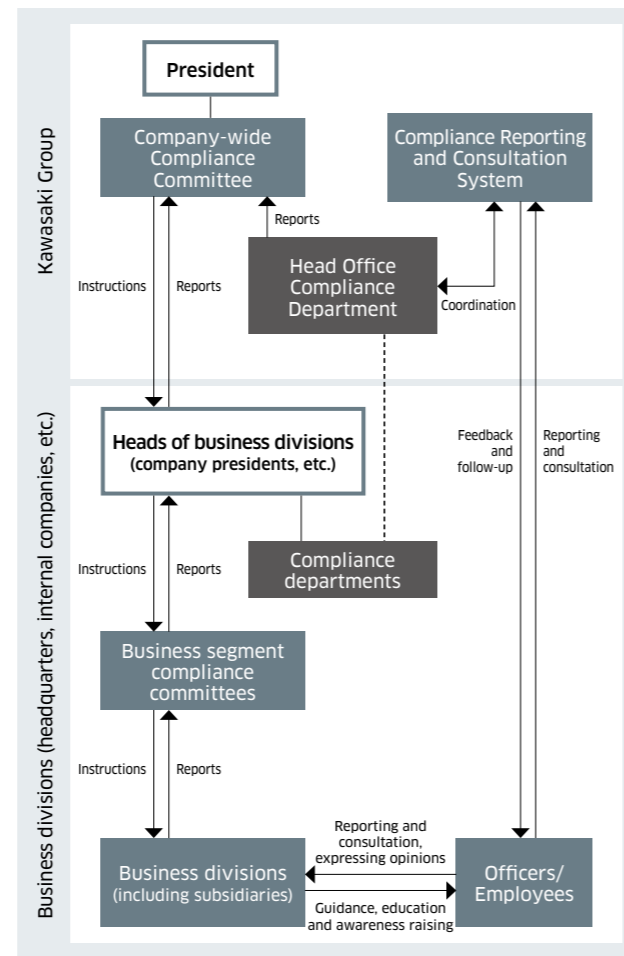
Compliance Reporting and Consultation System (Whistle-blowing System)

We have established the Compliance Reporting and Consultation System, with an outside lawyer acting as the contact, so that executives and 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. The system accepts

Compliance Promotion Structure



both anonymous reports and reports filed under the complainants’ names, enabling us to 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 39 reports or consultations made through the Compliance Reporting and Consultation System in fiscal 2020.

In fiscal 2020, we launched a global whistle-blowing system for some overseas affiliates. We will increase the range of companies covered by the system in fiscal 2021 and beyond, operating it as key part of the Group’s compliance promotion efforts at the global level.

Number of Reports or Consultations

	2016	2017	2018	2019	2020
Contents of report consultation*	20	27	29	47	39
Abuse of authority	5	7	13	12	15
Labor issues	4	10	5	14	14
Financial fraud	2	1	4	0	1
Sexual harassment	2	3	1	1	1
Threats and harassment	0	1	3	0	0
Bribery and corruption	0	0	0	0	0
Others	7	5	3	20	8

* 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* is structured to correspond with the items in the Kawasaki Group Code of Conduct and serves as a guide for the Code of Conduct’s practical application. It 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-blowing system. The

guidebook uses illustrations to provide accessible explanations of relevant laws and regulations, important compliance-related matters, and case studies. It is divided into 19 sections under two overarching themes, which are the same as those in the Group Code of Conduct: “Acceptable Business Conduct” and “Dealing with Stakeholders.”

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, and it was completely overhauled in 2021.

Employee Awareness Surveys

The Kawasaki Group previously implemented periodic employee awareness surveys to monitor internal compliance violation risks. Since 2020, compliance awareness is measured using compliance-related questions that have been added to the employee engagement surveys carried out by the Human

Resources Division. Kawasaki studies the survey results and implements any necessary compliance measures based on its findings. In addition, changes and trends in employee awareness 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 Regulations.

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.

Risk Monitoring System

In order to appropriately handle diverse risks, Kawasaki designates the internal committees and divisions responsible for specific risk types, requiring them to establish and operate management methods and systems. In addition, we have established a system for the centralized monitoring of the effectiveness and workability of such management systems to avoid and minimize risks and losses caused by the materialization of risks.

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 such projects begin.