

Corporate Governance

As a global business enterprise, we are endeavoring to raise the standards of governance on a group-wide scale.

Fundamental Policies on Corporate Governance

G-TEKT acknowledges the importance of management as a company with social responsibility in order to become a company in which customers, employees, shareholders, investors and society place high expectations. We also recognize that one of the top-priority management issues is to develop an organization and framework to ensure transparent, speedy, fair and bold decision-making in consideration of risks, and to build a relationship based on trust with all stakeholders.

We will seek to attain sustained growth and improve corporate value in the medium and long run by implementing corporate governance more effectively and making ongoing improvement efforts.

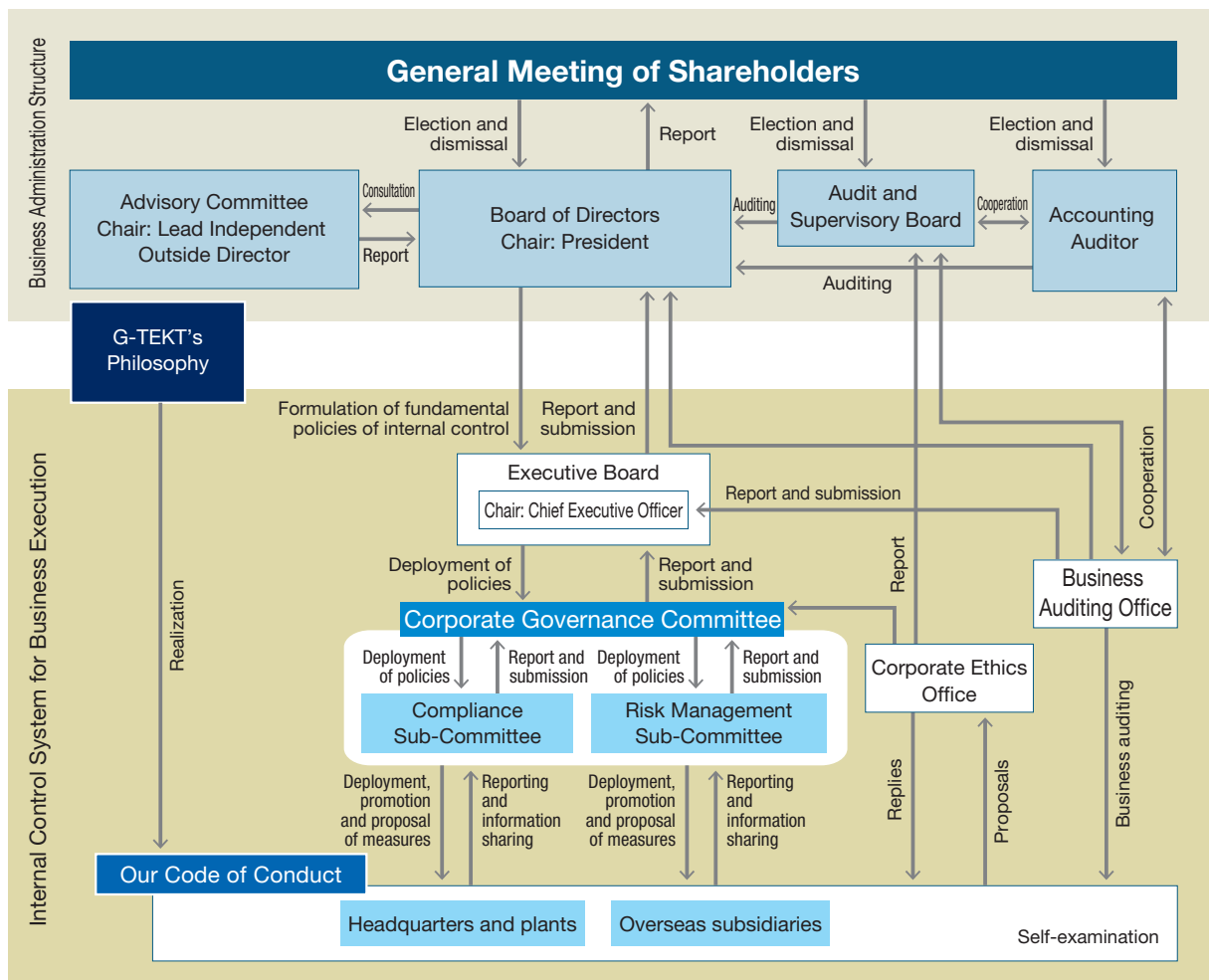
URL To view our Fundamental Policies on Corporate Governance, please check the following link:
https://www.g-tekt.jp/company/pdf/governance_guideline.pdf

Compliance with the Corporate Governance Code

Our Corporate Governance Code has been established with the aim of realizing “aggressive governance.” In light of the spirit of the Code, the Board of Directors has passed a resolution for “G-TEKT’s Fundamental Policies on Corporate Governance”, which set out our basic approach, framework and implementation policy regarding corporate governance, for the purpose of establishing a structure of governance that would be most effective for the management of G-TEKT with the aim of attaining sustained growth and improving medium/long-term corporate value, as disclosed in the Corporate Governance Report.

URL To view our Corporate Governance Report, please check the following link:
https://www.g-tekt.jp/company/pdf/governance_report.pdf

●Corporate Governance Structure





Functions and Composition of the Board of Directors

In the automotive industry, which is said to have entered a once-in-a-century transition period, companies must transform into organizations with a decision-making system based on more diversified perspectives in order to respond to rapid changes.

Therefore, we have recently reviewed the structure and functions of the Board of Directors significantly, aiming to make it slim and diversified.

With respect to the composition of the Board of Directors, under the basic policy of having Independent Outside Directors in a small number at the ratio equal to or greater than one third, the number of Directors has been reduced from nine to five, and two of the five directors are Outside Directors in order to better reflect the “external perspective” of Outside Directors.

In addition, from the perspective of diversity, we have appointed Ms. Rieko Inaba as the Company’s first female Director (Outside Director) from FY2019. She is the Company’s first director who has the background of a researcher at a university, and is expected to be able to shed new light into the Company’s management.

In terms of functions, we have transferred the authority regarding business execution decisions to the Executive Board so that the Board of Directors can focus on discussing issues related to the big picture such as the direction of management. Meanwhile, as a company with an Audit and Supervisory Board, we established objective criteria for important matters within the scope of laws and regulations and the Articles of Incorporation of the Company.

In addition, we reviewed the reporting standards of the executive officers for the Board of Directors and established a system in which the secretariat provided timely information on the contents of the Executive Board meeting and provided necessary information for the oversight of business execution.

Functions and Composition of the Audit and Supervisory Board

G-TEKT has adopted an audit and supervisory board system. The Audit and Supervisory Board is comprised of four Audit and Supervisory Board Members. Fulltime Audit and Supervisory Board Members (two persons) who are familiar with the Company’s business take on the role of collecting information necessary for audits, and the Outside Audit and Supervisory Board Members (two persons) bring advanced expertise to audits based on their knowledge of finance, accounting, legal affairs, etc. In doing so, they are responsible for appropriate and useful deliberation and supervision and auditing of execution.

Independence of Outside Members of the Board and Outside Audit and Supervisory Board Members

The Company has established independence standards that are stricter than the standards of the Tokyo Stock Exchange, referencing the use of voting rights standards of overseas voting

advisory companies. Outside officers of the Company, exclude major shareholders, business partners, main banks and other people who come from these groups, and we invite highly independent personnel cannot be influenced to ensure a higher degree of transparency as a company.

Officers Remuneration System

The Company’s officers remuneration system is designed to enhance their incentives to improve not only short term but also mid- and long-term performance in order to enable continuous improvements of corporate value.

In addition to basic remuneration, which is a fixed amount of remuneration, the Company has introduced a bonus system that is linked to single-year results (operating income) as an incentive to officers who lead management. The specific allocation is calculated by multiplying the base amount according to the position by a coefficient according to the degree of contribution and, in order to ensure objectivity and transparency, deliberated by the Advisory Committee chaired by the Lead Independent Outside Director, and based on these results decisions are made by resolution of the Board of Directors.

In addition, we have introduced a performance-linked stock remuneration system. With stock remuneration, remuneration is linked to stock value, and profits and risks due to fluctuations in stock prices are shared with shareholders. This raises the awareness of Directors to contribute to the improvement of medium/long-term business performance and the increase in corporate value. The remuneration is paid in accordance with the rules decided by the Board of Directors within a remuneration framework that differs from fixed remuneration and bonuses.

Evaluation of Effectiveness of the Board of Directors

G-TEKT conducts an annual questionnaire survey targeted at Members of the Board who constitute the Board of Directors and Audit and Supervisory Board Members on the effectiveness of the Board of Directors, and shares the survey findings with the Board of Directors.

As a result of monitoring the status of improvement of each issue with the same questions over the past three years, it has been confirmed that the status of deliberations on important matters and supervision on the operation of internal control has been effectively developed and implemented. On the other hand, issues remained regarding the diversity and number of the Board of Directors as well as the training of Directors and Audit and Supervisory Board Members.

In light of these issues, the Company reviewed the composition of the Board of Directors significantly and plans to expand the provision of information on the Company’s business activities to newly appointed officers. We will continue to further work on improvement initiatives to enhance the effectiveness of the Board of Directors.

Compliance and Risk Management

Compliance Structure and Risk Management Structure

G-TEKT has established the Corporate Governance Committee consisting of a compliance officer and risk management officer in-house, for the purpose of building a sound business operation structure that complies with various relevant laws and regulations upon promoting business activities and is capable of properly tackling conceivable business risks. We have also established the Compliance Sub-Committee and Risk Management Sub-Committee which consist of the respective officers and working-level staff in charge, in an effort to develop compliance and risk management structures.

Compliance Efforts

Since we have the highest respect for compliance, we endeavor to act conscientiously at all times in compliance with every law, internal regulation and any other rule as a matter of social norm. Looking at compliance from the perspective of meeting the expectations of our stakeholders, we have established “Our Code of Conduct” as the code to be followed by each employee so as to act with high ethical standards, and we are ensuring that our employees are familiar with the Code. In addition to activities that promote the spread and establishment of compliance, we will engage in ongoing improvement to prevent and/or promptly address scandals as well as ensure compliance, as we strive to raise the level of compliance further.



“Our Code of Conduct”

Efforts to Establish Global Governance

G-TEKT and its subsidiaries share the basic approach to corporate governance and are enhancing the autonomous and responsible corporate governance structure tailored to the laws and regulations of each country, the local business environment, etc. Furthermore, responsible persons at the subsidiaries are appointed as members of G-TEKT’s Compliance Sub-Committee and Risk Management Sub-Committee, with the aim of improving compliance and risk management of the G-TEKT Group as a whole.

In the field of compliance, we have established the guideline to implement at each business location the Group’s common fundamental policies against bribery, cartels, forced labor and child labor that we have established in the previous fiscal year. In the field of risk management, we have prepared a risk map with respect to each country where G-TEKT has a presence, based on which measures against serious risks are being promoted.

Establishment of Corporate Ethics Office (Corporate Ethics Hotlines)

We have established an internal whistleblowing office to take calls from employees seeking advice and receive proposals on violations of laws and regulations and breaches of internal regulations and the Code of Conduct in corporate activities.

Also, in order to develop an environment where it is easier to seek advice, we have established an external advisory office where an adviser outside of G-TEKT receives calls. We have established the “Regulations on the Operations of Corporate Ethics Office” to thoroughly protect whistleblowers and others anonymously by prohibiting unfavorable treatment of whistleblowers and those who have cooperated in confirming the facts regarding the report, and to accept anonymous reporting.

●Flow of corporate ethics hotline



Information received from the whistleblower is received at the Corporate Ethics Office and is immediately reported to the compliance officer and Audit and Supervisory Board Members.

Information Security

Risk Management Efforts

We are striving to identify, analyze and appropriately control the various risks surrounding our business in order to ensure sound execution of our business activities. Although the risks related to our business operations are diversifying and becoming more difficult to manage, we are promoting risk management activities by establishing a Risk Management Sub-Committee under the Corporate Governance Committee for the purpose of ensuring the appropriate monitoring of risk situations, companywide measures regarding risk management issues and horizontal deployment of measures.

Formulation of Business Continuity Plan (BCP)

With a strong awareness of our corporate responsibility (social responsibility), we are implementing, maintaining and managing a business continuity plan (BCP) that we have formulated at each business location in Japan, in order to quickly resume the supply of merchandise and provision of services, and to protect the interests of our stakeholders (e.g., customers, suppliers, local communities, shareholders, employees) even under difficult circumstances in the event of a large-scale disaster.



“Crisis Response Guide”

Objectives and Fundamental Policies on Information Security

By establishing security policies as fundamental rules for preventing information leakage, we aim to enhance the awareness of G-TEKT employees worldwide on thoroughly protecting our information assets, and to establish information security systems and structures capable of adapting to changes and trends over time.

Fundamental Policies

The fundamental policies for protecting the Company's information assets shall be set as follows:

- All actions shall be taken with the understanding of the risks of information leakage.
- G-TEKT employees worldwide shall manage information and prevent information leakage under the same security policies regardless of the location or the technologies in use.
- Cases of information leakage and other risk information shall be shared worldwide, reflected in the security policies and used to prevent the occurrence or recurrence of information leakage at G-TEKT.
- The approach as set forth in the security policies shall be observed when establishing a new system or structure relating to information management or processing.
- Changes in the social environment shall be addressed expeditiously and measures shall be taken in anticipation of future needs.
- The security policies shall be reviewed and revised constantly.

Education on Information Security

Confidential information of our clients and our own company, personal information of our employees and various other information that must not be divulged to the outside world exist in vast amounts in the course of our business operations. Since it is believed that the leakage and other mismanagement of information are basically largely attributable to a decline in employee awareness on information security, we regularly educate our employees on information security in order to prevent information leakage. Regarding the method of education, we are conducting reading of the “Ten Commandments of Information Management”, which summarize the gist of the security policies.