

# Corporate Governance/Compliance

## Corporate Governance

Penta–Ocean Construction Group has built a unique corporate governance system to ensure soundness, transparency and compliance in management, as well as for the perpetual growth and development of the Company.

Moreover, we are implementing "strengthening of audits and audit functions (e.g. audits by auditors, internal audits and accounting audits)" relating to corporate management as our most important measure in order to enhance this system.

### Corporate Governance Structure

#### 1 Management and Business Execution

In order to strengthen the audit functions for management, we have appointed an external director and are working to cooperate with the Audit Board and Internal Audit / Internal Regulation Directors. We are aiming to revitalize the Board of Directors and speed up decision making, so we have introduced an Executive Officer System to clarify the responsibilities in business execution and we have also established a Human Affairs Committee that reports on executive candidates and executive compensation proposals to the Board of Directors. As a general rule, the members of the Board of Directors meet twice a month and make decisions upon engaging in lively discussions on important matters. We have introduced an Executive Performance Evaluation System that links performance with remuneration in order to clarify responsibilities in regards to the compensation of company directors and executive officers.

Furthermore, the Company has adopted an Auditor System and has appointed three external auditors. In addition to attending Board of Directors' Meetings, the auditors also actively participate in

important meetings in the Company (e.g. Executive Board Meetings) and have set up a system to thoroughly monitor the work performance of company directors. (The number of external directors and external auditors is current as of June 27, 2014.)

#### 2 Internal Control and Risk Management

In order to ensure thorough risk control, legal compliance and appropriate and effective execution of business, we have formulated an Internal Control Basic Policy in the Board of Directors and have established an Internal Control System.

The Risk Management Committee that was established in our Head Office has formulated a Basic Risk Management Policy and each Business Execution Department is aiming to promote compliance through the implementation of training in accordance with the policy of this Committee. We are working to prevent risk and minimize corporate losses associated with it in regards to the various risks that occur in companies continuing business activities (e.g. financial risks, construction risks and business continuity plan risks) not limited to compliance risks.

## Compliance

The Group has established Compliance Committees in each company of the Group based on our "Basic Compliance Policy." The employees and executives of the entire Group are working in

order to allow to respect social norms / corporate ethics and to be able to act in good faith at all times.

### Basic Compliance Policy

All employees and executives of Penta–Ocean Construction Group not only comply with laws in business activities and respect social norms / ethics, but also act in good faith at all

times. In particular, when bidding for construction projects, we practice free competition by complying with the Antitrust Act and all other relevant laws and regulations.

### Compliance Promotion Efforts

The Group is working so that it allows employees and executives to appropriately comply with the complex laws surrounding each of them during their busy day–to–day activities through various in–house training courses and dissemination of information on the Group Intranet.

#### 1 Sharing Policy and Planning Training Across the Group

At the beginning of each fiscal year, we formulate a Risk Response Policy and Annual Training Plan in each department of Penta–Ocean Construction Head Office, each branch office and each company in the Group.

Furthermore, we are striving to share an awareness of compliance in the entire Group by keeping close contact through holding Affiliate Compliance Committee Secretary General Meetings every year and sharing information on disputes in each company of the Group and on the establishment / abolition of company rules.

#### 2 Efforts to Ensure Appropriate Bidding

We have stated that it will "not carry out, force others or overlook" illegal acts or acts that may lead to suspicious activities and has proclaimed our "Bid–rigging Eradication Declaration and Compliance Declaration" as an expression of our determination both inside and outside the Company in order to ensure that violations of laws, starting with the Antitrust Act, never occur.

Moreover, in order to reliably execute the content of these, we are carrying out efforts to teach all our employees and executives the appropriate knowledge relating public works projects bidding and conducting appropriate audits on bidding procedures by the CSR Committee in each branch office.