

# 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.

## 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

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.

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 March 31, 2016.)

### 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.

## Establishment of the Guidelines for Corporate Governance

In our board meeting of November 11<sup>th</sup>, 2015, we decided to formulate the Penta-Ocean Construction Corporate Governance Guidelines to achieve future growth and to enhance our medium- to long-term corporate value.

### 1 Objectives

Penta-Ocean Construction makes CSR-oriented management a priority in its corporate philosophy. Pursuant to our corporate creed that "our greatest contribution to society is the construction of superior infrastructure", we have set high goals to offer high-quality construction backed by safety and environmental considerations and by our cutting-edge technologies. We strive to achieve perpetual growth and to further enhance our corporate value in order to grow into an even more attractive corporation in the eyes of our various stakeholders.

To achieve this goal, we have decided to place a greater focus on enhancing corporate governance, and have formulated the Penta-Ocean Construction Corporate Governance Guidelines as a set of basic policies and guidelines. In accordance with these guidelines, we will strive to expedite our decision-making process and ensure management transparency while responding appropriately to changing business conditions.

### 2 Structure of the Corporate Governance Guidelines

1. Basic policies
2. Relationship with shareholders
3. Appropriate cooperation with stakeholders excluding shareholders
4. Structure of corporate governance

# Compliance

The Group has established Risk Management 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.