CSR Promotion Structure

What Society Needs from Us

CSR is ordinarily understood as the “corporate social responsibility” of aiming to achieve a sustainable society. The scope of CSR has expanded in recent years, however. It is crucial for businesses to pursue a more broadly defined CSR that helps solve many types of social problems and thereby gains the trust of society. CSR trusted by society includes 1) basic CSR, which has a deep sense of ethics in line with community values, and 2) strategic CSR, which actively seeks to optimize economic and social profit. CSR activities that are conscious of social problems are going to be increasingly necessary.

CSR Charter and Promotion Structure

We formulated the Renesas Electronics Group CSR Charter on April 1, 2010. This charter calls upon us to protect our customers and other stakeholders and mandates what practices to follow in our business. Pursuant to this charter, the entire Group is working as one to advance CSR activities. In addition, a CSR Promotion Committee, headed by the President, sets policies, targets and priorities for Group CSR activities, which are then carried out throughout the Group. Directors of domestic business sites and Group companies, as well as Group company presidents, act as “CSR leaders,” making sure that each site is actively carrying out CSR activities and that employees are being trained in CSR.

CSR Activity Targets and Plans

The CSR Promotion Committee, chaired by the President, discusses plans for the coming fiscal year and then advances CSR activities following this plan. We are currently pursuing the fiscal 2013 plan, which has six CSR activity targets. (See p. 8 for details.)

CSR Training

We provide CSR training as part of position-specific training for new employees and new managers. Such training is designed to enhance CSR awareness among employees. Online courses are also given as appropriate on the topics of the environment, information security, compliance and human rights. In fiscal 2012, we implemented online courses on information security and compliance.

Dealing with New CSR Trends and Social Issues

At the 10th Conference of the Parties to the Convention on Biological Diversity (COP10), held in 2010, signatories voted to “take effective and urgent action to halt the loss of biodiversity by 2020.” Biodiversity is a crucial theme to address for the sake of the earth and all people. The Renesas Electronics Group is also making every effort to protect biodiversity through our business and social contribution activities. Water shortages are also becoming a serious problem globally. Because the semiconductor industry consumes a great deal of water, we are working actively to protect biodiversity, as well as the forests that provide our water (see p. 30, Renesas Forest Land 2011).

CSR Activities throughout the Supply Chain

On these CSR activities, we should implement them not only in our Group but in entire the supply chain. Therefore it is essential to obtain the understanding and cooperation of our business partners. We have already enacted “Procurement Policies” and asked our business partners to cooperate with us with a list of items which they implement. In fiscal 2013 we are establishing a Supply Chain CSR Promotion Guidebook and activate our CSR activities rather than past level, for instance we require cooperation from our business partners along to this guidebook.

Corporate Governance

Basic Approach to Corporate Governance

Renesas Electronics is working constantly to reinforce its corporate governance, based on the understanding that efficient, sound and transparent corporate management is the key to making continuous improvements in its corporate value. To this end, the Company establishes necessary management frameworks and implements various initiatives.

Corporate Governance Structure

The Renesas Electronics Board of Directors consists of ten directors, including three outside directors. As a rule, the board holds a regular meeting once a month and extraordinary meetings as needed. The chief role of our outside directors is to audit the execution of duties by other directors for appropriateness and to take part in management decision-making, using the outside directors’ outside perspective, which comes from their own knowledge and experience. The Board of Directors makes important management decisions and supervises the execution of duties by directors. Matters referred to the Board of Directors as a rule go through a pre-deliberation by the Executive Committee to allow for a fuller deliberation. Additionally, to clarify business execution responsibilities and speed up decision-making, we have implemented an executive officer system and provide appropriate authority to executive officers based on the area of responsibility they are assigned by the Board of Directors.

Internal Control System

The Board of Directors of Renesas Electronics has formulated and implemented the basic policy for developing corporate systems—including those to ensure appropriate operations of the Company, referred to as internal control systems—defined under Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act. The development and implementation of such systems is reported during meetings of the Board of Directors. Moreover, the Company’s Internal Control Promotion Committee periodically holds meetings to deliberate on and study serious compliance violations relating to the internal control system, determining how they happened and how they can be prevented in the future.
Compliance

Stance on Compliance

For Renesas Electronics, compliance means not just obeying the law, but also responding to the needs of society. We believe that the practice of thorough compliance is one of the most critical things a company must do to survive. We make sure that all Group executives and employees understand our corporate policy on compliance and put it into practice.

Code of Conduct

We established the Renesas Electronics Group Code of Conduct to ensure thorough practice of compliance by all employees. The Code of Conduct provides guidelines for employee conduct on the job. It lists the rules each employee must obey and the things they must do to respond to the needs of society, and it even takes into account laws outside of Japan. We have translated the Code of Conduct into English, Chinese, and other languages, and expanded it for overseas Group companies so that it considers the laws and business customs of each country.

Compliance Promotion Structure

Renesas Electronics’ Internal Control Promotion Committee, chaired by the President, deliberates and makes decisions on important compliance matters.

The Legal & Compliance Division oversees all matters relating to promoting compliance and designates a division or office responsible for each compliance risk category. General managers of Renesas Electronics divisions and offices and presidents of domestic Group companies are responsible for compliance in their respective organizations. They cooperate with those in charge of compliance in each field to decide on and implement the measures necessary to promote compliance.

If a compliance violation does occur, the division/office or domestic Group company reports it promptly to the head of the division or office in charge of compliance for the field in question and to the director of the Legal & Compliance Division. Upon receiving the report, the division or office in charge of compliance reports to the executive concerned, depending on the seriousness of the matter.

Compliance Promotion Activities

The division/office in charge of compliance in each field monitors trends in the establishment or revision of laws, etc., that underlie compliance promotion. Then it raises awareness by preparing regulations and manuals, providing training and practicing communication, and performs monitoring.

Compliance Risks

<table>
<thead>
<tr>
<th>Responsible Division/Office</th>
<th>Major Compliance Risks</th>
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<tbody>
<tr>
<td>Order Transaction Control</td>
<td>Fraudulent order/fictitious revenue</td>
</tr>
<tr>
<td>Corporate Export Control</td>
<td>Illegal export</td>
</tr>
<tr>
<td>Corporate Communications, Corporate Planning</td>
<td>Deceptive advertising</td>
</tr>
<tr>
<td>Legal &amp; Compliance</td>
<td>Anticompetitive Law-violations (cartels, etc.), transactions with anticompetitive forces, insider trading, confidential/personal information leaks, internal illegal activities</td>
</tr>
<tr>
<td>Finance &amp; Accounting</td>
<td>Accounting fraud</td>
</tr>
<tr>
<td>Human Resources &amp; General Affairs</td>
<td>Human rights abuses (sexual harassment, etc.), occupational accidents, corporate entertainment/gift-giving scandals, illegal political donations</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Subcontract Law violations, camouflage contracting, illegal importing, illegal conflicting transactions</td>
</tr>
<tr>
<td>Information Systems</td>
<td>Computer viruses, illegal software copying, unauthorized access</td>
</tr>
<tr>
<td>Intellectual Property</td>
<td>Infringement of others’ intellectual property rights</td>
</tr>
<tr>
<td>Quality Assurance</td>
<td>Defective products, product data falsification</td>
</tr>
<tr>
<td>Sales Strategic Planning</td>
<td>Inappropriate relationships with sales partners, illegal conduct against sales partners</td>
</tr>
<tr>
<td>Environment Promotions, Production and Technology</td>
<td>Environmental damage, contamination of specified hazardous substances</td>
</tr>
</tbody>
</table>

The Legal & Compliance Division conducts training and awareness-raising initiatives on all compliance matters. All Group employees, moreover, fill out a questionnaire once a year to verify that compliance has taken root. If necessary, the results are shared with the divisions/offices in charge of compliance, which find this information useful when they revise the measures necessary to promote compliance.

Division/office heads and Group company presidents are ultimately responsible for compliance, but they are assisted by compliance promoters, who lead activities that promote compliance within their own organizations.

Compliance Education/Communication

The Renesas Electronics Group provides position-specific compliance education programs for new employees, new section chiefs and new managers. At the same time, the Group offers compliance education programs common to all executives and employees every year. To address the variety of compliance risks, moreover, we provide e-learning and lecture-based training in divisions or offices responsible for specific risks. This training covers risks related to false trade, information security, the environment, export control and so on. In fiscal 2012 in particular, we provided training focusing on the Antimonopoly Law to sales personnel in Japan, the U.S., Europe and Asia, since control and penal regulations under the law have been strengthened in recent years.

Finally, we are improving communication within the Group to ensure better compliance. We provide many types of compliance-related information through an internal website and an email newsletter that goes out to all employees about once a month.

Compliance Hotline

Group executives and employees may encounter a situation in which they are not able to consult with or report to their supervisors or divisions and offices responsible due to certain reasons and circumstances, even when they have identified compliance-related problems. To deal effectively with such situations, the Company has established the Renesas Electronics Group Hotline (“Group Hotline”) as a whistleblower’s contact for consultation by executives and employees of domestic Group companies and for reporting such problems.

In addition, by employing a third party who serves as an external contact point, we have established a system under which the anonymity of the person reporting is protected at his or her request. This external contact point can be accessed not only by the Group’s executives, employees or temporary staff, but also by members of the Group’s suppliers and authorized distributors. The Company’s internal rules clearly prohibit the adverse treatment of those who consult with or report to the Group Hotline. The Company has posted such rules on its Intranet and Internet Websites so that people can use the Group Hotline without anxiety.

The content of such consultations and reports is reported at meetings of the Internal Control Promotion Committee, chaired by the Company’s president, which enables sharing of information about potential risks among top management.

Secure Export Control Initiatives

The Renesas Electronics Group’s semiconductors and technologies are widely used in various industries. To ensure that its products and technologies are not diverted to uses that could prevent the maintenance of international peace and security, the Group must manage these assets appropriately.

In addition to strict observance of applicable laws and regulations, Renesas Electronics has incorporated voluntary control into its export control programs, promoting security export control in a manner more stringent than that mandated by these laws and regulations. Moreover, we provide systematic position-specific and job-specific training to all employees to maintain appropriate control, and we periodically audit all sites in Japan and overseas and make improvements as needed.

Thanks to these and other efforts, Renesas Electronics has been certified as an “Authorized Exporter” or Authorized Economic Operator (AOE) Exporter, by the Tokyo Customs office of the Ministry of Finance of Japan, which is one of Japan’s AOE programs.
Risk Management

System of Risk Management

Renesas Electronics has formulated Basic Rules for Risk Management and, based on these rules, the Company has established a Group-wide risk management structure.

Risks in overall corporate management are categorized according to the level of possible exposure and the degree of potential impact on the Company. The Company designates a division or office responsible for each risk category. To effectively manage risks in their respective fields of responsibility, these divisions and offices collaborate on a regular basis. When a management crisis occurs, Renesas Electronics sets up a risk-specific task force in line with planned countermeasures. These risk-specific task forces do their utmost to minimize the negative impacts of a management crisis.

Risk Management Structure

- **Plan**: Collaboration by Division/Office Responsible for Each Risk Category
- **Preventive Measures**: Monitoring by Division/Office Responsible for Each Risk Category and Promotion of Preventive/Minimization Measures
- **Countermeasures**: Performance by Division/Office Responsible for Each Risk Category

Establishing and Implementing New BCPs

As part of enhancing its risk management system, Renesas Electronics recognizes business continuity plans (BCPs) as the primary means to prevent disasters and manage risks. Together with our Group companies, we have worked proactively to establish and strengthen our BCPs in order to protect the safety of employees, continue supplying products and services and safeguard our management resources. Looking back on the Great East Japan Earthquake of March 11, 2011, all divisions and offices of the Renesas Electronics head office conducted a comprehensive review of their BCPs as they existed before that event. Specific issues raised included strengthening our emergency response systems and measures for safety, damage mitigation, business continuity and quick recovery after a disaster, as well as enhancing measures for restoring operations in the event of a disaster (e.g., establishing recovery procedures and specifying who is in charge at these times), putting in seismic reinforcement, strengthening alternate production networks and enhancing risk communication with customers. Each division or office of the Renesas Electronics head office affected by these issues is working out countermeasures and putting them into practice as part of their new BCPs. They report their progress on these efforts at a Company-wide meeting on overall BCP advancement and carry out these efforts at individual business sites. In these ways, we are working to enhance the entire Group’s capacity for business continuity.

Strengthening the BCP Concept and Working with Customers, before and after the Great East Japan Earthquake

When the situation is normal

- Risk Identification/Assessment, Risk Mapping, Definition of Division/Office Responsible for Each Risk Category and the Level of Countermeasures
- Preventive Measures
- Countermeasures

During emergencies

- Risk Identification/Assessment
- Risk Rating
- Countermeasures

Not Exposed to Risk

Review of Countermeasure Implementation

<table>
<thead>
<tr>
<th>Exposed to Risk</th>
<th>Not Exposed to Risk</th>
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</thead>
<tbody>
<tr>
<td>Countermeasures</td>
<td>Countermeasures</td>
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</tbody>
</table>

Risk Management outside Japan

The legal & compliance division, in collaboration with related divisions and offices, formulates specific plans for confidential information management and personal information protection. It then makes sure that all divisions/offices and domestic Group companies are carrying out those plans. Persons with ultimate responsibility for information management are designated. Information management promoters are also appointed to assist them and lead up Group information management activities.

Specific methods of controlling confidential and personal information are spelled out in detail in the Basic Rules for Confidential Information Management and Basic Rules for Personal Information Protection. We are also rolling these out to domestic Group companies as we strive to practice appropriate control under a unified standard. A system is also in place so that if an information security incident does occur, the division or office where it happened immediately notifies all divisions and offices concerned and they all work together promptly to contain any damage and take measures to prevent recurrence.

Confidential Information Management/ Personal Information Protection

The Renesas Electronics Group has formulated its information Security Policy and Privacy Policy. Under these policies, important Group policies and measures covering all aspects of information management are deliberated by the Information Management and Security Committee, chaired by the Company’s president.

Strengthening the Supply Chain

The new BCPs include steps to strengthen supply chain management (SCM). In particular, we aim to keep supply lines to our customers open by controlling each step, from procurement to maintaining inventories of work in progress and finished products. We are additionally securing raw materials by dealing with multiple suppliers and managing risk information, in which we forecast supplies all the way down to tertiary suppliers. Putting the lessons of the recent disaster to use, we are setting up a system of risk control over work in progress storage locations and inventories so that products can ship as soon as disaster-hit factories restart. We are also making preparations so that we will be able to provide products to customers smoothly even if a factory is damaged. This will be made possible by sharing risk information (e.g., whether there are alternative factories for our products, whether there are masks ready to use) and by offering customers a wide variety of options for dealing with their needs.

SCM Reinforcement Covering Procurement, Production and Sales/Logistics

<table>
<thead>
<tr>
<th>SCM before the disaster</th>
<th>SCM after the disaster</th>
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</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>Customer</td>
</tr>
<tr>
<td>- Procurement control involving tertiary suppliers</td>
<td></td>
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<tr>
<td>- Inventory risk management (on the assumption that suppliers of certain materials require three months for recovery)</td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>Customer</td>
</tr>
<tr>
<td>- Ordinary levels of work in progress</td>
<td></td>
</tr>
<tr>
<td>Sales/Logistics</td>
<td>Customer</td>
</tr>
<tr>
<td>- Risk management for finished product inventory</td>
<td></td>
</tr>
<tr>
<td>- Disclosure of inventory information to customers</td>
<td></td>
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<tr>
<td>- Disclosure of alternative product information</td>
<td></td>
</tr>
</tbody>
</table>

Sharing of terms and conditions with customers for holding products under conditions of risk

Provide finished goods inventory risk management through cooperation with customers

Provide various response measures to customers

Provide finished goods inventory risk management through cooperation with customers

Accelerate multi-fab strategy

Strengthen risk communication

Identify risks in various stages and share response measures with customers

Build alternate production network

Implement anti-seismic reinforcement and quick recovery activities

Provide various response measures to customers

Resume product supply

Resume product supply