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.

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. 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

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 systems and resources. We performed a general inspection of our BCP predating the Great East Japan Earthquake and have made further revisions based on that experience and anticipated damage from an earthquake directly beneath the Tokyo metropolitan area and a Nankai Trough earthquake. 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.

Establishing BCPs

To perform risk management outside Japan, we work with the head office division that supervises each overseas site, as well as the local risk-management office, to identify potential risks associated with each risk event. Then, working with the local risk management office, we draft countermeasures and write manuals. There are certain risk events that call for us as a Group to be especially vigilant and to share information, such as new strains of influenza and terrorism. We are putting a system in place to notify Group employees, including those overseas, with the information we collect on such events. And in case of damage from natural disasters or other events at or near our Group, we have a system in place for all Renesas staff concerned with risk countermeasures to share information rapidly as we promote global risk management.
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.

We have formulated the Renesas Electronics Group Code of Conduct as a common group guideline for the practice of compliance. In our business activities, we follow the law, internal rules and social norms.

CSR Management

Compliance Promotion Structure and Activities

Renesas Electronics’ Internal Control Promotion Committee, chaired by the Chairman and CEO, 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.

Corporate Governance Report (Website)


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 performing monitoring.

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 to promote compliance within their own organizations.

Compliance Risks

- Major Compliance Risks
  - Fraudulent order/toll mechanism
  - Subcontract Law violations, carriage controlling, illegal importing, illegal contracting, transactions, etc.
  - Aiding suppliers, illegal offshore reporting, unlawful actions
  - Anti-competition law violations, cartel, boycott, sales promotion activities, etc.
  - Transactions with antisocial forces, illegal market dominance, insider dealing, illegal transactions
  - Delinquent product, product data falsification
  - Complying with the laws, regulations, and rules
  - Environmental damage, deforestation, illegal political donations

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 Chairman and CEO, which enables sharing of information about potential risks among top management.

Renesas Electronics Group Hotline

The Renesas Electronics Group's products are used in various industries around the world. To ensure that these products are not used to disrupt international peace and security, the Group must manage our exports appropriately.

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

Furthermore, Renesas Electronics has been certified by the Tokyo Customs office of the Ministry of Finance of Japan, meaning we are an exporter that practices security management and have demonstrated excellent compliance.

Secure Export Control Initiatives

In June 2007, the Japanese government announced guidelines for enterprises to prevent damage by antisocial forces. This is part of a rapidly growing movement in recent years to eliminate antisocial forces. In our Code of Conduct and Basic Rules for Requiring Transactions with Antisocial Forces, Renesas likewise prohibits employees from doing business with antisocial forces and has set up a system to prevent such transactions. Specifically, there is a self-verifying committee at each workplace and affiliated company that uses self-discipline to decide whether transactions can go forward and works to prevent business with antisocial forces.

Initiatives against Antisocial Forces

The Renesas Electronics Group has formulated its Information Security Policy and Privacy Policy. At Renesas divisions and Group companies in Japan, persons with ultimate responsibility are appointed, along with information management promoters. The latter head up our information management activities.

Specific methods of controlling confidential and personal information are respectively spelled out in detail in the Basic Rules for Confidential Information Management and Basic Rules for Personal Information Protection. We are also working to practice appropriate control under a unified standard for the Group as a whole. We are additionally building a system to rapidly contain the impact and take recurrence prevention measures in case of an information security breach incident.

Confidential Information Management/Personal Information Protection

The latter head up our information management activities.