Strict Compliance

Basic Approach

Approach

Legal compliance in business operations is an indispensable condition that every corporation must satisfy to fulfill its responsibilities to society. Toppan firmly believes that every person working in the Group must fully recognize the importance of compliance, make proper judgments, and act with integrity under high ethical standards by respecting laws, regulations, in-house rules, social norms, and other standards of conduct.

Risks related to compliance increase as the Toppan Group globalizes business and intensifies its operations beyond borders.

Toppan's Conduct Guidelines were established in 2000 based on the Corporate Philosophy and Corporate Creed. The guidelines are a collection of fundamental provisions that set out the basic concepts and behavioral norms for Toppan personnel to follow in accordance with corporate ethics and the principles of legal compliance. Ten years later, in response to changes in business environments and social conditions, Toppan completely revised the guidelines into the Toppan Group Conduct Guidelines, a set of principles that all Group companies around the world, including Toppan Inc., are required to observe. The Group issued a revised set of Conduct Guidelines in April 2021 based on a comprehensive review conducted in 2020. The revised Basic Principles in the guidelines call upon employees "(to) achieve a sustainable society" and strive for "personnel diversity," a "rewarding work environment," and other sustainability requirements. The latest guidelines will guide accelerated efforts to address the material issues propounded in the *TOPPAN SDGs STATEMENT*, and observance of them will help shape a sustainable society.

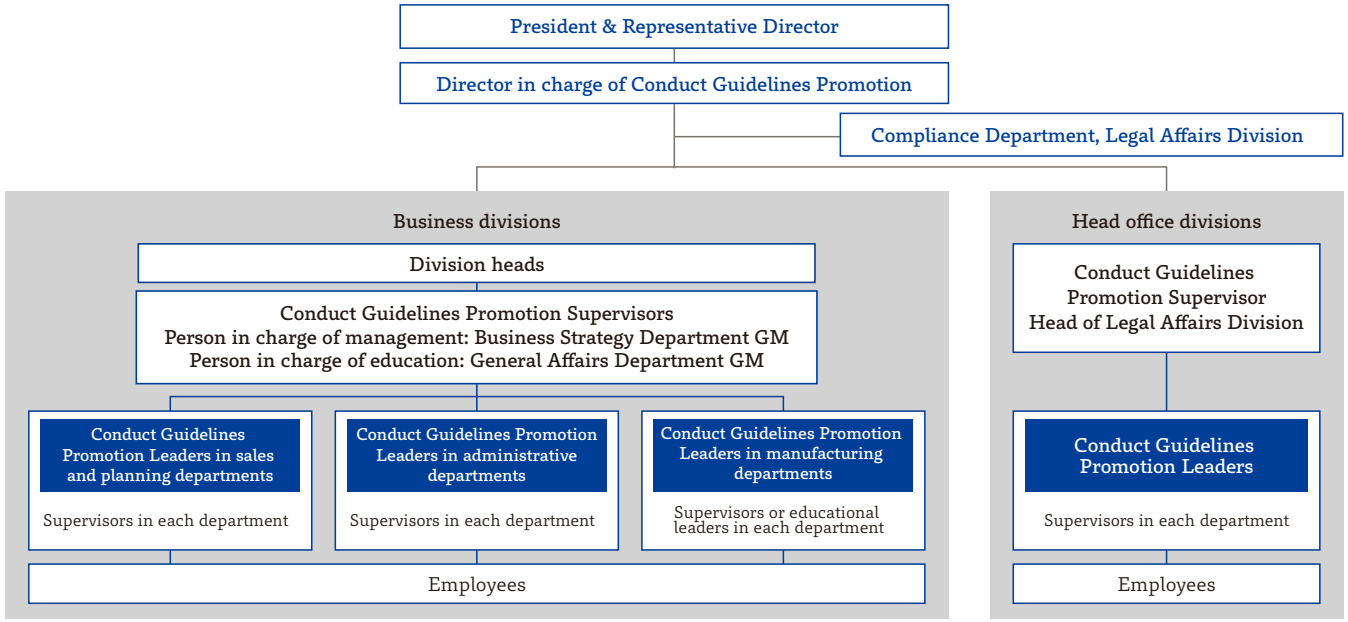
More details on the Toppan Group Conduct Guidelines
https://www.toppan.com/en/about-us/philosophy/conduct-guidelines.html ›

Compliance Promotion Structure

Promotion framework

Toppan has formulated the Toppan Group Conduct Guidelines as a set of basic rules to be fully observed by Group employees to ensure the legality of their execution of job duties. A Compliance Department set up under the Legal Affairs Division in the head office coordinates with the legal affairs departments and other related sections of Toppan's subsidiaries to secure legal compliance and establish corporate ethics across the Group. A Conduct Guidelines Promotion Leader ("Leader") system supports guideline compliance in the workplace at Toppan Inc. and its subsidiaries. Leaders appointed under the system work to ensure guideline compliance in daily operations under the Director in charge of Conduct Guidelines Promotion.

Structure to Promote the Conduct Guidelines



Conduct Guidelines Promotion Leaders

Seven hundred and thirteen Leaders were newly deployed across the Group in fiscal 2021, including 115 women (16.1% of the Leaders). A cumulative total of 11,845 employees have worked as Leaders since the system was launched in fiscal 2004.

	Number of Newly Deployed Leaders	Number of Female Leaders Deployed (Percentage)	Cumulative Total Number of Leaders
Fiscal 2018	677	86 (12.7%)	9,732
Fiscal 2019	688	87 (12.6%)	10,420
Fiscal 2020	712	98 (13.8%)	11,132
Fiscal 2021	713	115 (16.1%)	11,845

Compliance Training

Training, education

Toppan organizes group training for Conduct Guidelines Promotion Leaders ("Leaders") every year. The Group devises ways to enhance the effectiveness of training sessions through activities such as group discussions using case methods describing actual incidents. In total, 104 training sessions were held online for 1,099 Leaders from Toppan Inc. and Group companies across Japan in fiscal 2021.

Group employees who wish to get a better understanding of the Conduct Guidelines can read through the *Conduct Guidelines Casebook* (revised on April 1, 2022). This casebook is especially useful for employees when they have doubts or wish for guidance in judging how to handle daily operations.

The casebook responds to changes in social conditions, legislative amendments, and other circumstances by consolidating and modifying cases presented in the earlier edition while adding new cases associated with emerging risks in general or in Toppan's recent business operations. The Compliance Department in the Legal Affairs Division, meanwhile, posts monthly *Conduct Guideline Notifications* on topics relevant to the guidelines at the workplace to ensure strict compliance under the Leaders. Toppan has also been holding seminars, producing posters, and implementing other compliance promotion activities to ensure full observance of the guidelines among Group employees.

The Group has applied the Toppan Group Conduct Guidelines to overseas subsidiaries and held overseas briefing sessions to disseminate the guidelines and ensure strict compliance globally. Online sessions to brief participants on the latest revisions of the guidelines were arranged for 89 employees at Group affiliates in Shanghai, China in fiscal 2021. Toppan will continue to organize training on the guidelines for employees working at the Group affiliates in other countries and regions across the world.

Main Revisions in the *Conduct Guidelines Casebook*

- **Cases involving human rights**
  Added human rights cases to alert Group employees to potential problems involving privacy invasion (one of the six forms of "abuse of authority" designated by the Japanese Ministry of Health, Labour and Welfare), child labor, forced labor, and other global human-rights abuses.
- **Cases involving anti-collusion measures**
  Added bid-rigging cases to present key points on proper bidding, as the Toppan Group is winning more contracts for public work projects.
- **Cases involving sustainable procurement**
  Added cases involving sustainable procurement focused on transactions with suppliers and subcontractors, as society requires the Group to fulfill its corporate responsibilities throughout the entire supply chain.
- **Cases involving quality**
  Added cases involving falsified quality results linked to products and services, as conspicuous instances are emerging. Clearly indicated that falsified quality results can incite claims of contract violation and damage the Group's social credibility.
- **Cases involving diversity & inclusion**
  Added cases that further employees' understanding of diversity and inclusion in the workplace in accordance with "promoting diversity and inclusion," a basic principle added to the Group's Conduct Guidelines in the 2021 revisions.
- **Cases involving intellectual property rights**
  Substantially revised existing cases on intellectual property rights to cover trademark rights, design rights, and the Group's efforts to file more patent applications for technologies and business models with a view to "securing and using intellectual property" as stated in the Conduct Guidelines.
- **Cases involving BCP**
  Added cases involving earthquake preparations and actions to be taken when a quake strikes, in order to minimize damage to the business activities of the Group in the event of an earthquake striking directly beneath the Tokyo metropolitan area or occurring on the ocean-floor trench off the coast spreading from Shizuoka to Kyushu, Japan.
- **Cases involving cyber security**
  Called attention to the risk of business email compromise (BEC) and required employees to use a "suspicious-email report form" on Toppan's internal website to report fraudulent email messages as soon as they are detected. These safeguards have high priority, as a surge of BEC incidents and other cyber-attacks against corporations have been causing considerable damage.

Compliance in fiscal 2021

The Toppan Group was not involved in any serious incidents or violations of laws or regulations in the course of business in fiscal 2021.

Anti-Corruption Initiatives

Policy | Activity results, performance data

Toppan has been undertaking various anti-corruption initiatives in conformance with the anti-corruption principle set out by the United Nations Global Compact. The Toppan Group Conduct Guidelines affirm wide-ranging principles on corruption prevention, such as the "prohibition of bribery and inappropriate entertainment practices," "prohibition of receipt or provision for personal gain or rebate," "prohibition of illegal political contributions or donations," and "prohibition of collusion and cartels."

To better combat bribery, Toppan established a set of anti-bribery rules and guidelines in March 2017 and formulated an anti-bribery framework led by the Director in charge of Legal Affairs as the chief anti-bribery manager. For more intensive anti-bribery control, Toppan also launched a system requiring pre-authorization for the offering of any entertainment or gifts to a public official or the like. In April 2018 the Group issued an FAQ describing specific cases of bribery to further heighten employee awareness and call strict attention to compliance-related issues. As a basic rule, Toppan prohibits Group employees from making "small facilitation payments" to public officials to facilitate or expedite routine governmental services such as visa issuance or customs clearance. No cases of inappropriate entertainment or gifts to public officials or the like were identified in fiscal 2021.

In training sessions organized each year for candidates for overseas assignments, trainees learn reinforced strategies to combat bribery in the commercial and public sectors and become familiar with the Group's system for pre-authorization. Thirty employees attended six sessions in Japan in fiscal 2021.

Toppan has also been formulating anti-bribery rules for overseas affiliates across the Group. In fiscal 2021, Toppan established a set of anti-bribery rules at Group affiliates in Shanghai, China and held briefing sessions for their employees.

The Toppan Group continues to win more contracts with national and local governments, primarily for business process outsourcing (BPO) projects in Japan. To ensure proper conduct, Toppan organizes regular training sessions on the prevention of collusion and bribery. Most of the target trainees are Group employees who are often assigned to sales and planning operations for public sector projects. Two hundred and ninety-six employees attended the training sessions in Japan in fiscal 2021.

Training for Compliance with Transaction-related Legislation

Policy | Training, education

To enforce compliance with major transaction-related laws and regulations, the Toppan Group has been ensuring compliance with the Subcontract Law of Japan and comprehensively preventing improper import and export transactions.

In fiscal 2021, a total of 777 employees from departments that customarily conduct transactions with subcontractors were trained on compliance with the subcontract law, and 9,615 employees took an e-learning course on export controls under the Foreign Exchange and Foreign Trade Act of Japan. The Group also audited compliance with the subcontract law in 55 departments and the observance of export controls in 38 departments.

The audits in fiscal 2021 confirmed conformance with these laws across the Group. No serious legal violations or cases of misconduct were identified, and no problems or incidents occurred in transactions with subcontractors or import or export transactions.

Internal Reporting System

System | Activity results, performance data

When a person at Toppan discovers a legal violation or improper conduct somewhere in the Group, the person is to report it to their superior for deliberation as a basic rule. If their superior fails to resolve the problem, the person is encouraged to call the Toppan Group Helpline, the Group's internal reporting system. The helpline is open for use by all officers and employees (including dispatched staff and part-time workers) at Group companies (excluding listed corporations). This system allows the Group to ensure strict compliance with the Toppan Group Conduct Guidelines by promptly identifying and properly dealing with legal violations and misconduct.

The Group revised the rules on reporting in November 2019 to encourage Group personnel to call the helpline by lowering the threshold for use. The revised rules stipulate the establishment of three portals to receive reports: a "corporate portal" and "audit & supervisory board member portal" operated in-house, and an "external portal" operated by legal consultants. The receiver has thus been changed from the President & Representative Director or Senior Audit & Supervisory Board Member of Toppan Inc. to the three portals that have been in operation since April 1, 2020. The President & Representative Director currently serves as the chief manager of the helpline.

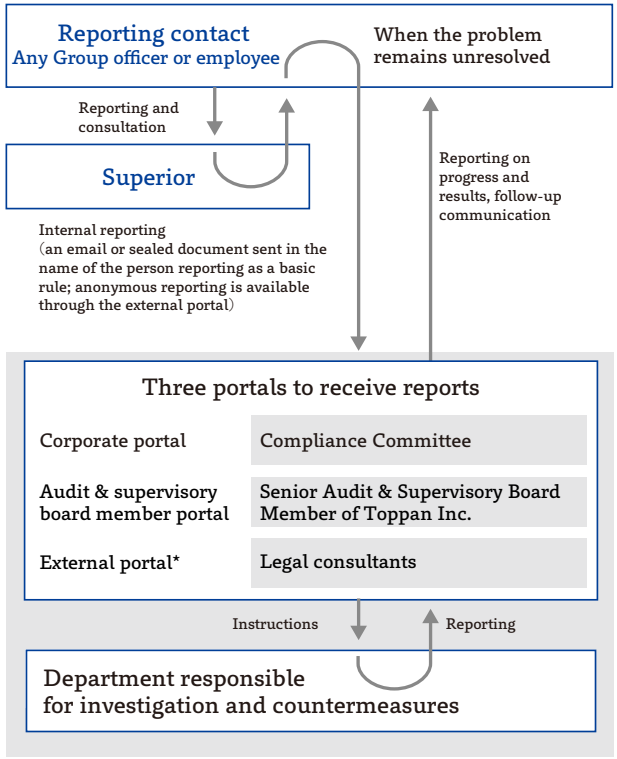
An internal website of the Group, meanwhile, posts topics on the intent of the reporting system, system outlines, and precautions regarding calls placed to the helpline, along with other helpline information. Toppan also holds rank-based training, training for new employees, and other types of training to inform Group personnel about the system.

Reporting rules were further revised in May 2022 to ensure compliance with the amended Whistleblower Protection Act enacted in Japan in June 2022.

Number of Internal Reports

The Toppan Group Helpline was used in eight cases in fiscal 2021. No serious legal violations or cases of misconduct were reported. Seven of the helpline reports were on harassment. In the eighth, the reporting contact called for improvements in work processing. Every case was properly handled and followed up with necessary countermeasures to prevent recurrence.

Toppan Group Helpline



(As of June 1, 2022)

*The Compliance Committee investigates issues reported to the external portal and considers and formulates measures, etc. to handle them.