

Strengthening corporate governance

← P12 CSR Policy ①

Establishing a sound and highly transparent management system that can quickly respond to changing markets is among Hitachi Chemical's top priority management issues.

As part of this initiative, we have taken actions to adopt the "Company with Committee System" in order to separate executive and supervisory functions. By reinforcing the supervisory functions of the Board of Directors, we intend to realize a management structure that is highly objective and transparent.

In addition, directors and auditors from Hitachi Chemical are assigned as necessary to Group companies to conduct management with an eye toward Group unity while enhancing oversight.

The Hitachi Chemical Group is also striving to augment its compliance structure to ensure its operations conform to the law and Articles of Incorporation. In particular, we established the "Hitachi Chemical Standards of Corporate Conduct," our basic code of conduct, as the common standard for the entire Group. We are sharing critical parts of other important rules and basic systems across the Group. And we are implementing an all-out effort to eliminate business dealings with anti-social forces by setting a policy which prohibits direct or indirect contact and rejects any

involvement with or demands from such organizations.

Furthermore, to secure the credibility of our financial reporting, we document and objectively evaluate performance based on the COSO framework from the United States (Standards for Evaluating and Auditing Internal Controls Regarding Financial Reporting).

Uncompromising commitment to compliance

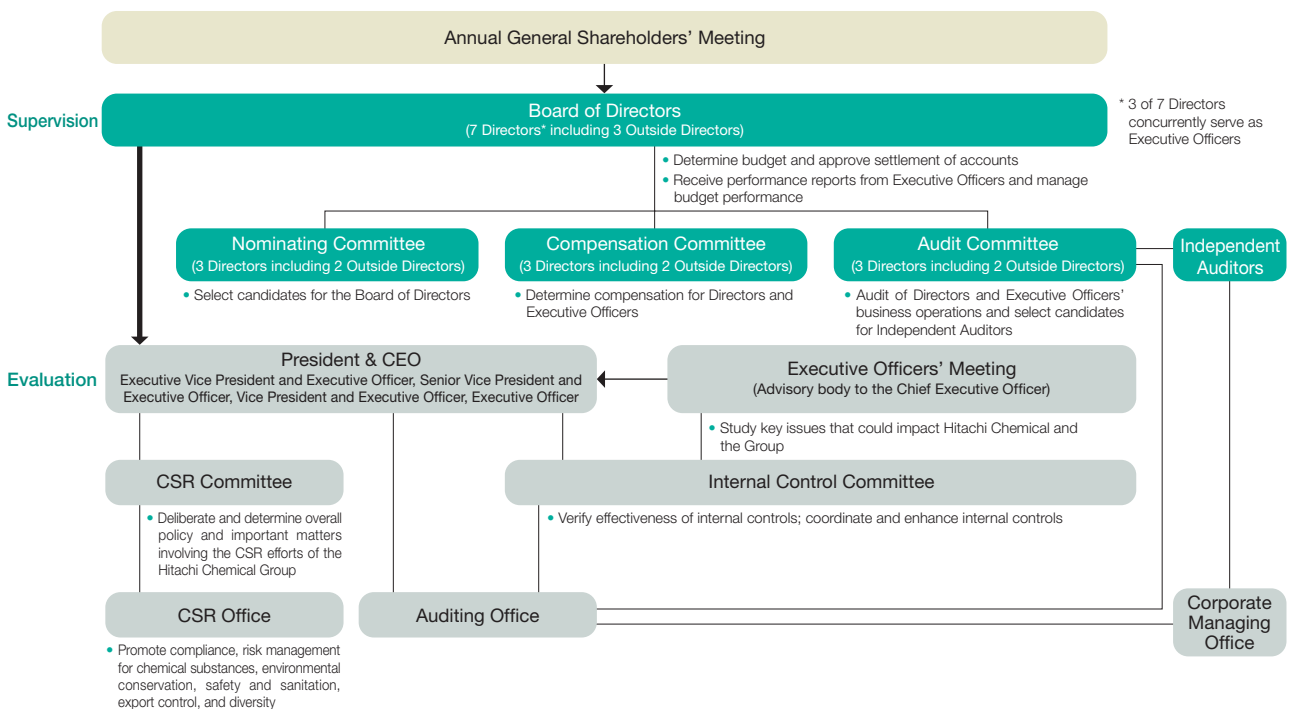
← P12 CSR Policy ④

The Hitachi Chemical Group broadens the definition of compliance beyond mere adherence to laws and regulations to include corporate ethics and employee conduct based on the ethical values and conscience of each individual. This stance is the core of CSR.

The *Hitachi Chemical Group CSR Guidebook*, which delineates appropriate behavior, was distributed to all Group employees and we expect them to comply with the Guidebook content. We also demonstrate our uncompromising commitment to compliance by conducting internal audits. In fiscal year 2007, the Guidebook was revised to clearly prohibit compulsory labor and child labor.

Furthermore, the Hitachi Chemical Group Hotline was established as a consultation and whistleblowing system for compliance. Requests for consultation and information are handled quickly and appropriately while protecting the

Corporate governance structure



anonymity of the reporter. In fiscal year 2007, an outside consultation channel (lawyers) was established.

● **Compliance in exporting products**

The Hitachi Chemical Group is implementing stringent export controls in various areas, from product design and development to order receipt, production, management, and shipment. We are working to reinforce national security regulations, including those that involve nuclear proliferation and terrorism, and preparing for legislation in China and other Asian countries where Group companies are located.

Ensuring airtight information security

← P12 CSR Policy ④

● **Information security**

To prevent the leakage of information, Hitachi Chemical has compiled guidelines that require employee compliance with *Hitachi Chemical's Network Usage Manual*. In addition, key requirements for handling information assets have been clarified in accordance with the Basic Policy for Information Security.

The Information Security Committee was set up to determine information security policies as well as to plan and implement related measures. We have also assigned an information security director at each site along with information asset managers and an information system administrator.

● **Protecting personal information**

The Hitachi Chemical Group protects personal information of customers and employees that it possesses through its

Personal Information Protection Committee as well as the designation of staff in charge of personal information protection and a personal information manager at each site.

Promoting risk management

← P12 CSR Policy ④

As an enterprise involved in wide-ranging areas and regions, the Hitachi Chemical Group faces a variety of business risks including natural disasters, major fires, infectious diseases, and terrorism. We constantly strive to sufficiently analyze and anticipate risks to develop plans and take action, with due consideration for potential risks at every stage of business operations and across all organizational levels.

In concrete terms, to minimize risk and effectively respond to emergencies, we have defined types of risk, the responsibilities of management and employees for preventing the occurrence of crises, the membership and activities of the Emergency Response Task Force that is organized in times of a crisis, and communication standards based on the Guidelines for Implementing Measures to Counter Risk at Hitachi Chemical. These activities are continuously improved through self-audits in each department and Group companies as well as through regular audits by the CSR Office and related departments.

In fiscal year 2007, we drew up a business continuity plan (BCP) to minimize the disruption of business operations or any negative impact on society in the event the company sustains severe damage due to a disaster or accident (see p. 22).

Risk management system and example of emergency response

