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Internal Control

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Internal Control

Internal Control System

Sumitomo Mitsui Construction regards its Basic Policies for Internal Control as efforts that continue over multiple fiscal years, and reviews their content every fiscal year. Meanwhile, the Internal Control Committee holds quarterly meetings where the progress of the review, correction and improvement of issues identified in the operation of the internal control system, and the progress of preventive measures taken as necessary are reported to monitor the status of operation. The results are reported to the Board of Directors to properly build and operate the internal control system.

Fiscal 2021 Basic Policies for Internal Controls were determined by resolution of the Board of Directors meeting held on April 21, 2021.

In fiscal 2021, we will focus our attention on the following items.

1. Promoting compliance management and improving the reliability and effectiveness of i-message.
2. Continuing measurement to prevent COVID-19
3. Strengthening information management system
4. Promoting work style reforms and reducing long work hours
5. Strengthening risk management system of domestic and overseas business

Construction Business Act Patrol

In response to having received an instruction in January 2016 from the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act with regard to the case of a collective housing complex we constructed in Yokohama City, we made plans for the “Construction Business Act Patrol” at branches with jurisdiction over the relevant sites and are continuously carrying out patrols. Branches conduct patrols of construction sites that they oversee to check compliance with the Construction Business Act, including assignment of engineers and also covering subcontractors. Results of patrols, issues and other information are shared among all branches. The Execution System Improvement Sub-committee, which is established under the Production System Improvement Committee, examines, formulates and promotes necessary measures.

Compliance

Compliance Education

To keep employees informed of and raise awareness of legal compliance, we are sending out messages from top management to officers and employees regarding compliance, in addition to formulating a compliance education plan each year and providing compliance education for officers and employees under the initiative of the Legal Affairs Department. While mainly focusing on the Construction Business Act, Antimonopoly Act, and other related laws and regulations, education programs cover a wide range of themes, including revisions to the Civil Code, issues with non-conformity with contracts, the Subcontract Act, Act on the Protection of Personal Information, bankruptcy-related legislation, bribery, etc., according to the needs of different job categories/ranks and departments. We incorporate education into meetings and programs, such as training for different job categories or ranks, training for new recruits, training for mid-career employees, and e-learning.

We also provide group companies with compliance education for top-level executives. Each group company familiarizes its employees with the content of the education to promote the understanding and penetration of corporate ethics and compliance management.

Promotion of fair trade [materiality (13)]

In order to promote fair trade, we have established a bid-rigging elimination program and keep all officers and employees informed of it.

The program clearly states the recognition that complete elimination and prohibition of bid-rigging requires the upholding of all the following: (1) the clear and unshakable commitment of senior management to completely eliminate and prohibit the practice, (2) the establishment of internal compliance and monitoring systems, and (3) a full understanding and high level of compliance awareness among company officers and employees.

Based on the program, every April, our officers and employees are required to pledge in writing not to conduct or become involved in bid-rigging and submit the written pledges to the company. Meanwhile, each group company has established its own bid-rigging elimination program and ensures compliance with it.

Collection rate of written pledge for bid-rigging elimination

Fiscal 2020 Target	Fiscal 2020 Result	Fiscal 2021 Target	Fiscal 2021 Result
100%	100%	100%	100%

i-message (Internal Reporting System)

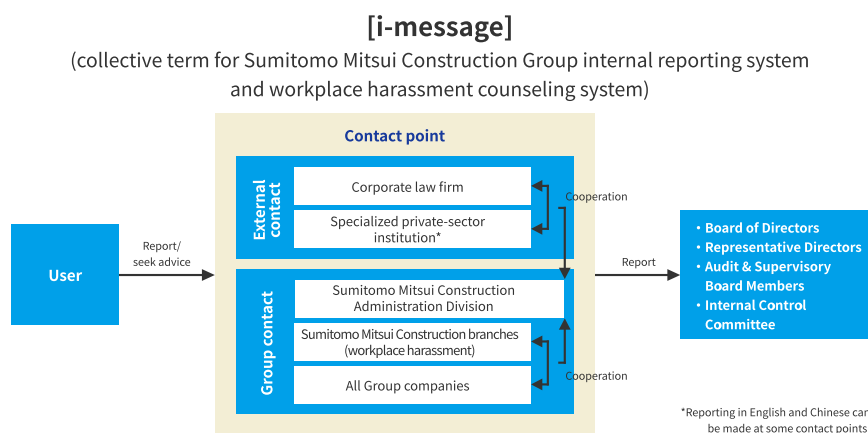
We operate an internal reporting system based on the Internal Whistleblower Protection Regulations (i-message is a collective term for the internal reporting system and workplace harassment counseling system).



In response to reported incidents, including those at group companies, we take appropriate and necessary actions in a timely manner through close cooperation with our corporate lawyers, with due consideration given to the protection of the whistleblower. In the event a problem is found, we take necessary action against the persons involved according to internal rules, as well as corrective measures and recurrence prevention measures. Also, on November 1, 2019, the i-message (Internal Reporting System) became the first general contractor to be registered in the Whistleblowing Compliance Management System (autonomous conformity declaration registration system) of the Consumer Affairs Agency.

Measures to Raise Awareness of Human Rights and Address Harassment

We provide education to new employees to raise awareness of human rights. We assign at least one male and one female staff member to serve as a Harassment Consultation Service at the Personnel Department at Head Office and the Administration Department at each branch. When new personnel are assigned to replace the staff in charge, we provide the new personnel with education on their task. In fiscal 2020, we conducted activities to create a workplace where harassment doesn't happen. We provided harassment prevention education that incorporates recent trends and anger management, to Group companies including affiliates.



Risk Management

Risk Management System

The Group recognizes “risk” as a primary factor that obstructs the accomplishment of organizational targets due to the ultimate deterioration of profit performance, increases the effectiveness of risk management by continuously constructing, applying, and improving a risk management system based on the Risk Management Regulations, and thoroughly reduces risks that may impact the Group’s business operations. Also, we are working to control and promote risk management from a company-wide viewpoint, and to build a system and structure in order to promote independent risk management in each division and each department.

Also, in a cases where a risk may have a major impact on the Group’s management or business activities due to human/physical damage or a loss of societal trust, or where there is a possibility that such a risk may materialize, we take appropriate countermeasures based on the Crisis Management Regulations.

Business Continuity Plan (BCP)

Fully recognizing that we have the important social responsibility of providing safety and security through our construction business, we have developed a BCP to make efforts to maintain and continue key functions of our own business activities while carrying out restoration, reconstruction and relief activities for affected areas and infrastructure in the event of a disaster. We also acquired a resilience certification based on the Guidelines for Certification of Organizations Contributing to National Resilience.

For fiscal 2020, we conducted BCP drill on March 11 at all offices in Japan, assuming a major earthquake. First, safety confirmation system was tested to confirm the safety of approximately 3,400 officers and employees promptly and accurately. Then we divided all the offices into four areas, eastern Japan, metropolitan area, Kinki and central Japan, and western Japan, and assuming that the areas are experiencing wide-area power outage due to the earthquake and employees are working remotely due to COVID-19 crisis, we practiced setting up disaster response headquarters and response task force to examine the suitability of our BCP and to increase our capacity to respond to major disasters.



Safety Measures Outside Japan

To secure the safety of expatriate employees (and accompanying family members) as well as employees on overseas business trips during emergencies, Sumitomo Mitsui Construction has established the Overseas Crisis Management Manual and the Overseas Safety Manual. To examine, formulate and promote measures for securing the safety of employees engaged in overseas business, including local staff, and maintain the system, we established the Overseas Safety Committee, which will hold meetings on responses to COVID-19 as well as terrorist incident as necessary. Regarding response to a terrorist incident, we have concluded a contract related to crisis management with a consulting company that specializes in crisis management, striving to further enhance our crisis management system.

Serious Risk Event

1. There are concerns that the serious impact of the world-wide spread of COVID-19 on economy and corporate activity domestically and internationally will last for a long period of time, as no one is certain when the spread will end. In Japan, a state of emergency was declared once again in view of the increase in the number of infections and an increasingly severe impact. Construction industry's business is spread across in many areas, and we are responsible for appropriate maintenance management and renewal of social capital such as public infrastructure even during COVID-19 crisis. This may pose impact over wide area including employment. We intend to prioritize addressing the safety and the mental and physical health of our employees as well as those of others we work with, while aiming to ensure that the business plan is implemented by carefully watching the changes of social conditions, making timely and accurate judgement, and implementing prompt responses.
2. Regarding the on-going case of a housing complex in Yokohama City, constructed by us, litigation was filed in November 2017 by one of the companies that ordered the housing complex regarding claim for compensation from our company and two pile construction companies for the rebuilding costs for all buildings of the complex (the amount was increased in July 2018). We believe this litigation lacks grounds and reasons, and we will continue to make this case as appropriate in the trial.