

Compliance / Corporate Governance

Compliance System Overview

All the officers of the Chugoku Bank are aware of the social responsibilities that are required of us. We believe that a critical challenge in our operations is strengthening our compliance system to meet the expectations of our local customers and stockholders. This is seen as one of our CSR activities.

The following are some of our compliance activities.

1. Concrete measures to achieve this include the enactment of the Corporate Code of Conduct as the basis for ethical conduct in the course of management and operations; the Guidelines for the Conduct of Bank Clerks, which bank clerks should observe in the course of their duties; the Compliance Manual and the Compliance Handbook, which are the reference manuals for compliance at the Bank.
2. Establish the Compliance Committee and assign Legal Compliance Supervisors at the various branches and offices.
3. Ensure that an awareness of compliance permeates the organization by various types of seminars.
4. Create a Compliance Program each year as a plan for the practical implementation of compliance and verify the progress on and degree of achievement on a regular basis. We constantly strive to enhance our spirit of compliance to legal issues, establishing a system of compliance for the Personal Information Protection Act enacted in April 2005 and for the Depositor Protection Act enacted in February 2006.
5. With the objective of preventing inappropriate behavior by bank staff and to facilitate the early detection of unethical activities, we have adopted a system wherein employees may report any wrongdoing directly to top management. We revised part of this system in line with the enactment of the Public Interest Disclosure Act in April 2006.
6. The Chugoku Bank Group is taking a firm stance against anti-social forces that threaten social order and safety and prevent the development of a sound economy and society. As an organization, we also collaborate with external bodies with expertise in this area, such as the police, in dealing with inappropriate demands by such anti-social forces.

The Bank takes the approach of giving compliance and morals the highest priority and is emphasizing compliance within its corporate culture.

Corporate Governance System Overview

We consider it essential that each of our officers display unimpeachable ethical sense in the conduct of their duties for us to conduct business fairly. We also believe that the basis of corporate governance is monitoring the officers in the conduct of their duties and creating a mechanism for maintaining control. By strengthening the functions of the Board of Directors and the Board of Auditors, we can more effectively examine individual items related to management such as the appointment of directors, compensation, monitoring of management and compliance.

The total number of the Bank's directors, which reached 20 directors in 1998, stood at 14 as of June 30, 2011, in line with our policy of streamlining the management structure, and the Bank has no outside directors. The current framework ensures fruitful discussions and quick decision-making. The Board of Directors deliberates on important matters such as formulation of business plans and fundamental risk management policies. The progress of the execution of duties by directors is reported at a meeting of the Board of Directors.

To ensure flexibility in management decision-making, we have set up a Board of Managing Directors, which comprises seven executive directors, including the Bank's president. This body deliberates on and makes decisions regarding the delegation of authority from directors and other matters.

Various committees have been established as consultative bodies to the Board of Managing Directors. These committees discuss different topics and make decisions on important matters to enable fair and appropriate corporate activities.

The Bank is a company with an auditor system. Three outside auditors and two internal standing auditors with extensive knowledge of the Bank's operations combine their capabilities to enhance the effectiveness of audits by the auditors and meetings of the Board of Standing Auditors. To ensure that all management decisions are fair and legal, the auditors perform management oversight functions that include attending and voicing opinions at meetings of the Board of Directors, Board of Managing Directors and other key committees, as well as monitoring decision-making processes and the execution of business affairs.

Corporate Governance Framework

