



## Internal Control System Design Basic Policy

April 1, 2024

### **1. System to ensure that the duties of Directors and Employees are performed in compliance with laws and ordinances and the Articles of Incorporation**

- 1) Set forth in the “Terumo Group Code of Conduct” that correct behavior, requiring compliance to laws and ordinances, industry codes, internal rules, and acting according to a high sense of ethics, is indispensable for the practice of the Group Mission; and build a system to perform continuous training and education of Directors, Group Executive Officers, Executive Officers and Employees of Terumo Corporation (hereafter “the Company”), and all other equivalent personnel in the group (hereafter “Group Employees”) regarding this Code of Conduct.
- 2) Establish the “Group Internal Control System Policy”, and as the entity responsible for enacting the Group Internal Control System, establish the Internal Control Committee, which is chaired by the Chief Executive Officer. That committee shall build a system to deliberate and make decisions regarding important policies related to compliance, and regularly report the status of these activities to the Board of Directors and Audit and Supervisory Committee or Audit and Supervisory Committee members selected by the Audit and Supervisory Committee (hereafter “Selected Audit and Supervisory Committee members”).
- 3) In accordance with the provisions of the Financial Instruments and Exchange Act, build a system to ensure the reliability of financial reporting.
- 4) Based on the “Group Internal Control System Policy” and build a system to, in the event that significant compliance violations, etc. occur, create a response team under the direction of the Internal Control Committee Chair, which, in addition to responding and resolving the occurrence, shall report or make proposals to the Internal Control Committee regarding the cause and recurrence prevention measures.

### **2. System for retention and management of information related to Director performance of duties**

- 1) Establish the “Group Document Management Policy” and build a system to record and retain, as documents or electronic media, information related to Director performance of duties, according to document type and importance.
- 2) Establish the “Document Management Standard Manual: Handling Manual for minutes of important meetings,” and build a system to retain the minutes of important official meeting bodies of the Company.
- 3) The Directors and Audit and Supervisory Committee or Selected Audit and Supervisory Committee members (hereafter “Audit and Supervisory Committee etc.”) shall build a system in which this documentation can be viewed at any time.

### **3. Risk management regulations and other systems**

- 1) Establish the “Group Risk Management Policy,” and, as the entity responsible for enacting the Group-wide risk management system, establish a Risk Management Committee, chaired by the Chief Executive Officer to build a system to report regularly regarding the status of these activities to the Board of Directors and Selected Audit and Supervisory Committee members.
- 2) Build a system for the departments from which business, quality, product safety, disasters, and environment etc.-related risk originate to perform proactive management; and for departments with expertise regarding those risk categories to support and control these risk management activities, taking into account the prioritization of risks which have critical impact on corporate management.

### **4. System for ensuring efficient Director performance of duties**

- 1) Toward achievement of the Mid- to Long-term Growth Strategy and annual plans approved by the Board of Directors, the Executive Management Meeting composed of the Directors and Group Executive Officers, the Sustainability Committee to monitor the progress of initiatives on important sustainability action themes, the Solution Review Meeting to improve the quality of strategies on important themes, etc., shall be enacted to build a system in which support, leadership, and oversight is provided to business departments for prompt, appropriate, and efficient performance of duties.
- 2) Establish the “Group Policy on Corporate Authorization System” to build a system to promptly and efficiently perform corporate decision-making.
- 3) Establish the “Group Department Job Description Policy” and other several regulations to provide for the policies of organizational operations and roles of departments performing duties.

### **5. System for ensuring appropriate work within a group composed of the Company and its subsidiaries.**

- 1) Establish the “Group Companies Management Policy” and other several regulations, to build a system that brings about consistency in the entire group regarding business strategy, allocation of resources, coordination of business fields, risk management, and compliance, while providing support for each group company to voluntarily promote healthy management as a member of the Terumo Group.
- 2) Build a system for risk management at each group company, based on the “Group Risk Management Policy”.
- 3) Based on the “Group Policy on Corporate Authorization System,” build a system in which decision-making is performed at each group company by the approving entity appropriate to the importance of the matter, and which requires that matters of particular importance are approved by the Company or discussed in the Executive Management Meeting or Board of Directors meeting of the Company.
- 4) Establish the “Terumo Group Code of Conduct” as the common group code of conduct,

and build a system to disseminate and perform continuous training regarding it to each group company.

- 5) Establish the "Group Policy of Group Policy Management" to build a system for each relevant department to institute group policy regarding important group-wide themes, and disseminate them to each group company.
- 6) Support, promote, and monitor the status of enactment of compliance systems throughout the entire group.
- 7) Build an internal reporting system for when Group Employees become aware of compliance violations etc., in which Employees can make reports outside their usual line of authority and are assured that they will not be treated disadvantageously.

#### **6. Internal audit system**

- 1) The Internal Audit Department shall conduct audits under the direction of the Chief Executive Officer, the Board of Directors, and the Audit and Supervisory Committee, and report to each of them.
- 2) Build a group internal audit system in which the internal audit departments of each region and important subsidiary, and the Internal Audit Department of the headquarters, coordinate.
- 3) Build a system to audit the operational status and effectiveness of the provisions of preceding items 1 through 5, report and make suggestions regarding the results thereof and issues for improvement to the Internal Control Committee, and also confirm the completion of improvements regarding these issues.

#### **7. Items regarding Employees who assist the duties of the Audit and Supervisory Committee**

The Audit and Supervisory Committee Office, consisting of dedicated Employees (hereafter "Dedicated Employees") shall be established as an organization to assist the Audit and Supervisory Committee.

#### **8. Items related to independence of Dedicated Employees belonging to the Audit and Supervisory Committee Office from Directors who are not Audit and Supervisory Committee members**

Selection, performance evaluation, salary, placement, and discipline of Dedicated Employees shall require the prior consent of the Audit and Supervisory Committee. In the selection of Dedicated Employees, candidates' experience, knowledge, behavior, etc. shall be carefully considered in light of the important role they will play as participants in audit and supervisory functions.

#### **9. Items for ensuring the effectiveness of direction given from the Audit and Supervisory Committee to Dedicated Employees**

Dedicated Employees shall perform their duties according to the direction and mandates of the Audit and Supervisory Committee etc. and shall not receive direction or mandates

from Directors who are not Audit and Supervisory Committee members, or any other Group Employees.

**10. System for Group Employees and those receiving reports from such Employees (hereafter jointly referred to as "Reporting Personnel") to report to the Audit and Supervisory Committee**

- 1) In addition to legal items, Reporting Personnel shall make timely and appropriate reports to the Audit and Supervisory Committee, etc. according to the "Group Policy on Reports by Directors, Group Executive Officers, Executive Officers and Employees to Audit and Supervisory Committee"
- 2) The Audit and Supervisory Committee etc. shall regularly receive reports on the operation status of, and content of incidents reported under, the internal reporting system established at each group company, and shall give direction and advice as appropriate.

**11. System for ensuring that Reporting Personnel are not treated disadvantageously by reason of making reports**

- 1) In the event that a report has been made by a Group Employee, whether directly or indirectly, to the Audit and Supervisory Committee etc., any human resources-related or other type of disadvantageous treatment by reason of the person having made a report shall be prohibited, and this prohibition shall be thoroughly disseminated to all Group Employees.
- 2) The Audit and Supervisory Committee or its members may require from Directors disclosure and explanation of the reasons regarding the placement, performance evaluation, or discipline, etc. of a reporting person.

**12. Items regarding policy for prepayment or reimbursement procedures for expenses related to performing Audit and Supervisory Committee duties, and processing of expenses or liabilities relating to performance of other duties**

- 1) The Audit and Supervisory Committee etc. may invoice the Company for expenses related to performance of their duties, as established by laws and ordinances.
- 2) The Audit and Supervisory Committee etc. may obtain the services of external experts when such are deemed necessary to the performance of their duties. Further, the expenses associated with obtaining these services shall be applicable under 1) above.

**13. System for ensuring that other audits of the Audit and Supervisory Committee are performed effectively**

- 1) The Representative Director shall regularly hold meetings to exchange opinions with Audit and Supervisory Committee.
- 2) Selected Audit and Supervisory Committee members may attend important meetings such as Executive Management Meeting.
- 3) In addition to regular reporting meetings with internal audit departments and with external auditors, the Audit and Supervisory Committee etc. shall hold meetings as necessary with

these departments or bodies.

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