

# COMPLIANCE QUARTERLY



**ZOLTEK**   
Toray Group

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## I. Need-to-Know

- Important Reminders
- Time-Sensitive Matters
- Toray Flow-Downs

### Reporting Misconduct: If You See Something, Say Something

Sanctions laws and export controls impose an affirmative obligation on Zoltek employees to identify and prevent violations of the law. Should you suspect that a non-compliance may have occurred, including apparent acts of fraud or incidents of misconduct in violation of our Code of Conduct principles, the issue should be immediately reported to HR or Global Compliance. Employees may also utilize Zoltek's anonymous Whistleblower Reporting System:  
[compliance.support@zoltek.com](mailto:compliance.support@zoltek.com)  
[cumplimiento.legal@zoltek.com](mailto:cumplimiento.legal@zoltek.com)  
[viszxaeles.bejelentes@zoltek.hu](mailto:viszxaeles.bejelentes@zoltek.hu)

### March issue of Toray's BEAR Magazine

The latest, March issue of the Toray BEAR Magazine provides an overview of the BEAR Month and Mission BEAR.

In October 2020, Zoltek joined Toray's initiative and we conducted "BEAR Month (Compliance Month)" to further promote the Mission BEAR approach and strengthen BEAR through proactive compliance activities.

The BEAR Month has been concluded with success both on a Zoltek and on a global Toray level, with positive feedback from the business.

For details, see the latest issue of the Toray BEAR Magazine under this [link](#).

### Release of new Toray Global Code of Conduct (CoC)

Toray released a new Global Code of Conduct that applies to all Toray subsidiaries and is replacing the 2017 Ethics & Compliance Handbook. Among other updates, the new Global CoC establishes two whistleblower frameworks:

- "Global Whistleblowing System for Gross Misconduct"
- Company-specific procedure for other misconduct (see details below).

The new Global System is managed by an independent service provider NavexGlobal / EthicsPoint.

**Mission B.E.A.R.**

*"Have the integrity,  
to do the right thing  
in the right way."*

- [compliance@tam.toray.com](mailto:compliance@tam.toray.com) – Contact point for US based companies; English and Japanese only
- [compliance@toray-ind.eu](mailto:compliance@toray-ind.eu) – Contact point for EU based companies; English and Japanese only

The new Global CoC can be found under this [link](#).

### **New Toray Corporate Social Responsibility (CSR) Road Map 2022**

Toray recently established CSR Road Map 2022 which is medium-term management program.

The goal is to have the CSR Road Map 2022 guide the activities of the Toray Group, by setting targets, main initiatives, and key performance indicators (KPIs) for each of the 10 themes of the Toray CSR Guidelines, focusing on

- (1) achieving the Toray Group Sustainability Vision;
- (2) continuing to be a highly valuable corporate group; and
- (3) deepening the Toray Groups CSR activities.

All Toray Group employees are required to understand the details of the CSR Road Map 2022. In addition, Toray challenges its employees to think about whether their work is contributing to the sustainable development of the Toray Group and society as a whole and how it can contribute even more.

Zoltek will be introducing CSR in the coming months so stay tuned.

The CSR program can be accessed via this [link](#).

## **II. RECENT ACTIVITIES & ACCOMPLISHMENTS**

### **Wrapping up the 2020 Compliance e-Learning program**

Zoltek's inaugural 2020 Compliance e-Learning program has been concluded with an over 80% completion rate. Those employees who did not complete the training by the original December deadline, received final reminders as compliance training completion is obligatory, and has been added as a factor of the year-end performance evaluation.

As we begin planning for the upcoming training program, we will evaluate and implement improvements based on lessons learned, such as avoiding use of multiple training platforms and addressing any overlapping training topics to improve training efficiency.

### **Ethisphere Employee Perceptions Survey**

In December, Zoltek closed its first Employee Perceptions Survey and the results are currently being analyzed with HR and the survey provider Ethisphere. Overall assessment shows that Zoltek results compared favorably with industry benchmarks across the majority of perception categories. Improvement opportunities have been identified as well, particularly in the following categories: (1) Pressure to Compromise Compliance Objectives to Meet Business Goals, and (2) Observing and Reporting Misconduct. As our next step, HR and Global Compliance will be working with department managers to address opportunities for improvement.

### **China Related STC controls**

The Bureau of Industry and Security (BIS) has further tightened export controls destined for China, Russia, and Venezuela. The changes impose a license requirement for certain carbon fiber products (chopped/milled fiber) not previously controlled IF such products are exported to Chinese or Russian military end user (MEU) customers.

Considering ambiguities in the MEU definition, these new rules require Global Compliance team to perform detailed due diligence to understand the supply chain, identify and screen end users and verify end user applications of Zoltek products.

To meet these new, dynamic due diligence requirements, Global Compliance has introduced risk-based, enhanced due diligence processes including the use of an updated Letter of Assurance – adding specific MEU related questions – as well as relying on 3rd party investigation reports where necessary to perform thorough due diligence on these customers.

**Update: Securimate Implementation**

By way of review, driven by rising regulator expectations around 3<sup>rd</sup> party compliance, early last year Zoltek purchased access to the Securimate platform. Securimate is Zoltek's comprehensive 3<sup>rd</sup> party compliance risk management system. Features include robust screening solutions, adverse media monitoring, checks for politically exposed persons and the ability to order independent compliance investigation reports as needed for enhanced due diligence.

Zoltek's Global Compliance team continues working with Steele Solutions to fully implement the Securimate platform.

Already operational and in use for 24/7 compliance screening and due diligence activities, our next step in the implementation process is to partner with the functions and the business to complete work-flow design and introduce an automated online 3<sup>rd</sup> party intake process that aims to streamline the current customer and vendor registration and related screening.

**III. LOOK-AHEAD – next 1-3 months**

<b>What</b>	<b>When</b>
Mandatory Sanctions Compliance Audit	Q2 – Q3 2021
Compliance Monitoring Program	Q2 2021
On-Board HU Compliance Specialist	July 2021
On-Board MX Compliance Specialist	Q2 2021

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