

# Risk Management



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## Basic concept

We are accelerating the global expansion of the Asahi Kasei Group's diverse operations in three sectors. Meanwhile, the operating environment has become highly volatile. The emergence of new and more complex risks threatens to have a substantial impact, which makes it necessary for us to grasp and manage risks from the broader perspective of group management. In fiscal 2022 we adopted a major revision to our risk management framework.

## My role in the risk management framework

Our Risk Management Team, which reports directly to me as the responsible Executive Officer, keeps track of the activities of each business unit. In addition to providing direction and support regarding individual risk countermeasures, this team functions as the

organizer for the Risk Management & Compliance Committee, chaired by the President, and ensures that decisions and instructions from upper management are fully conveyed to each business unit.

By having a Risk Management Team comprising members from General Affairs and members from Corporate Strategy, we are able to respond not only to pure risks but also to business opportunities and risks.

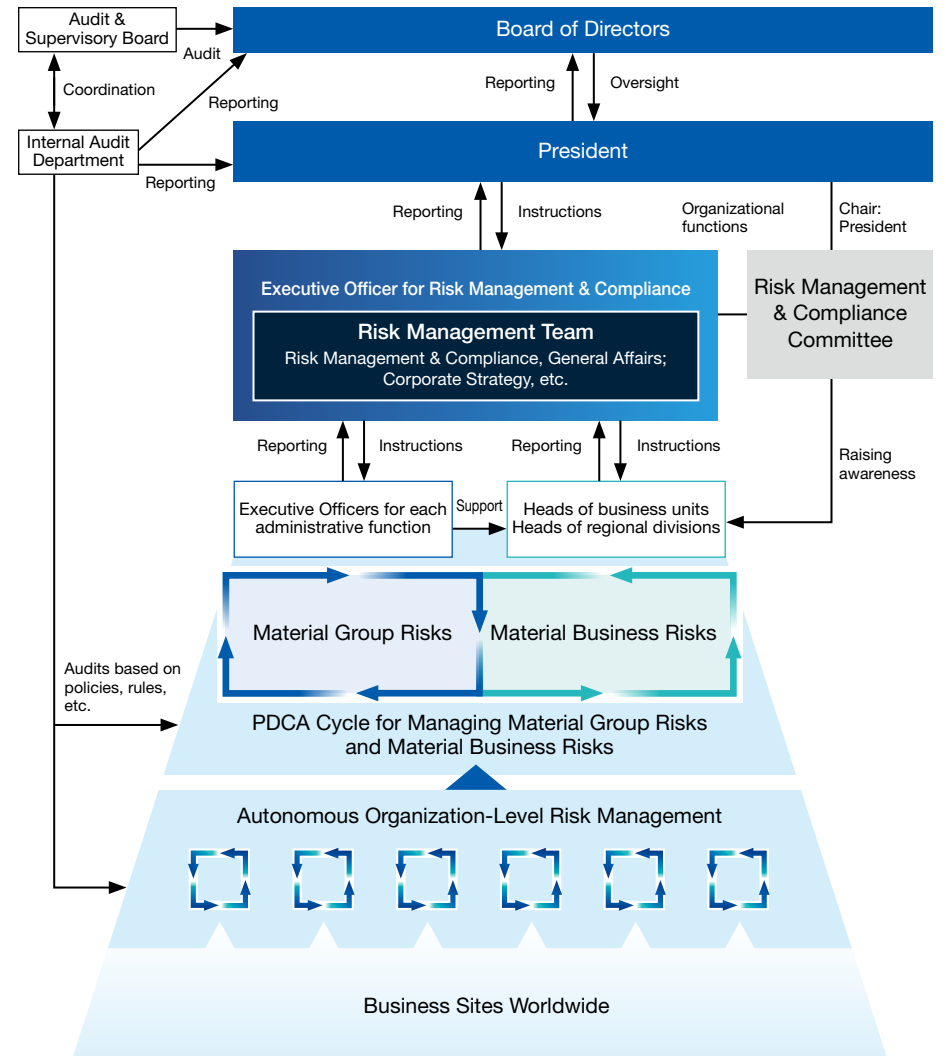
## Strengthening risk management in line with business characteristics

Our basic policy is for each organization to manage its own risks autonomously. Among the various risks, those requiring regular monitoring by the Board of Directors are defined as Material Group Risks, and those which could impede the annual plans of business units are categorized as Material Business Risks to be addressed through concerted effort within a given fiscal year.

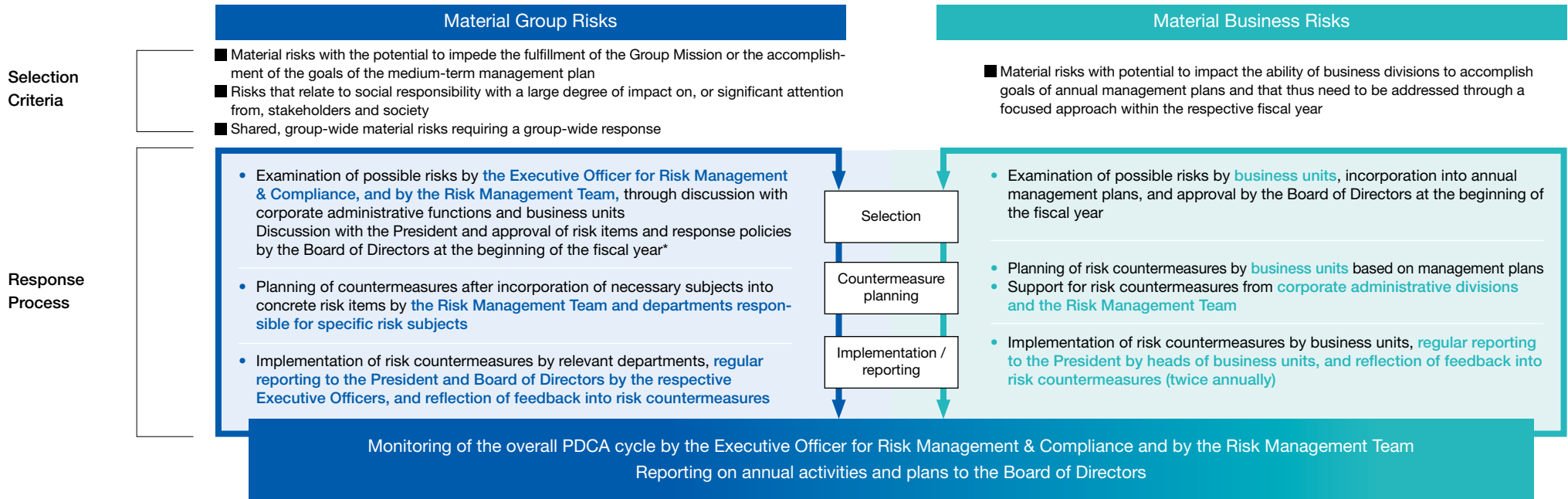
Flexible management commensurate with individual circumstances is required. In the Material sector, there is substantial overlap between Material Group Risks and Material Business Risks, and in the Homes and Health Care sectors, there are many cases in which the business unit directly handles industry-specific risks such as permits and regulations.

To prevent inadequate risk response due to administrative functions and business units each expecting the other to take the lead, we have clarified each of their roles and responsibilities, and strengthened communication among administrative functions and between administrative functions and business units, ensuring quick and proper response both in normal times and in emergencies.

## Risk Management Framework and Roles of Constituents

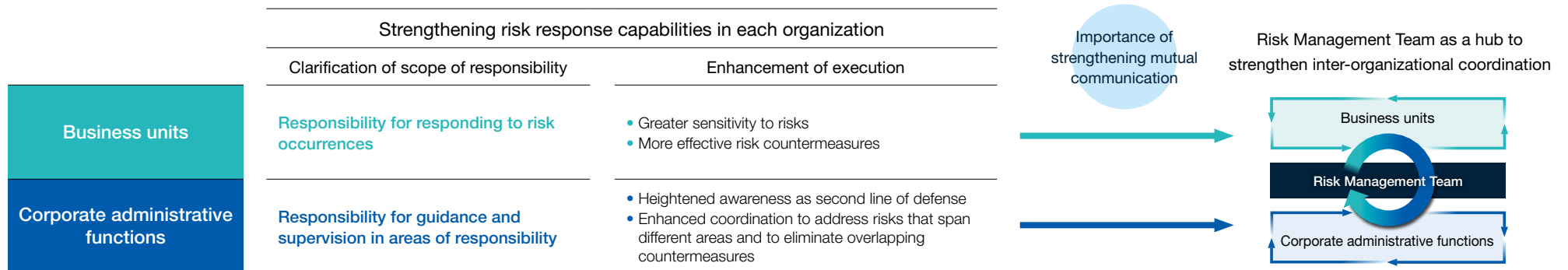


### Risk Management PDCA Cycle (Material Group Risks and Material Business Risks)






\* Revisions instituted as necessary in response to major changes in the operating environment

### Enhancement Policy for Fiscal 2023



## FY2023 Material Group Risks and thrust of main initiatives

Material Group Risks		Thrust of Main Initiatives	
Risks related to accidents at production sites (environmental abnormalities, industrial accidents, injuries)		<ul style="list-style-type: none"> <li>Reinforcement and enhancement of Life Saving Actions (adherence to activity prohibitions for eliminating serious accidents)</li> <li>Improvement of fire prevention technology at individual production sites</li> <li>Reinforcement of workplace safety auditing functions and cultivation of environmental safety experts</li> <li>Identification of hazard sources at individual production sites, conveyance and education of process safety techniques, thorough implementation of PDCA in response to abnormalities</li> </ul>	For more information, see “Environmental Protection” on <a href="#">page 92</a> 
Risks related to quality-associated misconduct (data falsification, etc.)		<ul style="list-style-type: none"> <li>Enhancement of quality awareness and culture through regular communication between management and frontline workers</li> <li>Extensive circulation of information regarding quality risks through increased information communication from corporate quality assurance departments</li> <li>Reinforcement of governance through quality inspections and reinforcement of training for quality assurance personnel</li> </ul>	
Risks related to domestic and international laws, regulations, certification requirements, etc., regarding the environment, safety, and quality assurance	Environment and safety	<ul style="list-style-type: none"> <li>Circulation of information regarding regulations and regulatory revisions, exhaustive education activities, appointment of experts, and strengthening of internal consultation frameworks</li> <li>Development of systems for improving compliance</li> </ul>	
	Quality assurance		
Risks related to economic security and global supply chains	Risks related to tightening of economic sanctions and export restrictions (including both upstream and downstream)	<ul style="list-style-type: none"> <li>Timely monitoring of regulatory trends and consultation with relevant organizations and experts as necessary before issues emerge</li> <li>Rigorous screening of customers through external screening systems</li> </ul>	
	Risks related to corporate activities due to geopolitics	<ul style="list-style-type: none"> <li>Setting of risk scenarios for geopolitical emergencies and studying of impacts on business activities such as employee safety, procurement, and sales</li> <li>Specification of initial responses and BCP to be carried out under task force in the event of emergency</li> </ul>	
	Human rights risks (including both upstream and downstream)	<ul style="list-style-type: none"> <li>Promotion of business activities in accordance with the Asahi Kasei Group Human Rights Policy</li> <li>Fostering an awareness and culture of respect for human rights through human rights due diligence, education and awareness activities, etc.</li> </ul>	For more information, see “Human Rights” on <a href="#">page 93</a> 
	Feedstock/material procurement risks	<ul style="list-style-type: none"> <li>Transparency for raw material procurement risks and countermeasure priorities for each business, strengthening of support systems on corporate side</li> <li>Diversification of procurement routes and maintenance of appropriate inventory levels for feedstocks used in major products and businesses</li> <li>Formation and maintenance of relationships with alternative suppliers for equipment components prone to unreliable supplies</li> <li>Revision of management procedures pertaining to delivery and upgrade timings for equipment components</li> </ul>	
Risks related to cybersecurity and technological information management	Risks related to cybersecurity and communications infrastructure	<ul style="list-style-type: none"> <li>Implementation of swift and flexible countermeasures to combat ever-evolving cyberattacks through technical measures made possible by installing security systems and raising and reinforcing awareness regarding security via employee education, etc.</li> <li>Planning and implementation of BCP measures aimed at achieving minimum level of IT usage (communication, information access) in the event of large-scale disaster</li> </ul>	For more information, see “Information Security” on <a href="#">page 94</a> 
	Risk of technological information leakage	<ul style="list-style-type: none"> <li>Formulation of technological information management rules and implementation of leak prevention measures based on those rules</li> <li>Strengthening of group-wide unified monitoring systems for leak prevention measures</li> </ul>	
Risks related to natural disasters, pandemics, and terrorism or conflicts	Headquarters and office districts (domestic and overseas)	<ul style="list-style-type: none"> <li>Recompilation of response policies and manuals based on past cases such as large-scale natural disasters and pandemics, implementation of training simulating risk actualization</li> <li>Establishment of standards and systems for setting up emergency response headquarters and response manuals to prepare for acts of terrorism, conflicts, and other extreme circumstances that may occur overseas</li> </ul>	
	Production sites (domestic and overseas)		
Risks related to M&A		<ul style="list-style-type: none"> <li>Prudent due diligence of potential acquisitions</li> <li>Careful verification of post-merger integration plans</li> </ul>	
Risks related to climate change		<ul style="list-style-type: none"> <li>Monitoring and formulation of measures based on annual analyses and investigations of climate change-related risks and opportunities</li> </ul>	For more information, see “Disclosure Based on the TCFD Recommendations” on <a href="#">page 61</a> 