

# Risk Management

## Overview of the Risk Management Framework and Roles of Constituents

### Risk Management Policies

The Asahi Kasei Group is accelerating its global development of diverse operations in three sectors. This development is taking place in a highly volatile operating environment, characterized by changes in values spurred by the COVID-19 pandemic as well as rising international tensions associated with the decoupling of the economies of the United States and China and Russia's invasion of Ukraine. The emergence of new and more complex risks threatens to have an even greater impact on the operations of the Group. We therefore recognize the need to track risks on a group-wide basis and strengthen our risk countermeasures. Accordingly, measures were launched in fiscal 2022 as our first step in reinforcing corporate governance.

### Risk Management Reinforcement Measures Instituted in September 2022

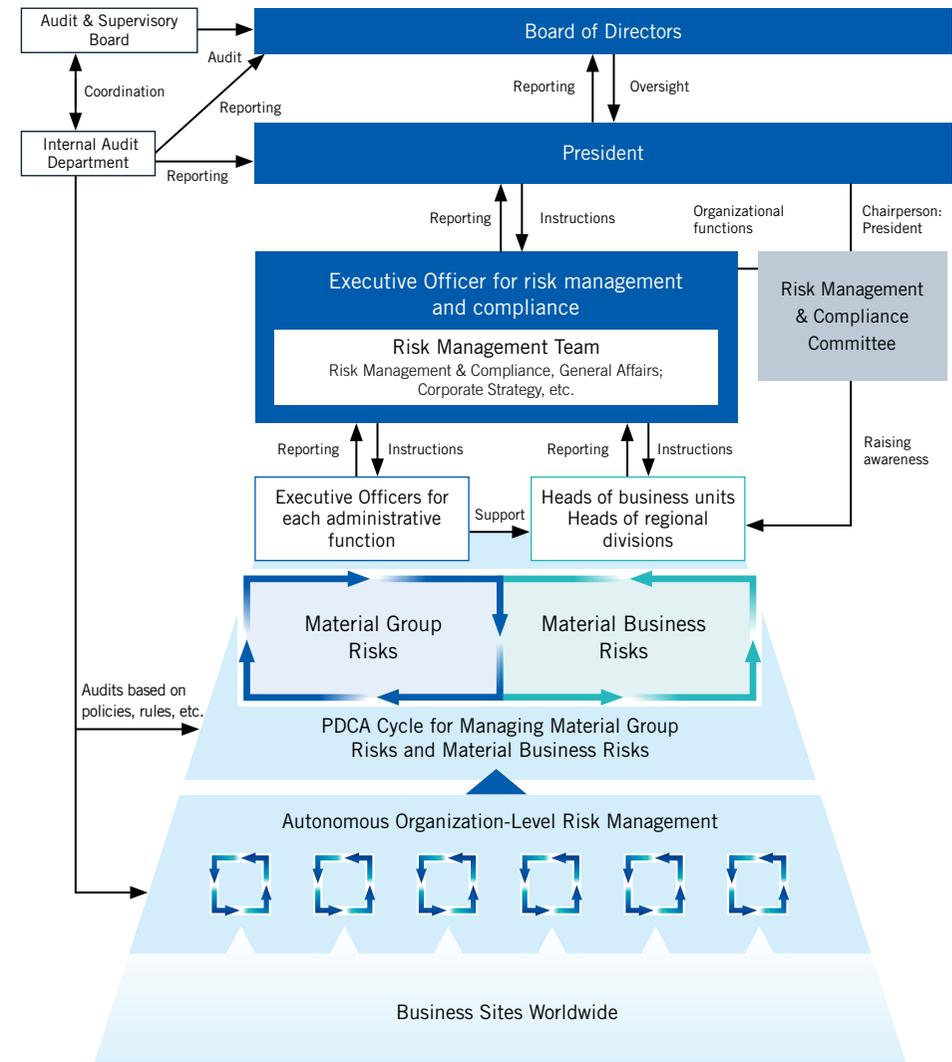
#### Clarification of the risk management framework and roles of involved parties

Under the guidance of the Board of Directors, the President oversees overall risk management with support from the Executive Officer for risk management and compliance. This Executive Officer tracks conditions pertaining to our overall risk management activities based on the instructions of the President, and offers guidance and support to the heads of the relevant departments (administrative, business, etc.) with regard to specific risk countermeasures. Furthermore, a Risk Management Team has been assembled under this Executive Officer. This team is responsible for monitoring the risk management activities of each department and aiding in the implementation of risk countermeasures. Meanwhile, the Risk Management & Compliance Committee, which is chaired by the President, works to reinforce awareness among department heads regarding management-level decisions and instructions pertaining to risk management.

#### Enhancement of risk management PDCA cycle

The Asahi Kasei Group's basic policy is to have organizations managing risks autonomously. To facilitate these efforts, we are enhancing our risk management PDCA (plan-do-check-act) cycle based on established risk categorizations. Risks requiring regular monitoring by the Board of Directors are defined as Material Group Risks. Meanwhile, risks with the potential to impact the ability of business divisions to accomplish the assigned goals of annual management plans are categorized as Material Business Risks, which are addressed through a focused approach within the respective fiscal year. For more information, please refer to the following page.

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

**Risks Identified for Fiscal 2022**

Risks related to accidents at production sites	Risks related to workplace safety (environmental pollution or suspension of operations due to accidents, etc.)
Risks related to quality-associated misconduct	Risks related to quality issues or associated misconduct
Risks related to noncompliance with laws and regulations for the environment, safety, and quality	Risks related to violation of laws and regulations
Risks related to global supply chains (feedstock procurement, material procurement, economic sanctions, export restrictions, human rights)	Risks related to products and services meeting regulatory requirements or customer expectations
Risks related to cybersecurity and communications infrastructure	Risks related to procurement or supply (supply chain) disruptions
Risks related to large-scale natural disasters, pandemics, or emergencies overseas (terrorism, conflict, etc.)	Risks related to logistics (regulations, work environments, costs)
Risks related to M&A	Risks related to personnel and labor
Risks related to climate change	Risks related to leaks of confidential or personal information and cybersecurity
	Risks related to pandemics (suspension of operations, etc.)
	Risks related to business alliances and M&A

## Directives for Addressing Material Group Risks

Material Group Risks		Approach of Main Measures	
Risks related to accidents at production sites		<ul style="list-style-type: none"> <li>• Enhancement of culture of safety through more extensive communication between management and frontline workers</li> <li>• Reinforcement and enhancement of Life Saving Actions (adherence to activity prohibitions for eliminating serious accidents)</li> <li>• Improvement of workplace safety and fire prevention technologies</li> <li>• Reinforcement of workplace safety auditing functions and cultivation of environmental safety experts</li> </ul>	For more information, see <b>"Environmental Protection"</b> on <a href="#">page 76</a> 
Risks related to quality-associated misconduct		<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 noncompliance with laws and regulations for the environment, safety, and quality		<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>	
		Quick detection of and response to signs of emerging risks through close coordination among relevant departments from wide-ranging perspectives related to geopolitical trends, economic security, etc.	
Risks related to global supply chains	Feedstock procurement risks	<ul style="list-style-type: none"> <li>• Monitoring of suppliers</li> <li>• Diversification of procurement routes and maintenance of appropriate inventory levels for feedstocks used in major products and businesses</li> </ul>	
	Material procurement risks	<ul style="list-style-type: none"> <li>• Monitoring of suppliers</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 economic sanctions, export restrictions, etc.	<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>	
	Human rights risks	<ul style="list-style-type: none"> <li>• Installation of internal frameworks for protecting human rights in line with the Asahi Kasei Group Human Rights Policy</li> <li>• Definition of priority businesses across supply chain and performance of human rights due diligence</li> </ul>	For more information, see <b>"Human Rights"</b> on <a href="#">page 78</a> 
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> </ul>	For more information, see <b>"Information Security"</b> on <a href="#">page 77</a> 
Risks related to large-scale natural disasters, pandemics, or emergencies overseas (terrorism, conflict, etc.)		<ul style="list-style-type: none"> <li>• Redevelopment of response policies and manuals based on past incidents (large-scale earthquakes, pandemics, etc.) and arrangement of drills in preparation for risk materialization</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>	
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 <b>"Initiatives Regarding Climate Change Disclosure Based on the TCFD Recommendations"</b> on <a href="#">page 32</a> 