

Risk Management Web

Mission of Value Creation

We will endeavor to ensure that each individual possesses solid integrity and that all personnel manage risks with an eye to the future, and will contribute to the sustainable development of both Resonac and society. By considering our direction and appropriateness for addressing risks, such as promotion of companywide risk assessment and business continuity management, and repeatedly following a cycle of verifying effectiveness, we will clarify the risks and their impact on business management to support management decision-making and thereby facilitate the optimal allocation of resources.

Risk/Crisis Management Systems

Risk management system

Resonac has established a risk management system that is compliant with the ISO 31000 standard. We have also organized the Risk Management Committee chaired by the CEO. The Committee facilitates cross-organizational deliberations by senior executives on the risk management system, key risks facing the Group, and countermeasures for addressing them. The matters deliberated on by the Risk Management Committee will be discussed and approved by the Management Committee, and then reported to the Board of Directors, which supervises assessments of the appropriateness and effectiveness of the risk management system and the progress being made with its implementation.

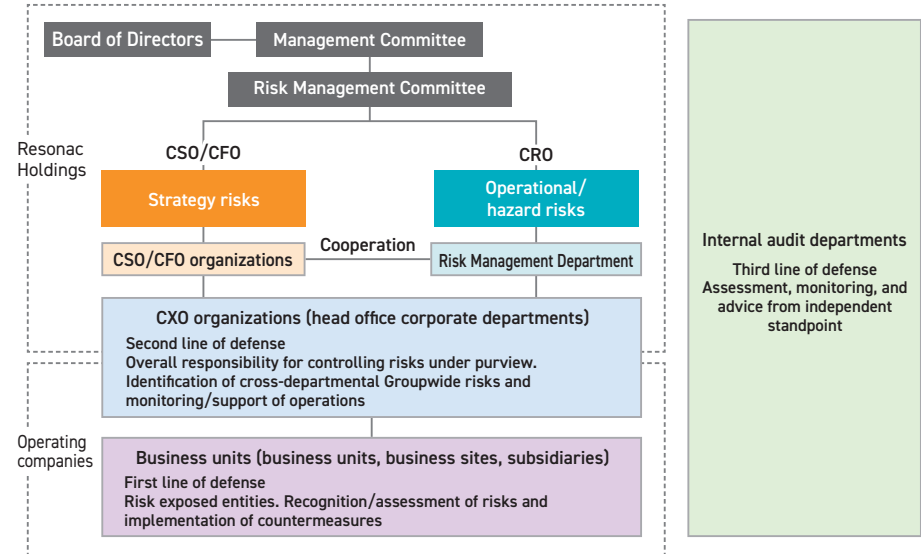
In addition, at business divisions/sites and major Group companies in Japan, we have assigned risk owners, risk officers, and risk managers, who are responsible for identifying and assessing risks in each business and workplace and implementing countermeasures to address them. We have also clarified who is responsible for implementation in divisions performing risk assessment. Furthermore, the CXO organizations, which are head office corporate departments, act as risk oversight divisions by taking overall responsibility for controlling the risks under their purview. They also conduct reviews of and provide support for the establishment of the companywide risk oversight standards, risk assessments conducted by divisions performing risk assessments, and countermeasures, all from a cross-departmental perspective over the entire Group. We have therefore put in place a structure that allows risk management to be performed in an integrated fashion with senior management and frontline personnel working together as a united team.

Crisis management system

Should a crisis occur, we set up a crisis response headquarters led by the CEO, which handles the initial response in a swift and appropriate manner. For example, it assesses the extent of damage and its impact on our business operations, issues instructions to take steps to prevent any escalation of damage, and considers what information to provide to external parties.

Following the initial response, if the crisis is expected to have a significant impact on business continuity, BCPs (business continuity plans) developed in advance for selected products are executed. In this way, we endeavor to maintain/continue or swiftly resume business operations in order to fulfill our responsibility to continue supplying customers with products essential for maintaining social infrastructure.

Risk management organization



Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
<p>Establishment of risk management system</p> <p>Development of risk management system</p> <ul style="list-style-type: none"> Established risk management system/rules and expanded functions of secretariat ahead of launch of Resonac in January 2023 <p>Risk assessment</p> <ul style="list-style-type: none"> Conducted the 2022 risk assessment Added review process by CXOs <p>BCM&BCP</p> <ul style="list-style-type: none"> Selected products for which BCPs are to be established 	<p>Expansion of risk management processes</p> <p>Sophistication of risk management system</p> <ul style="list-style-type: none"> Reinforcement of risk oversight through addition of control implementation and assessment processes <p>BCM&BCP</p> <ul style="list-style-type: none"> Formulation of BCM&BCP guidelines Based on the guidelines, revise BCPs for products for which BCPs have been established and establish an effective administrative structure <p>Establishment of risk management systems outside Japan</p> <ul style="list-style-type: none"> Establishment of structures for functional design and implementation at core subsidiaries outside Japan <p>Provision of risk management education and training</p> <ul style="list-style-type: none"> Production of educational content and development/implementation of education plans 	<ul style="list-style-type: none"> Achieve world-class management by establishing and improving risk management structure and system that support the three lines of defense Develop an effective administrative structure that also covers BCM&BCP formulation, and fulfill social responsibilities even in emergencies Instill risk management principles and approaches by propagating a risk-attentive culture among Group personnel and developing their risk awareness Begin establishing risk management systems outside Japan in 2025

Risk Management

Targets and results of KPIs on material issues

[P58 / Material Issues and Non-financial KPIs](#)

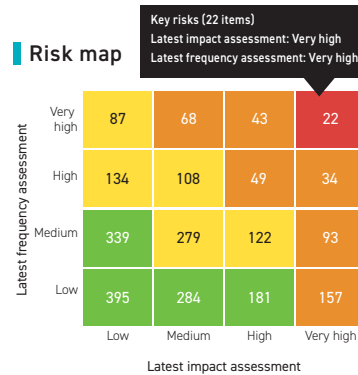
KPIs and 2025 targets	Results in 2022
Development and operation of comprehensive risk management system: <ul style="list-style-type: none"> Operate the new comprehensive risk management system covering external environment change risks, operational risks, and hazard risks 	<ul style="list-style-type: none"> Improved and codified comprehensive risk management system (including accountability structure for business execution departments and oversight departments and processes for reporting key risks to the Board of Directors and the Management Committee)
Reinforcement of functions of second line of defense: <ul style="list-style-type: none"> Expand the Group's internal control framework through data linkage with the second/third lines of defense Expand processes outside Japan and centralize risk data within the Group 	<ul style="list-style-type: none"> Produced FY2022 Risk Assessment Report based on comparisons with external disclosure information, and gave feedback on companywide risk inventory status Added "review process by CXO organizations for key risks" to risk assessments and further enhanced granularity of data

Initiatives in 2022

Sophistication of risk assessment

In 2022 we made improvements to risk assessment processes. Based on risk data registered by divisions taking risk inventories, oversight divisions (CXO organizations) reviewed current responses to risks under their purview and plans for addressing them, and added a process for promoting communication, including on the need for support.

Note that in 2022 the Risk Management Committee deliberated on 22 key risks, including those related to accidents/disasters, legal compliance, personnel/labor, information security, supply chains, and changes in market trends.



Serious risks identified through frequency and impact assessments of approx. 2,400 risks

Main risks and countermeasures

Personnel/labor	Information security (cybersecurity risk)	Supply chains
Intensification of recruitment or retention of top-flight talent with excellent management or technical capabilities Countermeasures <ul style="list-style-type: none"> Identified four material issues for human resource strategies P91, determined KGIs and KPIs to tackle them, and conducted periodic monitoring 	Adverse impact on production activities, information leakage, etc. resulting from cyberattacks targeting internal systems or manufacturing equipment Countermeasures <ul style="list-style-type: none"> Deployed global-standard security solutions Established/improved methods of implementing Resonac's global information security standards 	Supply chain interruptions and logistical disruptions due to natural disasters, accidents, infectious diseases, etc. Illegal/antisocial conduct or lack of respect for human rights or protection of the environment by suppliers Countermeasures <ul style="list-style-type: none"> Produced a manual for assessing damage to suppliers and impact on our own business activities, and provided BCP training based on the manual Formulated Sustainable Procurement Guidelines, demanded that suppliers abide by them, and periodically confirmed their adherence

BCM Promotion

1 Formulate BCM&BCP guidelines

Business divisions/sites used to formulate their own BCPs, but with the aim of achieving Groupwide standardization of BCPs and making them more sophisticated, we put together a set of BCM&BCP guidelines. Previously, BCPs were based on scenarios by specific disaster such as earthquakes. However, by producing BCPs that reflect outcomes, such as damage to corporate resources, we switched the methodology to setting targets for resuming operations based on stakeholders' business requirements.

We also reviewed the system for conducting BCP practice drills, which had been organized independently at each workplace, and will be developing guidelines and a system for assisting with practice drills by 2025.

We will be periodically reviewing our BIA (business impact analysis) and BCPs, while following a PDCA cycle by verifying effectiveness through BCP practice drills, as we endeavor to deepen employees' understanding of BCP to make them more effective and standardized.

2 Selection of products for which BCPs are to be established and BCP development planning

From all of our products and services, we selected ones that we would prioritize for the allocation of corporate resources should an event that would hinder business continuity occur. The selected products and services are primarily ones that are used in social infrastructure.

Based on the BCM&BCP guidelines, we are going to conduct a full review of the BCPs for these selected products, and plan to redesign them by 2024.

Development of comprehensive risk management system that encompasses external environment change risks

Nowadays, the global external environment is becoming increasingly complex and uncertain, with mounting geopolitical risks, changes in the economic security landscape, world-scale environmental issues such as climate change, and rapid advances in technological innovation. However, we recognize that conventional risk assessment methodologies are limited in their ability to extract risks that reflect such megatrends and discontinuous changes in the external environment.

Therefore, after identifying external environmental changes that we should watch closely from among the myriad of megatrends, we will explore potential risks and their impacts, and prepare plans for addressing them. By doing this, we will examine whether it would be possible to introduce mechanisms for responding swiftly and flexibly to future changes in the external environment (risk scenario formulation and impact assessment).

In addition, we will aim to put together a structure for making the risk events and countermeasures extracted using risk scenarios centrally identifiable and visible, establishing processes for periodically monitoring them, and managing them alongside risk information drawn from conventional risk assessments.

[P29 / Letter from the CSO](#)

[Web](#) Business Risks

Compliance Web

Mission of Creating Value

We view soft-law-based compliance, which goes beyond legal and regulatory compliance, as a key principle for business continuity. We will endeavor to become a company that contributes to a sustainable society by ensuring that each individual possesses high ethical senses and acts autonomously and independently based on the Group Code of Conduct.

Policies and Management

We are implementing systems and initiatives to entrench, throughout the organization, an ethical value based on honesty, impartiality, and integrity alongside our commitment to compliance with the laws, regulations, and social norms of every country and region that we serve. In January 2023 as Resonac, we began instilling awareness of corporate ethics and compliance among all Group employees, including those outside Japan. And since then, we have been installing and operating frameworks to appropriately monitor the state of compliance.

The Compliance Group in the Legal Department as a CRO organization takes the lead in spearheading compliance initiatives, and works with each chief officer organization and business division to advance them. In addition, a compliance officer is assigned to each business site, Group company, corporate division, etc. The structure is designed to ensure communication between the Compliance Group and the officers, and to allow measures to be taken to forestall legal violations, detect issues at an early stage, make improvements, and prevent recurrences.

Strategy for Realizing the Long-Term Vision

Roadmap for realizing the long-term vision

Results in 2022	Plan for 2023	Vision for the future (2030)
<ul style="list-style-type: none"> As the new company, we established the Global Compliance Standards and a code of conduct, and harmonized policies for the whistleblower system. To roll out these rules globally, we had them translated into major languages and began preparations for introducing them 	<ul style="list-style-type: none"> Build a compliance network for connecting the holding company with operating companies' key departments and Group companies Take action to entrench the code of conduct. The Global Compliance Standards and subordinate rules are scheduled to be introduced throughout the Group before the end of the year 	<ul style="list-style-type: none"> Both individuals and organizations are autonomously and independently practicing soft-law-based compliance, which goes beyond legal and regulatory compliance, and we are getting closer to the realization of our purpose

Targets and results of KPIs on material issues

[P58 / Material Issues and Non-financial KPIs](#)

KPIs and 2025 targets	Results in 2022
Entrenchment of "Our Code of Conduct": <ul style="list-style-type: none"> Increase the degree of entrenchment (investigate through surveys) 	<ul style="list-style-type: none"> The new code of conduct was resolved by the Board of Directors and its English and Chinese translations were published. Rolled it out companywide via internal intranet
Penetration of Global Compliance Standards (GCS): <ul style="list-style-type: none"> Reduce the number of serious legal violations Increase the number of reports through the whistleblowing system by raising awareness of it 	<ul style="list-style-type: none"> GCS was resolved by the Board of Directors and its English and Chinese translations were published. The number of reports through the whistleblowing system reached 81 as a result of raising awareness of it

Group Code of Conduct

In January 2023, we formulated Our Code of Conduct as guidance to be followed by everyone working in the new Resonac Group (it was drafted by the management team and an internal working group and finalized following approval by the Board of Directors). It presents specifics on how Group officers and employees should conduct themselves on a day-to-day basis to realize our purpose, and during the preparation process we considered how it relates to our values and material issues for sustainability as well as the perspectives of stakeholders. We have produced versions in Japanese, English, and Chinese, and have been taking systematic steps to make everyone aware of it. For example, we have held briefings for personnel at Group sites both inside and outside Japan.

And to ensure that each and every employee acquires a deep-level understanding of the code and incorporates its principles into their day-to-day work and social lives, we are planning to produce the Code of Conduct Handbook and provide related education during 2023.

[Web](#) *Our Code of Conduct*

Steps to entrenchment of the Group Code of Conduct

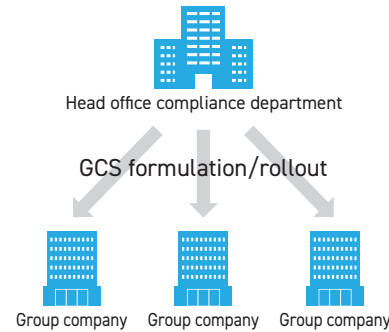
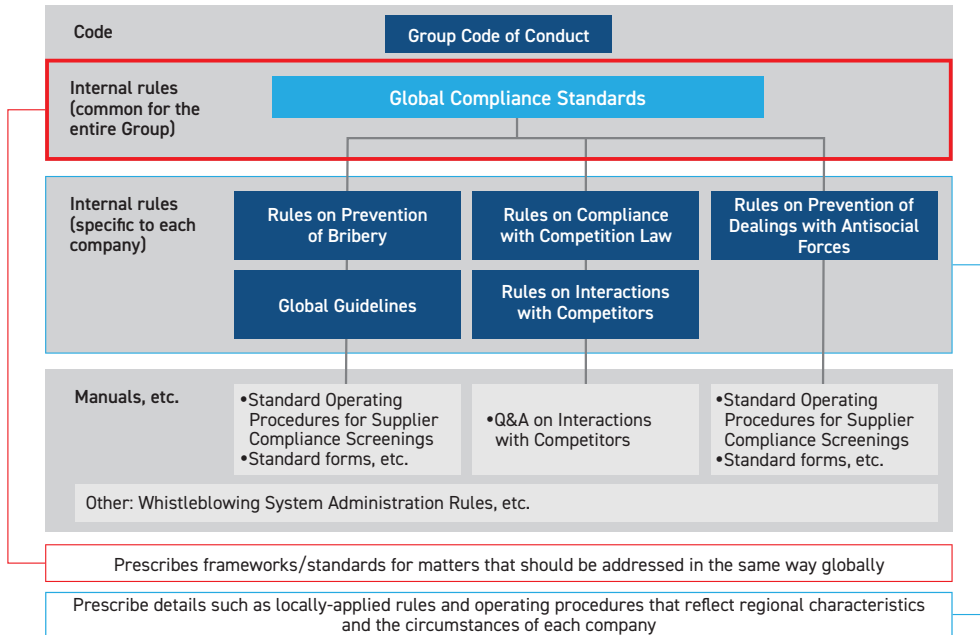
	Step 1: Recognition of its existence/ have a general understanding	Step 2: Gain a deep level of empathy and comprehension	Step 3: Foster an organizational culture
Attributes as an individual	<ul style="list-style-type: none"> Recognize that the code of conduct exists Have an interest in the code of conduct Gain a general understanding of the code of conduct 	<ul style="list-style-type: none"> Have a deep level of comprehension of the code of conduct Improvements are seen in the individual's day-to-day conduct, and they accept the code as a natural part of their work 	<ul style="list-style-type: none"> An organizational culture is fostered as the code forms the basis for judgements by each individual and they all conduct themselves in accordance with it
Example approaches	<ul style="list-style-type: none"> Organize briefings Distribute various materials to propagate awareness of the code Obtain written pledges to abide by the code 	<ul style="list-style-type: none"> Provide training, e-learning programs, etc. Offer support to employees on a day-to-day basis (e.g., being available to give advice when asked) Praise best practices Consider code adherence when evaluating performance 	<ul style="list-style-type: none"> Continue the measures taken at Step 2 Conduct employee awareness surveys Check understanding and conduct on an ongoing basis, and explore additional measures if personnel are still coming up short

Compliance

Establishment of Global Compliance Standards

To ensure compliance across the entire Group, we have established the Global Compliance Standards (GCS). The GCS prescribe structures and frameworks that all Group companies must deploy to ensure not only legal and regulatory compliance, but also conformance with the standards of compliance demanded by the international community. We believe that the proper design and effective implementation of the GCS will allow misconduct to be prevented or spotted at an early stage, and also facilitate swift action in response should misconduct be uncovered. We plan to introduce the GCS and subordinate rules throughout the Group before the end of the year.

Positioning of the GCS



Based on the GCS, Group companies develop rules and manuals, put structures in place to prevent, monitor, and address legal and regulatory violations, and drive action

Oversight division (head office compliance department): Identifies changes in global regulations and the social environment, and formulates a policy to cope with each compliance risk phenomenon and event.

Group companies (business execution department): Implement rules based on the policy, autonomously and independently endeavor to design mechanisms for ensuring legal compliance.

"Resonac Group Hotline," consultation and whistleblowing system

In the Resonac Group, we have set up compliance hotlines that are available to all internal and external stakeholders who wish to seek consultation or report any issues regarding compliance. We make proper and prompt responses to such reports, with due consideration to confidentiality and the prevention of disadvantageous treatment of hotline users.

The whistleblowing system is one of important tools for early-stage detection of misconduct. To increase enterprise value and achieve sustainable development, we administer the whistleblowing system in an appropriate manner to enhance the ability of our organizations to self-cleanse. In this way, we strive to maintain the trust of our stakeholders and ensure legal and regulatory compliance.

In 2022, we received 81 reports through the whistleblowing system. Among the 81 reports, there were 10 cases of suspected legal or regulatory violations, but none of them were serious enough to be reported to the Management Committee. While aiming to reduce the number of serious legal and regulatory violations by 2025, we also want the whistleblowing system to become widely known internally as an organizational self-cleansing device, and for usage of it to increase.

Each quarter, the head office compliance department conveys details of reports received via the whistleblowing system to the Audit & Supervisory Board Members, who review the progress made with dealing with them and the corrective action taken.