

# Compliance/Risk Management

## Thorough Compliance

S&B Foods clearly defines in its Employee Standards of Conduct the sound and ethical behavior required of our employees. By doing so, we aim to continue to be a company trusted by society by ensuring that each and every employee is fully aware of compliance and by enhancing the organization’s ability to self-cleanse.

The Compliance Group, which was established as a cross-departmental organization to raise awareness of compliance throughout the entire S&B Foods Group, plays a central role in conducting awareness-raising activities through training at the time of hiring, posting

posters, and conducting e-learning for employees on various themes, including fair, transparent, and appropriate transactions and respect for human rights and diversity, as stipulated in the Employee Standards of Conduct. In addition, the S&B Hotline has been established to receive reports, consultations, and questions from employees, and in the unlikely event of fraudulent behavior, to quickly identify and correct said behavior, and to protect whistleblowers.

## Risk Initiatives

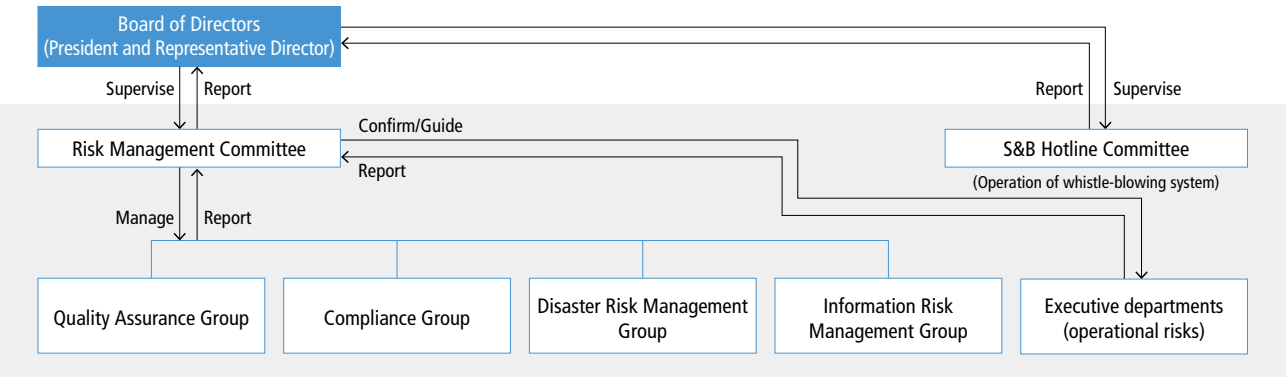
In order to fulfill our social responsibility, S&B Foods has developed a framework in preparation for the various risks inherent in our business activities. The Basic Risk Management Regulations and various manuals have been established in order to avoid and mitigate risks that could have a serious impact on our business. The Risk Management Committee has been established to oversee various types of risk management. The committee builds and operates the risk management framework.

For risks that require cross-departmental handling, expert groups are established depending on the type of risk, taking the lead in formulating countermeasures. The expert groups make efforts to prepare in advance, regularly conducting training exercises with risks in

mind and offering e-learning courses for employees so that the company can quickly and appropriately handle unforeseen circumstances.

The Risk Management Committee implements risk assessments (identification, analysis, evaluation) for risks that require cross-departmental handling and risks handled by each executive department (operational risks), establishes countermeasures, and monitors the status of risk management. It also engages in communication and discussion relating to these activities to promote appropriate risk management activities. The committee reports regularly to the Board of Directors on its activities. The Board of Directors supervises the handling of serious risks.

Risk Management Structure Diagram



## Main Risks

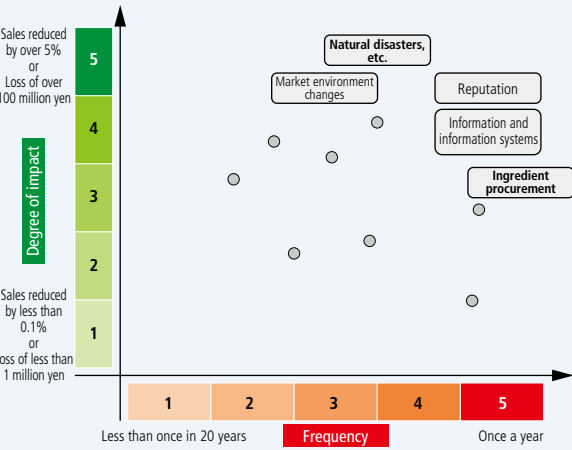
The Risk Management Committee plays a central role in identifying the main risks faced by S&B Foods, based on an order of priority determined by using risk exposure and frequency. The risks identified are continuously reviewed and revised as necessary according to changes in the social climate. Of the risks identified at present, natural disasters caused by extreme climate events, as well as ingredient procurement risks, are recognized as serious risks, to which we take responses in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Specific responses to the main risks are described below.

### Responses to Each Risk

- **Market environment changes**  
The majority of our business is conducted in Japan, a country with a population in ongoing decline. In addition, changes in household structures and diversification of lifestyles and preferences have made the demands placed on our products more complex, and we are striving to develop products that respond to changes in the market environment.
- **Ingredient procurement**  
In order to respond quickly to various procurement risks and market changes such as global climate change, supply-demand balance, crop conditions, and international market prices, we strive to diversify ingredient production areas to ensure stable procurement. Furthermore, we are working to prevent and reduce human rights risks in our supply chain through our Basic Sustainability Purchasing Policy and S&B Foods Group Human Rights Policy.
- **Information and information systems**  
We manage development, production, sales, and other operations through our information systems, which are protected by information security measures that can be reasonably assumed to be appropriate at the current time, including measures against cyberattacks. In addition, we retain personal

Risk Map (Selected serious risks)



- information of a number of customers due to sales promotions and other factors. In response to Japan’s revised Act on the Protection of Personal Information, we have established an appropriate management system for important information, including this personal information, based on internal rules such as our corporate information handling regulations and our information security management regulations, and have ensured that all corporate officers and employees are fully aware of the importance of such information.
- **Reputation**  
We strive to enhance corporate value by having norms and values common to all corporate officers and employees. We also respond quickly, appropriately, and in a measured way to information originating in society.
- **Natural disasters, etc.**  
We have production factories such as the Ueda Factory, Higashi Matsuyama Factory, and Miyagi Factory. In preparation for natural disasters such as major earthquakes, typhoons, windstorms, floods, and other emergencies, we have formulated business continuity plans (BCPs) and disaster prevention manuals, setting up a system to respond to disasters based on these and conducting regular drills for the same.