

Internal Control

The NH Foods Group is committed to strengthening internal controls at its offices and at Group companies, in recognition of the importance of not only the management framework, but also cumulative efforts in the workplace to fulfill responsibilities to all stakeholders and enhance the effectiveness of compliance and risk management.

Compliance promotion framework

The NH Foods Group has reinforced compliance by ① **formulating a compliance management policy**, ② **conducting awareness-raising activities** to ensure that employees are aware of these policies in order to implement them, ③ **monitoring** to confirm proper implementation, and ④ **modifying and improving** as necessary. By repeating this cycle, we endeavor to enhance and reinforce compliance management.

Compliance Committee

Chaired by the President of NH Foods Ltd., the Compliance Committee comprehensively evaluates issues such as verification of compliance status, development of a compliance promotion framework, and the formulation of compliance policies for the entire NH Foods Group. It also plans measures to promote compliance awareness and proposes them to the Board of Directors and other management committees.

Compliance Promotion Committees

The Compliance Promotion Committees, which have been established within individual Group companies and business divisions, discuss compliance and proactively develop compliance awareness activities.

Compliance Leader Conference

The Compliance Leader Conference comprises representatives of the Compliance Promotion Committees and plans specific activities for ensuring compliance awareness for the entire NH Foods Group. In fiscal 2018, we worked to eliminate harassment and improve communication between employees under the theme “We all are partners of each other; let’s create and coordinate workplaces we can be proud of.” The conference also discussed a review of the “NH Foods Group Action Standards (Japan version),” and suggested revisions. In fiscal 2019, we will continue this theme, and hold ongoing discussions to promote independent compliance activities by each company in the Group.

① Formulating a compliance management policy

We have established the “NH Foods Group Global Action Standards,” which are common worldwide, and, based on this, we have formulated the “NH Foods Group Action Standards (Japan version)” for Japan.



② Conducting awareness-raising activities

Compliance training

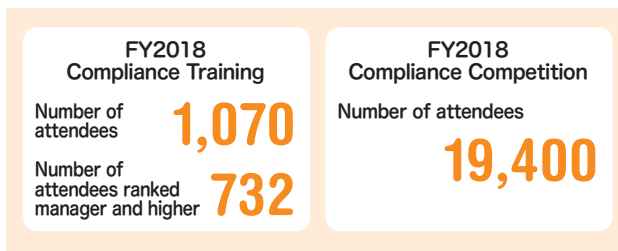
We are working to instill the importance of compliance by holding compliance-training seminars for each level of the organization to disseminate knowledge and generate Group discussions based on case studies.

Compliance competition

The competition fosters awareness of compliance. It is attended by all employees of Group companies and business sites.

Office study groups

Offices convene study groups individually or with nearby business units to explore material presented on video or in case studies regarding harassment prevention and vitalizing workplace communication.

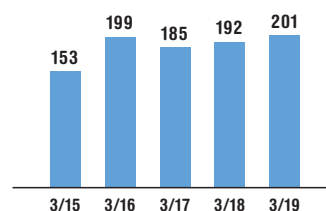


③ Monitoring

Consultation desks

We set up a desk in-house and two outside, which all Group employees can freely access in order to report complaints, blow the whistle, or seek advice about workplace issues.

NUMBER OF CONSULTATIONS RECEIVED



In addition to the consultation desks above, we established the Auditor Consultation Desk for reporting Directors in January 2018 in order to encourage reporting of illegal and illicit activities by Group officers.

Regular communication with employees at business sites

Members of the Compliance Department regularly visit our business sites and solicit feedback from employees. The goal is to identify potential risks, avoid them, take preventive measures, detect problems early, and solve them.

Corruption Prevention

To prevent bribery, we have established the “NH Foods Group Action Standards (Japanese version)” for Group companies in Japan, and the “NH Foods Group Overseas Governance Policy” for Group companies overseas. We prohibit entertainment and gifts to public officials for the purpose of unjust profit, either directly or indirectly through agents or the like, and ensure awareness of the standards through such means as training and visits to business sites in Japan and internationally.

Risk management

Basic Policy

We position risk management as a key management issue for the future growth of the Group. Through the practice of risk management, we endeavor to live up to the trust of our stakeholders and enhance our corporate value.

Risk Management Activities

Risk management of the Group is founded on two pillars: “preventive activities adopted for non-emergency events (material risk prevention activities)” and “emergency crisis response (the Crisis Management Committee).” Preventive activities adopted for non-emergency events identify risks at each Group company based on internal and external information, and make separate assessments of risks with large potential impact. Through this process, risks with insufficient measures (“material risks”) are selected, and countermeasures for such material risks are proposed and implemented. A crisis response is made when a crisis occurs, with members deemed essential according to the level of crisis gathering to plan and implement countermeasures.

Risk Management System

The Compliance Department has comprehensively managed the risks within the NH Foods Group. Through close cooperation with the relevant departments, the Compliance Department—acting in line with risk management guidelines—has put systems in place for conveying information promptly and

accurately and for establishing a quick response in the event that any of the anticipated risks should materialize. The Risk Management Committee is responsible for discussing and deciding on issues and countermeasures pertaining to the promotion of risk management throughout the Group.

Business Continuity Plan (BCP)

The Group periodically enhances and revises its disaster prevention and BCP manuals, and establishes measures to enable key operations to continue even in the event of a crisis.

Specifically, we use a PDCA cycle, which includes periodically conducting disaster prevention drills at each business location assuming large-scale natural disasters, then revising the disaster prevention and BCP manuals using issues uncovered through this process. We also periodically conduct BCP simulation drills assuming earthquakes directly below the Tokyo metropolitan area and along the Nankai Trough.

Information Security Measures

The Group recognizes that information security is a major issue affecting operations. We implement information security measures relating to Groupwide IT, including access management, anti-malware measures, and disaster response.

We also endeavor to enhance security by providing annual IT risk education to Group employees and performing security assessments on Group companies. Additionally, based on the increasing sophistication of cyberattacks in recent years, we have taken measures such as building firewall systems and conducting training simulations via security training emails, as well as building a Groupwide Computer Security Incident Response Team (CSIRT), which prepares for unforeseen events, while also obtaining and transmitting internal and external security information.

