

Kirin Group risk management system

The Kirin Group defines risk as uncertainty that seriously impedes the accomplishment of its business targets or impacts its business continuity. The Group establishes risk management systems to properly recognize and address risks in light of new strategies and important changes in the external environment. In risk management, we identify the most critical risks from the two perspectives of “the risk of not achieving the business targets” and “the risk of things turning into a crisis.”

Group companies identify serious risks in line with business environment analysis and strategies based on the above perspectives and formulate risk statements and response measures as part of the process of establishing annual business plans.

Kirin Holdings oversees overall risk management of the Group and verifies important risks for each company. At the same time, it examines the impact on the Group should the risks manifest and establishes the important risks facing the Kirin Group.

Each company implements the risk management cycle which includes monitoring the status of risk response plans on a quarterly basis and reviewing the identified risks when necessary. Moreover, the Group Risk and Compliance Committee periodically receives reports from each company concerning risk status, and when necessary, it instructs and supports them to strengthen and support Group risk management.

Major identified risks

Risks related to business environment

1. Laws, regulations, and tax systems
2. Fluctuations in foreign currency exchange rates and interest rates
3. Increases in raw material/energy prices, and logistics costs
4. Weather, climate change, natural disasters, and infectious diseases
5. Financing
6. Changes in the value of asset holdings
7. Changes in the trends of economic and market environments and population movements
8. Overseas operations

Risks related to business operations

1. Business and capital alliances
2. Human resources
3. Product safety
4. Information leakage and information systems
5. Occurrence of litigation and fines

* Each risk item is reviewed every year.

WEB For detailed information on risk awareness that affects the business environment and business execution, please refer to Kirin Holdings' website. https://www.kirinholdings.co.jp/english/csv/governance/risk_management.html

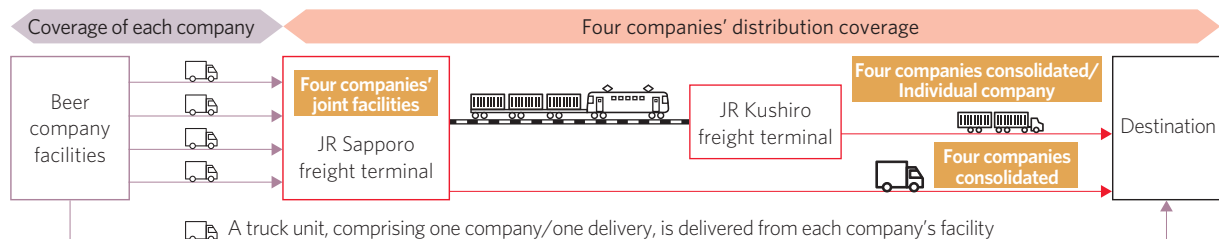
Example of Kirin's response to a serious risk

Impending risk to logistics infrastructure due to a driver shortage for long-distance truck transport

An example of a serious risk was Kirin's response to the logistics infrastructure. Japan's logistics infrastructure was strained due to the shortage of truck transport drivers and the logistics environment had grown increasingly tight. A truck driver shortage is a social issue and could have a negative impact, such as fragmenting the supply chain or sharply raising the transportation costs of the Kirin Group. Therefore, the Group opened a joint distribution

center in Kanazawa, Ishikawa Prefecture in 2017. Through joint transportation using railway containers from Kansai area factories, we were able to shift from long-distance truck transportation equivalent to 10,000 vehicles per year to railway containers. In 2017, we agreed to conduct joint distribution with four beer companies in a part of eastern Hokkaido and we expect a reduction of 800 long-distance trucks annually.

Joint distribution in Hokkaido



Key Initiatives for ESG

1. Key initiatives for the Environment

The Kirin Group has established four key initiatives, biological resources, water resources, containers and packaging, and global warming. Specifically, we are monitoring the effect that water risk has on management by working on water conservation, purification, and pollution prevention to preserve water resources.

Conservation of water resources

We are working on high-level water conservation activities in each country and region where our business facilities are located, reliable wastewater treatment, and forest conservation activities at the water sources of manufacturing plants that began to pioneer the industry.

Because water resources are unevenly distributed, we tried to identify the impact of water risk on management from a long-term perspective. We did this by conducting water risk assessments of the site basins at 35 major manufacturing plants in six countries in 2014, and water risk assessments in the upstream value chain, mainly in Japan's integrated beverages business.



For detailed information on risk awareness and compliance with environmental management, please refer to the Environmental Report on our website. <https://www.kirinholdings.co.jp/english/csv/report/env/>

2. Key initiatives for society

Alcohol-related problems

Alcohol-related problems are now one global issue. In 2015, the United Nations included the prevention of harmful use of alcohol in the Sustainable Development Goals (SDGs).

To respond in this environment, the Kirin Group joined the International Alliance for Responsible Drinking (IARD), an international NPO. We are promoting its "Beer, Wine and Spirits Producers' Commitments," a collective commitment to promote responsible drinking and reduce harmful drinking, with the world's major alcoholic beverage producers.

In addition, in each business area, we are complying with voluntary industry codes for the advertising and promotion of alcoholic beverages and conducting educational activities on responsible alcohol consumption. In Japan, an industry-wide movement is being advanced in coordination with government agencies and healthcare professionals under the Basic Plan for Promotion of Measures against Alcohol-related Harm.



Meeting with CEOs of IARD-affiliated manufacturers (2017)

In Australia and New Zealand, meanwhile, we are expanding our assortment of low-alcohol beers while at the same time participating in industry initiatives for promoting healthy drinking habits among youths and all other adults.

Human rights

In February 2018, Kirin Holdings formulated The Kirin Group's Human Rights Policy in accordance with the United Nation's Guiding Principles on Business and Human Rights. In Japan and overseas, we will promote respect for human rights based on the Guiding Principles, which reflect the global standard.

The Kirin Group's Human Rights Policy Framework

Scope of application of human rights policy

- All executives and employees of the Kirin Group (Kirin Holdings Company, Limited and its consolidated subsidiaries)
- Business partners are expected to adhere to this policy and suppliers are expected to comply with it

Positioning of human rights policy

- This human rights policy governs all other policies and documents related to the Kirin Group's efforts to respect human rights across its global operations

Person responsible for management of the human rights policy

- The senior executive officer for human resources strategy at Kirin Holdings Company, Limited

Summary of commitments expressed in the human rights policy (partial)

- Identify and remedy adverse impact on human rights and implement corrective measures (including the establishment of inquiry channels and improvement of effectiveness)
- Training and skill development for executives and employees
- Prohibit discrimination and harassment, provide a safe and healthy environment, ensure a minimum wage, oppose forced labor and child labor, and uphold our responsibility to the communities, including indigenous people



For the full text of our human rights policy, please refer to our website. https://www.kirinholdings.co.jp/english/csv/human_rights/

3. Key initiatives for governance

Prevention of bribery

With the reinforcement of restrictions on bribery in countries around the world including Japan, the Kirin Group complies with the applicable laws and regulations of countries and regions in which it conducts its business activities, and conducts fair business activities in line with sound business practices and ethics and completely prohibits bribery and corruption to gain unfair profits.

Specifically, in 2014, we established the Kirin Group Guidelines for the Prevention of Bribery and Kirin Group Regulations for the Prevention of Bribery. We are responding to the risks of each company and business based on these guidelines and regulations.

We will continue to take steps to prevent corruption based on guidelines in Japan and overseas and applied case law.

Prevention of bribery procedures

