

Risk Management

Why SUMCO Addresses Risk Management

The Silicon wafer business is a critical industry that supports our IT-oriented society, and the SUMCO Group is responsible for the stable supply of silicon wafers to semiconductor device manufacturers around the world. For this reason, the SUMCO Group regards business continuity as a key management concern.

The Business Security Committee (BSC), which is an organization responsible for company-wide risk management, identifies, analyzes and assesses risks, implements countermeasures and promotes risk management activities including the formulation of business continuity plans (BCP), with the aim of predicting risks in advance, preventing them from being realized and minimizing damages when a risk is realized.

Major Risks Recognized in the Basic Rules on Risk Management

(1) Risks Related to General Management

Examples: Contractual disputes, investment in new businesses

(2) Risks Related to Accidents and Disasters

Examples: Earthquakes, wind and flood damage, water and electric power service interruptions

(3) Risks Related to Discontinuation of Business

Examples: Fire, equipment accidents, production impediments, disruptions to raw material procurement

(4) Risks Related to Compliance

Examples: Antitrust violations, violations of laws related to corruption and anti-corruption, violations of employment-related laws and ordinances, violations of environmental regulations

(5) Risks Related to Information

Examples: Leaking of trade secrets, network shutdowns

Risk Management Basic Policy

SUMCO has set forth basic matters pertaining to risk management in the Basic Rules on Risk Management, under which we undertake risk management activities.

Our basic approach to responding to risks involves the following two points.

- a. Prioritize the handling of risks by likelihood of occurrence and severity of impact to ensure optimum allocation of management resources and maximize the effectiveness of measures.
- b. Minimize damage and loss by preventing the suspension or discontinuation of business activities to ensure business continuity in the event of an accident or other emergency situation.

(6) Risks Related to Intellectual Property

Examples: Infringing upon intellectual property rights or suffering infringement

(7) Risks Related to Human Resources and Employment

Examples: Harassment, occurrence of scandals, crimes and other incidents

(8) Risks Related to Taxation and Accounting

Examples: Funding impediments, rapid exchange rate fluctuations

(9) Risks Related to Products and Services

Examples: Quality issues, complaints

(10) Risks Related to Safety and Health

Examples: Industrial accidents, spread of infectious disease

(11) Risks Related to the Environment

Examples: Pollution, environmental accidents

(12) Risks Related to Credit

Example: Bankruptcy of a customer

BSC(Business Security Committee)

Established to take charge of SUMCO's risk management as a whole, the Business Security Committee (BSC) is responsible, among other things, for formulating the Company's risk management policies and assessing the progress of risk management.

BSC's Structure and Objectives

1. Structure

BSC (Business Security Committee)

Chair: CEO & Chairman of the Board
 Members: Vice Chairman; COO & President;
 Executive Vice President;
 Managing Executive Officers in charge of a Division;
 Executive Officers in charge
 Secretariat: General Affairs Dept.

Departments

Group companies
in Japan

Overseas Group
companies

2. Objectives

The BSC undertakes the following risk management activities.

- a. Discuss and decide on company-wide risk management policies.
- b. Discuss and decide on risk prevention measures.
- c. Discuss how to respond to new risk events.
- d. Share information on risk management.
- e. Promote risk management awareness across the Company.
- f. Assess and follow up on the progress of risk management.

Ensuring Business Continuity

Our Basic Rules on Risk Management define business continuity as an important management issue, and we have been working to develop and improve our BCP (business continuity plan) to ensure business continuity.

The details of the BCP, and its state of improvements, the results of training drills and other matters are reported on the BSC, and the BSC verifies the effectiveness of the BCP, and determines policies on future action to be taken. Each department and group company improves the BCP further according to the policies.

Establishment of Emergency Frameworks

In case a large-scale disaster such as a major earthquake or an accident should occur, we have established frameworks including manuals defining initial responses and the establishment of Emergency Response Team so that we can respond immediately, ensure the safety of employees, protect our assets and aim to resume businesses as soon as possible.

In fiscal year 2018, we conducted BCP drills to ensure the continuation of head office functions based on a scenario in which an inland earthquake in Tokyo Metropolitan area makes the operations at the Tokyo Head Office impossible.

In addition, we also conducted integrated emergency response drills at each plant. The drills included activities such as evacuation, firefighting, reporting, rescue, emergency relief and transportation, and continuous improvements are made by identifying issues and reviewing procedures and other details after conducting the drills.



Integrated Emergency Response Drill

Safety Confirmation System

The SUMCO Group has introduced a "Safety Confirmation System" which enables quick conformation of the safety status of employees working in Japan. We think the system also helps speed up post-disaster recovery efforts.

Computer System-related Disaster Countermeasures

The Company has ensured redundancy for mission-critical and peripheral systems used on a company-wide basis, establishes equivalent backup servers and performs data synchronization in order to continue business operation even in the event that a server installation location is damaged by a large-scale disaster such as a major earthquake.

Implementing Emergency Drills and Countermeasures

At the SUMCO Group, we regularly conduct initial firefighting drills such as the handling of fire extinguishers and fire hydrants, drills on the handling of respirators and training on the employment of lifesaving measures such as CPR and AED usage, in order to reduce damage in the event of a disaster. We also conduct exercises such as carrying drills using cloth stretchers to simulate an evacuation by stairs to further enhance employees' ability to respond in an emergency.

Additionally, at our Kyushu office we periodically conduct joint response drills with suppliers that deliver chemicals to our sites so that all involved can take safe and smooth action in the event of a leakage of chemicals during delivery.



First Aid Drill



Lifesaving Training

Voice 01



Katsuhito Asahi, Unit Leader
Nagasaki Safety and Disaster
Prevention Section,
General Affairs Department,
SUMCO TECHXIV Corporation

Q. Please describe the status of implementation and the level of participation in the emergency response drills you conduct at the plant.

For integrated emergency response drills, we envisage a major earthquake measuring upper 6 on the intensity scale having occurred. With the disaster control headquarters comprised of key executives and managers including General Manager of Production and Technology Division operating as the center, we mainly confirm the actions taken in the initial response. In recent years we have focused the drills on confirming the safety of employees, searching for missing people, conducting rescue and relief activities, providing emergency medical care and selecting safe evacuation routes from the perspective of placing the highest priority on human life. In fiscal year 2018, more than 400 people in Nagasaki Plant took part in the drills, a figure which suggests a heightened interest in disaster prevention among employees. Once a year we also conduct late-night emergency response drills for shift workers, envisaging a scenario in which a major earthquake strikes at night. Each year when we conduct our emergency response drills, we ask the local Omura Fire Department to attend. In addition to reviewing the drills overall, the members of the fire department offer valuable insight and guidance from their perspective as professionals. Moving forward, we will continue to coordinate with the local community to steadily improve our disaster preparedness level through drills and decidedly achieve the goals of self-help, cooperation, and public assistance in times of disaster.

Information Management

The Company clearly stipulate the appropriate use and management of information in the SUMCO Charter of Corporate Conduct. We have also established the Rules on Information Management along with related regulations, guidelines and other materials. Under this framework we make every effort to prevent leaks of trade secrets and customer information by conducting regular information management training for employees.

Additionally, SUMCO has established the Rules on Personal Information Management in accordance with the Act on the Protection of Personal Information to ensure that personal information is managed appropriately.

Preventing Information Leaks

SUMCO undertakes measures to prevent information leaks by addressing various computer system-related risks such as external attacks on our computer systems via the Internet, the unauthorized usage of our computer systems and the infection of computer viruses.