**Risk Management**

**Our Approach**

Subaru is undertaking risk management as one of its key priority management issues, not only to address emergency situations when they arise but also to deal with various risks that have a serious impact on daily corporate activities, as well as to minimize damage when risks emerge.

The automotive industry is ushering in a major transformation, which only occurs once in a hundred years. Subaru, which operates businesses globally, is aiming to enhance the resilience of its management infrastructure by ensuring the sustainability of its businesses by quickly tackling recent changes in world affairs. At the same time, the Company must boost its measures to minimize its human, social and economic losses. Amid this environment, it is essential to strategically conduct risk management throughout the group to conduct business activities. We therefore believe it is important to create a Subaru Group that has an infrastructure that is resilient to risk to enhance our corporate value.

**Management System**

At Subaru, we aim to fortifying risk management by having each department and company closely coordinate with company-wide shared corporate operations departments, in which the Risk Management Group (the General Administration Department, Sustainability Promotion Department, Risk Management & Compliance Office, Group Company Management Department, and Legal Department), which is overseen by the Corporate Planning Department, a unit in charge of cross-organizational functions, and the Chief Risk Management Officer (CRMO), plays a central role. Furthermore, the Audit Department systematically carries out audits of the operations executed by each department and affiliate. In FYE2020, mainly centering around the Risk Management & Compliance Office, we further enhanced our risk management by establishing various regulations related to risk management, including positioning risk management officers and people in charge of risk management in each department, and reviewing the response system for when cases of risk arise.

On top of this, in the FYE2021, as a function to compile and summarize risk management actions (PDCA), we have decided to launch a Risk Management & Compliance Committee, which is an improved version of the former Compliance Committee. This aims to clarify the reporting line for handling emergencies when their rise, including in particular the rising threat from natural disasters, pandemics and accidents in recent years, and strengthen Subaru’s initial response, which contributes to business continuity. Along with this, we plan to move forward with further enriching our risk management by instilling the use of a PDCA cycle to ensure all employees recognize, are aware of, think about and deal with risk independently in their daily duties.
Risks Associated with Business Activities

At the Subaru Group, we extract and identify key risks associated with our business activities and consider measures to combat them. The major business risks are listed below. Please note that this is not an exhaustive list of all risks relating to the Subaru Group.

Risks related to changes in the economic and financial environments
1. Economic trends in major markets
2. Exchange rate fluctuations
3. Financial markets fluctuations
4. Change in raw material costs

Risks related to industries and business activities
5. Focus on specific businesses and markets
6. Changes in the demand and competitive environment in the market
7. Responsibility related to products, sales and services
8. Supply chain disruptions
9. Intellectual property infringement
10. Information network security
11. Compliance
12. Secure and train human resources

Risk of regulations and events in various countries that impact other business activities
13. Political, regulatory and legal procedures in various countries that impact business activities
14. Climate change
15. Impact of disasters, war, terrorism, infections, etc.

Crisis-level Risks

Among the various types of risk we face, Subaru calls those risks that are particularly dangerous to our business operations and that Subaru cannot handle through regular decision-making channels “crisis-level risks” and categorizes them as follows: natural disaster, accident, internal human factors, external human factors, social factors (domestic, overseas), and compliance. Subaru is creating various manuals for dealing with each of these types of emergencies.

BCP

At Subaru, the Risk Management & Compliance Office plays a pivotal role in establishing regulations related to BCPs*. During emergencies, the Office centrally grasps group-wide information, establishing a system to manage company-wide response. In FYE 2020, a BCP was launched to deal with the spread of COVID-19, with the president at the top and CRMO handling overall management. Specifically, crisis management headquarters are set up immediately with the occurrence of a serious incident and a response system is quickly and accurately developed in line with the basic policy of our Emergency Response Policy. This leads to the swift achievement of business restoration and contributes to business continuity. In addition, during normal times we work to enhance the speed and accuracy of risk recognition and identification to the best of our ability by clarifying the roles of each department and the domain of management responsibilities. In conjunction with this, we are regularly preparing and updating manuals and are implementing training. Furthermore, each business site develops its own BCP, including specifying key operations, establishing an emergency contact system, and developing a telework system. While closely collaborating with company-wide shared corporate operations departments, we are implementing measures to accurately and speedily carry out business continuity and early restoration of operations.

*Abbreviation for Business Continuity Plans.
Gunma Plant
The Gunma Plant has installed a storm water detention tank with a capacity of some 1,000 m³ beneath the pavement of the Main Plant’s visitors’ car park, to combat flooding of the plant at times of heavy rainfall. This also helps to curb flooding of the surrounding area. Grass has been planted in the car park to reduce the total area of asphalt, thereby alleviating issues caused by heat reflection due to the heat island effect.

Utsunomiya Plant
The Utsunomiya Plant has frequently suffered damage due to flooding of the plant at times of intense heavy rain. Accordingly, storm water channels at the plant were revised and drainage work was carried out in FYE2018 to combat flooding due to intense heavy rain. In addition, storm water gutter sizes and routes were revised and new facilities were installed to facilitate discharge into the river (culvert) to the east of the plant, thereby bolstering storm water drainage capacity. As a result, the plant has suffered no flooding since FYE2019. The measures also helped to combat flooding of the surrounding area.

Supporting Restoration at Suppliers Stricken by Disaster
Subaru dispatched a total of 590 employees from the Gunma Plant to provide support for restoration work at those suppliers that experienced damage during the heavy rains in Saga Prefecture in August 2019 and due to Typhoon Hagibis which struck in October.

In addition to providing support for the restoration of flooded plants belonging to primary suppliers during the heavy rains in Saga Prefecture, we also helped with oil recovery and to clean and straighten up damaged homes as oil used in product had leaked into nearby homes and farmlands.

Many suppliers in Kita Kanto and Fukushima Prefecture were struck by Typhoon Hagibis. In particular, to help secondary suppliers in Tochigi Prefecture that suffered severe damage, we dispatched expert engineers for a 10-day period to restore the flooded plant infrastructure and facilities. We also enlisted the cooperation of other automobile manufacturers and primary suppliers to aid with the restoration.

Providing support to suppliers during times of emergency is a major pillar of Subaru’s BCP and is an essential measures for Subaru which aims to achieve coexistence and co-prosperity with its suppliers.

Going forward, Subaru aims to derive and strengthen its own unique BCP vision.
Information Security

Our Approach

The use of digital data is essential for Subaru and Subaru Group companies to conduct business activities. The use of digital data is not limited to traditional information systems but covers diverse realms, including facilities, products, and a whole range of services offered by Subaru. Being aware of our social responsibility to handle digital data in these realms safely, we have established the Basic Cybersecurity Policy, undertaking information security protection activities group-wide.

Basic Cybersecurity Policy

[Objective]

Subaru Corporation and its group companies (hereinafter referred to as “the Subaru Group”) put in place a Basic Cybersecurity Policy to protect all our conceivable products, services, and information assets from threats arising in the course of our business activities and earn the trust of our customers and society as a whole.

[Scope]

This basic policy applies to all executives and employees of the Subaru Group, and also to the employees and other staff of Subaru’s subcontractors.

[Initiatives]

1. The Subaru Group will comply with laws, regulations, and standards, as well as security-related contractual obligations to our customers.
2. The Subaru Group will put in place and operate management systems and internal regulations concerning cybersecurity.
3. The Subaru Group will establish information security measures tailored to our information assets and strive to prevent and minimize information security incidents. Should such an incident occur, Subaru will address it swiftly and appropriately, taking steps to prevent recurrence.
4. The Subaru Group will strive to ensure information security by providing both executives and employees with education and training, as well as undertaking other efforts to raise their awareness of this issue.
5. The Subaru Group will continually review and strive to improve the aforementioned activities.

Initiatives

As an organization system and rules on safe vehicle design, testing, manufacturing and operations, we established cybersecurity management system documents that encompass three domains, In-Car (interior systems), Out-Car (exterior systems) and information systems. In conjunction with this, we brushed up areas related to conventional information systems and clarified what we should carry out as initiatives for Out-Car IT security.

In addition, as an initiative to deal with supply chain cybersecurity incidents that arise at suppliers, we aim to grasp the status of initiatives at each supplier while also boosting the level of their cybersecurity, including providing advice on specific initiatives.

Personal Information Protection Initiatives

Subaru, in conjunction with the enactment of the Act on the Protection of Personal Information, undertook various initiatives, including establishing internal systems and rules, and publicly disclosing its privacy policy.

In particular, Subaru dealerships in Japan, which handle a large volume of customer information, have worked to establish personal information protection regulations and put a system in place to comply with the Act. To ensure that all employees at these dealerships understand the importance of information management and have a correct understanding of personal information protection, Subaru is deploying educational tools, including an Information Security Handbook (January 2020).

In FYE2020, Subaru implemented the following key initiatives.

• Training for all departmental and office managers concerning the Act on the Protection of Personal Information
• Identification of management issues by taking stock of personal information held by all departments
• Confirmation of a check sheet on the status of compliance with related internal rules at all departments and the implementation of a PDCA cycle
In addition to addressing Japan’s Act on the Protection of Personal Information, the Subaru Group has built a system to conform with the EU’s General Data Protection Regulation (GDPR). Moreover, the Subaru Group, among other things, has put in place a privacy policy and regulations, is conducting training concerning them and confirming the status of compliance.

**Intellectual Property Protection Initiatives**

**Our Approach**

Subaru, after identifying its strengths and weaknesses, has put together a vision for Subaru’s intellectual property activities with aims to achieve the brand management outlined in its medium-term management vision “STEP.” The following is the three-point basic policy being carried out.

**Basic Intellectual Property Policy**

1. Function as a compass for business and R&D strategies using the IP landscape*  
2. Throughout Subaru, Subaru will dedicate ourselves to creating intellectual properties that originate from the market and appropriately manage its intellectual property portfolio to protect and enhance its brand.  
3. Subaru will respect the intellectual property rights of others and work thoroughly for patent clearance in product development  

* In combination with market information on intellectual properties, analyzes the business environment and support strategic plans

**Initiatives**

At Subaru, the Intellectual Property Department protects and utilizes intellectual property rights belonging to the Subaru Group and also implements internal activities that aim to avoid infringing on the intellectual property rights of others. The following are specific activities being undertaken.

1. Support the proposal of strategies using the IP landscape  
2. Acquire rights for intellectual properties, including technologies, trademarks, naming and design, and adequately manage the IP portfolio  
3. Conduct a comprehensive survey on the existence of intellectual property rights which may hinder business operations and take measures to prevent and resolve such issues  
4. Crack down on counterfeit goods, including protection measures at borders for oversight and taxation of online sales  
5. Secure intellectual properties, ownership of data and user rights in technology and business contracts

**Awareness Activities**

At Subaru, the Intellectual Property Department manages the intellectual properties of the Subaru Group as well as regularly undertaking awareness activities, as shown below, to instill standard practices.

1. Implementing rank-specific training for employees involved in development, tailored to their year of entry into the company and their position  
2. Established the Patent Promotion Committee to promote the creation of inventions and patent application activities in each department, and to implement awareness activities through this committee  
3. Development departments are surveying the intellectual property rights of other parties and securing patent clearance. In addition, holding charity bazaars that utilize commercialization rights to continue to donate revenues to charitable organizations