

# Materiality 4 Strengthening the Group Management Base Through Progressing Governance

Values we embrace (6) Strengthening the management base of the entire KDDI Group  
 Values we embrace (7) Respect for Human Rights

**Carry out the Satellite Growth Strategy based on sustainability management and strengthen the management foundation that supports it**

**Executive Officer**  
 The Deputy Executive Director, Corporate Sector and the General Manager of the Sustainability Management Division  
**Nanae Saishoji**



## Progressing Governance of the Diversifying Group Companies

Implementation of the Satellite Growth Strategy aimed at expanding business in priority areas centering on communications requires collaboration with group companies engaged in many different business domains. As of March 2022, KDDI had 159 consolidated subsidiaries and 38 affiliates in its corporate group. In light of the diversification of businesses and group companies, the significance of establishing a solid management foundation by increasing the governance of the whole group is increasing. In addition, the risk management system needs to be improved to prevent compliance violations and misconduct. A robust information security is increasingly necessary for the protection of diverse information assets from cyberterrorism and other attacks.

KDDI's Group Management Infrastructure Support Department was newly established within the Corporate Management Division. It plays a central role in understanding the problems facing group companies and in discussions for the provision of appropriate support. Thus, we are working to strengthen group governance.

## Regarding Respect for Human Rights as a Key Issue to Address

Respect for human rights is a very significant matter in the global community. We have defined it as an important issue for us to address. We consider human rights in all our business activities and eliminate human rights abuses in the supply chain in an effort to ensure the continuous growth of society. Businesses must respect human rights in extensive areas. As a telecommunications operator, we understand that giving consideration to human rights in the use of artificial intelligence (AI), the metaverse and other new services

and content is a new issue that must be addressed.

We will also increase the effectiveness of the Human Rights Subcommittee under the Sustainability Committee and ensure the constant operation of the PDCA cycle in human rights due diligence. We also encourage suppliers to agree to the KDDI Group Sustainable and Responsible Procurement Policy and interview and conduct visiting inspections of high-risk suppliers to enhance supply chain management.

## Group Governance Supported by the Penetration and Entrenchment of the KDDI Group Philosophy

The KDDI Group Mission Statement reads, "The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society." The KDDI Group Philosophy acts as a perspective, values and code of conduct that each of us should keep and observe to fulfill the mission statement and achieve sustainable growth. It is the starting point of the KDDI Group's sustainability management. We often hold philosophy workshops for individual ranks and organizations to ensure the KDDI Group Mission Statement and the KDDI Group Philosophy are well understood and implemented throughout the Group and that all employees will behave guided by common values and a high ethical standard.

We also work to gain a good understanding of the KDDI Group's perspective and actions regarding sustainability from our suppliers. We are taking joint actions with them to address necessary issues.

We will carry out these actions to solidify the management foundation of the entire KDDI Group. We will support the Satellite Growth Strategy, our business strategy, and we will endeavor to create social and environmental value through our business.

## Values we embrace (6) Strengthening the Management Base of the Entire KDDI Group

[ Mid-Term Sustainability Targets (FY23.3-FY25.3) ]

No. of serious incidents <sup>1</sup> (Governance and Information Security)	Number of advanced security technology initiatives <sup>2</sup> (Mid-Term cumulative total)
<b>0</b>	<b>15</b>

<sup>1</sup> Cases that require reporting or notification to the competent authorities and cause severe damage to reputation.  
<sup>2</sup> Number of news releases and topics by KDDI non-consolidated and KDDI Research, Inc.

- [ Concrete Actions ]
- ▶ Strengthen the corporate support structure for group companies
  - ▶ Increase governance using shared services
  - ▶ Construct and advance a risk control system
  - ▶ Improve security to protect information assets from cyberattack
  - ▶ Solidify the foundation for data governance
  - ▶ Carry out research and development to improve security technologies

- [ Strengths ]
- Ensure the KDDI Group Mission Statement and the KDDI Group Philosophy are well understood and implemented and maintain a high ethical standard by following the KDDI Code of Business Conduct

- |  |   |
|--|---|
| [ Risks ]  | [ Opportunities ]   |
| • Loss of social confidence after data leakage or personal information leakage | • Implementation of the Satellite Growth Strategy and the management foundation supporting it |

[ Social Issue ]  
 Occurrence of cyberterrorism, data leakage, compliance violation and misconduct

## Values we embrace (7) Respect for Human Rights

[ Mid-Term Sustainability Targets (FY23.3-FY25.3) ]

Respect for human rights in all business activities	Improvement rate for suppliers that may be violating human rights (consider suspending business with them if they fail to respond) Improvement rate: <b>100%</b>
---	---

- [ Concrete Actions ]
- ▶ Observing the KDDI Group Human Rights Policy
    - (1) Respect for human rights in all business activities
    - (2) Avoid or reduce any negative impacts on human rights
    - (3) Avoid involvement in infringement of human rights
    - (4) Promote human rights enlightenment activities for all KDDI Group officers and employees
  - ▶ Continue human rights due diligence
  - ▶ Enhance supply chain management

- [ Strengths ]
- Corporate culture of respecting human rights through management based on the KDDI Group Philosophy

- |   |  |
|---|--|
| [ Risks ]   | [ Opportunities ]  |
| • Degradation of corporate brand value and impediment to the development of a sustainable society due to not addressing human rights violations | • Sound development of KDDI's businesses through the realization of a society free of human rights violations and the establishment of business activities without human rights violations |

[ Social Issue ]  
 Occurrence of human rights violations (in the entire value chain, including KDDI and group companies)



**4 Strengthening the Group Management Base Through Progressing Governance**  
 ▶ Values we embrace (6) Strengthening the Management Base of the Entire KDDI Group

**Strengthening the Corporate Support System for Group Companies**

In April 2022, KDDI established the Group Management Infrastructure Support Department within the Corporate Management Division. The objective is to establish a system to strengthen group governance through the CFO by assigning the CFOs of domestic and overseas subsidiaries (with exceptions) to the Group Management Infrastructure Support Department of the parent company, KDDI, and its subsidiaries.

Moreover, KDDI periodically visits the presidents and CFOs of subsidiaries to conduct interviews to understand the issues faced by each company. The issues identified are discussed at the “Group Governance Support Meeting” with the Group Management Infrastructure Support Department as the secretariat, in cooperation with relevant departments within KDDI, to provide appropriate support to resolve the issues.

We are also promoting efforts to improve the skills of CFOs and develop human resources through lectures by experienced CFOs and discussions among CFOs.

**Strengthening Governance by Utilizing Shared Services**

In April 2022, KDDI established the Corporate Sharing Service Division within the Corporate Sector to provide outsourced corporate operations (accounting, payroll, purchasing, etc.) for group companies. The Corporate Sharing Service Division is entrusted with the corporate operations of 31 group companies\* and provides shared services on a full-cloud basis.

Moreover, KDDI provided support for the establishment of companies in the Satellite Growth Strategy focus areas of five companies: KDDI SmartDrone Inc., KDDI Digital Divergence Holdings Corporation, KDDI AGILE DEVELOPMENT CENTER CORPORATION, au Energy Holdings Corporation, and au Energy & Life Inc. This support included assistance in reviewing various rules and regulations and assisting with various procedures. In addition to the establishment of these companies, KDDI also began providing shared services for corporate operations.

\* as of Aug 1, 2022

**Establish and Upgrade Risk Control Systems**

The KDDI Group has long been engaged in group-wide risk management activities, including countermeasures against important risks and the company-wide sharing of incidents and accidents. In light of the expansion of business domains and the diversification of group companies through the promotion of the Satellite Growth Strategy, we are rebuilding a common group risk management system to further strengthen group governance.

We will promote DX for the real-time centralized management of the important risks and countermeasure status of KDDI and group companies, internal and external incident/accident information, and basic internal controls that each organization should maintain and operate, aiming for more efficient and effective risk management throughout the group than ever before. The DX will visualize the status of risks and internal controls in each organization, further improve the effectiveness of the so-called “three lines model” in the business, management, and audit divisions, and enable management to anticipate risks and give timely instructions on risk responses.

By rebuilding our risk management system, we will strengthen our group governance as a defensive measure, as well as appropriately take risks as an offensive measure, to promote contributions to the sustainable growth of society and increase our corporate value.

**Robust KDDI Group Information Security to Support Governance**

The KDDI Group considers the enhancement of information security to be an important issue. The group is promoting initiatives to strengthen security and data governance infrastructure to protect information assets from cyberattacks, and is conducting research and development to enhance security technologies.

In FY23.3, we are working to improve privacy governance and data management levels by formulating a company-wide data management basic policy for data management operations, as well as by formulating group governance rules focusing on joint users of personal information.

As part of its efforts in advanced security technologies, KDDI is promoting research and development and international standardization in all areas of information security, including elemental technologies for cryptography and authentication, to support KDDI’s next-generation infrastructure. Furthermore, we are developing “next-generation cryptography,” such as lightweight and strong quantum computer resistant cryptography, which can be used in devices with low computing performance, including IoT devices. We are also accumulating knowledge on privacy assurance through user-participatory verification experiments, which is necessary for security research that takes human factors into account. We will continue to promote research and development to enhance privacy protection technologies that customers can trust and be satisfied with.

▶ Values we embrace (7) Respect for Human Rights

**Basic Approach**

The KDDI Group recognizes that all of our business activities are premised on respect for human rights. We believe that we have a responsibility to respect the human rights of our employees, business partners, and all other stakeholders involved in our business activities, as well as to prevent and mitigate human rights violations.

In July 2022, KDDI joined the United Nations Global Compact. Under the top management commitment, we will work on respecting human rights in our business activities.

🇯🇵 Joined the UN Global Compact, the world’s largest sustainability initiative (Japanese only)

**Human Rights Policy**

In order to fulfill our responsibility to respect human rights and further accelerate our efforts, the KDDI Group revised the KDDI Group Human Rights Policy in October 2022. This policy was discussed and approved by the Corporate Management Committee and the Board of Directors.

In light of the increasing momentum in the demand for companies to take responsibility for respecting human rights, the revised policy clearly stipulates compliance with international laws and regulations, the continuous implementation of human rights due diligence, and dialogue with stakeholders.

In accordance with this policy, all Group employees will respect international standards such as the Universal Declaration of Human Rights and are committed to respecting human rights in accordance with the UN Guiding Principles on Business and Human Rights.

Furthermore, we will strive to protect the human rights of all stakeholders, including employees, customers, and business partners, and contribute to the achievement of a truly connected society.

🇯🇵 KDDI Group Human Rights Policy

**Structure**

At the Sustainability Committee (which convenes twice a year) chaired by the President, KDDI determines the policy on activities related to human rights, develops and reviews the promotion structure, and checks the activities’ progress against targets. We will work on respecting human rights under the top management commitment.

We have also set up the Human Rights Subcommittee (which convenes twice a year) under the Sustainability Committee. The Subcommittee functions as an organization to propose and discuss the human rights issues of the entire KDDI Group and is headed by the General Manager of the Sustainability Management Division. The participants include the Corporate Risk Management Division, General Administration Division, Human Resources Division, Procurement Division, and other related business divisions.

Based on the “KDDI Group Human Rights Policy,” we will hold discussions on the promotion of respect for human rights, conduct human rights due diligence, and study measures to address human rights issues, in order to promote Group-wide efforts to respect human rights.

**Human Rights Due Diligence**

The KDDI Group has conducted human rights due diligence in accordance with the UN Guiding Principles on Business and Human Rights. In the initiatives, we have identified the human rights issues that global companies are expected to address and have reflected them when considering measures.

In FY23.3, we carried out a human rights impact assessment of our business activities and value chains, identifying key human rights issues in the KDDI Group by leveraging external experts’ advice. The KDDI Group Human Rights Policy, revised this fiscal year, clearly states the important human rights issues. We will continue to comply with this policy, and examine and implement measures through the human rights due diligence mechanism in cooperation with related divisions.

**Respect for Human Rights in the Supply Chain**

**Conducting a Sustainable Procurement Survey**

We have conducted a survey targeting our leading business partners (key suppliers\*) using a Sustainable Procurement Survey since FY15.3. The survey covers seven themes, namely human rights and labor, safety and health, environment, fair and ethical trade, quality and safety, information security and contribution to society, as defined in the KDDI Sustainable and Responsible Procurement Guidelines based on the Responsible Business Alliance (RBA) code of conduct and Responsible Business Conduct Guidelines published by the Japan Electronics and Information Technology Industries Association (JEITA). In addition to them, it also covers other items that KDDI deems pertinent to the company, focusing on human rights and labor, health and safety, and environment. Through this survey, we make sure of sharing the KDDI Sustainable and Responsible Procurement Policy and other necessary information with suppliers. In FY22.3, we asked our primary suppliers representing approximately the top 90% of the total value of orders to answer the survey and received responses from over 98% of them. We use these responses to understand the supply chain situation and analyze risks.

**Supplier Evaluation and Risk Assessment**

We will take necessary measures to reduce risks, for example by conducting additional on-site research for suppliers with any risk from perspectives, such as human rights and labor, health and safety, and environment. To manage high risk suppliers, we added a new set of questions to the Sustainable Procurement Surveys from FY22.3, leading to strengthened risk assessment in the supply chain. The questions are divided into two parts: one on human rights including conflict minerals and the technical intern trainees, and the other on the environment including CO2 emissions for scopes 1, 2, and 3. If a supplier is deemed to be at high risk, we will take corrective actions such as additional investigation through on-site audits and support through improvement proposals.

\* Key suppliers: Suppliers with high transaction volume, suppliers of critical parts, and non-substitutable suppliers that account for approximately 90% of the total value of orders placed by the Group.