

RISK AND CRISIS MANAGEMENT REGULATIONS

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RISK AND CRISIS MANAGEMENT REGULATIONS

Article 1. Purpose

These Regulations shall provide for basic matters with respect to risk management (including crisis management).

Article 2. Definition and Classification

1. Risk shall be defined as “the possibility of loss caused by an event that impedes the achievement of the business purpose of a company”. Risk shall be evaluated and measured from the perspectives of “frequency of occurrence” and “scale of impact”.
2. Risk management shall be defined as “activities aimed at the minimization of loss by responding to the risk event and eliminating or alleviating the causes”.
3. The risk management carried out by PKII shall be classified as follows:
 - (i) Preventive management
The essence of risk management is prevention. Preventive management shall refer to management aimed at eliminating or alleviating in advance the causes of anticipated risks.
 - (ii) Response to materialized event
Response to materialized event shall refer to response to materialized risk events (excluding crisis management in Item 3).
 - (iii) Crisis management
Crisis management shall refer to response to materialized risk events that are likely to make major impact(s) on the business prospects or existence of the Company (crisis events).

Article 3. Risk Management Promotion Structure

1. The Management Team of PKII controls and promotes risk management by identifying, assessing and monitoring risks in general associated with its business operation, giving directions related to such risks, and monitoring materialized risk events or crisis events. In addition, the Board (or the Committee) can set up a subordinate committee (working group) under it, as necessary.
2. The President of PKII is appointed as the highest ranked officer for risk management.
3. In general, the PKII Management Team will lead in promoting risk management and the Vice President (VP) for ICG is appointed as the Risk Management Officer.

4. Risk management for the various business operations is the responsibility of the VP or Manager of the department in charge of such operation (including the Project Manager/Team Leader of each Project Office, and the same shall apply hereinafter). The VP or Manager of each department shall assign personnel in charge of risk management within the department (hereinafter referred to as “personnel in charge of risk management”), if so instructed by the President or the Risk Management Officer.

Article 4. Basic Process of Preventive Management

The basic process (PDCA) of preventive management shall be as follows:

1. Risk identification, evaluation and analysis
2. Formulation of plan
3. Implementation of plan
4. Evaluation of the effectiveness of preventive management and formulation of improvement measures
5. Implementation of the improvement measures and results verification

Article 5. Preventive Management of Common Risks

For preventive management of risks that can be commonly found in the NK group, PKII shall cooperate with the department(s) in charge of risk management at NK's Head Office and ensure that group-wide risk management be promoted in an integrated manner.

Article 6. Creation of Draft Risk Management Plan by Each Department

1. Each department shall identify all the conceivable risks and estimate the occurrence frequency and the scale of impact taking the characteristics of their department into consideration. Then, it shall develop specific measures to avoid, alleviate, transfer (share) or accept (retain) the risks to compile a draft risk management plan (risk management list and risk management sheet) and submit it to the Risk Management Officer annually.
2. When creating a risk management plan, the PKII Management Team led by the President shall develop a draft of the list of priority issues (priority items and activities) for PKII's risk management plan. In addition, the President shall make decisions concerning the unit of departments that creates the draft risk management plan mentioned in the preceding paragraph and how the draft shall be created.

Article 7. Formulation of Risk Management Plan

1. At both the beginning and the end of each fiscal year, the Management Team shall review the draft priority issues and the draft risk management plan submitted by each department and, following the review, shall approve them as an integrated risk management plan.

2. The Vice President of ICG shall immediately report the risk management plan that has been approved by the Management Team to the President. The President can request that revision should be made in the draft risk management plan submitted, if he or she finds such revision is necessary.

Article 8. Implementation of and Reporting on Risk Management

1. Each department shall implement risk management in accordance with the risk management plan (priority issues, risk management list and risk management sheet).
2. Each department, on a quarterly basis, shall keep record of the status of risk management in the risk management sheet and assess the effectiveness of the risk management plan and, after making improvement in the risk management plan (risk management list and risk management sheet) of each department as necessary, shall report the implementation status of risk management plan to the Risk Management Officer. In addition, each department shall report the materialization of major risk events (including crisis events) and the response made to such events during the past quarter (hereinafter collectively referred to as the “quarterly monitoring”).
3. The President may give direction to make revisions with respect to the content of the quarterly monitoring reported by each department, as the Risk Management Officer and President consider it necessary.
4. The President shall report the content of the quarterly monitoring reported by the Risk Management Officer to NK’s Governance Officer (NK Manila Chief Representative).

Article 9. Reporting of and Response to Materialized Risk Events

1. If any risk materializes during the execution of operations, officers, regular employees and temporary staff and consultants (hereinafter collectively referred to as “officers and employees”) shall immediately report the details (facts) of the risk event (including crisis events, and the same shall apply hereinafter) to the President.
2. Officers and employees shall report details (facts) of any materialized risk events immediately to the President.
3. If officers and employees obtain any information related to a crisis (information on the occurrence of a crisis or possibility of such occurrence; hereinafter referred to as “crisis information”), they shall report it immediately to the Risk Management Officer and the President. In addition, if such crisis information is related to a possible group crisis, officers and employees shall report it immediately also to the Chief Representative of NK Manila.
4. Depending on the significance of the risk event, the President shall make decision on whether the Emergency Headquarters shall be established in accordance with Article 14 of these Regulations or response shall be made by each department within the scope of its normal personnel structure.

5. Each Department Manager shall promptly develop countermeasures (including measures to prevent recurrence, if necessary) and report the details and implementation status of such countermeasures to the President.
6. When responding to a risk event, reviews shall be made concerning not only how to respond to the individual risk event but also measures to prevent future materialization of similar risk events, working to ensure that the risk management plan be improved in accordance with Article 9.2 above.

Article 10. Definition of Crisis and Basic Principles

1. A “crisis” refers to a risk that can have a serious impact on the Company (a phenomenon likely to have an adverse effect on the implementation of the Company’s business operations) which has appeared (become manifest). Specifically, there are the following crises:
 - (i) Life-threatening situations for officers and employees (hereinafter referred to as “officers and employees”) of the Company
 - (ii) Serious incidents and accidents that cause major economic loss to the Company
 - (iii) Serious incidents and accidents that impair the reputation and credibility of the Company

Article 11. Classification of Crises and Scope of Application

1. “Crises” are classified as follows:
 - (i) Group crisis

A group crisis refers to a crisis that has an enormous impact on the NK group and requires the establishment of an Emergency Headquarters jointly with NK Manila Office.
 - (ii) Company crisis

A company crisis refers to a crisis that has a serious impact on the Company and requires the establishment of an internal Emergency Headquarters.

2. Examples of the crisis level classification are shown in the table below.

		Assumed typical example of crisis
Group Crisis	Disaster	<ul style="list-style-type: none"> - Major earthquake (such as an epicentral earthquake of Richter-scale intensity level 5 in the Metro Manila area) - Huge fire (such as a fire in the head office building) - Outbreak of a serious infectious disease in the Philippines
	Accident	<ul style="list-style-type: none"> - Fatal accident due to negligence of the Company (such as a defect in design) - Fatal accident of officers and employees in relation to work
	Incident	<ul style="list-style-type: none"> - Serious crime committed against officers and employees (such as terrorism, kidnapping, and hijacking) - On-site inspection by a public office because of law violations - Extensive leakage of confidential information such as customer information - Law violation or misconduct by an officer in relation to work - Arrest or prosecution of officers and employees for a cause related to work
	War	<ul style="list-style-type: none"> - Civil war or war between states in a country or region that bears a close relationship with the Company
Company Crisis	Disaster	<ul style="list-style-type: none"> - Major disaster, huge fire, and outbreak of a serious infectious disease in a country that bears a relationship with the Company - Disaster on site (such as landslide) - Disaster that occurs at an office (such as flooding and fire)
	Accident	<ul style="list-style-type: none"> - Injury due to negligence of the Company (such as a defect in design) - Serious accident in relation to work - Serious industrial accident (such as death from overwork)
	Incident	<ul style="list-style-type: none"> - Law violation or misconduct by an employee in relation to work - Arrest or prosecution of officers and employees for a cause not related to work - Limited leakage of confidential information - Bankruptcy of a major business partner - Filing of a major lawsuit against the Company as the defendant
	War	<ul style="list-style-type: none"> - Civil war or war between states in a country or region that bears a relationship with the Company

Article 12. Reporting of Crisis Information

1. An officer or employee, when acquiring crisis information shall immediately report such information in accordance with Article 9.3.
2. Crisis information may be reported by word of mouth, telephone, e-mail, or any other means.
 - (i) Detailed information about a crisis (specific facts)
 - (ii) Circumstances of acquiring such information, current status of crisis response, and other relevant information

Article 13. Continued Reporting and Fact Finding

1. A department that bears a relationship to a crisis, after reporting pursuant to the preceding article, shall continue to do its best to find detailed facts and collect information on the latest status and report such information as required via the channels set forth in the preceding article.
2. The Emergency Headquarters may conduct fact finding directly from the concerned parties as required.

Article 14. Establishment of Emergency Headquarters

1. When receiving report on any crisis information, the President, in consultation with Management Team, shall determine the possibility of occurrence of a crisis and the crisis level and make decision on the establishment of the Emergency Headquarters. In case of a group crisis, the Emergency Headquarters in principle shall be established jointly with NK Manila Office.
2. Notwithstanding the preceding paragraph, when it is no more than a company crisis, the crisis may be responded to by the Management Team, not by establishing the Emergency Headquarters.
3. The President shall determine the organizational structure of the Emergency Headquarters in consultation with the Management Team.
4. In the absence of the President, his or her duties shall be exercised by the Risk Management Officer or the Vice President for ICG.

Article 15. Organizational Details of Emergency Headquarters

1. The organizational details of the internal Emergency Headquarters shall be, in principle, as follows:

Organization	Members	Major Roles
Emergency Headquarters (Emergency Meeting)	<u>Lead PIC:</u> President <u>Deputy Lead PIC:</u> Risk Management Officer (VP for ICG) <u>Members:</u> Head of the crisis-affected department and Other persons appointed by the Lead PIC	Decision on specific measures or response policy Decision on measures for preventing recurrence
Emergency Headquarters Executive Office	Office of the President Department	Information collection, liaisons, implementation of internal and external corporate communications

2. The organizational details of the Joint Emergency Headquarters shall be, in principle, as follows:

Organization	Members	Major roles
Emergency Headquarters (Emergency Meeting)	<u>Lead PIC:</u> NK Manila Chief Representative <u>Deputy Lead PIC:</u> President <u>Members:</u> Head of crisis-affected department General Manager of the Department in charge of operations of NK segment Other persons appointed by the Lead PIC	Decision on specific measures or response policy Decision on measures for preventing recurrence
Emergency Headquarters Executive Office	XX Department	Information collection, liaisons, implementation of internal and external corporate communications

3. The Lead PIC of the Emergency Headquarters may modify the organizational details set forth in the preceding paragraph as the need arises.

Article 16. Response after Establishment of Company-level Emergency Headquarters

1. An Emergency Headquarters meeting shall be held promptly.
2. Specific measures or response policy shall be discussed and decided in an Emergency Headquarters meeting.
3. The head of the crisis-affected department shall instruct and execute specific measures or response policy in his or her department.
4. Other persons concerned shall continuously do their best to find facts and collect and analyze information and modify the specific measures or response policy flexibly.

Article 17. Measures for Preventing Recurrence and Dissolution

1. The Emergency Headquarters shall decide measures for preventing recurrence including the following details if deemed necessary.
 - (i) Details of measures for preventing recurrence
 - (ii) Implementation Manager and department in charge of implementation of measures for preventing recurrence
2. The President, when the crisis subsides, shall dissolve the Emergency Headquarters after discussion with the NK Manila Chief Representative.

Article 18. Research Authority

1. The NK Manila Chief Representative and the President of PKII may require departments and parties or persons concerned within the Company to disclose or report relevant documents, if it is necessary for the purpose of risk management.
2. The President may research relevant matters within the range required for the purpose of risk management by ordering a person that he/she considers appropriate to do so (including the third party) or department.

Article 19. Entity in Charge and Revision or Abolition

The entity in charge of these Regulations shall be the Management Team of PKII led by the Risk Management Officer (Department). Proposals for the revision or abolition of these Regulations shall be initiated by any management team member and implemented based on the decision of the President, who established these Regulations.

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