

Risk Management and Compliance

Risk Management Framework and Policy Risk Management

The Kuraray Group monitors risks regularly, led by the Risk Management and Compliance Committee, and identifies risks that could have a significant impact on business management. Such risks are proposed to the President, who then specifies those that are critical management risks, and priority countermeasures are carried out after deliberation by the Board of Directors. The Risk Management and Compliance Committee works to manage the progress of priority countermeasures against business management risks as well as to ensure thorough compliance with laws and regulations and corporate ethics and the realization of fair business practices.

The Kuraray Group Risk Management Policy, which the President disseminates to each Group organization, consists of two elements: a long-term, ongoing Basic Policy encompassing overall Group risk management, and priority issues that are the focus for a particular fiscal year in light of the findings of risk analysis of the Kuraray Group and recent social conditions and trends. This framework allows flexible and prompt actions to be taken in response to changes in the risk environment while maintaining the underlying approach to risks. The priority issues are tasks that the President clearly indicates for the organization to mitigate priority risks, instructing the organization on how to carry them out.

Kuraray Group Risk Management Policy in Fiscal 2023

Basic Policy

- 1) Completely prevent illegal or inappropriate conduct that betrays the trust of society.
- 2) Completely prevent accidents and injuries (e.g., process accidents, occupational injuries, pollution, and product defects) that threaten the health and safety of employees, the local community, clients, partners, and so on.
- 3) Should an event occur that seriously impacts the business or society, be sure to secure trust from society, safety, and health, and implement measures to achieve business continuity or early recovery. (Prioritize trust from society, safety, and health, and then work to continue or restore the business.)

Business Management Risks in Fiscal 2023

The Kuraray Group's risk management is characterized by a two-tier approach. In terms of vertical risk management, each business division, office, plant, and affiliate identifies risks facing their own organization, independently evaluates such risks, and devises and implements an appropriate response. In terms of horizontal risk management, the responsible corporate organizations evaluate pure risks that may occur across the organization, such as natural disasters and infringement of laws and regulations, that have purely a negative impact. Measures to adapt to risks associated with climate change are the purview of the Risk Management and Compliance Committee, which discusses the results of the various organizations' annual risk self-assessments from the perspective of disaster response and business continuity. From among these, the Committee selects significant risks that require a Group-level response. The President then designates these as critical management risks and reports them to the Board of Directors, while assigning them to an officer in charge. In fiscal 2023, critical management risks are classified into three priority risks to be taken up as priority issues, and nine risks requiring ongoing monitoring, and proper measures are taken for both types of risks. The risks requiring ongoing monitoring in fiscal 2023 are: risks concerning product quality, regulations of chemical substances, natural disasters, antitrust violations, bribery, intellectual property risks, pandemics, harassment, and the securing of human resources at production sites.

Priority Issues in Fiscal 2023

- 1) Further reinforce management of confidential information by implementing ongoing measures to shore up information security throughout the Group.
- 2) Continue to implement measures to strengthen operation and facility management at overseas plants to reduce the risk of process accidents. At the same time, through the activities of the Global Process Safety Management Audit Team and other actions, identify issues in the safety management frameworks of overseas affiliates and work to improve them.
- 3) Review all elements, including commodity materials, from a supply chain perspective for supply risks affecting raw materials, fuels, secondary materials, and equipment. Further improve the accuracy and effectiveness of business continuity planning (BCP) by taking risk countermeasures, starting with high-priority measures in the BCP of each business.

Initiatives on Priority Issues in Fiscal 2022

Priority Issues in Fiscal 2022

- 1) Implement immediate measures to prevent the recurrence of confidential information leakage.
- 2) In order to mitigate the risk of occurrence of safety-related accidents, objectively evaluate through the audits by in-house expert teams and steadily improve the status of action towards the countermeasures which were recognized through the survey of not only safety design but also management aspects (operation management and facility management) including human resource development at overseas plants.
- 3) For supply risks or raw materials, fuels, and secondary materials, review all including commodity materials from a supply chain perspective and formulate a more comprehensive BCP (Business Continuity Planning).
- 4) Continue ensuring preparation for COVID-19 pandemic.

Priority Issue 1

We formed a Confidential Information Management Team in June 2022 to monitor and better implement the Kuraray Group Confidential Information Management Policy, reformulated in November 2021, both in Japan and overseas. We bolstered IT security by building an emergency response framework for IT incidents and putting in place a more secure data storage system.

Preventing Leakage of Confidential Information

Priority Issue 2

Since 2019, members from Japan have been conducting safety audits of chemical plants outside Japan. In 2022, a Global Process Safety Management Audit Team made up of in-house experts from across the Group started up activities to gauge and take steps to address security risks.

Safety Audits for Chemical Plants outside Japan

Priority Issue 3

Based on the findings of our analysis of priority production areas and the risk of suspension of the supply of raw materials in each business, we are formulating a succession of risk-mitigation measures, starting with high-priority raw materials.

Priority Issue 4

In response to the global COVID-19 pandemic, a response team formed in January 2020 worked with Group companies in Japan and abroad to identify infection levels and take measures to prevent infection, continuing to implement preventive measures while responding to the specific context in each country.

Group Compliance

Group Compliance

The statement “Our Commitment” outlines the principles of conduct to which the Kuraray Group should adhere in its business activities, which involve diverse points of contact with society. Our Code of Conduct serves as a guideline for putting the commitment in practice in day-to-day operations. We distribute a Compliance Handbook to all Group employees in Japan and overseas to familiarize them with the clear commitment of top management to compliance with laws and regulations and with “Our Commitment,” which contains an easy-to-understand explanation of the Code of Conduct.

In addition, we have appointed compliance officers at plants and overseas offices of Kuraray and Group companies, and have organized regional compliance committees, linked to the activities of the Risk Management and Compliance Committee, to raise awareness of compliance throughout the Group.

Whistleblower System

We have set up a Kuraray Group Employee Counseling Room and a Global Compliance Hotline for Group employees around the world as an internal reporting system for either preventing or detecting and resolving at an early stage any compliance violations. Consultation and reporting can be anonymous, and we have put strict regulations in place to protect people making reports from being treated unfairly.

In 2022, the Kuraray Group Employee Counseling Room handled 29 consultations in Japan. In addition, following the June 2022 amendment of Japan’s Whistleblower Protection Act, we designated separate contact personnel to receive information that can identify persons consulting or reporting. We also revised relevant regulations based on the amended Act.

	FY2018	FY2019	FY2020	FY2021	FY2022
Kuraray Group Employee Counseling Room Consultations in Japan	16	35	23	11	29

Departmental Compliance Education

In 2022, we held an online seminar for general managers of Group companies in Japan to learn about the kind of communication that cultivates an open workplace, which is effective in ensuring compliance and preventing harassment. The training aimed for a level at which participants could talk about what they learned in their own words to subordinates. Participants subsequently brought back the knowledge and awareness gained at the seminar to their departments and conducted interactive departmental education, seeking to identify compliance issues and improve communication. Through this approach, we are working to instill a greater awareness of compliance among all Group employees in Japan.