

Risk Management and Compliance



For details, please visit our website:
<https://www.kuraray.com/csr/report2022/riskmanagement>

Risk Management and Compliance Promotion System

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 critical management risks and priority countermeasures are carried out after deliberation by the

Board of Directors. The Risk Management and Compliance Committee works to ensure thorough priority countermeasures against business management risks as well as compliance with laws and regulations and corporate ethics and the realization of fair business practices.

Risk Management Policy

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 social conditions and trends facing the Group and other companies. 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.

Fiscal 2022 Kuraray Group Risk Management Policy

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.)

Priority Issues

Based on the above policy and recent social conditions and trends at our company and other companies, the following are the priority issues for 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.

Risk Management

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, evaluates such risks independently, and devises and implements an appropriate response. In terms of horizontal risk management, the corporate staff departments evaluate and manage pure risks across the organization, such as natural disasters and infringement of laws and regulations that have purely a negative impact. Among these risks, the Risk Management and Compliance Committee discusses and 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 2022, Critical management risks are classified as the four priority risks as described priority issues or the eight risks listed below requiring ongoing monitoring, and proper measures are taken for both types of risks. The risks requiring ongoing monitoring are: risks concerning product quality, regulations of chemical substances, natural disasters, utility outages, antitrust violations, bribery, management of intellectual property risks, and harassment.

Group Compliance

The statement “Our Commitment” outlines the principles of conduct to which the Kuraray Group should adhere in our business activities, which involve diverse points of contact with society. The “Kuraray Group Code of Conduct” serves as a guideline for putting the commitment in practice in day-to-day operations. The President has declared that we will comply with laws and regulations and “Our Commitment” under all circumstances. To share these principles and commitment among all Kuraray Group employees worldwide, we compiled a Compliance Handbook, containing the foregoing declaration by the President and explanations of the “Kuraray Group Code of Conduct”, and distributed it to all Group employees in Japan and overseas. In 2021, we have updated the design and translated it into

12 languages to make it easier for all employees to use.

In addition, we have appointed compliance officers at plants and overseas offices of Kuraray and Group companies, and have organized regional compliance committees. Since 2019, we have linked the timing of the activities of the regional compliance committees and Risk Management and Compliance Committee to raise awareness of compliance throughout the Group.



Compliance Handbook



The Compliance Handbook is available on the website below:
<https://www.kuraray.com/csr/report2022/compliance>

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 encompasses all aspects of compliance, including any transactions involving bribery or corruption, violations of internal rules, and respect for human rights, harassment,

and other personnel-related matters. In 2021, the Employee Counseling Room handled 11 consultations in Japan, which included personnel and labor issues related to the work issues and workplace environment under the COVID-19 pandemic. Consultation and reporting can be anonymous, and internal rules ensure the protection of employees who report or seek consultation so that they are not treated unfavorably.

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Kuraray Group Employee Counseling Room Consultations in Japan	1	3	4	9	16	35	23	11

Thorough Risk Management and Compliance Measures

Preventing Leakage of Confidential Information

In October 2021, we ascertained that a server operated by the Kuraray Group was accessed illegally and some information it contained was leaked. Subsequent investigation found that some of the information that may have been leaked contained personal data, such as the names and company contacts of business partners and Kuraray Group employees. We have taken necessary response measures, including contacting the relevant parties.

Based on the recommendations of an outside expert institution, we are currently taking measures to ensure information security immediately after detection of any unauthorized access. We have reformulated the Kuraray Group Confidential Information Management Policy throughout the Group worldwide and have carried out online training for employees on information security and how to handle suspicious emails.

To prevent further leakages, we will implement even more robust information security and tighten the information management framework, including stronger network monitoring, practical training in the response to information security incidents, and ongoing education and training to improve IT literacy.

Anti-Bribery Initiatives

The Kuraray Group Code of Conduct indicates to both Group employees and outside partners action guidelines for preventing bribery and the handling of donations and gifts. Our basic policy on bribery is set forth in the Kuraray Group Global Anti-Bribery Policy. In accordance with these policies, we are developing and reinforcing a bribery prevention framework at the Group level, including formulating relevant internal rules

for each Group company, providing education and training for officers and employees, and introducing procedures for managing bribery risks through agents or other third parties.

Efforts to Comply with the Antitrust Law

In 2021, we continued to monitor the compliance framework in high-risk businesses and areas and took measures such as providing education and training to officers and employees and conducting an annual audit of public bid projects. From 2022 onward, the entire Kuraray Group will steadily implement the Antitrust Law Compliance Program to prevent Antitrust Law violations and monitor compliance status.

Departmental Compliance Education

Since 2017, we have carried out departmental compliance education for all employees in Japan to improve communication and openness within departments. In 2021, we held an online seminar for managers (section managers) of Group companies in Japan. Through dialogue with outside lecturers, participants learned basic knowledge about ways of giving guidance to department members while avoiding harassment. The training aimed for a level at which participants could talk about what they learned in their own words to subordinates. Subsequently, participants brought back the knowledge and awareness gained at the seminar to their departments, seeking to raise understanding of compliance and improve communication through interactive departmental education.