

# Risk Management and Compliance



Risk Management



Group Compliance

## Risk Management Promotion System

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. From among these, the Risk Management and Compliance Committee discusses and selects serious risks that have a high potential impact on management and require a Group-level response to mitigate. 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. 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. The Committee also 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.

## 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 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 clarify the tasks the organization needs to address to mitigate priority risks, indicating the way to steadily implement response measures.

Management risks in 2024 were categorized into three priority risks and nine risks requiring ongoing monitoring as identified in the risk management policy, and appropriate response measures will be taken for each. The risks requiring ongoing monitoring in 2024 are: risks concerning product quality, regulations of chemical substances, natural disasters, bribery, antitrust violations, intellectual property risks, harassment, and the securing of human resources at production sites. We also added respect for human rights, which has become a strong social concern in recent years and is regulated overseas by law.

### Kuraray Group Risk Management Policy in Fiscal 2024

#### 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, give the top priority to earn the trust from society, to secure the safety and health of our employees, local communities, customers and business partners and then implement measures to achieve business continuity or early recovery.

#### Priority Issues in Fiscal 2024

- 1) Further enhance the level of confidential information management by further strengthening information security throughout the Group, thoroughly disseminating confidential information management rules, and monitoring the status of operations.
- 2) In order to mitigate the risk of occurrence of safety-related accidents, continue to implement measures to strengthen operations and facility management at overseas plants and objectively identify specific issues at the plants by and through the on-site audits by the Global PSM (Process Safety Management) Auditing Team taking into account the issues related to the safety management system at each overseas affiliates, and promote improvements.
- 3) Further improve the accuracy and effectiveness of BCP (Business Continuity Plan) by steadily implementing the risk avoidance/reduction measurements developed for the products that are highly prioritized in BCP of respective business based on the result of reexamination of the procurement risks of raw materials, fuels, secondary materials and equipment, including commodity materials, from a supply chain perspective.

## Initiatives on Priority Issues in Fiscal 2023

### 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 to address supply risks affecting raw materials, fuels, secondary materials, and equipment. Further improve the accuracy and efficiency of business continuity planning (BCP) by putting in place risk countermeasures, starting with high-priority measures in the BCP of each business.

#### Priority Issue 1

In January 2023, we strengthened IT security by globally introducing a highly secure data storage system. In September 2023, we established a portal site to promote awareness and communication with regard to confidential information, which presents in-house regulations on the handling of confidential information, notably the Kuraray Group Confidential Information Management Policy, and provides information on relevant educational programs.



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 (PSM) Audit Team made up of in-house experts from across various country sites in the Group started up activities to gauge and take steps to address overseas security risks. In 2023, we confirmed the management status of the environmental and industrial safety departments at our major production subsidiaries in Europe and the United States, identifying issues and making recommendations. We also laid the groundwork for onsite audits by the Global PSM Audit Team due to be conducted in 2024.



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 continued to formulate and implement a succession of risk-mitigation measures, starting with high-priority raw materials.

## 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 into 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 2023, the Kuraray Group Employee Counseling Room handled 31 consultations in Japan.

We replaced the Audit & Supervisory Board Hotline, established as a contact for whistleblowers independent of executive management, with a governance hotline whose point of contact is an external law office that differs from a corporate consultancy. The new framework began operating in January 2023.

	FY2019	FY2020	FY2021	FY2022	FY2023
Kuraray Group Employee Counseling Room Consultations in Japan	35	23	11	29	31

### Departmental Compliance Education

Since 2017, Group employees in Japan have undergone departmental compliance education once a year to promote greater compliance awareness and a more openness organizational culture. In fiscal 2023, staff at the general manager level at Group companies in Japan attended a lecture on the work-life balance and deliberated ways of leading discussions to facilitate active contributions. Lecture participants drew on what they had learned to organize active discussions in their various departments on how to create a supportive workplace, identifying issues in the working environment and improving inter-departmental communication. This approach is designed to instill compliance awareness in all Group employees in Japan.