

# Sustainability Management

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## Risk Management

### Risk Management and Compliance Promotion Structure

To strengthen the risk management and compliance promotion structure, Kuraray separated the Risk Compliance Committee from the CSR Committee in fiscal 2017 to have the Risk Compliance Committee report directly to the Board of Directors. With the Risk Compliance Committee placed at the core, the Kuraray Group will conduct activities to realize the implementation of priority countermeasures on critical risks, strict compliance of laws and regulations and corporate ethics, and fair business practices.

## Risk Management

The Kuraray Group has the President direct basic policies and annual themes on risk management to the organization every year, allowing each to make flexible and prompt responses to changes in the risk environment while maintaining the long-term continuous basic approach in risk response.

Specifically, the head of each organization identifies, self-assesses, and appropriately responds to the risks in its own organization. From these risks, the Risk Compliance Committee then extracts critical risks which need to be managed on a company management level, reports to the management and the Board of Directors, and designates an executive in charge to proceed with the prioritized measures.

### Risk Management Policy

The Kuraray Group's risk management policy which was conveyed by the President to the entire organization consists of two parts, namely, a long-term and continuous "basic policy" embracing the overall Group risk management and "annual tasks" that are dealt with in each fiscal year in light of social situations and trends of the Kuraray Group and other companies. This system allows flexible and prompt actions to be taken against changes in the risk environment while maintaining the basic approach to responding to risks.

## Kuraray Group Risk Management Policy for Fiscal 2019

### Basic Policy

- (1) We will prevent illegal, unfair or improper practices which betray confidence of society.
- (2) We will prevent all accidents which threaten health and security of our employees, local communities, customers and business partners, including occupational incidents, process accidents, environmental pollution and product accidents.
- (3) In case of an event which causes serious negative impacts on our business or society, we will take actions to ensure confidence of society and health and safety, and to continue or quickly restore our normal business operation.  
(We will give priority to ensuring confidence of society and health and safety, and then take measures to continue or restore our business operation.)

### Annual Tasks

- (1) Re-examining risks regarding material violation of laws and regulations, including the Anti-Monopoly Act, and thoroughly enforcing measures.
- (2) Conducting an overall inspection of the quality assurance system, and making improvements and enhancements with an aim to increase trust.
- (3) Recognizing the importance of information and data, and strengthening initiatives for maintenance.

Our annual tasks for 2018 are shown below, together with specific initiatives taken for these tasks.

### Annual Tasks for 2018

- (1) Reexamining risks of material violation of laws and regulations, including the Anti-Monopoly Act, and strengthening measures.
- (2) Implementing mitigation measures against risks caused by natural disasters.
- (3) Strengthening measures for quality.

### Specific Initiatives taken

- (1) Analyzed the status of transactions and meetings held with competitors, and identified high-risk businesses. Made revisions to attendance policies regarding unnecessary meetings.
- (2) Identified waste water facilities and deteriorating buildings as areas that need measures to prevent natural disasters due to strong rain or wind. Continuing to consider measures in each area.
- (3) Expanded our targets to include outsourced products in addition to products made in-house, and conducted surveys regarding the presence of non-conformity between details of outsourced requests and the reality.

## Risk Management

The Kuraray Group's risk management is characterized by a two-tier approach, such as "vertical" and "horizontal" risk managements. In the vertical risk management, the business units, divisions, offices, plants and affiliates identify risks facing their individual organizations, evaluate such risks by themselves and appropriately devise and implement actions and measures to be taken. In the horizontal risk management, the corporate staff departments evaluates and conducts the cross-sectional management of pure risks such as natural disasters and infringement of laws and

regulations that cause only negative impacts when such risks take place. Among these risks, the Risk Management and Compliance Committee discusses, selects, and reports to the Board of Directors critical risks that need to be managed at the company management level, while assigning an officer in charge and taking measures on a priority basis.

## Compliance

### Group Compliance

“Our Commitment” states the principles of our conduct which we should adhere to in doing our business. The “Kuraray Group Code of Conduct” serves as guidelines to implement the commitment in performing day-to-day work. The Group’s top executive has declared that we will comply with laws and regulations and “Our Commitment” under any and all circumstances. To share these principles and commitments among all Kuraray Group personnel throughout the world, the Compliance Handbook has been compiled containing the foregoing declaration by the top executive and explanations of the “Kuraray Group Code of Conduct.” To disseminate these principles and commitments among all Kuraray Group employees, a compliance handbook written in ten languages, Japanese, English, German, Chinese, Hangul, Russian, Flemish, Czech, French and Italian has been distributed to the Group employees worldwide.

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In addition, we have appointed compliance officers at plants and overseas offices of Kuraray and Group companies, and have organized regional compliance committees. The regional committees are working to effectively implement not only Group-wide targets decided by the Risk Management and Compliance Subcommittee but also region-specific ones

### Whistleblower System

As a whistleblower system to prevent, identify and troubleshoot any compliance violation at an early stage, the Kuraray Group Employee Counseling Room has been set up for all employees of the Kuraray Group in Japan, including contract employees, temporary and part-time employees. A whistleblower contact desk is also provided for major subsidiaries in Europe and North America.

Due to the recent rapid globalization of the Kuraray Group through M&A and other events, we created access to the contact desk for overseas subsidiaries that hadn’t had one yet. By the end of FY2018, all group companies got to be able to access the contact desk.

The internal compliance seminar, which began in 2017, raised the recognition of the Kuraray Group Employee Counseling Room. The number of consultations seems to reflect such heightened recognition.



# Number of Consultations at the Kuraray Group Employee Counseling Room in Japan



## Thorough Compliance Measures

In March 2016, the Fair Trade Commission of Japan made an on-the-spot inspection of Kuraray, involving competitive bidding on textile products purchased by the Acquisition, Technology and Logistics Agency, Defense Ministry. Subsequently, in March 2017, the commission ruled that Kuraray had violated the Anti-Monopoly Law and issued a cease-and-desist order.

Following an on-the-spot inspection, the Kuraray Group implemented various measures to ensure observation of the Anti-Monopoly Law and compliance with it.

Despite these efforts, the Fair Trade Commission again made an on-the-spot inspection in February 2017 regarding manufacturing and sales of activated carbon for use in facilities such as water purification facilities and waste incinerators. The Group took this event seriously and sincerely. We fully cooperated with the Commission during the inspection and implemented the following measures to prevent the issues from recurring and ensure compliance.

## Anti-Monopoly Law

Between 2017 and 2018, Kuraray in Japan introduced an internal system that requires advance approval for bid participation and transactions and meetings with competitors to monitor bid participation and competitor contact. Bid results are audited annually.

For overseas operations, between 2017 and 2018, Kuraray created guidelines on compliance with the anti-monopoly law and bribery act and distributed them to employees in each region. The company also provided training to employees of overseas subsidiaries on the anti-monopoly law and bribery act, and interviewed them to grasp the situation.

## Compliance Seminar

Since 2017, department-based compliance education has been provided to all group employees in Japan (including contractors, temporary employees, and part-time employees).

In the training held in 2018, employees discussed compliance violation case studies with their department members. Through such training, Kuraray aimed to create a work environment where employees can always exchange honest opinions. We believe that compliance violations can be prevented if department members always pay attention to each other and are able to talk to coworkers, superiors, or supervisors when they have questions or worries. Kuraray will continue holding similar training in futures.

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