

Sustainability Management

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Sustainability Management and Promotion Structure		
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Risk Management

Risk Management and Compliance Promotion System

Kuraray monitors risks regularly as the Group, led by the Risk Management and Compliance Committee, and identifies material 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 deliberations by the Board of Directors. The Risk Management and Compliance Committee is working to ensure priority countermeasures against business management risk, as well as compliance with laws and regulations and corporate ethics, and realizes fair business practices.

Risk Management Policy

The Kuraray Group Risk Management Policy, which the President instructs to each organization, consists of a long-term, continuous “Basic Policy” embracing overall Group risk management and “Annual tasks” that are to be focused on in a relevant fiscal year in light of social conditions and trends of the Company and other companies, thereby allowing flexible and prompt actions to be taken against changes in the risk environment while maintaining the basic approach to responding to risks. “Annual tasks” clearly show the organizations specific issues concerning measures for the President to work on reducing priority risks, and provide instruction for sound implementation of the measures.

FY2020 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.)

Tasks for the Fiscal Year

- (1) Conducting careful re-examination by the entire Group, including affiliated companies in Japan and overseas, of the risks regarding violations of the Antimonopoly Act, and thoroughly enforcing measures to prevent recurrence.
- (2) Conducting an overall inspection of the facilities and soft aspects of overseas plants in particular, and striving to achieve improvement and refinement, in order to reduce the risk of the occurrence of process accidents.
- (3) Clarifying the classification and management method of information and data in accordance with their importance, and strengthening initiatives for maintenance.
- (4) Continuing to inspect, improve, and enhance the quality assurance system, to increase the trust in products.

Our annual tasks for 2019 are shown below, together with specific initiatives taken for these tasks.

Annual Tasks for 2019

- (1) Reexamining risks of material violation of laws and regulations, including the Antimonopoly Act, and implementing thorough measures.
- (2) Thoroughly inspecting, improving and enhancing the quality assurance system, to increase reliability.
- (3) Recognizing the importance of information and data and strengthening conservation measures.

Specific Initiatives Taken

- (1) In Japan, we continued to operate the monitoring system, analyzed the status of transactions and meetings with competitors registered in the system, and identified high-risk businesses. We prepared revised and expanded versions of the Antimonopoly Law Compliance Guidelines and held in-house seminars. Overseas, we reviewed the systems, programs, and activities of each overseas company and shared the examples of each company globally. In order to establish an effective Kuraray Group compliance program of the Antimonopoly Law, we reviewed and strengthened each company's programs and conducted regular follow-ups.
- (2) The department in charge of quality inspections completed on-site inspections, confirmed the consistency of quality standards, product specifications, and inspection results, and took corrective measures. We have established the Kuraray Group Product Safety Regulation and are working to make them known throughout the Group.
- (3) We enforced group-wide IT security policy. In addition, we revised our basic policy on the acquisition and management of personal information, "Privacy Policy" and established and disseminated the "Handling of access information on websites."

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 proposes to the President who then specifies critical management risks that need to be addressed by the entire Group, while assigning an officer in charge. The critical management risks are classified into the priority risks described above and the continuous management risks, and proper measures are taken for both of the risks after deliberations of the Board of Directors. This fiscal year, the following risks are identified as continuous management risks.

Risks associated with accidents and disasters

- Interruption of supply of materials and equipment
- Interruption of utility services

We take measures for both kinds of risks, including a possible interruption of supply due to an accident at a supplier or an event of disaster.

Risks associated with disputes and legal violations

- Risks concerning product qualities
- Violation of intellectual properties
- Briberies

As more stringent regulations related to briberies have been implemented by many countries and the Kuraray Group is expanding its plants and sites, more enforced prevention schemes are needed. We push forward with countermeasures in line with the Kuraray Group Global Anti-Bribery Policy established in 2015.

Risks associated with the environment

- Regulations on chemical substances
- Leakages of harmful substances
- Natural disasters

Measures concerning natural disasters have been focused on earthquakes and tsunami, but we are strengthening our risk evaluations and countermeasures to deal with abnormal weather patterns and more severe natural disasters caused by climate change.

Compliance

Group Compliance

“Our Commitment” states the principles of our conduct which we should adhere to in our business activities. 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 has been distributed to all Group employees in Japan and overseas, while e-learning opportunities were provided to ensure that all employees throughout the world fully understand the principles and commitments.

> WEB

In addition, we have appointed compliance officers at plants and overseas offices of Kuraray and Group companies, and have organized regional compliance committees. In fiscal 2019, the timing of the regional compliance committees’ development of action plans and reporting on accomplishments was aligned with the timing of the holding of the Risk Management and Compliance Committee meeting, to realize a more efficient and effective operating system.

Whistleblower System

The Kuraray Group has the Kuraray Group Employee Counseling Room in place for all employees of the Kuraray Group in Japan (including contract employees, temporary employees, and part-time employees) as a whistleblower system to prevent or detect and resolve compliance violations at an early stage.

In addition, we established the Global Compliance Hotline, which is available to all Group employees across the globe, in order to respond to the rapid progress of globalization. Employees can report all issues on compliance via the Hotline, such as general manners in trading (e.g.: bribery/corruption prevention), violation of company rules, and personnel affairs including respect for human rights. As established by the Guideline for the Operation of Kuraray Group Employee Counseling Room and the Guideline for the Operation of the Global Compliance Hotline, they can report anonymously and are protected from any disadvantageous treatment that may occur due to the report.

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



The Company underwent an on-the-spot inspection in February 2017 by the Fair Trade Commission of Japan in relation to the manufacturing and sale of activated carbon used in water purification facilities, waste incinerators, etc., and was issued a cease-and-desist order and an administrative monetary penalty payment order under the Antimonopoly Act by the said Commission in November 2019 with regard to the manufacturing and sale of designated activated carbon used in some of the water purification facilities, waste incinerators, etc. in eastern Japan and districts in the Kinki region. We were also issued a cease-and-desist order by the Fair Trade Commission of Japan in March 2017 in relation to the bid participation for designated KURALON™ (PVA fiber) products for which the Acquisition, Technology & Logistics Agency was to place orders. We seriously and sincerely accept the gravity of the situation of having received cease-and-desist orders due to violations of the Antimonopoly Act on two occasions, consider compliance with the Antimonopoly Act as one of the highest-priority management issues, and are making every effort to prevent recurrence through various measures.

Concrete initiatives taken so far to prevent recurrence

- (1) Establishment of the Antimonopoly Act Compliance Program
 - (i) Amendments of the rules and strengthening of the system
 - Transmitted a message from the top
 - Amended the Antimonopoly Act Compliance Guidelines
 - Established a guideline with respect to contact with competitors
 - Established a prior review system for transactions and meetings with competitors and a system to monitor bid participation information
 - (ii) Internal education
 - Held seminars by an external lawyer on the Antimonopoly Act
 - Conducted training for employees of the divisions
 - (iii) Internal investigation
 - Internal interviews regarding the status of compliance with the Antimonopoly Act
 - Implemented an internal system for self-reporting violations targeting employees in the sales division, including those of affiliated companies
 - Conducted an audit by the Legal Department targeting departments that participate in bids

FY2020 action plans for the prevention of recurrence

- (1) Expansion and enhanced operation of the Antimonopoly Act Compliance Program, including globally
 - (i) Amendments of the rules and strengthening of the system
 - Re-amendment of the Antimonopoly Act Compliance Guidelines
 - Global roll-out of the guideline with respect to contact with competitors
 - Global roll-out of the prior review system for transactions and meetings with competitors and the system to monitor bid participation information
 - (ii) Internal education
 - Host seminars by external speakers for officers of the Company and its Group companies
 - Host seminars for sales staff in Japan and overseas, using internal violation cases as examples
 - (iii) Internal investigation

- Internal interviews regarding the status of compliance with the Antimonopoly Act, including with respect to overseas subsidiaries
- Conducted an audit by the Legal Department targeting departments that participate in bids, including departments of overseas subsidiaries
- Implemented an internal self-reporting system, including with respect to overseas subsidiaries

(2) Amendments of the HR System (in Japan)

- Enhanced the rotation system for managerial staff who engage in the same duties for a certain period of time

Through the above initiatives, we will further endeavor to regain trust.

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 education and compliance seminars have been provided to all Group employees in Japan (including contract employees, temporary employees, and part-time employees). We conducted department-based education in a workplace discussion format in 2018, with a view to realizing an open “work environment where employees can regularly exchange honest opinions.” In addition, in 2019, we held seminars by external speakers in a discussion format for each division under the theme of improving the situation regarding insufficient communication between the Head Office (division) and plants, which had been highlighted in the department-based education during the previous year. During those seminars, we worked on the prioritization and development of countermeasures against compliance challenges that we face, beyond the walls of the Head Office and plants, and shared the details with each department’s staff in subsequent department-based education, to engage in initiatives to resolve challenges with higher priorities.



We will continue to hold similar seminars and provide department-based education.

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