

# Product

Corporate Statements

The Kuraray Group  
Code of Conduct

TOP STATEMENT

Sustainability Long-term  
Vision and Sustainability  
Medium-term Plan

Materiality of Kuraray  
Group

Planet

Product

PSA (Portfolio Sustainability  
Assessment) System

Supply Chain  
Management

Quality Management

Product Safety and  
Chemical  
Management

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(integrated report) /  
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PSA (Portfolio Sustainability  
Assessment) System

New

Supply Chain Management

Quality Management

Product Safety and Chemical Management

Logistics Safety

Sustainability Medium-term Plan for Product

## Supply Chain Management

### <CSR Procurement Policy>

“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, and we strive to fulfill our responsibility as a good corporate citizen. In 2005, Kuraray established the “CSR Procurement Policy” in accordance with the 10 principles of the “United Nations Global Compact,” which are internationally accepted universal principles. However, changes in social conditions regarding supply chain management rendered the existing CSR Procurement Policy insufficient in some respects, and accordingly, it was revamped in 2019. While it goes without saying that the Kuraray Group itself will observe and practice the Policy, we will share it with our suppliers and ask for their cooperation in working on it together in our purchasing transactions.

> Kuraray is a signatory of the United Nations Global Compact.

### CSR Procurement Policy

<b>1 Corporate governance</b> 	<p>We will stay cognizant of CSR, and seek to achieve harmony among people, society, and the global environment to build and maintain better relationships through our businesses. We will adhere to laws and regulations as well as other rules at all times and in all situations, and will always carry out corporate activities in a fair and honest manner.</p> <ul style="list-style-type: none"> <li>① Build a CSR promotion system</li> <li>② Build a business continuity plan (BCP) system</li> <li>③ Build a whistleblower system</li> <li>④ Dissemination of information and accountability to stakeholders</li> <li>⑤ Thorough compliance</li> </ul>
<b>2 Respect for human rights</b> 	<p>We will champion the human rights of all people who are involved in our business activities and respect the dignity and value of each one of them.</p> <ul style="list-style-type: none"> <li>① Respect for human rights and personality and prohibition of discrimination</li> <li>② Avoidance of complicity in human rights violations</li> <li>③ Prohibition of forced labor and child labor</li> <li>④ Freedom of association</li> </ul>
<b>3 Safe, easy-to-work environment</b> 	<p>We will adhere to laws and regulations relating to occupational health and safety, and strive to maintain and enhance a work environment that is safe and easy to work in for all people who are involved in our business activities. In addition, we will value the diversity of employees and treat them fairly without discriminating based on sex, nationality, ethnicity or others.</p> <ul style="list-style-type: none"> <li>① Appropriate management of occupational safety and health</li> <li>② Employee health management</li> <li>③ Appropriate wage payment</li> <li>④ Appropriate management of working hours</li> <li>⑤ Providing equal opportunities for employment, evaluation, placement, etc.</li> <li>⑥ Prevention of harassment</li> </ul>
<b>4 Promotion of environmental preservation</b> 	<p>We will strive for reduced environmental burdens and risks, as well as environmental preservation, including preservation of ecosystems, through business activities that are in harmony with the environment. We will contribute to the sustainable development of society and fulfill our responsibilities to the next generation.</p> <ul style="list-style-type: none"> <li>① Compliance with environmental laws and regulations, environmental conservation efforts (ISO14001, etc.)</li> <li>② Proper management of chemical substances</li> <li>③ Reduction of environmental load</li> <li>④ Effective use of resources (energy, water, raw materials, etc.)</li> <li>⑤ Proper management and reduction of waste</li> </ul>
<b>5 Fair business practices</b> 	<p>We will carry out corporate activities in a fair and honest manner, not be involved in any form of misconduct, including bribery, and conduct free, fair, and transparent business dealings through sound competition in the market.</p> <ul style="list-style-type: none"> <li>① Compliance with antitrust law/competition law, compliance with subcontract law (prohibition of abuse of a superior position)</li> <li>② Prevention of unfair competition</li> <li>③ Prevention of bribery</li> <li>④ No relationship with anti-social group</li> <li>⑤ Protection of intellectual property, prevention of unauthorized use of intellectual property by third parties</li> <li>⑥ Prohibition against insider trading</li> <li>⑦ Prohibition on conflicts of interest</li> <li>⑧ Appropriate import/export management</li> </ul>
<b>6 Safety and quality of products and services</b> 	<p>We will strive to contribute to society by supplying safe, reliable, and high-quality products and services.</p> <ul style="list-style-type: none"> <li>① Safety and quality initiatives (ISO9001, etc.)</li> <li>② Appropriate response when a defect occurs (information disclosure, notification to customers)</li> </ul>
<b>7 Proper control of Confidential Information</b> 	<p>We will recognize that confidential information, including trade secrets, know-how, and customer information, is an important asset of the Company, and will use and manage the same appropriately. We will also respect confidential information disclosed by third parties and manage the same in a similar manner.</p> <ul style="list-style-type: none"> <li>① Thorough information security</li> <li>② Defense against attacks on computer networks</li> <li>③ Protection of personal information</li> <li>④ Prevention of unauthorized use of confidential information</li> </ul>
<b>8 Supply chain</b> 	<p>We will strive to have the significance of sustainable procurement be wellunderstood and embraced by our business partners in order to fulfill social responsibility throughout the supply chain.</p> <ul style="list-style-type: none"> <li>① Promotion of CSR in the supply chain</li> <li>② Use of raw materials that are not involved in war or crime (conflict minerals)</li> </ul>
<b>9 Promotion of contributions to society</b> 	<p>We will be cognizant of our role as a corporate citizen, and engage in activities to interact actively with and contribute to society.</p> <ul style="list-style-type: none"> <li>① Efforts with local communities and society for sustainable development</li> </ul>

## <Evaluating Suppliers Partners>

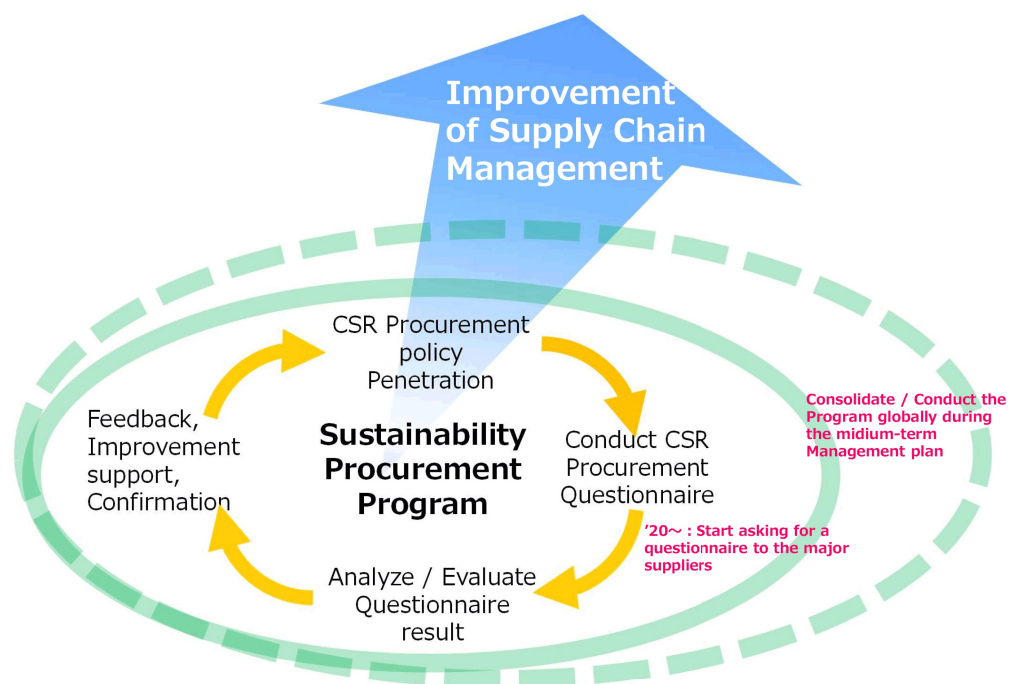
### 1. CSR procurement questionnaire

The Kuraray Group has identified “Improving supply chain management” as one of its material issues (materiality) > [Materiality of the Kuraray Group](#). Observing and practicing the “CSR Procurement Policy” along the supply chain will be one of the main targets. In order to ensure these efforts, we conduct a CSR Procurement Questionnaire to confirm the status of our suppliers’ efforts. Specifically, we will build and operate a system where we follow a cycle involving our suppliers of (1) spreading the Policy among them, (2) conducting a CSR procurement questionnaire, (3) analyzing and evaluating the survey results, and (4) giving feedback and supporting improvement as necessary. Through the process, Kuraray will regularly monitor suppliers to mitigate risks and ensure sustainable procurement. We will provide education and guidance on improvement through close communication with suppliers found to be especially in need of active support in improvement in the course of these activities. Furthermore, Kuraray plans to verify if and how often audits on suppliers will be necessary based on suppliers’ activities and status of improvement.

As the first step for this initiative, we conducted the “CSR Procurement Questionnaire” targeting major suppliers <sup>1)</sup> of the Kuraray Group in Japan <sup>2)</sup> in 2020.

<sup>1)</sup>Suppliers covering 80% of total purchasing amount

<sup>2)</sup>Kuraray Group in Japan covers Kuraray Co., Ltd. and six manufacturing companies listed in the “Affiliated Companies (Japan)” page(<https://www.kuraray.com/company/base/domestic>).



The questionnaire reflects the Kuraray Group Code of Conduct and the 10 principles of the United Nations Global Compact. It covers 51 items in nine areas including respect for human rights, abolition of discrimination based on gender, nationality, etc., abolition of child labor, water resource issues, global warming countermeasures, environment pollution countermeasures, fair corporate activities such as preventing bribery and corruption, ensuring quality, information security, consideration for the supply chain, and harmony with local communities, among others.

Item in the Policy		Questionnaire item
<b>1 Corporate governance</b>		1.CSR promotion system 2.CSR assessment 3.Business continuity plans (BCP) 4.Whistleblowing system 5.Disclosure and accountability
<b>2 Respect for human rights</b>		1.Basic stance on human rights 2.Respect for human rights and abolition of discrimination 3.Elimination of forced labor 4.Abolition of child labor 5.Freedom of association 6.Ratio of female executives 7.Employee training 8.Dialogue with employees
<b>3 Safe, easy-to-work environment</b>		1.Human resource development opportunities 2.Adequate wages 3.Fair work hours and holidays 4.Abolition of harassment 5.Management of employee safety and health 6.Safety and health management of subcontractors 7.Physical checkup
<b>4 Promotion of environmental preservation</b>		1.Environmental initiatives 2.ISO14001 certification, etc. 3.Control of chemical substances 4.Transportation of hazardous objects 5.Management of waste water, sludge and emissions 6.Sustainable and efficient use of resources (energy, water, raw materials, etc.) 7.Reduction of greenhouse gas (GHG) emissions 8.Disclosure of NOx, SOx, and VOC emissions 9.Responsible waste disposal
<b>5 Fair business practices</b>		1.Compliance with antimonopoly laws/competition laws 2.Elimination of unfair competition 3.Appropriate relations with local administration and public officials 4.Prevention of inappropriate delivery of benefits to and from customers and suppliers, etc. 5.Elimination of ties with anti-social groups 6.Abolition of unauthorized use of intellectual property and illegal reproduction of copyrighted material 7.Abolition of insider-trading 8.Abolition of conflict-of-interest transactions 9.Penalties and lawsuits 10.Export and import trade control
<b>6 Safety and quality of products and services</b>		1.Policy on quality and safety 2.Securing quality and safety 3.Appropriate response to accidents, defective products in the market, etc.
<b>7 Proper control of confidential information</b>		1.Thorough information security 2.Protection against cyberattacks 3.Protection of personal data and privacy 4.Prevention of unauthorized use of trade secrets
<b>8 Supply chain</b>		1.Promoting CSR in the supply chain 2.Conflict minerals
<b>9 Promotion of contributions to society</b>		1.Efforts to mitigate negative impact 2.Initiatives with local communities for sustainable development 3.Promotion of social contribution

Suppliers were asked to answer multiple choice questions on whether they have a system in place, and the status of improvement and confirmation for each item.

#### Response to the 2020 CSR procurement questionnaire and response rate

Number of target suppliers	Number of suppliers who responded	Response rate
223 companies	219 companies	98.2%

#### Future plans

Upon analyzing the survey results obtained this time, we will give our suppliers feedback on the results and carry out hearing of further details of their situation for providing support for improvement. By establishing the PDCA cycle and getting accustomed to it in cooperation with suppliers, the Kuraray Group strives to permeate

the CSR Procurement Policy and improve the activities for CSR procurement throughout the supply chain together with our suppliers.

## 2. Other surveys

The Kuraray Group conducts some evaluation per industry other than the above. For example, we have compiled a “Warehouse company qualification evaluation list” covering criteria for newly selecting and continuing evaluation of third-party commercial warehouse companies in Japan. Based on the list, we audit warehouse companies in terms of location and facility, warehousing work environment, status of internal education and other matters when newly appointing them and periodically after that. Initiatives are ongoing to give guidance on improvement when audit results do not satisfy criteria.

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