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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 “Priority issues” which are 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. The Priority issues are those in which the President clearly indicates specific tasks for the organization to mitigate priority risks and instruct the organization on how to implement steadily.

#### 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.
- (4) Continue ensuring preparation for COVID-19 pandemics.

Our Priority issues for fiscal 2021 are shown below, together with specific initiatives taken for these tasks.

### **Priority issues for fiscal 2021**

- (1) Conduct a comprehensive review of the facilities of overseas plants in particular, not only for confirm their safety designs but also management aspects (operation management and facility management) and establish highly effective countermeasures for identified issues in order to mitigate the risk of safety-related accidents occurring.
- (2) Establish a globally unified confidential information management system and strengthen measures to protect data in a timely manner.
- (3) Ensure the thorough prevention of recurrence of any violation recurring through the use of globally established programs to comply with the Antimonopoly Law.
- (4) Ensure business continuity in response to the pandemic by thoroughly implementing measures to prevent infection and the spread of infection based on the emergency response to COVID-19.

### **Specific Measures**

- (1) We continued the Progress management by the promotion team to take countermeasures against Disaster Prevention risks at overseas chemical plants. The progress of the measures was confirmed through auditing by each corporate HSE (Health Safety Environment) and the objectivity was obtained. In Japan, we continued to implement measures in accordance with the plan for individual risks related to fires, explosions, and hazardous substance leaks. We also worked to examine new capital investment risks, conduct non-routine risk assessments, work to prevent human factors, and secure the safety of maintenance operations.
- (2) On October 1, 2021, unauthorized access was made to our own servers, and an emergency task force was organized and company-wide responses began. We confirmed that some of the information we possess has been leaked to the outside, and in order to prevent further information leaks, we are conducting detailed surveys in cooperation with external professional organizations and taking

measures such as blocking channels for unauthorized access.

In November 2021, we established the Kuraray Group Confidential Information Management Policy, which is unified globally, and are implementing activities to widespread the policy in the company.

- (3) We operated and monitored the Group Antitrust Law Compliance Program (development of related regulations, education and training for directors and employees, risk assessment for each business, audit of bidding participating businesses, etc.) for all Kuraray Group companies worldwide.
- (4) In response to the spread of new COVID-19 infections, we implemented measures such as wearing masks, checking for temperature, and avoid being at a crowded place during domestic and overseas business trips based on the global policy. Also Office workers tried to work from home, utilized staggered working hours system and production sites restricted the entries from other location to prevent new COVID-19 infections. Also to strengthen our production continuity, we will adjust our BCP (Business Continuous Plan) based on the COVID-19 infection situation.

## 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 evaluate and conduct 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. 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.

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