Governance

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Risk Management

Risk Management and Compliance Promotion System

 The Kuraray Group monitors risks regularly, led by the Risk Management and Compliance Committee, and identifies risks that could have a significant impact on business management. Such risks are proposed to the President, who then specifies those that are critical management risks, and priority countermeasures are carried out after deliberation by the Board of Directors. The Risk Management and Compliance Committee 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 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 the findings of risk analysis of the Kuraray Group and recent social conditions and trends, 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 tasks that the President clearly indicates for the organization to mitigate priority risks, instructing the organization on how to carry them out.

Kuraray Group Risk Management Policy in Fiscal 2023

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, the following are the priority issues for fiscal 2023 in light of the findings of risk analysis of the Kuraray Group and recent social conditions and trends.

(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 for supply risks affecting raw materials, fuels, secondary materials, and equipment. Further improve the accuracy and effectiveness of business continuity planning (BCP) by taking risk countermeasures, starting with high-priority measures in the BCP of each business.

Our Priority issues for fiscal 2022 are shown below, together with specific initiatives taken for these tasks.

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 (Business Continuity Planning).

(4) Continue ensuring preparation for COVID-19 pandemic.

Specific Measures

(1) We formed a Confidential Information Management Team in June 2022 to monitor and better implement the Kuraray Group Confidential Information Management Policy, reformulated in November 2021, both in Japan and overseas. We bolstered IT security by building an emergency response framework for IT incidents and putting in place a more secure data storage system.

(2) Since 2019, members from Japan have been conducting safety audits of chemical plants outside Japan. In 2022, a Global Process Safety Management Audit Team made up of in-house experts from across the Group started up activities to gauge and take steps to address overseas security risks.

(3) Based on the findings of our analysis of priority production areas and the risk of suspension of the sharing of raw materials and other resources in each business, we are formulating a succession of risk-mitigation measures, starting with high-priority raw materials.

(4) In response to the global COVID-19 pandemic, a response team formed in January 2020 worked with Group companies in Japan and abroad to identify infection levels and take measures to prevent infection, continuing to implement preventive measures while responding to the specific context in each country.

Risk Management

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 departments 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. 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. From among these, the Committee selects significant risks that require a Group-level response. 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. In 2023, critical management risks are classified into three priority risks to be taken up as priority issues, and nine risks requiring ongoing monitoring, and proper measures are taken for both types of risks. The risks requiring ongoing monitoring in fiscal 2023 are: risks concerning product quality, regulations of chemical substances, natural disasters, antitrust violations, bribery, intellectual property risks, pandemics, harassment, and the securing of human resources at production sites.

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