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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 disseminates to each Group organization, consists of two elements: a long-term, ongoing Basic Policy encompassing overall Group risk management, and priority issues that are the focus for a particular fiscal year in light of the findings of risk analysis of the Kuraray Group and recent social conditions and trends. This framework allows flexible and prompt actions to be taken in response to 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 directs the implementation of steady measures.

Kuraray Group Risk Management Policy in Fiscal 2024

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, give the top priority to earn the trust from society, to secure the safety and health of our employees, local communities, customers and business partners and then implement measures to achieve business continuity or early recovery.

Priority Issues

Based on the above policy, the findings of risk analysis of the Kuraray Group, recent social conditions, and trends at us and other companies, the followings are the priorities for 2024.

- (1) Further enhance the level of confidential information management by further strengthening information security throughout the Group, thoroughly disseminating confidential information management rules, and monitoring the status of operations.
- (2) In order to mitigate the risk of occurrence of safety-related accidents, continue to implement measures to strengthen operations and facility management at overseas plants and objectively identify specific issues at the plants by and through the on-site audits by the Global PSM (Process Safety Management) Auditing Team taking into account the issues related to the safety management system at each overseas affiliates, and promote improvements.
- (3) Further improve the accuracy and effectiveness of BCP (Business Continuity Plan) by steadily implementing the risk avoidance/reduction measurements developed for the products that are highly prioritized in BCP of respective business based on the result of reexamination of the procurement risks of raw materials, fuels, secondary materials and equipment, including commodity materials, from a supply chain perspective.

Our Priority issues for 2023 are shown below, together with specific initiatives taken for these tasks.

Priority issues for 2023

- (1) Further strengthen confidential information management by steadily implementing measures to strengthen information security throughout the Group.
- (2) In order to mitigate the risk of occurrence of safety-related accidents, continue to implement measures to strengthen operation and facility management at overseas plants and identify and improve the issues related to the safety management system at overseas affiliates through the activities of Global PSM (Process Safety Management) Auditing Team.
- (3) Further enhance the accuracy and effectiveness of BCP (Business Continuity Plan) by reexamining the supply risks of raw materials, fuels, secondary materials and equipment, including commodity materials, from a supply chain perspective, and taking risk measures from those that are highly prioritized in BCP of respective businesses.

Specific Measures

- (1) In January 2023, we strengthened IT security by globally introducing a highly secure data storage system. In September 2023, we established a portal site to promote awareness and communication with regard to confidential information, which presents in-house regulations on the handling of confidential information, notably the Kuraray Group Confidential Information Management Policy, and provides information on relevant educational programs.
- (2) Since 2019, members from Japan have been conducting safety audits of chemical plants outside Japan. In 2022, a Global Process Safety Management (PSM) Audit Team made up of in-house experts from across various country sites in the Group

started up activities to gauge and take steps to address overseas security risks. In 2023, we confirmed the management status of the environmental and industrial safety departments at our major production subsidiaries in Europe and the United States, identifying issues and making recommendations. We also laid the groundwork for onsite audits by the Global PSM Audit Team due to be conducted in 2024.

- (3) Based on the findings of our analysis of priority production areas and the risk of suspension of the supply of raw materials in each business, we continued to formulate and implement a succession of risk-mitigation measures, starting with high-priority raw materials.

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 2024, 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 2024 are: Risks Concerning Product Quality, Regulations of Chemical Substances, Natural Disasters, Bribery, Antitrust Violations, Intellectual Property Risks, Harassment, and the securing of human resources at production sites. We also added Respect for Human Rights, which has become a strong social concern in recent years and is regulated overseas by law.

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