

# Risk Management and Compliance



Risk Management



Compliance

## Risk Management Implementation System

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 organizations 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. From among these, the Risk Management and Compliance Committee discusses and selects serious risks that have a high potential impact on management and require a Group-level response to mitigate. 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. 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. The Committee also 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 underlying approach to risks. The priority issues clarify the tasks the organization needs to address to mitigate priority risks, indicating the way to steadily implement response measures.

Management risks in 2025 were categorized into three priority risks and nine risks requiring ongoing monitoring as identified in the risk management policy, and appropriate response measures will be taken for each. The risks requiring ongoing monitoring in 2025 are: risks concerning product quality, regulations of chemical substances, natural disasters, geopolitical risks, bribery, antitrust violations, intellectual property risks, harassment, and respect for human rights.

### Kuraray Group Risk Management Policy in Fiscal 2025

#### Basic Policy

- 1) Ensure the prevention of illegal or inappropriate conduct that betrays the trust of society
- 2) Thoroughly prevent accidents and disasters such as safety-related accidents or environmental pollution product accidents, that threaten the safety and health of employees, local communities, customers, and business partners.
- 3) In the event of an incident that has a serious impact on our business or on society, we will place the highest priority on gaining the trust of society and will take measures to ensure the safety and health of our employees, local communities, customers, and business partners, and to continue or quickly recover the business.

#### Priority Issues in Fiscal 2025

- 1) To reduce the risk of leaks or destruction of confidential information, introduce a globally standardized information security system and work to improve the standard of confidential information management by thoroughly implementing rules of confidential information management and steadily undertaking rectification measures based on the results of monitoring the status of implementing the rules.
- 2) To mitigate risk of process accidents, continue to implement measures to enhance operational and facility management at the Group's plants all over the world. Through onsite audits of individual Group companies by the Global Process Safety Management Audit Team, comprising members from across the organization, objectively identify issues in safety management and support rectification of those issues. Also, for issues that are detected, roll out measures horizontally on a global basis to mitigate the risk of process accidents throughout the Group.
- 3) Revise measures for avoidance and reduction of fuel and raw materials procurement risks in terms of the latest trends upstream in the supply chain and steadily implement the measures, starting with the fuels and raw materials relevant to products with a high priority based on the business continuity plan (BCP) of each business.

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## Initiatives on Priority Issues in Fiscal 2024

### Priority Issues in Fiscal 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) To mitigate the risk 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 through on-site audits by the Global Process Safety Management Audit Team, taking into account issues related to the safety management system at each overseas affiliate, and promote improvements.
- 3) Further improve the accuracy and effectiveness of the business continuity plan (BCP) by steadily implementing risk avoidance and reduction measurements developed for products of respective business that are highly prioritized in the BCP, based on the result of reexamining the procurement risks of raw materials, fuels, secondary materials, and equipment, including commodity materials, from a supply chain perspective.

#### Priority Issue 1

To strengthen confidential information management on an ongoing basis, the Company restructured the Confidential Information Management Team into a permanent organization in January 2024. As well as establishing the operation of a highly secure data storage system, which was launched in 2023, and expanding its functions, the Company began operating systems for the detection and automatic suspensions of mass downloads.



Preventing Leakage of Confidential Information

#### Priority Issue 2

The relevant companies and business units of our overseas chemical plants have been subject to safety audits since 2019. In addition, the Global Process Safety Management Audit Team comprising global in-house experts was launched in 2022 and is working to identify overseas safety risks and pursue countermeasures. In 2024, the PSM Audit Team conducted on-site audits of three production bases, identifying issues and recommending rectification measures.



Safety Audits for Chemical Plants outside Japan

#### Priority Issue 3

Continuing from 2023, based on the results of analysis of priority production brands and the risks of disruptions to the supply of raw materials, fuels, and other resources in each business, the Company progressively developed and implemented risk reduction measures, starting with resources that have the highest priority. In the analysis of the risks of supply disruptions for raw materials and other resources, due to recent changes in upstream supply chain trends, the analysis results were revised considering the trends.

## Group Compliance

The statement “Our Commitment” outlines the principles of conduct to which the Kuraray Group should adhere in its business activities, which involve diverse points of contact with society. Our Code of Conduct serves as a guideline for putting the commitment into practice in day-to-day operations. We distribute a Compliance Handbook to all Group employees in Japan and overseas to familiarize them with the clear commitment of top management to compliance with laws and regulations and with “Our Commitment,” which contains an easy-to-understand explanation of the Code of Conduct. In addition, we have appointed compliance officers at plants and overseas offices of Kuraray and Group companies, and have organized regional compliance committees, linked to the activities of the Risk Management and Compliance Committee, to raise awareness of compliance throughout the Group.

## Whistleblower System

We have set up a Kuraray Group Employee Counseling Room and a Global Compliance Hotline for Group employees around the world as an internal reporting system for either preventing or detecting and resolving at an early stage any compliance violations. Consultation and reporting can be anonymous, and we have put strict regulations in place to protect people making reports from being treated unfairly. In 2024, the Kuraray Group Employee Counseling Room received 29 consultations in Japan.

We have established a Governance Hotline to serve as an internal reporting point independent of management, via an outside law firm that is different from the firm we use for legal counsel.

	FY2020	FY2021	FY2022	FY2023	FY2024
Kuraray Group Employee Counseling Room Consultations in Japan	23	11	29	31	29

### Departmental Compliance Education

Since 2017, Group employees in Japan have undergone departmental compliance education once a year to promote greater compliance awareness and a more open organizational culture. In 2024, we held an online compliance seminar, led by an outside instructor, for general managers of Group companies in Japan. The seminar focused on the theme of workplaces that encourage open dialogue, and seminar participants then implemented the procedures they learned at the seminar in their own departments and held discussions with all department members.