



## Risk Management

### Risk Management System

The Kurita Group defines risk as any event that makes its sustainable growth and enhancement of the Group's corporate value uncertain. We identify risks that need to be addressed while minimizing losses and damage caused by risks by taking measures to avoid and mitigate risks, so that we can continue securing business opportunities for further growth.

The General Manager of the Corporate Planning Division is the officer responsible for monitoring risks and implementing risk management within the Kurita Group. The General Manager regularly conducts risk analysis and evaluation to relevant Group companies, conducts ongoing monitoring, and takes steps to prevent risks from occurring.

If a risk that could have a serious impact on management occurs, the General Manager formulates systems with those responsible for responding to the risk, obtains approval from the president, and immediately issues orders. Those responsible for responding to the risk promptly take action and report to the president and the General Manager of the Corporate Planning Division regarding the status of the effects of the risk, remediation, and measures to prevent reoccurrence.

Among serious risks, those related to compliance are the responsibility of the head of the E&S (Environmental & Social) Committee, while those related to hygiene, safety, and disasters are the responsibility of the head of the Safety and Hygiene Committee of the Headquarters. The general manager of each division is responsible for responding to risks directly associated with day-to-day business operations. Also, responding to commonly seen risks relating to quality, the environment, information security, export controls, and so on are handled by the respective divisions responsible.

The General Manager of the Corporate Planning Division, the head of each committee, and the general managers of divisions report periodically to the Board of Directors on the status of risk management implementation, and report as necessary to the Board of Directors and the Audit & Supervisory Board on the occurrence and effects of serious risks. Monitoring of the execution status and improvement status of risk management is conducted by the Internal Auditing Department.

### Establishment of Business Continuity Management (BCM) Policy

In February 2018, Kurita formulated the Business Continuity Management (BCM) Policy to set out the Kurita Group's principles for handling emergencies that pose a risk to the continuity of the Group's businesses, such as major disasters or pandemics, and began implementing the policy from April 2018. The policy was formulated to provide a business continuity plan (BCP) for responding to emergencies as well as to settle principles of BCM activities to maintain ordinary business activities, thereby enabling Kurita Group officers and employees to make judgements and act appropriately. The policy clarifies our basic approach in the following three points.

- 1** Highest priority on ensuring the safety of humans  
The Kurita Group will place highest priority on ensuring the peace of mind and safety and security of the officers and employees, and their family members.
- 2** Early restoration of business operations  
The Kurita Group will endeavor to quickly restore the operations at its own facilities, completed properties, properties under construction, and so forth. In this way, it will make efforts to supply products and services in a stable manner and to support its customers' recovery efforts.
- 3** Community support  
While making efforts to prevent secondary disasters at its own sites, the Kurita Group will support reconstruction of the local community.

In the fiscal year ending March 31, 2019, the Group Administrative Division of Kurita Water Industries Ltd. will serve as the department responsible for BCM and carry out a series of initiatives, formulating, maintaining, and updating BCPs, securing resources, and providing education and training. The Group Administrative Division will also conduct regular inspections of the implementation status of BCM through the Safety and Hygiene Committee of the Headquarters and the Group Health and Safety Committee and report the results to the Executive Committee.

This policy is to be applied across all companies in the Kurita Group. However, for now we will focus on implementing it mainly at Kurita Water Industries Ltd. and its domestic Group companies, which face a high risk of experiencing a major earthquake.

## Framework for Promotion

All Kurita Group officers and employees share fairness, transparency, integrity, safety, and compatibility as five core values, and how all Kurita Group officers and employees should conduct themselves and what conduct is prohibited have been compiled into the Kurita Group Code of Conduct. The Kurita Group's basic approach toward compliance is to implement this code of conduct.

As an organization for overseeing Kurita Group's compliance activities, the Company has established the E&S (Environmental & Social) Committee, which is chaired by the executive senior managing director and representative director, and the Group E&S Committee, which is also chaired by the abovementioned director and whose members are representative directors of Group companies. In these committees, the Group sets out policies and important measures for compliance activities and conveys them to all employees through subcommittees at each headquarters division and Group company. The committees manage the activity targets and the Company's Board of Directors evaluates the activity results.

## Establishment of the Kurita Group Code of Conduct

On October 1, 2016, the Kurita Group Code of Conduct was established as a model for compliance with laws and for taking appropriate actions according to social ethics. With Kurita's business continuing to expand globally, the Code defines actions to be taken by all Group officers and employees beyond any gaps that may exist due to language, custom, or culture. As thorough understanding of the Code is a priority, it has currently been translated into 17 different languages.

## Kurita Group Anti-Bribery Policy

The Kurita Group reinforced its Anti-Bribery Policy on March 1, 2017, in order to promote fair business activities within the Group. This policy defines basic items related to the Group's bribery prevention systems. Under this policy, the Company and each Group company defines items to be complied with as rules and works on the reduction of the risk of the occurrence of bribery.

## Kurita Group Antitrust Policy

The Kurita Group has established the Kurita Group Antitrust Policy to ensure that the Group conducts fair and proper transactions and to prevent its officers and employees from violating antitrust laws in countries around the world. The policy sets out basic items regarding observing local antitrust laws and antimonopoly laws, and associated regulations and so forth in different countries and regions.

In 2006, the Kurita Group in Japan withdrew, in principle, from all construction projects ordered by the national government and local public entities. We also forbid participation and membership of trade associations in order to exclude all dealings with associates that can easily connect to bid-rigging and cartels.

## Initiatives to Establish Healthy Relationships with Suppliers

Since 2008, the Company has been conducting Surveys on Transactions with Kurita Water Industries Ltd. once a year with suppliers who fall under the category of subcontractors as provided in the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the Subcontract Act). The Company is promoting fairer transactions and building relationships of mutual trust and cooperation by continuously improving its transactions and its methods of transactions based on the opinions and suggestions voiced by its suppliers. We also request subcontractors to thoroughly comply with laws and regulations, while the procurement guideline requests them to respect basic human rights, have consideration for preserving the environment, and achieve and maintain safe working environments.

As well, we also have the Supplier Helpline, which suppliers can call for consultation and reporting. This helpline is operated by an external organization.

## Overview of the Kurita Group's Whistle-Blowing System

The Company and its domestic Group companies maintain consultation desks within each company as well as at outside organizations in an effort to protect persons who consult or make reports and to achieve early detection of dishonest practices. Starting in April 2016, we commenced operation of the Kurita Global Helpline, which allows the employees of overseas Group companies to make reports to a consultation desk.

Updates on operation of the Group's whistle-blowing system are reported to the Board of Directors on a regular basis.

## Response to Anti-Social Forces

The Kurita Group takes a firm stance against anti-social forces that threaten the order and safety of society, and we are vigilant that we never accept illegal requests from such forces. Upon reaching a basic agreement for business with our suppliers, we obtain a written statement from each supplier stating that they have no relationships with such anti-social forces.