

# CSR Procurement Guidebook

Basic Procurement Principles

Basic Procurement Policies

CSR Procurement Guidelines



Global "sukima" ideas



November 2021

## *Basic Procurement Principles*

In order to realize the *KAYAKU spirit*<sup>(1)</sup>, Nippon Kayaku Group will pursue mutual and sustainable growth with suppliers based on the understanding they are important business partners who help us produce products of the best quality. We will strive to conduct procurement transactions that are fair, honest, impartial, and in accordance with relevant laws, social norms, and our Basic Procurement Policies.

## *Basic Procurement Policies*

At Nippon Kayaku Group, all procurement operations will be carried out in accordance with the Basic Procurement Policies as set out below.

### **1) Compliance with Relevant Laws, Social Norms, and the Nippon Kayaku Group Charter of Conduct**

- We will comply with all relevant laws and regulations when conducting procurement operations.
- We will judge the propriety of procurement activities based on Nippon Kayaku Group Charter of Conduct and the Nippon Kayaku Group Code of Conduct and Group Action Guidelines.

### **2) Open-door Policy, Fairness, Impartiality, and Transparency in Business Transactions**

- We will conduct procurement-related business transactions in a fair, impartial, and transparent manner, and follow an open-door policy with respect to businesses at home and abroad.
- In order to ensure transparency in all our procurement activities, we will undertake due procedures based on written documentation or electronic purchasing systems in accordance with the procurement operations standards.

### **3) Partnerships with our business partners**

- We will build partnerships with suppliers based on mutual understanding and trust, and pursue mutual sustainable growth.

### **4) Protection of Information**

- We will protect supplier-related information obtained in the course of our operations, and strive to prevent any information leakage.

### **5) Concern for the Environment**

- We will promote the procurement of eco-friendly goods and materials.

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<sup>1</sup> The *KAYAKU spirit*, which represents Nippon Kayaku Group's corporate vision, means "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences". The *KAYAKU spirit* is based on the corporate motto created more than half a century ago and it has stood at the root of our CSR management ever since. We will be able to achieve our vision for CSR management that earns the trust of all stakeholders by engaging in corporate activities that realize the *KAYAKU spirit*.

**6) *Basic Criteria for Selecting Suppliers***

- When selecting goods and materials, we will give due consideration to economic factors such as quality, price, and date of delivery. We will also consider other factors such as the supplier’s operating foundations, technological competitiveness, and stability of supply.
- When selecting suppliers, we will give due consideration to their commitment to corporate social responsibility (CSR), including their observance of relevant laws and regulations, respect for human rights, concern for the working environment, disaster preparedness and safety measures, efforts toward environmental conservation, and other efforts designed to fulfill their CSR.
- In addition to the above, we will give due consideration to whether or not the potential supplier has a risk management system such as BCP (Business Continuity Plan).

## ***CSR Procurement Guidelines***

This guideline is defined as a matter that the Nippon Kayaku Group and its suppliers should work on in order to fulfill their social responsibilities as members of society and to practice responsible corporate behavior. We hope that our suppliers will understand this guideline, promote CSR activities throughout the supply chain, including expanding to your suppliers, and aim to realize a sustainable society. We kindly ask you to proceed with the efforts in line with this guideline.

### ***Section 1: Code of Conduct***

#### ***1. Legal and Ethical Compliance***

##### ***[1-1] Prohibition of Restrictive Trade Practices and Unfair Competition***

Companies are requested to refrain from practices that restrict fair, transparent, and free competition.

##### ***[1-2] Prohibition of Abuse of Superior Bargaining Position***

Companies are requested to refrain from practices that create disadvantage for their own suppliers (sub-suppliers, from Nippon Kayaku's perspective) by abusing their superior bargaining position.

##### ***[1-3] Preventing Corruption***

Companies must not be involved in bribery, corruption, blackmail, or embezzlement in any form.

##### ***[1-4] Prohibition of the Giving or Receiving of Improper Advantage***

Companies are requested to refrain from giving to or receiving from their stakeholders any improper advantage.

##### ***[1-5] Respect for Intellectual Property***

Companies are requested to refrain from infringing upon intellectual property rights.

##### ***[1-6] Prevention and Early Detection of Improper Practices***

Companies are requested to conduct activities designed to prevent improper practices and to establish an early detection system.

##### ***[1-7] Prevention of Leakage of Personal Information***

Companies must comply with relevant laws and regulations and appropriately manage and protect all personal information of suppliers, customers, consumers, and employees.

***[1-8] Proper Import/Export Control***

Companies must maintain a clear management system and conduct appropriate procedures for the import and export of technologies and goods regulated by law.

***[1-9] Prevention of Leakage of Information about Clients and Third Parties***

Companies are requested to appropriately manage and protect confidential information regarding clients and third parties.

***[1-10] Responsible Minerals Procurement***

Companies must not use minerals in their products that can cause social problems such as human rights and the environment.

***2. Human Rights and Labor***

***[2-1] Prohibition of Inhumane Treatment***

Companies are requested to respect the human rights of employees and to prohibit abuse, harassment, and any other cruel and inhumane treatment. Companies must also provide workers with individually secured accommodations for storing their personal and valuable items, and a reasonable personal space along with reasonable entry and exit privilege.

***[2-2] Prohibition of Discrimination***

Companies must not engage in discrimination or harassment. Companies must also consider requests from workers regarding religious practices where appropriate.

***[2-3] Working Hours***

Companies are requested to appropriately manage employees' working hours, days off, and leave to ensure that they are within the bounds stipulated by law.

***[2-4] Respecting Employees' Right to Organize***

Companies are requested to respect employees' right to organize in order to bring about negotiations between labor and management over working conditions or wage standards, etc.

***[2-5] Prohibition of Forced Labor***

Companies are requested to employ all employees of their own free will with no employee being subject to forced labor.

***[2-6] Prohibition of Child Labor***

Companies must not allow children who are under the minimum age for employment.

Furthermore, companies must also not allow young workers under the age of 18 to perform hazardous work that is likely to jeopardize their health or safety, including night work or overtime.

***[2-7] Occupational Accidents and Disease resulting from Employment***

Companies are requested to understand the situation concerning occupational accidents and disease resulting from employment, and to establish appropriate measures.

***[2-8] Giving Due Consideration to Physically Demanding Work***

Companies are requested to specify physically demanding work and to appropriately manage workload to prevent accidents or disease.

***[2-9] Appropriate Wages***

Companies are requested to pay employees no less than the legal minimum wages, and to refrain from practicing improper wage reduction as means of a disciplinary action.

### *3. Health and Safety*

***[3-1] Emergency Measures***

In order to protect the welfare of employees, suppliers are requested to prepare emergency measures as a precaution against possible disasters or accidents, and to ensure that they are fully understood throughout the workplace.

***[3-2] Health and Safety in Facilities***

Companies are requested to appropriately safeguard health and safety in facilities provided to employees (company housing, cafeterias, and restrooms, etc.).

***[3-3] Safety Measures for Machinery and Equipment***

Companies are requested to establish appropriate safety measures with respect to machinery and equipment used by employees.

***[3-4] Safety in the Workplace***

Companies are requested to assess safety risks in the workplace and to use appropriate designs, techniques, and control measures to secure safety. Taking reasonable steps must also be taken to protect pregnant women and nursing mothers.

***[3-5] Hygiene in the Workplace***

Companies are requested to identify situations in which employees are exposed to harmful substances, noises, or odors, and to establish appropriate measures.

### ***[3-6] Employee Health Management***

Companies are requested to carry out appropriate health management with respect to all employees.

### ***[3-7] Health and Safety Communication***

Companies must provide training on appropriate health and safety information regarding various workplace hazards that workers are exposed to in the workplace in languages and methods that the workers can understand. A system that enables workers to provide feedback on safety is also required.

## ***4. Concern for the Environment***

### ***[4-1] Environmental Management System***

Companies are requested to establish and run an Environmental Management System.

### ***[4-2] Chemical Substance Management***

Companies must comply with laws and regulations to identify, label, and manage chemical and other substances posing hazard to humans or the environment, and conduct management to ensure safe handling, transport, storage, use, recycling, reuse, or disposal of such substances.

### ***[4-3] Environmental/Government Permits***

Companies are requested to obtain permits from governmental bodies in cases where they are required by local laws, and to submit the necessary reports to such bodies.

### ***[4-4] Minimization of Impact on Environment (drainage, sludge, emissions)***

Companies are requested to comply with laws and regulations on drainage, sludge, and emissions in the country concerned, and to make further improvements to voluntary standards as necessary.

### ***[4-5] Effective Utilization of Resources and Waste Management***

Companies must comply with laws and regulations and implement appropriate management in order to promote the 3Rs (reduce, reuse, and recycle), ensure the effective utilization of resources, and minimize waste.

### ***[4-6] Disclosing Environmental Activities***

Companies are requested to disclose the outcomes of environmental activities as necessary.

#### ***[4-7] Reducing Energy Consumption and Greenhouse Gas Emissions***

Companies must address energy efficiency and make continuous efforts for reducing greenhouse gas emissions and energy consumption.

### ***5. Product Quality and Safety***

#### ***[5-1] Securing Product Safety***

When responsible for product design, suppliers are requested to ensure that the products satisfy safety standards in the countries concerned.

#### ***[5-2] Quality Management System***

Companies are requested to establish and run a quality management system. And must comply with their own quality standards and customer requirements in addition to all laws and regulations applicable to the quality of products and services.

#### ***[5-3] Control of Chemical Substances Contained in Products***

With respect to all of their products, suppliers are requested to control chemical substances specified in the laws of countries where the products concerned are manufactured, imported to, or used in.

#### ***[5-4] Provision of Accurate Information on Products and Services***

Companies are requested to provide consumers and clients with accurate information about their products and services.

### ***6. Information Security***

#### ***[6-1] Protection from Threats to Computer Networks***

Companies are requested to establish protective measures against threats to computer networks to prevent any harm arising in their company or other companies.

### ***7. BCP (Business Continuity Plan)***

#### ***[7-1] Disaster-Preparedness Measures***

Companies are requested to prepare a BCP manual.

### ***8. Disclosure of Information***

#### ***[8-1] Disclosure of Information to Stakeholders***

Companies are requested to proactively disclose information to stakeholders irrespective of whether or not such disclosure is mandated by law.

Examples of information that should be disclosed to stakeholders include the following:



## 9. Social Contribution

### **[9-1] Contribution to the Community**

Companies are requested to voluntarily carry out activities designed to contribute to the development of the local and global community.

## **Section 2: Establishing a Management System**

### **1. Establishing a Management System**

Companies must establish a management system in order to comply with the code of conduct.

### **2. Supplier Management**

Companies must establish a process for communicating the requirements of the code of conduct to suppliers and monitoring supplier compliance.

### **3. Establishing a Grievance Mechanism**

Companies must establish a grievance mechanism that can be used by stakeholders including workers and suppliers in order to prevent illicit behavior in their inside as well as throughout the supply chain.

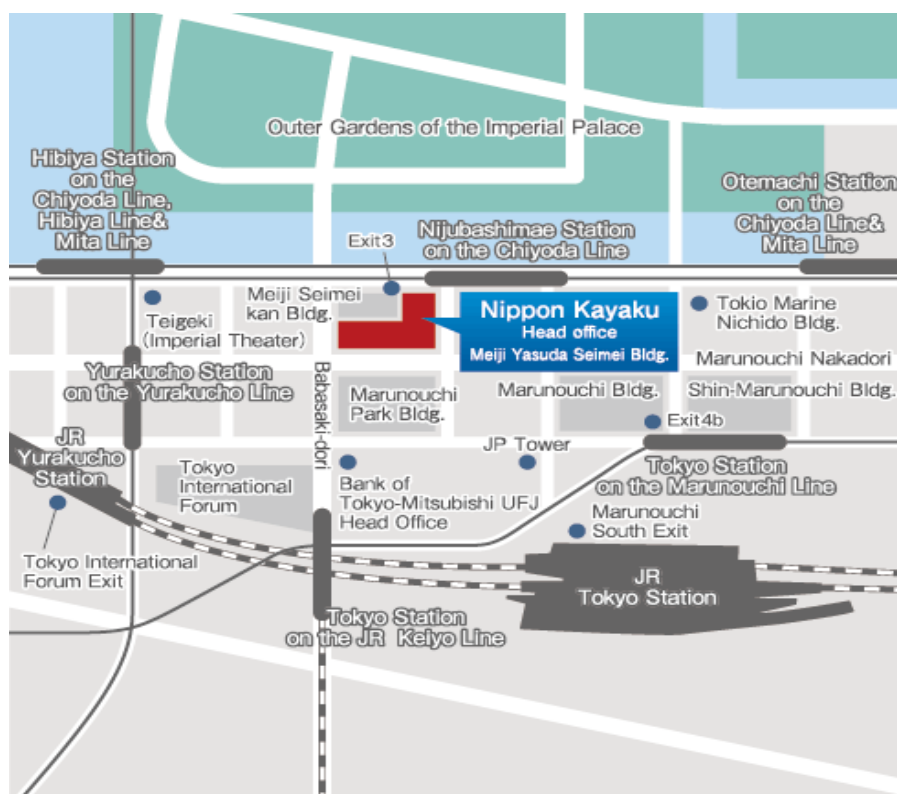
### **4. Disclosing the Activities**

Companies must disclose information regarding their actions according to these guidelines and relevant laws and regulations.

<reference>

- Responsible Business Conduct Guidelines Ver1.0 (March 2020)  
(Japan Electronics and Information Technology Industries Association CSR Committee)
- Responsible Business Alliance Code of Conduct Ver.7.0(2021)

Company Name	Nippon Kayaku Co., Ltd
Foundation	June 5, 1916
Capital	14,932,000,000 yen (as of March 31, 2021)
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TEL	+81-3-6731-5200 (main switchboard number)
Major Products	Epoxy resins, UV-curing type resins, Functional films, liquid crystal panel / semiconductor manufacturing cleaning agent / chemical solution, Colors for inkjet printers, Catalysts, Dyes Pharmaceuticals, Pharmaceutical API and intermediates, Diagnostics, Airbag inflators, Micro gas generators for seatbelt pretensioners, Squibs, Agrochemicals.
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