

## [Important Issues]

# Environmental and Social Considerations in the Supply Chain

## Policy and Basic Approach

The Nippon Kayaku Group has formulated its Basic Procurement Principles and Basic Procurement Policy so that its purchasing activities will be consistent with sustainable management. We will work for the creation of a sustainable society in cooperation with all our suppliers.

## Initiatives for Sustainable Procurement

The Nippon Kayaku Group is working with every member of its supply chain to bring about a sustainable society. To this end, we are conducting procurement activities while giving due consideration to human rights, protection of the environment, occupational health and safety, compliance with laws and regulations, and fair business practices. We have formulated our Basic Procurement Principles and Basic Procurement Policy, and in line with these guidelines have been engaging in procurement activities that are appropriate for sustainable management.

## Basic Procurement Principles

In order to realize the **KAYAKU spirit**, 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

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

1. We will comply with all relevant laws and regulations when conducting procurement operations.
2. 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.

#### ◆ Open-door Policy, Fairness, Impartiality, and Transparency in Business Transactions

3. 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.
4. 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.

#### ◆ Partnerships with Our Business Partners

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

#### ◆ Protection of Information

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

#### ◆ Concern for the Environment

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

#### ◆ Basic Criteria for Selecting Suppliers

8. 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.
9. When selecting suppliers, we will give due consideration to their commitment to realization of a sustainable society, 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 Sustainable.
10. 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).

## Promotion of Sustainable Procurement

The Nippon Kayaku Group published the Sustainable Procurement Guidebook, which includes the Nippon Kayaku Group Charter of Conduct, Basic Procurement Principles and Basic Procurement Policy, and is working to obtain the support of all our suppliers for sustainable procurement toward the creation of a sustainable society.

In line with the Guidebook, we are promoting sustainable procurement activities with all our suppliers across the supply chain, including those that we work with for R&D, the procurement of raw materials, manufacturing, sales, and logistics, while respecting human rights and giving consideration to environmental protection, occupational health and safety, legal compliance and fair business practices.

Our efforts to obtain our suppliers' understanding of our Sustainable Procurement Policy include briefings, daily communications and business meetings, and we also request each of them to sign an agreement stating that they will comply with the Sustainable Procurement Guidebook.

We will continue to fulfill our social responsibilities across the entire supply chain for the realization of a sustainable society, thereby gaining the respect and admiration of our customers.

> [Sustainable Procurement Guidebook](#)

## Environmental and Social Assessment of Our Suppliers

In FY 2021, we conducted a questionnaire survey of top about 300 suppliers by purchase amounts. These 300 consisted of our primary suppliers and secondary suppliers from whom we had purchased materials in amounts during the past one year. In the questionnaire, we asked a total of 52 questions about human rights, health and safety, the environment, ethics, management systems, quality and product safety, information security, and BCP items in line with the Sustainable Procurement Guidebook, and 274 suppliers replied. For the respondents, we confirmed through their answers that they were causing no negative environmental or social impacts. We plan to continue doing this survey toward creating a sustainable society in cooperation with our suppliers.

## Initiatives for Procurement Based on Business Continuity Planning (BCP)

Nippon Kayaku is constantly working to obtain up-to-date information on disasters and accidents that have taken place in its supply chain. When we receive such information, we share it across the board by immediately entering it into our in-house database. We also promptly compile a list of the raw materials produced by the affected countries of origin and manufacturers and check the impact on our procurement and inventories, the status regarding resumption of operations at the afflicted manufacturing facilities, and the impact of the incident on our production. We have diversified our procurement sources for many items in line with our BCP and are working to further strengthen these efforts so that we will be able to deal with any contingencies.

## Initiatives to Ensure Transparency Regarding Nippon Kayaku's Relationships with Medical Facilities and Others

### Initiatives to Ensure Transparency Regarding Nippon Kayaku's Relationships with Patient Groups

Nippon Kayaku has built relations of trust with researchers, medical practitioners, patient groups and other parties to contribute to promoting people's health through the provision of pharmaceuticals and other products. Supported by these relationships, we conduct basic research into medicine and pharmacology, engage in clinical development, offer and collect information after the manufacture and marketing of our products and implement safety measures. With regard to the cost of fostering drug discovery and the proper use of pharmaceuticals, we conclude agreements with medical facilities and others and pay compensation as appropriate. We also comply with the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices and other laws as well as with the voluntary norms set by the industry, such as the Japan Pharmaceutical Manufacturers Association (JPMA) Charter of Corporate Behavior, Code of Practice, Promotion Code for Prescription Drugs and Fair Competition Code. Although we conduct our business activities in compliance with these rules, because we are in a position to make donations and pay compensation to them, we are aware that there may be some appearance that we are exerting an influence over the decisions made by medical practitioners.

Based on the recognition that industries that support human life, including the pharmaceutical industry, need to conduct business activities with a high degree of ethics and transparency, Nippon Kayaku set guidelines on the disclosure of information about the provision of funds to medical facilities and patient groups, including information about payments made to such organizations.

> [Initiatives to Ensure Transparency regarding Nippon Kayaku's Relationships with Medical Facilities and Others \(Japanese\)](#)

> [Initiatives to Ensure Transparency regarding Nippon Kayaku's Relationships with Patient Groups \(Japanese\)](#)

## Initiatives

### Safety Systems Group

#### Annual Purchasing Conference

The Safety Systems Group organizes its Annual Purchasing Conference for key suppliers. At the conference, we share information about our earnings forecast for the current fiscal year, the business plan for subsequent fiscal years, the status of our production system, our development plan and medium- to long-term business vision, our procurement policy, and measures for the environment. We do this with an eye to providing suppliers with information that they can refer to when making their own business plans.

Suppliers to the automobile industry, including Nippon Kayaku, need to provide customers with high-quality but low-cost products by predefined deadlines, while making prompt responses to changes in the domestic and international situations, including changes in the materials market and the foreign exchange market. We are striving to provide our own suppliers with useful information through the Annual Purchasing Conference.

At the conference, we also commend suppliers who made exemplary responses to us in terms of quality, cost and deadlines as our outstanding partner companies.



Annual Purchasing Conference held in FY 2019