



## Supplier Environmental Assessment | Promotion of CSR-Based Procurement

GRI 2-16,23,24,25/3-3/308-2/414-2

### Promotion of CSR-based procurement

The importance of CSR initiatives in the international community is becoming increasingly diverse and sophisticated, and their scope is expanding beyond the company's own efforts to include the entire supply chain.

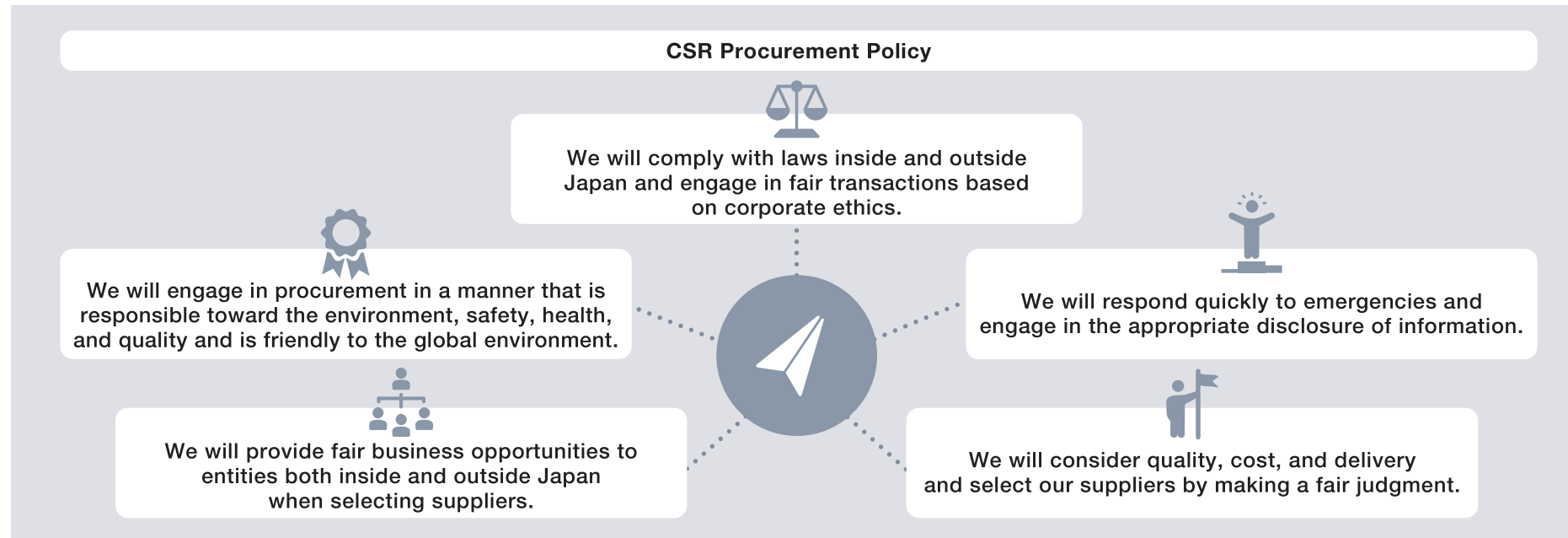
To address these issues and ensure stable and sustainable procurement, NOF has established the CSR Procurement Policy. Furthermore, we have compiled the CSR Procurement Guidelines that we implement and request our suppliers to implement. We request that our suppliers understand the

purpose of this policy and guidelines, and work together with NOF to implement initiatives in accordance with these guidelines.

### CSR Procurement Policy

In procuring raw materials, NOF considers the entire supply chain and fulfills its social responsibilities by respecting human rights, ensuring labor conditions, complying with laws and regulations, and being mindful of environmental and safety factors (such as energy use, CO<sub>2</sub>/GHG emissions, water use, biodiversity, pollution, waste reduction,

and animal welfare). In order to realize its corporate philosophy, NOF is committed to deal sincerely with its suppliers based on the concept that all of them are important partners.





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2-16,24,25/3-3/308-2/  
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## CSR Procurement Guidelines

NOF established CSR Procurement Guidelines in 2022 and is communicating with suppliers to ensure thorough implementation of the Guidelines.

The human rights section of the Guidelines states, “Should any kind of discrimination, harassment, forced or child labor, or other inhumane behavior comes to light, we will take appropriate steps to remedy the situation.” It also states, “We pay attention to working hours, guarantee the payment of appropriate wages and allowances in compliance with laws and regulations, and respect the freedom to join a union and to engage in protest actions.”

The Guidelines’ section on environmentally conscious procurement states, “We push ahead with procurement that gives consideration to environmental preservation, resource conservation and safety, towards the goal of making sustainable society a reality.”

## Inclusion of CSR clauses in basic purchasing contracts

When signing a new basic purchasing contract, we decided to add a clause stating efforts to comply with NOF’s CSR Procurement Policy and CSR Procurement Guidelines.

In addition, we will gradually revise our basic purchasing contracts that have already been concluded.

## CSR questionnaire

In the procurement unit, we will provide our main suppliers with necessary explanations on NOF’s CSR Procurement Policy and commence questionnaires on the status of CSR activities at our main suppliers, using the global compact format to improve the objectivity of the questionnaire.

Most recently, we surveyed our major suppliers from fiscal 2020 to 2021 and achieved a coverage rate of 84% based on purchase amount. Since fiscal 2022, we have conducted interviews with suppliers who do not practice CSR-based procurement, and have encouraged them to make improvements.

## Fair trade practices

The NOF Group is promoting fair trade practices by stipulating compliance with laws such as the Antimonopoly Act and the Subcontract Act, as well as the prohibition of bribery, in the Global Compliance Manual and the Compliance Manual (Japan version) and carrying out ongoing employee education. The above-mentioned initiatives are further promoted under the NOF Group’s Basic Anti-Bribery Policy.

In addition, in order to avoid the risk of violations of “prevention of delay in payment” and “prohibition of reduction of payment” under the Subcontract Act, the NOF Group has standardized payment terms and conditions that comply with the Subcontract Act in a comprehensive and uniform manner at all Group companies in Japan.

## Green procurement

NOF has added “environmental friendliness” to its previous criteria for procurement of materials, which are “quality, cost and delivery time.”

In order to confirm the status of suppliers or products in terms of environmental measures, and to procure products with lower environmental load from suppliers that make greater environmental efforts, we have established a list of managed substances, based on which we conduct a survey of suppliers. The managed substances list is decided on the basis of the POPs treaty, RoHS Directive, and REACH regulations, as well as Japan’s Chemical Substances Control Act, Industrial Safety and Health Act, and Poisonous and Deleterious Substances Control Act. The list is reviewed once a year.

## Business continuity plan (BCP)

As part of our BCP, our procurement unit is striving to purchase multiple raw materials and reviewing our supply chain in order to ensure stable raw materials procurement in the event of an emergency, such as a natural disaster, equipment malfunction, or transportation disruption.



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### Procurement of sustainable palm oil

Palm oil is now the most widely produced fat in the world, and it is difficult to completely avoid palm oil in daily life. However, the rapid increase in the number of palm plantations and improperly managed plantations have caused environmental problems such as deforestation of rainforests, smoke pollution, and loss of biodiversity in their producing countries and surrounding areas. There are also social problems such as conflicts with indigenous people over land and child labor.

In order to be involved with palm oil to sustain the livelihoods of producers and consumers while considering the environment, NOF joined the Round-table on Sustainable Palm Oil (RSPO) in 2012 and obtained supply chain certification from the organization in 2014. NOF, a founding member of the Japan Sustainable Palm Oil Network (JaSPON) which was launched in Japan in 2019, conducts activities to procure sustainable palm oil. We also visit RSPO-compliant palm plantations on a regular basis to communicate directly with the farmers and confirm that there are no problems with quality or CSR-related items (human rights, environment, etc.). We will continue to actively promote the use of RSPO-certified oils and advance our activities with consideration for

environmental and human rights concerns. We aim to procure 100% certified sustainable palm oil by fiscal 2030.



### Response to responsible mineral procurement

With regard to conflict minerals (3TG<sup>\*1</sup>) that may have an impact on human rights and other issues, we use the Responsible Minerals Initiative (RMI<sup>\*2</sup>)-prescribed Conflict Minerals Reporting Template (CMRT<sup>\*3</sup>) and conduct questionnaire surveys of all key business partners. We conduct interviews with suppliers who have indicated that 3TG have been intentionally added or used and remains in their products, and where the refineries cannot be identified, to assess the presence of any human rights risks.

Furthermore, starting from fiscal year 2023, we

have initiated a survey using the unified format for target minerals, including cobalt and natural mica (EMRT<sup>\*4</sup>), with our key business partners.

### Education on CSR procurement

NOF holds meetings for materials-related personnel twice a year, which are attended by materials-related personnel from the Head Office and plants, to exchange information and discuss solutions to issues related to CSR procurement.

In addition, with the aim of extending the CSR procurement activities implemented at NOF to our affiliates, a meeting of materials-related personnel of manufacturing-related affiliates is held once a year with the participation of materials-related personnel from those companies.

### Establishment of external whistle-blowing contact points

NOF recognizes that compliance is the foundation of the company. We believe it is important to prevent or promptly correct incidents that violate our Code of Ethical Conduct or involve human rights violations. To this end, we have established external whistle-blowing contact points, including our suppliers and other stakeholders.

<sup>\*1</sup> Refers to the four minerals of tin, tantalum, tungsten, and gold extracted in the Democratic Republic of Congo and neighboring countries

<sup>\*2</sup> Acronym for "Responsible Minerals Initiative"

<sup>\*3</sup> Acronym for "Conflict Minerals Reporting Template"

<sup>\*4</sup> Acronym for "Extended Minerals Reporting Template"



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### Participation in the Declaration of Partnership Building

NOF announced the “Declaration of Partnership Building” in support of the aims of the “Council on Promoting Partnership Building for Cultivating the Future” promoted by the Cabinet Office, the Small and Medium Enterprise Agency, and others. We aim to build new partnerships by promoting collaboration, co-existence, and co-prosperity with our supply chain business partners and businesses that create value.



### Risks and opportunities for CSR-based procurement

Risks	Opportunities
<p>Procurement risks include the risk of not being able to conduct procurement on schedule and at the planned prices due to various factors such as extreme weather conditions, natural disasters, geopolitical influences, and international conflicts. There is also the risk that sudden changes in demand or supplier problems may undermine stable procurement and disrupt the supply of products to the market. We also need to fulfill our social responsibilities as a company by realizing sustainable procurement, giving full consideration to environmental aspects such as moving away from fossil fuels, global warming prevention, and biodiversity conservation, as well as social aspects such as safety, health, labor environment, and human rights. Amidst this, if for some reason in the supply chain, the NOF Group’s commitment to sustainable and responsible sourcing is deemed insufficient, it could lead to a loss of trust in the NOF Group.</p>	<p>CSR-based procurement is important for procuring raw materials to contribute to a sustainable society. There are many implications and benefits to implementing CSR-based procurement. The important points are indicated below.</p> <ol style="list-style-type: none"> <li><b>1. Fulfillment of social responsibilities:</b> CSR-based procurement is a means for companies to fulfill their social responsibilities throughout the supply chain. By considering the working conditions, human rights, and environmental impact of their suppliers, companies can increase their social value and achieve sustainable business practices.</li> <li><b>2. Risk reduction:</b> CSR-based procurement is also important from a risk management perspective. Evaluating suppliers for social responsibilities reduces the risk of improper working conditions and environmental issues.</li> <li><b>3. Improvement of brand value:</b> Companies that practice CSR-based procurement demonstrate their commitment to social responsibility and earn the trust of consumers and investors. This leads to an improvement in brand value.</li> <li><b>4. Strengthening of competitiveness:</b> CSR-based procurement is an element to increase a company’s competitiveness. By practicing sustainable procurement, we can create new business opportunities with our suppliers and increase our competitiveness in the market.</li> </ol> <p>We believe that CSR-based procurement is an essential activity for the long-term sustainability and social responsibility of a company and can lead to increased corporate value.</p>