

# Supply Chain Management

## ◆◆◆ Policy and Concept ◆◆◆

### ● CSR-based Procurement Policy

With safety as the highest priority and the ideal of cost reduction and stable procurement at the same time, the purchasing divisions of our Group are procuring materials and services that are outstanding in terms of safety, quality and price at appropriate times. We follow our Action Standards for Procurement Activities, which is comprised of seven items, including quality maintenance, consideration of the environment and human rights, and thorough compliance. Doing so, we undertake purchasing activities based on corporate social responsibility and endeavor to contribute to society and create value.

Since these purchasing activities are supported by our suppliers, who are valuable partners, we are using contract negotiations, supplier visits and other opportunities to work to explain our CSR-based Procurement Policy and deepen their understanding of our efforts.

In fiscal 2019, we conducted questionnaire surveys targeting key business partners and confirmed the status of their CSR efforts. We will continue working on CSR activities in the future.

#### ◆ Action Standards for Procurement Activities

1. Place the highest priority on safety.
2. Promote cost reduction efforts.
3. Ensure the stable procurement of equipment, materials, and services while maintaining or improving quality and technical expertise.
4. Establish strong partnerships.
5. Contribute to society and always consider the health of the environment.
6. Maintain the openness and transparency of all business transactions.
7. Fully comply with laws and regulations.

## ◆◆◆ System ◆◆◆

Director responsible: Nobuhiro Nishizawa (Executive Vice President)

Management office: Planning & General Management Group, Sourcing and Procurement Division

## ◆◆◆ Goals ◆◆◆

### ● Implementation of the CSR-based Procurement Policy and promotion of their adoption by suppliers

CSR questionnaire implementation rate for new suppliers (Sourcing and Procurement Division contracts) 100%

→ Implementation rate of 100% is ongoing (implemented for all 22 newly registered suppliers in fiscal 2019).

Implement CSR questionnaire in fiscal 2019-2021 for our top 200 business partners whose transaction amounts are among the largest.

→ Being implemented at a pace whereby the target may be achieved by the end of 2021 (101 companies completed out of 200 companies).

## ◆◆◆ Efforts ◆◆◆

### ● Implementation of an internal training and supplier questionnaire, and establishment of a Procurement Review Committee

The Sourcing and Procurement Division provides CSR-related training as part of our new employee training program, for the purpose of implementing the CSR-based Procurement Policy and promoting their adoption by suppliers. We also confirm how well CSR is being understood through regular skill checks.

We take supplier registration and other opportunities to explain our CSR-based Procurement Policy to our business partners, and conduct CSR questionnaires to see how they address tasks such as consideration to the environment, respect for human rights, improvement of the working environment, and thorough compliance.

Additionally, in order to ensure the appropriateness and transparency of construction orders and contract procedures, we have set up a Procurement Review Committee, which includes external members. The Committee regularly examines the procurement process and provide guidance and advice from the perspective of external experts.

## ● Relevant data

### Policies

CSR-based Procurement Policy	Established	<a href="https://www.kepcoco.jp/sustainability/csr/mind/proc/index.html">https://www.kepcoco.jp/sustainability/csr/mind/proc/index.html</a>
Code of Conduct and Procurement Policy for Suppliers	Established	<a href="https://www.kepcoco.jp/sustainability/csr/mind/proc/client.html">https://www.kepcoco.jp/sustainability/csr/mind/proc/client.html</a>