

# Ensuring Fair Trade Practices

We aim to achieve fair business practices across the entire value chain including our business partners as full participants.

## Approach to Sustainable Procurement

Nihon Kohden strives to practice sound and fair purchasing and achieve fair trade across the value chain including at our business partners. We also promote sustainability while giving due consideration to the environment and society. To further reinforce sustainability in procurement, we conduct in-house training on sustainable procurement and disseminate the concept to our business partners for gaining their cooperation.

## Procurement Policy and Procurement Standards

To disseminate our stance on procurement both inside and outside the Company and ensure that our commitment will take root, we created the Nihon Kohden Procurement Policy and Nihon Kohden CSR Procurement Standards in 2013. (Name changed to the Nihon Kohden Sustainable Procurement Standards from FY2020.) The Nihon Kohden Procurement Policy represents Nihon Kohden's basic policy on procurement. The Nihon Kohden Sustainable Procurement Standards, which represent the compliance items Nihon Kohden expects its business partners to observe, are intended to build good relationships with business partners and aim at realizing a truly prosperous and sustainable society.

For further details, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_partners.html#procurementpolicy](https://www.nihonkohden.com/sustainability/csr_partners.html#procurementpolicy)



## Adherence to the Nihon Kohden Sustainable Procurement Standards

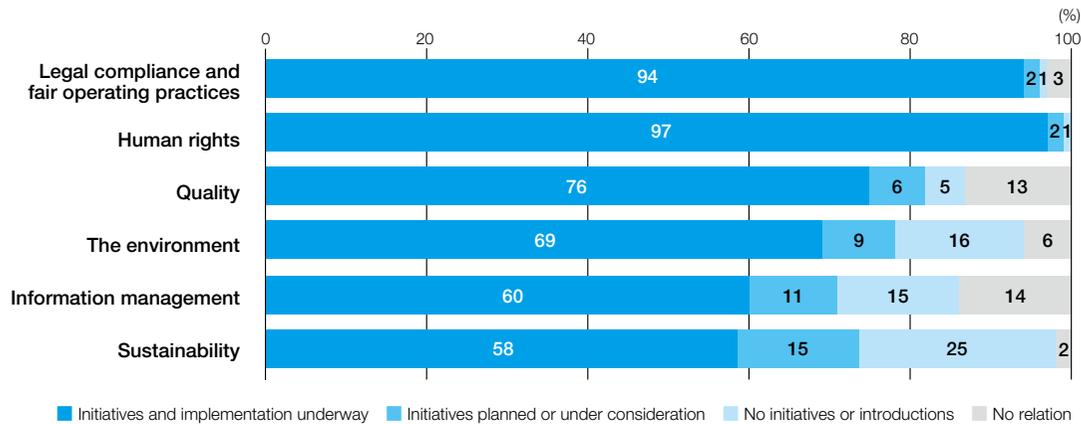
Nihon Kohden provides regular compliance training to all of its employees to ensure they have correct understanding and awareness of sound and fair business practices. Departments involved in procurement provide annual training on specific laws and regulations affecting their operations, such as the Fair Competition Code and the Act against Delay in Payment of Subcontract Proceeds. In FY2021, 57 people attended these training sessions. Nihon Kohden requests business partners to conduct self-assessment on their environmental and quality activities, and, moreover, checks business partners' understanding of and adherence to the Nihon Kohden's Sustainable Procurement Standards through their answers to the Sustainability Questionnaire conducted every year. Opinions expressed through the Questionnaire are fed back to procurement departments and utilized to realize fair and responsible procurement.



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### ■Results of the Sustainability Questionnaire in FY2021

In FY2021, we asked 82 of our business partners to answer our Sustainability Questionnaire and were grateful to receive cooperation from all of them. The questionnaire consisted of 20 questions in six areas: legal compliance and fair operating practices, human rights, quality, the environment, information management, and sustainability. In terms of questions about legal compliance and fair operating practices, and human rights, initiatives and implementation were underway, planned or under consideration in more than 90% of our business partners. In previous questionnaires, multiple business partners reported that they have engaged in social contribution initiatives and have signed the UN Global Compact. We continue to work with our business partners to deepen mutual understanding of our sustainable procurement standards and ensure fair trade practices.



### Identification of Key Suppliers

Nihon Kohden has identified the following suppliers as key suppliers: suppliers of orders with large purchase amounts, suppliers who provide parts for major and strategic models, and suppliers who provide non-substitutable parts.

### ■Results of the Supplier Questionnaire in FY2021

In FY2021, we conducted a Supplier Questionnaire for approx. 60 suppliers both in Japan and internationally.

The survey consisted of four items: the environment, human rights, quality, and governance.

**Environment:** Approx. 62% of suppliers surveyed answered that they have established an environment management system, but the ratio of suppliers who are actively working to address climate change is only approx. 8%. We will strengthen our efforts to mitigate climate change together with suppliers, because the reduction of Greenhouse Gas emissions including Scope 3 emissions is necessary to address this issue.

**Human rights:** The ratio of suppliers who have established a human rights policy is approx. 42% and only 12% of suppliers have conducted human rights due diligence. We will continue to provide them with education, support, and monitoring of human rights, as any human-rights violations by them may affect the Nihon Kohden Group.

**Quality:** We confirm that approx. 34% of suppliers have conducted risk assessments due to outbreaks of infectious diseases and other health issues. In addition, 10 suppliers have conducted voluntary recalls. We will further strengthen our efforts to prevent recurrence of recalls and improve quality throughout the supply chain.

**Governance:** We will continue to ensure thorough compliance with laws and regulations.

We will assess risks based on the results of the Supplier Questionnaire and promote communication with suppliers.

For further details, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_partners.html](https://www.nihonkohden.com/sustainability/csr_partners.html)



\* Scope 3: Other indirect emissions in the Company's supply chain.