

KH Neochem  
Sustainable Procurement Guidelines

March 1, 2023

KH Neochem Co., Ltd.

## Introduction

Based on our Corporate Mission of “Realizing a brighter tomorrow for society through the power of chemistry,” we have been contributing to society by taking advantage of the know-how we have cultivated as a chemical materials manufacturer to provide premium products to various fields. In addition, the 4th Medium-Term Business Plan, which began in 2022, sets forth as our basic policy the pursuit of both “contributing to the realization of a sustainable society by providing solutions to global environmental and social issues through our business operations” and “sustainably improving our own corporate value by providing value to society and our stakeholders;” in other words, the promotion of sustainable management. To this end, we have set forth Seven Promises to our stakeholders. Of these, we have identified the key issues, or “materialities,” that have the greatest impact on stakeholders and the Company.

Seven Promises		Materiality
1	We will develop businesses that help resolve social issues	1. Expansion of social problem-solving businesses centered on strategic domains 2. Promotion of innovation 3. Strengthening of intellectual property strategies to strengthen the foundation for growth
2	We will conduct business conscious of reducing our impact on the environment	4. Improvement of energy efficiency and reduction and management of CO <sub>2</sub> and other emissions 5. Proper management of chemical substances
3	We will strive to secure trust through safe and stable operations	6. Safety and disaster prevention at plants with consideration of the local region 7. Responsible and stable supply to customers
4	We will practice management transparency with high ethical standards	8. Strengthening of corporate governance and risk management 9. Compliance 10. Transparent and responsible communication with stakeholders
5	We will provide a lively work environment that motivates and rewards diverse human resources	11. Health and safety of employees 12. Human Resource Development and Recruitment to support sustainable management 13. Improvement of employee engagement and creation of comfortable workplaces to improve productivity
6	We will promote responsible supply chain management	14. Promotion of Corporate Social Responsibility (CSR) procurement
7	We will strengthen our earning power	15. Optimization of business portfolio for stable profit generation 16. Pursuit of higher productivity and efficiency at plants

We conduct our procurement activities in accordance with our Procurement Policy, keeping in mind item 6 of the Seven Promises, “We will promote responsible supply chain management.” However, in recent years, issues that need to be considered have increased and become more complex than ever before, including the environment, human rights and labor, safety and health, and fair business practices. We believe that it will be difficult for us alone to achieve procurement that takes into account the needs of society, that is, sustainable procurement, and that the entire supply chain must come together and work as a whole to address these issues.

It was from this perspective that we decided to compile the items that us and our business partners

need to work on together and establish the Sustainable Procurement Guidelines.

We encourage our business partners to read and understand these guidelines, and proceed with initiatives in accordance with what we've set forth. Furthermore, we consider these guidelines to be an important matter with regard to our business transactions and would like to regularly check the status of initiatives, so we appreciate your cooperation with this as well.

In establishing these guidelines, we have referred to the following standards. We will continue to revise these guidelines in response to revisions to standards and changes in social conditions.

- JEITA: Responsible Business Conduct Guidelines
- United Nations: International Bill of Human Rights (Universal Declaration of Human Rights and Optional Protocol to the International Covenant on Economic, Social and Cultural Rights and on Civil and Political Rights)
- International Labour Organization (ILO): Declaration on Fundamental Principles and Rights at Work
- United Nations: Guiding Principles on Business and Human Rights
- ISO 20400: Sustainable procurement - Guidance
- United Nations Global Compact
- KH Neochem Co., Ltd. Principles of Corporate Behavior  
(<https://www.khneochem.co.jp/en/company/philosophy/principles/>)  
“Compliance Code”, “Information Security Policy”, “Privacy Policy”,  
“Bribery Prevention Policy”, “Intellectual Property Policy”, “Environmental Security Policy”,  
“Quality Assurance Policy”, “Respect for Human Rights Policy”

## **KH Neochem Basic Procurement Policy (“Procurement Policy”)**

In line with the Compliance Code, our Group's principles of behaviors, KH Neochem Co., Ltd. (“Company”) has established the Procurement Policy as one of the guiding principles for our corporate activities. With the understanding and cooperation of our suppliers, The Company will conduct procurement activities taking into accounts corporate social responsibility.

### **1. Applicable Scope**

This Policy provides the guiding principles on our procurement activities, with which the Company, including directors, officers, employees, contract employees, and temporary workers ("All Executives and Employees") will comply when procuring from outside the Company raw materials, production facilities, IT, logistics, and other services necessary for our corporate activities.

### **2. Guiding Principles**

The Company will engage in responsible procurement activities based on the following principles:

#### **Ensuring Fairness, Equitability, and Transparency**

- The Company will conduct fair, equitable, and highly transparent procurement activities.
- The Company will provide fair opportunities for entry and introduce the principle of competition in the selection of suppliers. Moreover, the Company will objectively and comprehensively evaluate and determine a supplier based on technical capabilities and corporate philosophy (management policies, considerations to human rights, labor, safety and health, fair trade, ethics, etc.) in addition to quality, cost competitiveness, and delivery time.

#### **Compliance and Confidentiality**

- The Company will comply with social norms, laws and regulations related to procurement activities and the spirit thereof, and our internal regulations, as well as act sincerely and with high ethical standards.
- The Company will not involve personal interests with any supplier, nor demand undue or improper advantages, nor select a supplier arbitrarily. The Company will refuse to have any relationship with antisocial forces.
- The Company will maintain confidentiality of and appropriately manage important information provided by our suppliers.

#### **Consideration for the Environment and Safety**

- The Company will strive to prevent pollution and reduce our environmental impact by practicing procurement that considers the global environment.
- The Company will aim to achieve zero-accidents and zero-disasters in procurement activities

such as various construction work and transportation of our products by making intensive and continuous efforts to maintain and improve occupational health and safety.

### **Building Partnerships**

- The Company will strive to build mutual cooperation and relationships of trust with our suppliers and aim to contribute to achieve mutual business development.

### **3. Management System**

The Company will establish and continue to improve related rules, standards, and guidelines in conformity with this Policy, thoroughly comply with these rules, and ensure appropriate procurement activities through management and supervision by our executives in charge of procurement. In addition, the Company will continuously review the rules, organizations, and systems in response to future changes in social conditions, business environment, and so forth.

### **4. Establishment of Regulations related to Procurement**

- The Company will educate All Executives and Employees and strive to have this Policy thoroughly implemented and complied.
- The Company will strive to make our suppliers more understanding of this Policy, through action such as informing and explaining this Policy as required.

## Request for Understanding and Commitment from Business Partners

In order to build a sustainable supply chain, KH Neochem is taking the following initiatives. We ask for your understanding and commitment to this matter, together with our Procurement Policy and Principles of Corporate Behavior.

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## **1 Social Responsibility**

### **1.1 Promotion of social responsibility**

We shall strive to fulfill corporate social responsibility and establish a promotion system to realize this, including by establishing corporate policies, basic policies, and basic behaviors.

## **2 Fair Trade and Ethics**

### **2.1 Anti-corruption**

We shall maintain sound and normal relations with governments and administrative bodies, both domestic and foreign, and refrain from bribery and illegal political contributions.

### **2.2 Prohibition of the improper giving and receiving of benefits**

We shall not give or receive improper benefits regarding business partners or other stakeholders.

### **2.3 Prohibition of acts restricting competition**

We shall comply with the competition laws of the countries and regions in which we conduct business, and shall refrain from conduct that impedes fair, transparent, and free competition.

### **2.4 Prohibition of abuse of a superior position**

We shall comply with laws and regulations concerning the abuse of a superior position in the countries and regions in which we conduct business, and shall not engage in conduct that places business partners at a disadvantage by abusing a superior position.

### **2.5 Severing of relations with antisocial forces**

We shall have no relationship of any kind with antisocial groups or persons who pose a threat to the order or security of a healthy society. We shall also take a firm stand against antisocial forces and shall not respond to any unreasonable or unjust demands.

### **2.6 Respecting intellectual property rights**

We shall not infringe on the intellectual property rights of third parties.

### **2.7 Development of a whistleblowing program**

We shall establish a whistleblowing program to receive reports of misconduct from both



inside and outside the Company in order to prevent and detect any wrongdoing at an early stage. In addition, informants shall be protected from unfair treatment such as retaliation.

#### **2.8 Prohibition of insider trading**

We shall not engage in insider trading in which shares, etc., are bought or sold based on undisclosed information.

#### **2.9 Responsible mineral procurement**

We shall promote responsible mineral procurement throughout the supply chain, researching the use of conflict minerals and promptly taking corrective action if conflict minerals are found to be used.

### **3 Human Rights and Labor**

#### **3.1 Prohibition of forced labor**

All employees shall be employed of their own free will and we shall eliminate any form of forced labor.

#### **3.2 Prohibition of child labor, considerations for young workers**

We shall not employ children below the minimum working age and shall not allow young workers to work in a way that undermines their development.

#### **3.3 Considerations for working hours**

We shall appropriately manage employees' working hours, holidays, and vacations in order to comply with the working hours stipulated by the laws and regulations of the countries and regions in which we conduct business. Efforts shall be made to expand systems for work-life balance and create a workplace climate that curbs long working hours.

#### **3.4 Adequate wages and benefits**

We shall pay employees at least the legal minimum wage and avoid unfair wage reductions.

#### **3.5 Prohibition of inhumane treatment**

We shall respect the human rights of employees and prohibit inhumane treatment and actions that may be considered as such, including all forms of harassment, whether mental or physical, language and behavior that is discriminatory against others, language

and behavior that is threatening or offensive to others, etc.

### **3.6 Prohibition of discrimination, respect for diversity**

We shall strive to eliminate discrimination in recruiting and hiring on grounds of nationality, race, gender, gender identity, disability, religious or political beliefs, and strive to achieve fairness in terms of equal opportunity, treatment, and opportunities for personnel development and career advancement. We shall also promote the creation of a work environment and organizational culture that respects diversity and allows employees to recognize each other, play an active role, and grow together.

### **3.7 Freedom of association, respect for collective bargaining rights**

In accordance with the laws and regulations of the countries and regions in which we conduct business, we shall respect the right of employees to organize as a means of realizing labor-management consultations regarding working environment, wage levels, etc., and establish a forum for dialogue and consultation with employees or their representatives.

## **4 Environmental Conservation**

### **4.1 Environmental licensing and reporting**

In accordance with the laws and regulations of the countries and regions in which we conduct business, we shall acquire the necessary environmental permits and approvals from the appropriate authorities and submit the necessary management reports.

### **4.2 Reduction and effective use of resources and energy**

We shall set voluntary goals to conserve resources and energy throughout the lifecycle of products and services, and make effective use of resources and energy on an ongoing basis.

### **4.3 Reduction of greenhouse gas emissions**

We shall set voluntary targets to reduce greenhouse gas emissions throughout the lifecycle of products and services and aim to continuously reduce emissions.

### **4.4 Minimizing negative environmental impacts**

We shall strive to minimize negative impacts on the environment throughout the lifecycle of products and services by complying with the air, water, and soil laws and regulations of the countries and regions in which we conduct business, and, when

necessary, implementing voluntary standards for further continuous improvement.

#### **4.5 Reduction of industrial waste**

We shall set voluntary targets to reduce industrial waste throughout the lifecycle of products and services and aim for continuous reduction.

#### **4.6 Appropriate management of chemicals**

We shall appropriately manage chemical substances as designated by the laws and regulations of the countries and regions in which we conduct business in accordance with laws and regulations in the manufacturing process.

#### **4.7 Management of chemical substances in products**

We shall comply with applicable laws and regulations regarding the prohibition and restriction of the use of certain substances in our products for the countries and regions in which we conduct business.

#### **4.8 Initiatives to conserve biodiversity**

We shall evaluate the impact of business activities on biodiversity, reduce negative impacts, and work to conserve biodiversity.

#### **4.9 Developing technologies and products that contribute to the preservation of the global environment**

We shall orient ourselves toward developing technologies and products that directly or indirectly contribute to the preservation of the global environment.

#### **4.10 Establishment and operation of an environmental management system**

We shall build and operate an environmental management system in order to promote environmental activities.

## **5 Safety and Health**

### **5.1 Ensuring occupational safety**

We shall ensure safety through appropriate design, technology, and control measures, such as by assessing risks to workplace safety and implementing safety measures for machinery and equipment used in the Company.

## **5.2 Emergency preparedness**

We shall prepare emergency response measures based in anticipation of possible disasters, accidents, etc., and make them known throughout the workplace through education and training.

## **5.3 Responding to work-related accidents and illnesses**

We shall strive to understand the situation regarding work-related accidents and diseases and take appropriate measures.

## **5.4 Ensuring industrial hygiene**

In the workplace, we shall have a strong understanding of the situations in which employees come into contact with chemicals, organisms, noise, offensive odors, etc., which may have harmful effects on the human body. We shall consider all possible methods, including improvement of equipment, provision of protective equipment, establishment of procedures, education in the workplace, etc., and take appropriate measures.

## **5.5 Ensuring health and safety with regard to facilities**

We shall ensure proper health and safety with regard to facilities (dormitories, cafeterias, toilets, etc.) provided for the lives of employees.

## **5.6 Worker health care**

We shall provide all employees with appropriate health care.

# **6 Quality and Safety**

## **6.1 Ensuring the safety of products and services**

We shall provide products and services that meet the safety standards set forth in the laws and regulations of the countries and regions in which we conduct business, as well as the quality standards required in advance. When designing products, we shall ensure sufficient product safety and take into consideration our responsibility as the manufacturer when selling.

## **6.2 Provision of accurate product and service information**

We shall provide customers and consumers with accurate information regarding our products and services. In the event of an accident or quality defect in a product or service, efforts shall be made to determine the cause, resolve it, and prevent its

recurrence.

### **6.3 Establishment and operation of a quality management system**

We shall build and operate a quality management system that promotes quality assurance activities.

## **7 Information Security**

### **7.1 Defense against cyberattacks**

We shall take defensive measures against threats on computer networks and manage them so that no harm befalls the Company or other companies.

### **7.2 Protection of confidential and personal information**

We shall appropriately manage the confidential and personal information received through business activities.

## **8 Social Contributions**

### **8.1 Participation in social contribution activities**

We shall actively participate in activities that support society, education, and culture in cooperation with the government and local communities for the development of society.

## **9 Other Management Systems**

### **9.1 Development of a business continuity plan**

We shall develop a business continuity plan (establishing a recovery period, developing an emergency contact network, manufacturing at multiple sites, using multiple sources for parts and materials) in order to continue business operations or quickly recover said operations while mitigating the damage for our business assets in the event of an emergency such as a natural disaster, fire, or terrorist attack.

### **9.2 Appropriate management and disclosure of information**

Regardless of whether disclosure is required by laws or regulations, we shall properly manage information such as the details of our business activities, financial conditions, performance, and risk to stakeholders, and provide and disclose such information in a timely and appropriate manner.

### **9.3 Promotion of supply chain management**

In addition to making the contents of these guidelines known throughout the Company,

we shall also make them known to business partners to gain their understanding. We shall also regularly evaluate our business partners' practice of the requirements of these guidelines.