

## Key Topic Procurement

The ADEKA Group sources raw materials from business partners in every part of the world. To address social issues of global concern, the Group works closely with business partners throughout its supply chain, contributing to the development of a sustainable society.

### Socially Responsible Procurement

In July 2020, the ADEKA Group formulated the ADEKA General Purchase Policy and the ADEKA Purchase Guidelines.

To spread awareness of the Policy and Guidelines within the Group, the Group is posting them on in-house message-board sites, explaining their key points and familiarizing employees with their content.

Meanwhile, the Group is asking its business partners to submit certificates of agreement to the Guidelines. As of March 31, 2021, a total of 226 business partners, accounting for 75% of the Group's purchases by value, have agreed to their provisions. The ADEKA Group is continuing to obtain business partners' understanding of the Policy and Guidelines, while striving to conduct sustainable procurement activities.

Also, as part of its Business Continuity Plan (BCP), the Group is working hard to strengthen its supply chain against risk, by retaining multiple suppliers for main raw materials and making successive amendments to the supply chain.

#### ADEKA General Purchase Policy

1. We will provide just and equitable business opportunities to all our business partners. When conducting transactions, we will comprehensively take into consideration not only the quality, price, and supply ability but also the effort in ensuring inventiveness, ecological standards as well as safety work environment. We will agilely keep up with changes in the market and the environment to build a mutually growing relationship.
2. In conducting procurement activities, we will comply with all relevant legislation and rules and will not violate social norms or corporate ethics. Through consideration for the global environment and respect for social rights, we will contribute with our procurement activities toward a society with sustainable development. Furthermore, we will fulfill our social responsibilities as a corporation.

#### ADEKA Purchase Guidelines

We establish these ADEKA Purchase Guidelines in order to enable business partners to further comprehend the ADEKA General Purchase Policy. In terms of purchase activities, there is increasing demand from society that a company should actively make efforts to fulfill its corporate social responsibility (CSR).

For the promotion of CSR, it is indispensable to cooperate with our business partners, to pursue ADEKA's efforts with them. We ask you to conduct your activities in line with these Guidelines and to endeavor to do the same with your business partners.

1. Just and equitable transactions
2. Mutual growth with business partners
3. Corporate ethics and compliance
4. Contribution toward sustainable society
5. Respect for human rights and securing of appropriate labor environments

### Sustainable Procurement of Palm Oil

Palm oil is used in a dizzying array of products, notably including foodstuffs (such as edible oils and margarine) and chemical products (such as soap, detergents and cosmetics). Because it is highly efficient to produce and significantly cheaper than other oils, demand for palm oil is rising sharply, driving the development of large-scale oil-palm plantations. This trend has fomented a number of problems, including environmental degradation from logging and burning of rainforests, poor working environments on the plantations and violations of human rights.

In July 2017, the ADEKA Group joined the Roundtable on Sustainable Palm Oil (RSPO), an NPO dedicated to the sustainable production and use of palm oil, as a full member. The ADEKA Group obtained RSPO certification for its supply chain in April 2018 and began production and sale of certified products in its food business

in October 2018. Later, the circle of certified ADEKA Group production sites widened, extending to ADEKA FOODS (Asia) SDN. BHD. in Malaysia in April 2019 and ADEKA (Singapore) PTE. LTD. in Singapore in April 2020. In cosmetics operations, Chiba Plant acquired supply-chain certification in June 2020 and began supplying certified products.

The ADEKA Group is committed to sustainable sourcing of palm oil. In addition to accepting surveys and audits of its palm plantations and oil-expression plants, the Group is taking a range of further measures with a view to enhancing traceability in its supply chain.



### Conflict Minerals

As a company that seeks mutually beneficial coexistence with communities, ADEKA does not purchase raw materials that contain conflict minerals, due to their deleterious impact on human rights and other problems. To determine the status of conflict-mineral use by each supplier, we ask suppliers to complete and return the Environmentally Hazardous Substance Survey for each raw material when concluding a quality warranty agreement.



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## Key Topic Logistics

In recognition of its CSR, the ADEKA Group works closely with its logistics partners, led by ADEKA Logistics Corporation, to achieve sustainable logistics. The partners maintain thorough compliance, consider the environment in all phases of their operations and work to ensure safety and security.

### Participation in Efforts to Promote "White-Glove Logistics"<sup>1</sup>

In September 2020 the ADEKA Group proclaimed a Declaration of Independent Action aimed at promoting "white-glove logistics." The purpose of the Declaration, as detailed below, was to reduce burdens on drivers and enhance efficiency, thereby ensuring the continuity of safe transport of ADEKA products.

#### 1. Cooperation on proposals to improve logistics

When business partners or logistics operators request improvements for streamlining, etc. in logistical operations, the Group confers in good faith on the matter and works diligently to develop its own proposals.

#### 2. Use of pallets

Pallets and other tools are used to make cargo handling less burdensome and time-consuming.

#### 3. Modal shift<sup>2</sup> toward use of ships and rail

In long-distance shipping, the Group is continuing to switch from truck logistics to use of ferries, RORO ships<sup>3</sup> and rail.

#### 4. Promotion of written shipping contracts

The Group is further promoting the use of written shipping contracts.

#### 5. Consideration of compliance status when selecting contractors

When selecting logistical operators, the Group considers prospective contractors' records in terms of compliance.

#### 6. Suspension and cancellation of operation during unusual weather, etc.

When unusual weather such as typhoons, torrential rain or heavy snowfall occurs or is expected, the ADEKA Group confers with logistical operators to suspend or cancel operation, thereby ensuring drivers' safety.

#### 7. Promotion of joint shipping

The ADEKA Group promotes joint shipping with other companies, increasing logistical efficiency by improving loading ratios, reducing the number of vehicles used, etc.

1. White-glove logistics movement: A movement to achieve 1) improved productivity in truck shipping with greater logistical efficiency and 2) safe, clean, strain-free work environments in the logistics industry that are amenable to women and operators 60 years of age and older. The purpose of this movement is to ensure the stable logistics required by modern living and industrial activities and support economic growth. (Citation and source: website for the movement to promote white-glove logistics)
2. Modal shift: Switch of cargo shipping from trucks and the like to low-environmental-impact modes of transportation such as rail and marine shipping
3. RORO ship: A roll-on, roll-off (RORO) ship is a ship on which trucks and trailers laden with cargo can drive directly on and off ships, carrying their cargo without loading and unloading.

### Reducing Environmental Impact in Logistics

To bolster cost-competitiveness while implementing eco-friendly logistics, ADEKA is conducting a modal shift and joint shipping with other companies.

Modal-shift rate  
FY2020 result:  
**15.6%**  
(Target for FY2020: 20%)

Joint-shipment rate  
FY2020 result:  
**0.9%**  
(Target for FY2020: 1.5%)

For the modal-shift rate, ADEKA set a target of 20% by fiscal 2020. The Company worked vigorously to shift its cargo shipments to marine shipping and rail. However, in fiscal 2020, due to the COVID-19 pandemic, marine and railway container shipping volume declined, resulting in a modal-shift rate of 15.6%.

Similarly, ADEKA set a target of reaching a joint-shipment rate of 1.5% by fiscal 2020, holding discussions and coordinating with other companies to increase the use of joint shipping. In the fiscal 2020 results, however, despite stepping up sales efforts such as searching for new partners, the joint-shipment rate was 0.9%.

### Building Quality and Safety into Logistics

The ADEKA Group holds annual discussions with its logistics partners about safety. At these safety conferences, participants trade case-study reports of accidents, complaints and other trouble and attend expert lectures, developing a shared awareness of safety issues. In fiscal 2020, in view of the COVID-19 pandemic, the safety conference was cancelled in favor of sharing information by dissemination of written materials.

Working through ADEKA Logistics, the ADEKA Group conducts regular interviews with and various audits of logistics partners. By means of these ongoing efforts, the ADEKA Group is striving to boost the quality of its logistics.

#### Procurement and Logistical Activities with Sustainability in Mind

As its operations expand in scale, the ADEKA Group is intensifying cooperation with bases overseas to optimize material procurement globally.

Recent changes in the social environment have increased demands that companies advance CSR through sustainable procurement and logistical activities, using renewable energy,

biochemical feedstocks and the like. By bolstering cost-competitiveness, building synergies with stakeholders and boosting the resilience of supply chains, the ADEKA Group will make doubly sure to obtain stable procurement of materials and guarantee logistics.