

## Approaches to sustainability

### CSR Policy 1: Procurement

**We will promote responsible procurement across the value chain.**

#### Basic approach

In order to provide customers with products that can be used with peace of mind, it is essential to build a supply chain that enables stable sourcing of good quality and price competitive materials. By gaining their long-term trust with suppliers through fair, impartial, and transparent transactions, we will promote procurement activities that take into consideration resources, the environment, and human rights, so that the entire supply chain will be able to grow sustainably.

#### T. Hasegawa Procurement Policy

##### 1. Legal compliance and ethical transactions

We will observe laws and social norms in each country and region, and promote procurement activities with high ethical standards and social good sense together with suppliers.

##### 2. Considerations for human rights

We will respect human rights in every situation and endeavor to ensure that no activities that may violate human rights are conducted across the entire supply chain so that there is no discrimination.

##### 3. Considerations for the global environment

Together with all suppliers, we will conduct sustainable procurement activities that take into consideration global environmental protection with an awareness on reducing the environmental impact.

##### 4. Mutual trust, co-existence, and prosperity with suppliers

We will respect the standpoint of counterparties based on mutual trust according to the principles of fair and open competition, and seek to co-exist and achieve prosperity together with all of our business partners, including suppliers.

##### 5. Safety, security, and customer success

We will conduct procurement activities aimed at realizing customer success, safety, and security by providing safe and quality products to customers and, in turn, consumers.

## Relation with stakeholders

In order to promote responsible procurement across the entire supply chain, we have established the “T. Hasegawa Supplier Guidelines.” We will gain their long-term trust with suppliers through fair, impartial, and transparent transactions.

## Overview of T. Hasegawa Group suppliers

The Group does business with chemical manufacturers, flavor and fragrance manufacturers in the same industry, food additive manufacturers, food manufacturers, trading companies, contract manufacturers, and packaging material manufacturers. In FY2022, the total number of suppliers that the Company had business with was around 450, with a total number of 3,200 purchased items. The main breakdowns are flavor and fragrance raw materials (natural and synthetic) and food (including food additives), which have the same percentage. The ratio of imports to domestic procurement is 35:65, and our suppliers are located in Japan, China, the United States, the European Union, the United Kingdom, India, Brazil, Argentina, and other countries around the world. A distinctive characteristic of our suppliers is that they engage in high-mix, low-volume production and offer raw materials with relatively high unit prices.

## SDGs that we are targeting



## Promotion system and governance

Raw material procurement is mainly promoted by the Purchasing Division. The Risk Management Committee is a Group-wide organization that is chaired by the President & CEO and consists of directors as members. It manages and verifies procurement-related risks. The Purchasing Division collects risk information related to procurement and reports it to the Risk Management Committee.

## Risks, opportunities, and strategies

### Risks

- Failure to procure flavor and fragrance raw materials derived from natural resources due to climate change
- Stagnation of business activities and loss of corporate value due to slow response to social and environmental issues in the supply chain

### Opportunities

- Enhancement of development and manufacturing capabilities and reduction of lead time through diversification of items and suppliers

### Strategies

- Implementation of global raw material procurement
- Investigation and development of alternative raw materials
- Sustainability survey and support for suppliers

## Main FY2022 initiatives

While continuing to obtain the RSPO certification, we shared the T. Hasegawa Supplier Guidelines with suppliers, obtained their understanding, and requested them to submit a written consent. At the same time, we conducted a questionnaire survey using the CSR Procurement Self-Assessment Tool (Global

Compact Network Japan). In FY2022, the response rate of the written consent and questionnaire accounted for 60% of the total transaction amount.

### Implementation of supplier assessment

○FY2022 survey

- Survey format: Questionnaire using the CSR Procurement Self-Assessment Tool
- Target: Top 89 suppliers in terms of the purchase amount, out of approximately 450 suppliers
- Response rate: 89% (79 companies responded)
- Results of response from 79 companies (Scoring percentage)



- Trends, etc., based on the response:
  - (1) Suppliers with a high scoring rate in corporate governance have built a sufficient CSR promotion system and tend to score high points overall.
  - (2) Even if they have not developed a CSR promotion system, the companies generally scored high points in quality and safety, and it can be considered that they have implemented quality management.
  - (3) Some suppliers that scored relatively high points had low scores in human rights and supply chain, so human rights and supply chain management can be considered to be future issues, even for companies that have developed a CSR system to some extent.

We understand from the results of the questionnaire that there were no suppliers with significant risks in terms of child labor or forced labor, or suppliers in which the freedom of association or the right of collective bargaining might be at risk.

### **Procurement of certified raw materials**

Based on requests from some customers, we purchase raw materials from Japan Good Agricultural Practices (JGAP), ASIAGAP, or Rainforest Alliance certified farms.

#### **Procurement of perilla oil**

T. Hasegawa promotes the active use of distinctive flavor and fragrance raw materials in Japan as part of its challenge to develop uniquely Japanese flavors. In order to procure perilla oil, which is one such important flavor and fragrance raw material, we collaborate with a producers' association as described below to support stable production in terms of quality and quantity as well as for business continuation.

- Provision of seeds: We provide seeds to producers every year for stable quality and yield of perilla oil. With the cooperation of seed and seedling producers, we confirm the conditions of production sites.
- Technical support: For improved productivity, we dispatch researchers and engineers to give advice and support on production improvement and equipment modification. (\*)
- Quality improvement support: We dispatch researchers to provide training and support for quality inspection procedures that are difficult to learn only from a producers' association.
- Supply of packaging, etc.: We provide containers for filling and packaging materials to a producers' association.
- Business continuity: We promote planned procurement for years ahead that will not significantly increase or decrease the growing area, so that producers' revenue will be stable.

(\*) Since it is difficult for the producers' association to evaluate and design perilla oil extraction equipment by itself when modifying it due to aging, we dispatched personnel who are responsible for the equipment and an equipment contractor to carry out the modification in 2021.

### **Plan for the future**

From FY2023 onwards, we will further advance the supplier assessment, extract issues based on survey results, and cooperate with suppliers to solve the issues together, thereby solidifying the relations with suppliers and promoting sustainable procurement.

- We will continue to share the T. Hasegawa Supplier Guidelines with more suppliers.
- We will continue to request suppliers in the supply chain to promote sustainability.
- We will continue to request suppliers to answer questionnaire surveys using the CSR Procurement Self-Assessment Tool from the Global Compact Network Japan.
- We will ask overseas subsidiaries to assess local suppliers.

#### **Ratio of implementation of supplier assessment (plan)**

- FY2023: 70%
- FY2024: 80%
- FY2025: 90%