

CSR/ESG Management

Related Key Stakeholders



Material Issue: Supply Chain Management

Why Supply Chain Management Matters

NSK is supported by an extensive, global network of suppliers. We strive to build quality, trusting relationships that foster the continued growth and development of all parties. We are highly conscious of the many risks involved in navigating global procurement, from human rights issues to protecting the environment. Every step of the way, from the mining of resources to final assembly, we work to create a sustainable, safe, and clean processes that have a positive impact on society. We strive to mitigate business continuity risks, and quickly resolve any concerns that may arise as we monitor all levels of the supply chain.

Sustainable and Responsible Procurement

NSK has established a basic policy governing procurement in order to ensure fair procurement practices that also consider the potential impact on society and the environment. We share this policy with all suppliers, and effectively apply it to facilitate and advance socially-responsible, environmentally-friendly procurement.

Procurement Policy Briefings

NSK holds procurement policy briefings every year to explain its procurement and other policies to major suppliers, and we ask them to reinforce their corporate-social responsibility efforts.

In fiscal 2017, we focused on sustainability, explaining the Sustainable Development Goals (SDGs), ISO 20400, and other related initiatives. We solicit a strong commitment to sustainable procurement, and the timely and accurate disclosure of procurement related information. We also emphasize the importance of human rights, and work closely with suppliers to mitigate human-rights-related risks across the entire supply chain.



Promoting and Enhancing CSR Activities

NSK distributes *NSK Supplier CSR Guidelines* and *NSK Group Green Procurement Standards* asks suppliers to supply safe products, comply with laws and regulations, protect human rights, safety, and health, and give consideration to preserving the environment. Our basic business contracts contain clauses that pertain to environmental, social, and governance (ESG) conduct and performance.

Furthermore, NSK regularly monitors suppliers through a CSR self-assessment survey every two years on the state of their CSR activities and feeds back a summary of results to all suppliers.

Initiatives to Enhance Supplier Quality

NSK regularly holds seminars for suppliers on technical and quality assurance topics. We share current issues and engage in initiatives with suppliers to continuously improve quality. NSK also strives to increase the level of quality by having personnel from NSK headquarters, regional headquarters, and plants around the world visit suppliers, audit their processes, and exchange information.

NSK Group Basic Policy for Procurement

- 1) Economic Rationality
Conduct transactions that are economically rational.
- 2) Fairness and Impartiality
Conduct transactions in a fair and impartial manner regardless of region, company size, or whether the counterparty is a new or existing business partner.
- 3) Compliance with Applicable Laws
 - I. Strictly follow the procurement laws and regulations of each country, and maintain awareness of their important societal role.
 - II. Conduct training and education programs to ensure strict observance of procurement laws and regulations.
- 4) Respect for Moral Standards
 - I. Adhere to strict moral standards.
 - Transactions with counterparties and/or potential counterparties shall not be entered into if there are personal interests involved.
 - Transactions with counterparties and/or potential counterparties shall not be entered into for the purpose of personal gain.
 - Companies shall not compel counterparties and/or potential counterparties to make donations, etc.
 - II. When entering into transactions with subcontracting firms, strive to build a strong, cooperative partnership and maintain a stable supply.
- 5) Environmental Preservation, Resource Conservation (Green Procurement)
Promote environmental protection by procuring environmentally-conscious products from counterparties that make positive efforts toward the preservation of the environment.
- 6) Employee Training and Education
Provide procurement training and education to employees.

Strong Awareness of Human Rights in Procurement Activities

NSK has a policy of not using conflict minerals and takes care in its procurement activities to avoid benefitting armed groups that violate human rights. NSK has conducted a conflict mineral survey every year with the cooperation of suppliers of parts and materials used in NSK products. Surveys through 2017 have not identified any case of conflict minerals produced in restricted regions. NSK takes steps to avoid using parts or materials that are suspected to be related to armed conflict.

Additionally, in response to the UK Modern Slavery Act, which was enacted in 2015, NSK revised the *NSK Supplier CSR Guidelines* and the checklists of the CSR self-assessment to better monitor human rights risks throughout the supply chain.

Building a Disaster Resistant Supply Chain

NSK has implemented a Supplier Safety Confirmation System. The system can be used to quickly confirm the situation at suppliers in the event of a disaster. This enables NSK to proactively work with suppliers to resolve supply chain issues in challenging situations. Drills are conducted regularly to ensure suppliers properly utilize the system. NSK has also asked major suppliers to create their own business continuity plans and verified their progress.