

## Implementation of Fair, Free, and Transparent Transactions

With a basic policy centered on the three principles of openness and fairness, partnership, and relationship with society, the NGK Group is engaged in fair and honest business transactions with the procurement partners in our supply chain.

### Basic Approach

The NGK Group has established the Basic Purchasing Policy in an attempt to conduct fair and honest business transactions and to prosper together with all our procurement partners.

### Supply Chain Management System

At NGK, the Purchasing Department is responsible for managing suppliers based on the Supplier Management Regulations. Management targets cover all the tier 1 suppliers and selected critical suppliers among tier 2 and beyond, including raw materials manufacturers.

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Communication Activities with  
Procurement Partners

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### Basic Purchasing Policy

#### Open and Fair

- Open, fair, and honest procurement
- Pursuit of the competition principles and profitability

#### Partnership

- Mutual prosperity based on mutual trust with suppliers

#### Relationship with Society

- Compliance with laws
- Preservation of the global environment

### Familiarization of the Purchasing Handbook

Purchasing operations are directly related to various important aspects of corporate management, such as assets, production, development, and business performance, and also involve external and financial activities, major areas prone to compliance issues. In light of this, we created the Purchasing Handbook to summarize internal rules for purchasing engagement and issued the first edition of it in fiscal 2007. The Handbook has since been reviewed every year.

Efforts have also been made to better familiarize personnel with the tool: it has been made available on the company intranet and its significant objectives are discussed in company training programs, particularly for new managers.



## Fair and Honest Procurement Partner Evaluations and Extensive Resource Diversification

In accordance with the Basic Purchasing Policy, NGK selects procurement partners based on fair and honest evaluations. We also attempt to ensure procurement when disasters occur through the extensive diversification of procurement resources.

### Selection of Suppliers Based on Fair and Honest Evaluations

NGK opens its doors to a wide range of procurement sources, including companies with which it has had no previous transactions.

In terms of selecting new suppliers, we choose from multiple companies through fair and honest evaluation of their CSR initiatives, environmental conservation efforts, and financial condition as well as quality, cost, and delivery (QCD). In addition to the procurement department being involved in the selection of suppliers, multiple departments are also involved in this process, which requires multi-stage approval before selection occurs in an effort to ensure fair and honest evaluation and decision-making.

### Promoting Business Continuity Planning (BCP) through the Diversification of Procurement Resources

In the event of unforeseen circumstances such as a major natural disaster, NGK promotes the sourcing of raw materials, equipment, secondary materials, and other critical purchased parts from multiple suppliers as part of its BCP efforts to ensure procurement is uninterrupted. For items which are available from only one supplier, we are in the process of ensuring sufficient inventory and that the storage facilities for these items are located in a safe place that cannot be damaged by tsunami. In addition, when selecting a new procurement partner, we take into consideration the existence or absence of multiple locations and efforts to ensure inventory.

## Promotion of CSR Procurement

In response to the rising social expectation for CSR-oriented supply chain management, the NGK Group promotes CSR procurement. We preferentially select CSR-conscious companies and purchase CSR-sensitive raw-materials and services.

### CSR Procurement Guidelines

The NGK Group created the CSR Procurement Guidelines in fiscal 2010 as a guide to promote CSR procurement across the Group including overseas Group companies. The Guidelines specifically describe our obligations as a socially responsible buyer as well as our requirements for socially responsible suppliers. In fiscal 2013, the Guidelines were expanded by being integrated with the previous Green Procurement Guidelines, which set forth rules for preferential purchase of environmentally friendly products and services, and adding provisions of conflict minerals, anti-corruption, human rights, and labor issues.

The expanded CSR Procurement Guidelines are publicly available on our website in multiple languages (Japanese, English, and Chinese).

Reference  
URL

**CSR Procurement Guidelines and  
Supplemental Materials**

<http://www.ngk.co.jp/english/about/procure/>

### Procuring Resources and Raw Materials Responsibly

The NGK Group conducts procurement activities that consider impacts on regional communities stemming from the use of raw materials (e.g. conflict minerals\*) with the potential to cause social issues such as human rights violations and poverty, and takes steps to avoid using such materials when there is risk of adverse impact.

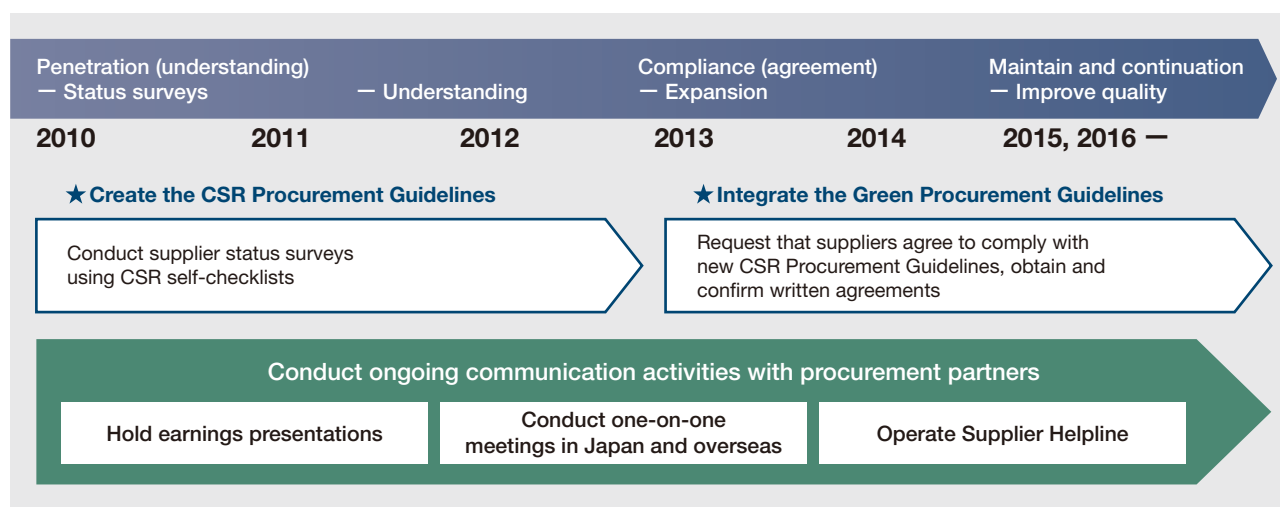
\*Minerals including tin, tantalum, tungsten, and gold produced in the Democratic Republic of the Congo and surrounding countries, and used as a source of funding for armed conflict in the area.

### Improving CSR Procurement

At the NGK Group, we develop activities to promote CSR procurement, such as visiting individual suppliers and conducting on-site inspections. We also request our suppliers, particularly new companies, to sign an agreement to comply with the CSR Procurement Guidelines. From fiscal 2016, we ask for annual renewal of the agreement in an effort to facilitate suppliers' awareness and understanding of CSR procurement while striving to increase the number of signers.

We will continue with these efforts, confirming partners' activities and keeping up with social trends, in order to maintain and enhance our CSR procurement.

### Ongoing Promotion of CSR Procurement



## Enhancement of Procurement Capabilities of Overseas Group Companies

### Helping with Construction of Overseas Group Company's Purchasing System

When NGK Ceramics (Thailand) was starting up, we helped it put in place a purchasing system.

Members of the Purchasing Department were sent to Thailand, where they worked with local management and purchasing staff members to develop purchasing compliance and governance procedures tailored to local conditions and to then construct a purchasing system.

We will continue to support local management and purchasing staff via activities that improve local purchasing capabilities, such as procurement task streamlining, client management, and buyer up-skilling training.

### Conducting Logistics Liaison Meetings

We invited the logistics representatives from NGK Ceramics Polska (Poland) to the NGK headquarters in Japan to participate in an information exchange meeting.

Topics of discussion included the two companies' logistics-related challenges, cases of improvement, and requests and expectations of one another. Afterwards, the representatives were taken to visit warehouses, airports, harbors, and other logistics sites.

The importance of logistics between NGK in Japan and NGK Ceramics Polska has grown as product shipments from NGK Ceramics Polska continue to rapidly expand, and it is in this context that our two companies have strengthened their communication, gleaned key insights from one another which have helped foster more efficient operations.