

Supply Chain Management

Raw materials, equipment, items, and services supplied by suppliers are essential for the businesses of the Nippon Paint Holdings Group.

We strive to conduct fair and sincere procurement activities based on mutual trust with our suppliers.

Approach to Procurement of Raw Materials

The businesses of the Nippon Paint Holdings Group depend on the supply of raw materials, equipment, supplies, and various other items.

A healthy cooperative relationship with suppliers is indispensable for the sustainable growth of our businesses and we will seek, maintain, and enhance open, fair, and sincere procurement activities based on mutual trust with them.

In response to the global expansion of our procurement activities, we have formulated Group Procurement Policy as common rules for the procurement departments of all Group companies and will work to disseminate them to share common values and control the procurement activities.

We would also like our suppliers to understand the policy and promote healthy transactions together.

Initiatives in Line with the Procurement Policy

Since paints are composed of various chemical substances, information on the chemical substances used as their raw materials is important. We receive necessary material information on all raw materials we purchase, as well as the latest information on their conformance to domestic and international regulations, from the suppliers. The information is also used to ensure the safety of products for customers and proper actions for exporting. Nippon Paint Holdings also participates in an initiative of Japan Chemical Industry Association to promote the development of a mechanism to share relevant information on risk assessment of chemical substances in the supply chain and supplies information at the request of customers.

Responsible procurement of raw materials

We survey conflict minerals, as well as raw materials involving abuse of human rights such as child labor, while also covering the upstream of the supply chain, and prohibit the use of such materials. The survey of conflict minerals is conducted once a year by investigating the suppliers of the raw materials containing target compounds (3TG) with the Conflict Mineral Report Template to respond to requests from customers and eliminate raw materials with risks.

CSR procurement survey

The selection of suppliers is based on rational judgments in accordance with the procurement policy. As an attempt to evaluate suppliers, we adopted the CSR Procurement Self-assessment Questionnaire (SAQ) developed by the UN Global Compact

Procurement Policy

In accordance with the management philosophy of the Nippon Paint Holdings Group, Procurement Department complies with and promotes the following policy in its procurement activities with the suppliers, which are our precious partners:

1. Legal compliance and respect for human rights:

Nippon Paint Holdings Group will conduct procurement in compliance with laws and international rules, with respect for human rights, and without any abuse of human rights including discrimination or unfair labor practice.

2. Fair transaction:

Nippon Paint Holdings Group will conduct fair and equitable procurement based on free competition and make efforts to eliminate personal interests from the selection of suppliers.

3. Evaluation of suppliers:

Nippon Paint Holdings Group will select suppliers in a rational manner based on business conditions, CSR, promotion of environmental conservation and resource protection, continuous commitment to the control of safety and health risks, etc. in addition to quality, price competitiveness, stable supply, technical capabilities.

4. Establishment of a trust relationship with suppliers:

Nippon Paint Holdings Group will place emphasis on dialogues with suppliers, work to establish a trust relationship, and promote sustainable procurement together. We will also promote the reduction of risks in procurement activities in cooperation with suppliers.

Network Japan's supply chain subcommittee meeting and asked the top 80% of our suppliers in terms of the purchase amount during 2017 to answer to the questionnaire. We received answers from 74 out of the 84 target suppliers (a coverage rate of 71%) and the average score of the answers was 90 on a 100-point scale with 100 as the highest and 45 as the lowest score. As temporary measures, we are exchanging opinions and having consultations for improvement with the four companies with a score of less than 70 while asking the companies that have not submitted the answers to submit them. We plan to improve the criteria for the response in the future.

BCP measures

As part of BCP, we integrate raw materials, purchase multiple items, and consider alternative products while also asking suppliers to work for BCP to reduce risks together. To understand the impact on procurement in case of severe natural disasters and accidents and respond to such emergency situations, we collect information through a system to make simultaneous inquiries. In 2018, the system was used for the first response to seven natural disasters including earthquakes and typhoons, as well as one fire/explosion accident.

Training of the employees involved in procurement work

To advance the level of the employees involved in procurement work, we provided them with training as to information management, the Subcontracting Act, insider trading, etc. based on the compliance guidebook.