

## Sustainable Sourcing and Responsible Sales

### Human Rights and Environmental Considerations in Supply Chain Management

The PPIH Group considers addressing human rights, labor conditions, and health and safety issues for all stakeholders involved in our retail business as one of the key challenges. We also believe that fulfilling our social responsibility within the supply chain contributes to the realization of a sustainable society and drives growth for both our partners and our group. Based on a strong partnership with our suppliers, we are advancing responsible sourcing across the entire supply chain, following the “Guidelines for Respecting Human Rights in Responsible Supply Chains” issued by the Ministry of Economy, Trade, and Industry.

#### Our response toward responsible procurement

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| FY2022                                 | Establishment of the PPIH Group Sustainable Procurement Policy and the PPIH Group Supply Chain Code of Conduct<br>Holding of briefing sessions for business partners<br>Introduction of Self-Assessment Questionnaires (SAQs) (for new and existing factories contracted to manufacture original products) |
| FY2023                                 | Introduction of follow-up seminars for business partners who have been identified through the SAQs as having issues  |
| FY2024                                 | Revision of the PPIH Group Supply Chain Code of Conduct<br>Initiation of third-party audits<br>Implementation of seminars for those who are responsible for developing original products   |
| FY2025 (Including planned initiatives) | Expansion of the scale of third-party audits<br>Strengthening of internal systems toward responsible procurement   |
| Future challenges                      | Building the human rights due diligence cycle, and taking an upstream approach that includes high-risk raw materials   |

### Policy and code of conduct for human rights and the environment along the supply chain

Our Group established the PPIH Group Sustainable Procurement Policy and the PPIH Group Supply Chain Code of Conduct in January 2022 to promote procurement practices that take human rights and environmental issues into consideration.

We are holding briefing sessions for new business partners and business partners who handle our original (PB/OEM) products to promote respect for human rights and environmental considerations in the supply chain. We ask the participants to submit a written pledge to endorse the PPIH Group Sustainable Procurement Policy and comply with the PPIH Group Supply Chain Code of Conduct. To date, we have had a total of over 1,400 business partners submit the pledges cumulatively (as of the end of June 2024).

### Initiatives toward building the human rights due diligence cycle

#### Initiatives toward identifying human rights and environmental risks in the supply chain

To identify human rights and environmental risks in the supply chain and to check the progress for the promotion of the PPIH Group Supply Chain Code of Conduct, we conduct Self-Assessment Questionnaires (SAQs) and third-party audits for our business partners.

SAQs cover all factories to which we outsource the production of our original products. Third-party audits are conducted on factories among these that are deemed to be particularly important from a risk management perspective, based on factors such as the scale of transactions, the product genres that are outsourced for manufacturing, and the countries in which the factories are located.

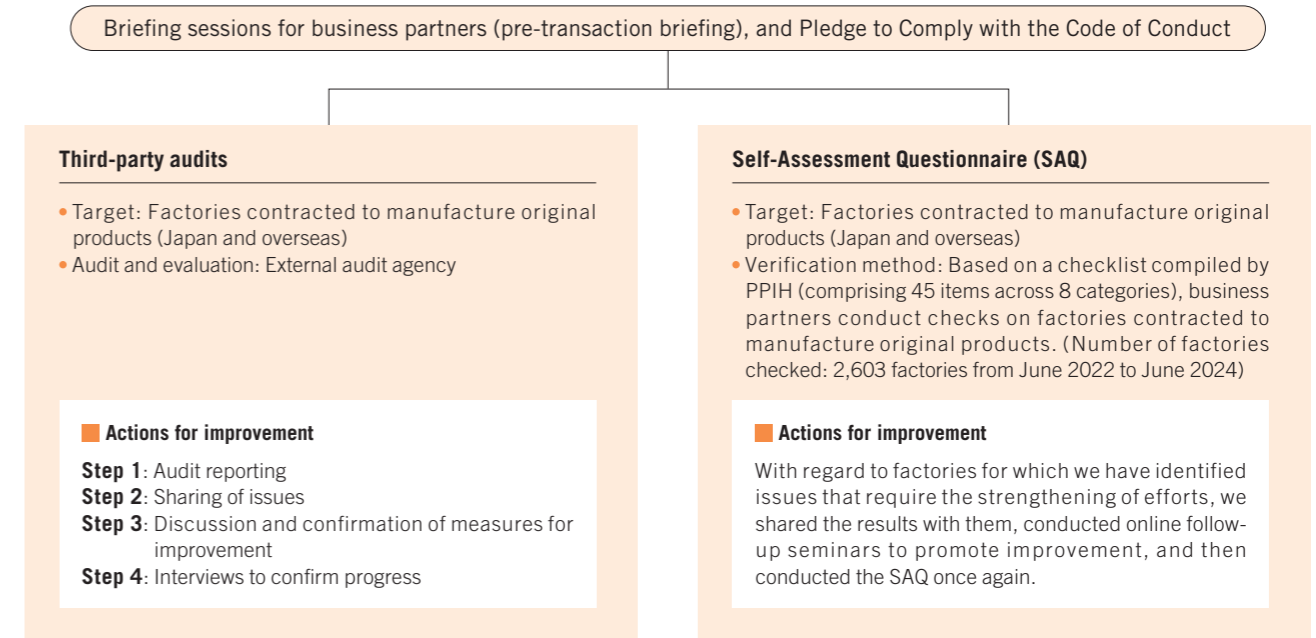
After verifying the responses on serious risks related to human rights, labor, and health and safety through both the SAQs and third-party audits, we have confirmed that there are no factories with serious risks or incidents (as of the end of June 2024).

#### Key Areas of Investigation

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| (1) Human rights - Labor practices             | Prevention of human rights violations, child labor, forced labor, discrimination, and harassment                            |
| (2) Health and safety                          | Implementation of appropriate measures to address harmful chemicals and prevent workplace accidents                         |
| (3) Fair business practices - Ethics           | Prevention of unfair trade practices, bribery, illegal donations, and abuse of power  |
| (4) Environment                                | Compliance with environmental regulations regarding wastewater, sludge, waste disposal, and setting waste reduction targets |
| (5) Quality - Safety                           | Establishment and operation of quality management systems to ensure product safety and quality                              |
| (6) Information security                       | Proper management and protection of personal and confidential information   |
| (7) Social contribution                        | Engagement in activities that contribute to the development of both international and local societies                       |
| (8) Others (Coexistence and mutual prosperity) | Responsible sourcing of critical raw materials related to human rights and environmental risks                              |

In FY2023, the Group conducted third-party audits targeting at certain factories in China and Japan, and we identified the need for improvements in labor management and occupational safety and health at 4 factories; and in labor management, occupational safety and health, and waste disposal at 1 factory. We are working to make improvements in these factories. Going forward, we plan to expand the scale of third-party audits to include more factories contracted to manufacture original products to identify risks.

#### Audits on factories contracted to manufacture original products



#### Setting up a hotline

The Group has established a reporting hotline exclusively for business partners. Information about the hotline is posted in our business meeting rooms in order to raise awareness. The contact points are both internal and external (third-party law firms), and the privacy of the person consulting or reporting is strictly protected, and anonymous consultations and reports are also possible.

We take the feedback received from our business partners through the hotline seriously, and work to resolve issues after conducting the necessary investigations.



### Initiatives that contribute to capacity building

#### Internal training programs

The Supply Chain Management Subcommittee, under the Sustainability Committee, plays a central role in conducting training for employees involved in the development of original products. Based on the Guiding Principles on Business and Human Rights adopted by the United Nations and the Guidelines on Respecting Human Rights in Responsible Supply Chains issued by the Ministry of Economy, Trade and Industry, the training covers explanations of the Group's procurement policy, human rights and environmental risks in the supply chain, and real-life case studies, among other topics (Number of participants: 406 people / FY2024).

Additionally, the compliance training conducted monthly for employees covers themes related to the Antimonopoly Act about once a year, as we strive to ensure that transactions with business partners do not facilitate any negative impact on human rights.

#### Support for initiatives related to the supply chain

The Declaration of Partnership Building was founded by the Council for the Promotion of Partnership Building for the Future, which consists of the Chairman of Keidanren, the Chairman of the Japan Chamber of Commerce and Industry, the President of RENGO, and the relevant ministers. This declaration aims to build new partnerships by promoting collaboration, coexistence and mutual prosperity with supply chain partners and businesses focused on value creation. PPIH has endorsed this Declaration, committing to procure products that are considerate of human rights and the environment, as well as taking measures to prevent excessive overtime among our business partners.

