

Materiality Initiatives

— Build an internationally competitive supply chain to solve social issues —

Materiality

- Conduct human rights due diligence on major suppliers: Implementation rate for high-risk suppliers by 2025: 100%



CSR procurement flow



Background to the identification of materiality

Supply chains are linked to many social issues. Companies need to conduct business while considering the impact on the environment and society as a whole, not just their own profits. If social or environmental risks in the supply chain are uncovered, such as when the rights or safety of workers at suppliers are not being protected, or when the raw materials used in procured goods are linked to environmental destruction, this can lead to a slowdown in the procurement of raw materials and parts, and damage the sustainability of the company's supply chain, which in turn could affect the company's ability to continue its business. Furthermore, the lack of transparency and risk management in the entire supply chain may be exposed, damaging the company's reputation and credibility, and there is a risk of consumer boycotts and social criticism. On the other hand, addressing materiality can lead to the mitigation of social and environmental risks in the supply chain, and enhance the sustainability of the company. In addition, by strengthening sustainable procurement activities and risk management, you can gain the support of consumers and create opportunities to acquire new

customer segments. By working to solve social issues throughout the supply chain, you can demonstrate leadership within your industry and build a competitive and robust supply chain. In order to achieve sustainable business operations and strengthen competitiveness, proactive measures and initiatives are required to solve social issues throughout the supply chain.

Initiatives in FY2023

We participated in a subcommittee of the United Nations Global Compact Japan and examined internal operational rules with reference to industry trends regarding human rights due diligence. For example, in the NIDEC Supplier CSR Self-Assessment (SAQ) conducted in FY2023, in order to identify human rights risks, which had been an issue, we added questions about specific items and regions that were considered to have a high risk of human rights violations, based on the information obtained in the subcommittee, and conducted a survey. Based on the supplier information obtained in this survey, we measured the probability of human rights violations occurring and the severity of the damage after they occur for each category, and identified the potential human rights risks in our own supply chain and determined the priority of our initiatives. In addition, with regard to the SAQ items that we have been continuously implementing, we have developed them from the previous evaluation of the entire supply chain to a more detailed evaluation, and we have analyzed the suppliers that we have judged to be at high risk based on our standards (3% of the total) and the suppliers that scored below our standards in the human rights section of the materiality KPIs (1% of the total). We plan to conduct individual interviews and surveys with these suppliers in the next fiscal year and beyond.

Toward the future

We plan to conduct on-site surveys and hold dialogues with suppliers who scored below the benchmark in the human rights section of the 2023 SAQ. If issues are identified through visits and interviews, we will request corrective action and continue the human rights due diligence cycle.

Nidec supplier CSR self-assessment

Starting from FY2018, we have conducted the Nidec supplier CSR self-assessment to understand the status of CSR procurement and have our supply chain partners report on the status of their implementation of the Nidec Group Supply Chain CSR Promotion Guidebook and the Nidec Group's Basic Policy on Human Rights. The survey is designed to assess the status of each supplier's CSR activities, based on a total of 111 items in Chapters 1 through 6 of the Nidec Group Supply Chain CSR Promotion Guidebook. Regardless of whether the evaluation is high or low, feedback, etc. is provided to all suppliers to encourage further improvement.

	FY2021	FY2022	FY2023
Number of suppliers that conducted a Nidec supplier CSR self-assessment	698	732	876

Dissemination of policies and standards to suppliers

The NIDEC Group places great importance on collaboration with suppliers in its pursuit of sustainability in the supply chain. The NIDEC Group Supply-Chain CSR Promotion Guidebook and NIDEC Group Human Rights Policies set out the policies and standards for building a sustainable supply chain, and these are being rolled out to all global suppliers. We also stipulate compliance with these policies and standards in our basic purchasing contracts. In addition, in order to conduct due diligence on potential new suppliers, we always request that suppliers with whom we are starting new transactions respond to the NIDEC Supplier CSR Self-Assessment and conduct risk assessments of social issues.

NIDEC Group Supply-Chain CSR Promotion Guidebook

Example 1 Clarified policy on reducing excessive working hours

- Suppliers shall comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime, and maximum hours. Further, Suppliers are encouraged to implement corrective measures in situations where the number of hours worked by employees, including overtime, repeatedly exceeds 60 hours per week.
- Unless otherwise provided by applicable local law, Suppliers shall provide all employees with a minimum of one day off per week or every seven day period. This rest period must be in addition to any annual leave provided under national legislation and practice.

Example 2 Commitment to exceeding the minimum wage in the region / meeting the cost of living

- Suppliers shall ensure that compensation paid to employees complies with all applicable wage laws, including those relating to minimum wages, overtime pay and legally mandated benefits. Illegal, unjustified wage deductions as a disciplinary measure shall not be permitted.
- For each pay period, employees shall be provided with a wage statement that includes sufficient information to verify accurate compensation for work performed.

* Please click the URL below for the "Nidec Group Supply-Chain CSR Promotion Guidebook."

<https://www.nidec.com/-/media/www-nidec-com/corporate/procurement/green/pdf/Supply%20Chain%20CSR%20Guidebook%20JP.pdf>

Holding CSR seminars at major sites

As Nidec promotes CSR activities throughout its supply chain, it is important that our procurement personnel first understand Nidec's CSR policies. Since FY2018, Nidec Corporation and Nidec Group companies in Japan have conducted CSR seminars for purchasing personnel based on the Nidec Group Supply Chain CSR Promotion Guidebook. In FY2023, the number of seminars increased significantly as the scope of the program was expanded to include employees in departments other than purchasing (such as development, production, and quality assurance departments). Going forward, we plan to actively expand CSR seminars by increasing the number of seminars (four times a year), holding them at overseas locations, and holding them for suppliers.

	FY2021	FY2022	FY2023
Number of CSR Seminars Held	250	—	1,300