



# Reinforce Value Chain Management

Relevant GRI Standards: 102-9/103-2/412-3

## Policies and Concepts

In recent years, companies find themselves required to monitor the ESG risks and impact on sustainability, including consideration of human rights and mitigation of environmental impacts, of not only their own group companies but also throughout the entire value chain, from raw materials and supplies procurement to disposal and recycling. Also, we are seeking to expand the B2B2X model and global businesses under the medium-term management strategy “Your Value Partner 2025” that we established in 2018. We expect our value chain to expand further globally, requiring us to enhance our value chain management initiatives.

The NTT Group’s value chain management focuses on requiring suppliers to adhere to the various guidelines under the “Procurement Policies” established by NTT. For this reason, it is important for us to build partnerships of trust with all of our suppliers. In 2013, we formulated the NTT Guidelines for CSR in Supply Chain to further promote CSR procurement and we carry out risk assessments of suppliers following these guidelines. Additionally, we have formulated the “NTT Guidelines for Green Procurement” and the “NTT Group Energy Efficiency Guidelines” as specific guidelines on the environment and we require all suppliers to comply with the provisions therein.

<b>Procurement Policies</b>	
1.	NTT will strive to provide competitive opportunities with fairness to both domestic and foreign suppliers, and to build mutual trust and understanding.
2.	NTT will conduct economically rational procurement of competitive goods and services that meet its business needs, deciding on suppliers based on quality, price, delivery times, and stable supply in a comprehensive manner.
3.	NTT will conduct procurement in a manner that follows laws and regulations as well as social norms, and takes the environment, human rights, and other issues into account to contribute to society.

[Procurement Policies](https://www.ntt.co.jp/ontime/e/policy/index.html) <https://www.ntt.co.jp/ontime/e/policy/index.html>

## NTT Guidelines for CSR in Supply Chain

A number of supply chain issues have recently come to light, including serious human rights violations such as forced labor and child labor, unlawful disposal of waste, response to stricter regulations on controlling chemical substances, bribery, and other examples of malpractice. These issues have served to intensify public expectations for companies to comply with legal and social standards in their procurement activities.

In light of this, we formulated the NTT Guidelines for CSR in Supply Chain in 2013 that contain detailed requirements for suppliers in the six areas of human rights/labor, health/safety, the environment, fair trade/ethics, quality/safety, and information security to guide our efforts as we work together with suppliers in order to conduct procurement activities in a socially responsible manner.

We have published these Guidelines in Japanese and English, seeking to communicate to a broad range of the NTT Group’s suppliers both in Japan and overseas. We expect suppliers to adhere to these guidelines along with our Procurement Policies and the NTT Guidelines for Green Procurement, which contain our basic approach to green procurement at the NTT Group.

[Procurement](https://www.ntt.co.jp/ontime/e/index.html) <https://www.ntt.co.jp/ontime/e/index.html>

[NTT Guidelines for CSR in Supply Chain](http://www.ntt.co.jp/ontime/e/img/pdf/supply_chain2.pdf) [http://www.ntt.co.jp/ontime/e/img/pdf/supply\\_chain2.pdf](http://www.ntt.co.jp/ontime/e/img/pdf/supply_chain2.pdf)

## Requests to Suppliers on Environmental and Social Concerns

We have established the following guidelines as requirements under the NTT Guidelines for CSR in Supply Chain and seek compliance from suppliers. We also ask all suppliers that participate in procurement, whether they are a new supplier or not, to comply with our Notes Regarding Participation in the Procurement Process, including not having any past involvement with organized crime groups or demonstration of improper conduct related to procurement.

NTT Guidelines for Green Procurement	Uniformity/selection of plastic materials, restricted use of harmful materials, display of information on plastic materials, energy conservation, specific requirements for assessing suppliers
NTT Group Energy Efficiency Guidelines	Basic policy for developing and procuring ICT equipment such as routers and servers used by the Company, and target values for each type of equipment
Technical Requirements	Specific technical requirements, including the reduction of environmental loads, for procuring products that pay due consideration to quality, safety, the environment and other aspects
NTT Group’s Approach to Conflict Minerals	Basic policy on initiatives for preventing the use of designated conflict minerals due to concerns that part of the minerals originating in the Democratic Republic of the Congo and nine neighboring countries are providing a source of funding for violent armed groups engaging in serious human rights abuses

- 📄 [NTT Guidelines for Green Procurement](https://www.ntt.co.jp/ontime/e/img/pdf/green_j.pdf) [https://www.ntt.co.jp/ontime/e/img/pdf/green\\_j.pdf](https://www.ntt.co.jp/ontime/e/img/pdf/green_j.pdf)
- 📄 [NTT Group Energy Efficiency Guidelines](https://www.ntt.co.jp/kankyo/management/guideline/energy.html) <https://www.ntt.co.jp/kankyo/management/guideline/energy.html> (Japanese only)
- 📄 [Technical Requirements](https://www.ntt.co.jp/ontime/e/policy/tr/index.html) <https://www.ntt.co.jp/ontime/e/policy/tr/index.html>
- 📄 [NTT Group's Approach to Conflict Minerals](https://www.ntt.co.jp/ontime/e/policy/conflict/index.html) <https://www.ntt.co.jp/ontime/e/policy/conflict/index.html>
- 📄 [Notes Regarding Participation in the Procurement Process](https://www.ntt.co.jp/ontime/e/procedures/point/index.html) <https://www.ntt.co.jp/ontime/e/procedures/point/index.html>

## Conducting Risk Assessment for the Supply Chain

We assess the CSR activities of suppliers through surveys referencing various guidelines, and conduct risk assessments from various angles, including society, quality and the environment.

We will continue to scrutinize the survey method, survey content, and analysis method and use the findings of these questionnaires to provide feedback and continue discussions with suppliers in order to reduce risks across the value chain of the NTT Group.

## Organization for Implementation

NTT's Technology Planning Department has formulated the NTT Guidelines for CSR in the Supply Chain as guidelines for promoting supply chain CSR within the Group. In coordination with procurement divisions at each NTT Group company, we ensure that a supplier's compliance with key items within the guidelines is a basic condition of procurement and we regularly check that this condition is being met and follow-up with suppliers.

## Main Initiatives

### Assessment of Social and Environmental Risks

We assess social and environmental risks by conducting the Supply Chain CSR Survey using the Supply Chain CSR Promotion Check Sheet to confirm the status of compliance with various guidelines and technical requirements. The survey targets all of the NTT Group's critical suppliers that account for at least 90% of total procurement value, and includes 140 items covering the seven areas of human rights and labor, health and safety, the environment, fair trade and ethics, quality and safety, information security, and social contributions. For example, in the area of human rights, we also conduct monitoring of child labor and forced labor as well as compliance with the freedom of association and collective bargaining rights. We assess the responses from suppliers, and designate those with a certain percentage of low-rated responses, or those with a low rating for specific items, as high sustainability risk suppliers. We visit these designated suppliers to perform additional checks, and when corrective action is necessary, we have them prepare an improvement plan and monitor its implementation. While the survey covers critical suppliers, we seek to assess risks that exist further upstream by also including items that check whether the supplier is making efforts to educate secondary suppliers about social responsibility. The goal of the survey is to request and receive responses from all critical suppliers. For information on the results of the Supply Chain CSR Survey, see page 087.

### Check points for the Supply Chain CSR Survey (140 items)

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|---------------------------------------|---|
| 1. CSR promotion in general (4 items) | 5. Fair trade and ethics (27 items)                         |
| 2. Human rights and labor (22 items)  | 6. Quality and safety (11 items)                            |
| 3. Safety and hygiene (25 items)      | 7. Information security (15 items)                          |
| 4. Environment (23 items)             | 8. Others (social contribution activities, etc.) (13 items) |

### Assessment of Risks Associated with Conflict Minerals

In accordance with the NTT Group's Approach to Conflict Minerals, we conducted written surveys and inspected the offices and factories of suppliers to determine whether or not these minerals are used in their products. For information on the results of this survey, see page 087.

We are also carrying out questionnaires and exchanges of views regarding methods of information management in order to identify exemplary suppliers and those that require improvement and also to understand the current state of their response toward achieving an even higher rate of response in our surveys.

## Communicating with Suppliers

The NTT Group strives to build better partnerships with each of its suppliers by mutually exchanging views and proposals through various modes of communication. In July 2018, we started introducing a system that enables faster assessment of damage to suppliers following a major earthquake or other disaster. By exchanging information more quickly and accurately, we will continue to work with suppliers on the prompt restoration of telecommunications equipment.

The NTT Group companies also engage in various forms of communication with their suppliers. Specifically, these companies inform their suppliers of their business environment and exchange views on how they can continually work together to provide a stable supply of high quality, competitive products.

**ESG Education for Procurement Department Staff**

The NTT Group implements training on ESG for staff in procurement departments to reduce the burden of procurement activities on the environment and ensure they persistently comply with the laws, regulations, and norms of society. The implementation ratio of ESG training for staff in procurement departments can be found on page 087. Going forward we will continue actively working to improve awareness and knowledge regarding ESG.

**VA Proposal System and Supplier Awards System**

NTT East and NTT West engage in value analysis activities in which we invite our suppliers to submit proposals for enhancing quality, safety and workability, and for contributing to environmental protection, and then we incorporate their ideas in product specifications. We award suppliers that offer particularly outstanding proposals. In addition, we participate in improvement presentations held by suppliers and work with them to make improvements based on dialogue and cooperation.

Since fiscal 2006, we consolidated contact points for a simpler proposal system and established an environment for further developing improvement activities, including adding a new scheme for VE (Value Engineering) & VA (Value Analysis) proposals from telecommunications construction companies and suppliers. We will remain active on improving our products and services.