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Supply chain management

Materiality



Our approach

In all of our business activities we must fulfill our social responsibilities as a corporate citizen by complying with laws, respecting human rights, considering the global environment and managing information securely.

To support the stable production and sale of products beneficial for health, and activities toward a sustainable society, we have also made sustainable procurement a key theme within our CSR activities.

As sustainable procurement requires collective action with our business partners, we will communicate proactively and work together with partners to mitigate risks and consider social and environmental impact throughout the supply chain, improving the sustainability of society.

Policies / Guidelines / Targets

- Yakult Ethical Principles and Code of Conduct (2. Compliance with Social Norms)
- CSR Procurement Policy
- Supplier CSR Guidelines
- Yakult Basic Policy on Green Procurement

Global Standard

- UN Global Compact

[Link](#) Fiscal 2020 targets and achievements

Major initiative in fiscal 2020

- ▶ Formulated the Supplier CSR Guidelines
- ▶ Conducted a CSR procurement survey of our suppliers
- ▶ Held two sustainable procurement workshops for Group personnel working in procurement

Message from the chief officer

Since its founding, the growth of Yakult has been supported by a number of business partners. As a result, Yakult products are enjoyed in 40 countries and regions around the world, yet a stable supply of high-quality, safe and reliable products will not continue to be possible without a sustainable supply chain.

With the advance of globalization and economic development, companies are having an even greater impact on the environment and society.

We have selected supply chain management as a material theme because we believe that the Yakult Group cannot engage in sustainable development without addressing our social and environmental impact and mitigating risk throughout the supply chain to improve sustainability.

We recognize that we must take concrete action within the supply chain to fulfill our corporate social responsibility towards human rights, labor, the environment and anti-corruption. To engage in sustainable procurement of raw materials, one particular key action is to improve their traceability and data transparency.

Moving forward, we will promote responsible procurement and production, improving the overall sustainability of society throughout the supply chain in order to realize our corporate slogan of “In order for people to be healthy, everything around them must also be healthy.”



**Akifumi Doi**  
Director and Senior Managing Executive Officer  
Divisional General Manager of Production Division

Related SDGs

Ensuring fair and sound transactions

Environmental destruction, forced labor and child labor in the supply chain are considered as global issues relevant to corporations.

When procuring raw ingredients and other materials, in addition to conventional factors like product quality, price and delivery date, the Yakult Group engages in sustainable procurement that considers sustainability factors such as human rights, labor, the environment and anti-corruption, and promotes this among our business partners by sharing our Yakult Group CSR Procurement Policy and Supplier CSR Guidelines.



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Sound relationships with business partners

Promoting sound organizational management and fair business practices is extremely important in order to make our corporate philosophy a lasting reality throughout the Group.

To achieve this, with the expectation that the Yakult Group complies with national and local laws, guidelines and regulations related to anti-corruption, we have established an anti-corruption policy based on the Yakult Ethical Principals and Code of Conduct, which serves as the standard for compliance within the Group.

The Yakult Ethical Principles and Code of Conduct stipulates our ban on gifts and entertainment. It prohibits receiving gifts and entertainment from business partners and stakeholders, as well as giving gifts and providing entertainment to business partners, stakeholders and customers that go beyond the boundaries of common sense or social norms, directly or indirectly, in and out of Japan. At overseas business sites, we established anti-bribery guidelines and regulations, and comply with them in the course of our business operations.

We are determined to avoid illegal actions and the use of improper methods to pursue profits as well as placing undue burden on suppliers. We are also committed to ensuring fair, transparent and free competition and conducting appropriate transactions.

Mutual prosperity with marketing companies

The Yakult Group has 101 marketing companies,\* and they play a key role in our point of contact with customers. After confirming and mutually agreeing upon the roles and responsibilities that shall be fulfilled by Yakult Honsha and the marketing companies, we execute business activities based on a contract.

We at the Yakult Group work together towards realizing both a healthy society and mutual prosperity: Yakult Honsha provides highly functional products for health improvement and handles public relations and advertising, while marketing companies engage in activities that are useful in resolving the health issues of customers and local communities, as well as sell Yakult products.

\* As of March 2021

Compliance with the Subcontract Act

Aiming for even further compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act), we created a Subcontract Act Compliance Manual in 1997 for operational personnel in departments that deal with subcontractors (revised in 2016). We hold training sessions for them as appropriate.

[➡ Link](#) p. 84 Compliance > Anti-corruption

Promoting sustainable procurement

**CSR Procurement Policy**

The Yakult Group recognizes the importance of sustainable procurement that takes into consideration issues such as human rights, labor, the environment and anti-corruption, and promotes sustainable procurement throughout the supply chain in collaboration with our business partners according to the Yakult Group CSR Procurement Policy. We have also identified supply chain management as a material theme, and designated promoting sustainable procurement as a key theme of the Yakult CSR Action Plan, with the aim of contributing to the responsible production and sale of products that improve health and the creation of a sustainable society.

Yakult Group’s vision for sustainable procurement

**Corporate Slogan**

In order for people to be healthy, everything around them must also be healthy.

**Corporate Philosophy**

We contribute to the health and happiness of people around the world through pursuit of excellence in life science in general and our research and experience in microorganisms in particular.

**Three key areas of CSR**

- Health
- Local Communities
- The Environment

**Basic policy on sustainable procurement**

**Yakult Group CSR Procurement Policy (Established in March 2018)**

Recognizing the importance of sustainable procurement that takes into consideration issues such as human rights, labor, the environment, and anti-corruption, the Yakult Group will promote sustainable procurement throughout the supply chain, in cooperation with our business partners.

**1 Respect regulatory compliance and international codes of conduct**

We will comply with national and local laws and regulations, respect international codes of conduct, and promote fair and equitable procurement activities.

**2 Consider human rights, labor, safety and health**

We will prohibit the use of child labor and forced labor, respect fundamental human rights, and promote procurement activities that take into consideration the work environment, safety and health.

**3 Ensure safety and quality**

We will promote procurement activities, giving attention to cost and stable supplies, and aim to ensure high quality and safety.

**4 Consider the global environment**

We will promote procurement activities that comply with the Yakult Basic Policy on the Environment and take into consideration the global environment.

**5 Maintain information security**

We will strictly control confidential information on procurement transactions and use it only for legitimate purposes.

**6 Coexist with society**

We will promote procurement activities that take into consideration social contributions towards coexistence with society.

**Request to our suppliers**

**Yakult Group Supplier CSR Guidelines**

We will increase social sustainability throughout the supply chain by taking the impacts on the environment and society into consideration and reducing the risks.

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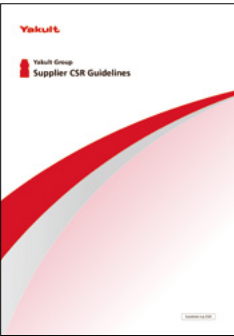
Supplier CSR Guidelines

Based on the CSR Procurement Policy, the Yakult Group Supplier CSR Guidelines were formulated in July 2020 in order to effectively promote sustainable procurement within the Group and help create a sustainable society. The guidelines are a collection of requirements regarding responsible procurement activities for all our business partners in Japan and overseas, including new business partners.

For each requirement in the guidelines, we check the status of our efforts through surveys and audits, and if any problems are found, we take appropriate measures for improvement.

Together with using these guidelines, the entire Yakult Group will continue striving to promote sustainable procurement.

**WEB** Yakult Group Supplier CSR Guidelines  
[https://www.yakult.co.jp/english/csr/policy/pdf/supplier\\_csr\\_guidelines.pdf](https://www.yakult.co.jp/english/csr/policy/pdf/supplier_csr_guidelines.pdf)



Requests to our business partners (summary)

1. Comply with national and local laws and regulations, respect international codes of conduct, and promote fair and equitable procurement activities. Establish systems for this purpose.
2. Uphold international human rights principles, including the Universal Declaration of Human Rights, and establish fair and appropriate working environments that consider safety and health.
3. Build a framework to ensure high quality and safety.
4. Build a management framework to reduce environmental impacts, take action on climate change, preserve biodiversity, prevent pollution, appropriately manage waste and effectively use resources.
5. Strictly manage confidential information.
6. Promote activities to coexist with society and to create a sustainable society.

Evaluation of business partners and collaboration

Based on our CSR Procurement Policy, we carry out supplier risk assessments through a CSR procurement survey in order to identify high-risk suppliers on issues such as the environment, human rights, occupational safety and health, and anti-corruption. The survey of 104 business partners, which account for the top 90% of our total procurement cost related to manufacturing, was carried out in June 2020.

Conducting this survey enabled us to assess the status of our suppliers' sustainable procurement initiatives and to ask our business partners for their understanding and cooperation on the Yakult Group CSR Procurement Policy and Supplier CSR Guidelines.

We sent feedback about the survey results to the companies which responded, to raise awareness of CSR and encourage improvements in their sustainable procurement initiatives.

For high-risk suppliers identified by this survey, we provide materials explaining our sustainable

procurement initiatives, and engage in support activities with the aim of capacity building for these suppliers, including providing information on supply chain management and raising awareness about the need for sustainability initiatives.

Furthermore, for companies with confirmed issues such as violations of laws and regulations, we created a supplier management log and verified their response through individual hearings. We then made requests for improvement and have been receiving reports of their corrective actions.

Going forward, we will continue working to improve sustainability across the entire supply chain by carrying out risk assessments of the supply chain annually, and are also considering conducting supplier audits through field visits.

●Anti-bribery initiatives: P.T. Yakult Indonesia Persada, Guangzhou Yakult Co., Ltd.

In January 2019, Yakult Indonesia called on its suppliers to sign an anti-corruption declaration, which was signed by all the suppliers. Yakult Indonesia will continue to prevent corruption and ask new suppliers to submit this declaration along with their company information.

Starting in 2020, Guangzhou Yakult requests that their suppliers sign an agreement that states their commitment to fight bribery or pay penalties, and have had all suppliers sign when they concluded a contract. They will continue to fight misconduct going forward.

Supplier communication

We recognize that our sustainable procurement initiative contributes significantly to the business activities of our business partners. Through active communication and collaboration with suppliers, the Yakult Group aims to improve the sustainability of wider society by taking the impacts on the environment and society into consideration and reducing the risks throughout the entire supply chain.

For our major business partners, such as raw material suppliers and manufacturing subcontractors, we explained the Yakult Group CSR Procurement Policy and conducted a survey in order to promote understanding and implement the policy. In March 2019, we held a general briefing session on the policy for all our production subcontractors (19 companies) to ask for their understanding and cooperation. We share social issues and specific cases related to human rights, labor, the environment and anti-corruption. We also share our ongoing efforts to promote sustainable procurement that increases social sustainability throughout the supply chain, in order to consider the impact on society and the environment and reduce the risks.

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CSR procurement survey results (June 2020)

Target: In principle, primary business partners of Yakult Honsha's dairy products, soft drinks, cosmetics and pharmaceutical divisions      Number of responses: 104 companies (100% response rate)

Item	Number of questions	Main questions (examples)	Average score*	Percentage of responses (%)			
				Level 3: Responded with "action being taken"	Level 2: Responded with "under consideration"	Level 1: Responded with "no action being taken"	No response
1. Corporate governance related to CSR	6	Have you set a vision, long-term goals, key areas, etc. for CSR in general?	92	79.3	18.8	1.9	0.0
2. Human rights	4	Have you had any human rights issues in the last year, such as harassment, discrimination, or labor issues on foreign technical trainees?	94	84.9	13.5	1.7	0.0
3. Labor practices	11	Are you taking action for fair application of working hours, holidays, paid leave, etc.?	98	94.8	4.8	0.4	0.0
4. Environment	9	Are you taking action to reduce CO <sub>2</sub> and other greenhouse gas emissions, and use energy efficiently?	96	87.9	7.1	3.1	1.9
5. Fair business	11	Are there regulations or are you taking action to build proper relationships with local authorities and government officials in Japan and overseas in carrying out business activities (e.g., prohibition of bribery)?	96	85.8	9.5	1.2	3.5
6. Quality and safety	5	Do you have your own company policy and implementation system in line with our policies and guidelines on quality and safety of products and services?	99	97.1	1.3	0.6	1.0
7. Information security	6	Do you have a mechanism or are you taking action related to personal data and privacy protection?	97	92.8	6.4	0.8	0.0
8. Supply chain	4	Are you taking action to promote CSR activities in the supply chain, such as field surveys of business partners?	94	82.2	14.7	2.2	1.0
9. Coexisting with the local community	2	Are you taking action to reduce social and environmental impact due to the production process or products and services?	96	89.4	8.2	2.4	0.0
Total	58		96	89.1	8.9	1.5	0.5

Raising sustainable procurement awareness

We provide information and training to employees involved in raw material procurement and manufacturing consignment regarding the objectives of the CSR Procurement Policy and responsible procurement activities for creating a sustainable society.

In fiscal 2018, we invited external lecturers to speak on how to better conduct sustainable procurement activities based on the policy. A total of seven study sessions promoting sustainable procurement were held mainly for department and section managers involved in procurement, with a total of 35 employees given awareness training and education on sustainable procurement policies and supply chain management.

Since fiscal 2019, we have held a sustainable procurement promotion meeting for a similar group of employees to promote the planning and implementation of various types of measures for sustainable supply chain management.

We educate personnel in charge of procurement within the Group on subcontracting law, laws

related to contracts, and various regulations for conducting fair transactions. It is essential to improve the knowledge and skills of workers who actually come into contact with suppliers in order to reliably and effectively promote sustainable procurement. In fiscal 2020, we held sustainable procurement workshops a total of two times for Group personnel working in development and procurement.

The sessions included lectures and group discussions led by external experts—covering topics such as global issues related to human rights, labor, the environment and anti-corruption, specific case studies, risks and opportunities for the Group in sustainable procurement, and the necessity of international traceability certification systems for raw ingredients—and are helping further the planning and practice of sustainable procurement.



Sustainable procurement promotion meeting

Number of business partners by average score

Average score	Number of companies
90% or higher	87
80% - below 90%	12
70%- below 80%	2
Below 70%	0
Incomplete response	3
Total	104

\* Score for each item calculated based on a score of 3 points for Level 3, 2 points for Level 2, and 1 point for Level 1  
Note: Additional questions also asked to confirm details, depending on the content of the response



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Green procurement

The Yakult Basic Policy on Green Procurement sets our green procurement policy and covers raw materials, packaging materials and equipment, facilities and indirect materials related to our business. All business sites carry out procurement activities in a manner that promotes the protection of the global environment, the reduction of environmental impact, the creation of a circular economy and other environmental objectives in cooperation with business partners based on this Basic Policy.

Fiscal 2020  
Green procurement ratio:  
81.3%  
(head office, research institute, Honsha plants)

Yakult Basic Policy on Green Procurement

With respect to items used at all of Yakult Honsha's business sites and in all of the Company's business activities, we will strive to procure environment-friendly products that promote the protection of the global environment, the reduction of environmental impact, the creation of a circular economy and other environmental objectives. In accordance with these goals, we have established the basic policies as described below:

**Scope of policies** All manufacturing, marketing, office and R&D facilities.

**Basic policies**

1. Avoid procuring items with a potential for harming the environment or human health.
2. Procure items that give due consideration to resource conservation and energy conservation.
3. Procure crating and packaging materials that incorporate a high proportion of recycled materials.
4. Procure crating and packaging materials designed to be reused as many times as possible.
5. Procure crating and packaging materials with minimal portions that must be disposed of as waste and for which disposition processing is easy.
6. Procure items that are manufactured, marketed and shipped by companies proactively addressing environmental protection objectives by such means as building environmental management systems, disclosing environmental information and cooperating with Yakult's environmental protection activities.

Established: March 5, 2001

[Link](#) Plastic containers and packaging: Initiatives for containers and packaging other than plastic: Use of internationally-certified paper in products

Stable procurement of raw materials

Stable procurement for food products (dairy products, soft drinks)

To ensure stable procurement of raw materials used in our dairy products, we distribute risk by purchasing the primary materials from multiple companies, and maintain appropriate reserve stores of each by considering factors such as sales trends and material procurement lead times for each product. We also contract with business partners to secure an annual volume of some raw materials.

Using these methods ensures that we can stably procure raw materials even in times of disaster.

Stable procurement for pharmaceuticals

To ensure a stable supply of final products, we aim to mitigate risk by using a number of plants for active pharmaceutical ingredients according to the circumstances of each formulation, along with managing stock based on appropriate estimate of demand. We also enter into product quality agreements with the manufacturers of active ingredients based on pertinent laws such as the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, striving for stable supply of ingredients with the required quality.

Stable procurement for cosmetics

In procuring both raw materials specific to certain cosmetics and those used in multiple types of products, we diversify our sources and seek alternate routes to be prepared for unforeseen circumstances, as well as keep a fixed reserve volume of products. We also always strive for smooth communication with business partners, engage in honest procurement and build relationships of trust to preemptively prevent problems and eliminate supply insecurities.

Our commitment to local employment and sourcing

To contribute to the sustainable development of the countries and regions where we operate, Yakult agrees with the importance of local employment and local sourcing, as endorsed by ISO 26000, and is developing its global business with a local focus, based on local production and local sales. For raw ingredients, we select suppliers that have cleared our quality and safety standards, and that can provide a stable supply.

Yakult currently operates in 40 countries and regions including Japan, with 29 overseas companies. We have established sales offices and production plants with deep ties to local communities, and actively hire local employees. Going forward, we will continue to undertake business with a local focus, working to benefit the local economy and local communities, with the aim of contributing to the healthy lives of local people and communities.

[Related information](#) p. 79 Local hiring for upper management positions: Yakult Europe B.V.

Locally-procured raw materials (Fiscal 2020)

