

■ Sustainable procurement

Concept and Policy

The Group has formulated its Supply Chain Sustainability Guidelines to promote sustainable procurement together with its business partners, and to not only keep with the spirit of the law, but also by specifying requirements for business partners.

In addition, we have established the “Daiwa House Industry Procurement Headquarters CSR Purchasing Policy,” which is focused on purchasing activities by all business partners in Japan who do business with our Procurement Headquarters. We ask our business partners to submit their written agreement to both the guidelines and the policy, based on their understanding of our approach to sustainable procurement.

Furthermore, Daiwa House Industry participated in the Declaration of Partnership Building established by the Cabinet Office and other organizations. Through this declaration, we have affirmed to society that we will adhere to appropriate business practices with subcontractors.

■ The Supply Chain Sustainability Guidelines Business Partner Code of Conduct

- 1) Establish a relationship of trust with customers
- 2) Business activities with high ethical standards
- 3) Considerations for occupational safety and health
- 4) Fair business activities
- 5) Environmental conservation
- 6) Co-creating a Brighter Future with local communities
- 7) Respect for human rights



➤ [Supply Chain Sustainability Guidelines](#)

➤ [Participation in the Declaration of Partnership Building \(Japanese text only\)](#)

➤ [Daiwa House Industry Procurement Headquarters CSR Purchasing Policy \(Japanese text only\)](#)



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Management

Operating the Supply Chain Sustainability Guidelines

In order to promote sustainable procurement with our business partners, we formulated the CSR Procurement Guidelines in 2015. In April 2023, we revised the guidelines and renamed them the Supply Chain Sustainability Guidelines to cope with changes in society.

Our guidelines establish seven principles that underline the social and environmental responsibilities we expect of our business partners in a “Business Partner Code of Conduct.” They expand off this code to more articulately define social and environmental requirements for our business partners under our “Corporate Activity Guidelines.” Furthermore, the “Guidelines for Products” define the criteria for environmental and social features of products (such as construction materials) delivered to us, and procurement is carried out based on these criteria.

When contracting with new business partners, we explain to them the purpose and overview of these guidelines and have them submit a letter of consent that they will honor them. If and when necessary, we also have long-standing business partners resubmit such letters of consent.

The explanatory document for business partners is in line with the “Business Partner Code of Conduct” and the “Corporate Activity Guidelines,” and is provided to all employees of business partners for educational and training purposes.

Furthermore, compliance with these guidelines is regularly monitored through self-checks that we periodically request from our business partners. In the future, based on the results, we will provide feedback to each division regarding high-risk business partners and consider improvement activities together with the business partners.



P017 [Supply chain management \(Environment\) Increasing suppliers' awareness of our environmental policy](#)

P031 [Establishing a cross-departmental timber survey system](#)

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➤ [Supply Chain Sustainability Guidelines](#)

Selecting and managing business partners in light of QCDSME

Based on our Supply Chain Sustainability Guidelines, we select and manage new business partners in accordance with QCDSME (Quality, Cost, Delivery, Safety, Moral, and Environment). For housing materials in particular, the Procurement Headquarters selects suppliers who provide the parts and materials that are defined as key and make up products manufactured at our factories that have obtained the type-certified specifications. In making the selections, we first screen documented evidence of their quality, environmental considerations, delivery performance, costs, management and CSR against our regulations on purchasing operations. Upon passing the screening, we visit the manufacturing company's production factory to verify the quality management system in accordance with ISO 9001 requirements. The flow requires that an initial lot verification is carried out to confirm that manufacturing is being done according to the contracted specifications before shipment is approved. Even after transactions have begun, we conduct annual follow-up evaluations of all suppliers regarding quality and delivery. If there are any defects in quality or delivery, both the supplier and the Company confirm that measures have been taken to prevent recurrence and that the system is capable of stable supply.

In selecting new partner companies that carry out onsite construction, we review their application against their management policy, construction technology, number of qualified workers, and construction price levels and interview them as per our engineering regulations on subcontractors and product subcontractor management regulations. In addition, these processes help us to verify the candidate company's compliance record, safety and health assurances, their distancing from antisocial forces, legal permits in their possession, their participation in Japan's public health insurance program, and other defining features. With those that pass, we conclude a Basic Subcontractor Agreement and Factory Business Partner Subcontractor Agreement, as well as obtain a trade name proof of registration from them.

■ Sustainable procurement

CSR Purchasing Policy in the Procurement Headquarters

The “Daiwa House Industry Procurement Headquarters CSR Purchasing Policy,” which is formulated by the Procurement Headquarters, comprises three elements: “Basic Policy for CSR Purchasing,” a policy for sustainable procurement, the “CSR Purchasing Code of Conduct” to be implemented by the Company based on this policy, and the “Supplier Code of Conduct” to be implemented by suppliers. We have received written agreement to the “Daiwa House Industry Procurement Headquarters CSR Purchasing Policy” from all centralized and factory-distributed suppliers.

For each of these business partners, we conduct annual follow-up evaluations on “quality” and “stable supply,” as stipulated in the CSR Purchasing Code of Conduct for each manufacturing factory, and rank them on a four-level scale (A, B, C, D). For business partners that receive a “D” rating, quality audits are conducted through on-site factory visits. We conduct on-site audits to ensure that controls are in place to guarantee product and operational quality, and provide advice for improvement as necessary.

Through dialogue with our business partners, we will continue to deepen understanding of sustainable procurement together with suppliers and advance our initiatives.

CSR Purchasing Policy

1. Fair trade
2. Environmental preservation
3. Corporate social responsibility
4. Co-creation and coexistence
5. Confidentiality

Cooperating with trailblazing organizations in CSR procurement

· Global Compact Network Japan (GCNJ) Taking part in the Supply Chain Subcommittee

Since April 2018, Daiwa House Industry has been participating in the UN Global Compact (UNGC), a universal principle advocated by the UN on human rights, labor, the environment, and corruption prevention. We are also member to the GCNJ Supply Chain Subcommittee consisting of UNGC member companies. These subcommittees feature case studies and lectures by experts on recent CSR trends. Knowledge obtained from the subcommittee is reflected in the Daiwa House Group's business activities.

· Registering with EcoVadis

Daiwa House Industry registered with EcoVadis, which carries out sustainability assessments of supplier companies, from fiscal 2019 as a supplier and started to disclose required information. We have continuously received evaluations.



P127 [Company receives Bronze EcoVadis sustainability rating](#)

Main approach

Conducting human rights training for business partners

In September 2024, the Company reported on its human rights due diligence activities and gave a lecture on the significance of addressing human rights at a training and study activity held by the Trillion Club, which is composed of material suppliers.

These lectures touch on business-related topics, such as trends related to human rights worldwide and in Japan, and how our individual business partners can work out their priorities for initiating initiatives. They are designed to encourage awareness of the relevance of human rights to our business partners' own businesses. The Osaka block training and study session was attended by 148 participants from 75 companies, with some commenting that the session helped them to see human rights issues as a contributing factor to the labor shortage, and that they feel it is essential for companies to take action to address this issue. We plan to continue with these training sessions in the future.



➤ [Daiwa House Industry Procurement Headquarters CSR Purchasing Policy \(Japanese text only\)](#)