

Together with Supply Chains



Basic Approach

The Lion Group regards the creation of responsible supply chain management through reinforced coordination with materials manufacturers and production contractors as a key issue in its supply chain initiatives. To reduce the negative environmental and social impacts of business activities and advance sustainable mutual business development, we must work with suppliers to evolve our sustainably initiatives based on our [Procurement Principles](#). These principles clearly lay out Lion’s policy of considering legal compliance, environmental conservation and respect for human rights when selecting suppliers.

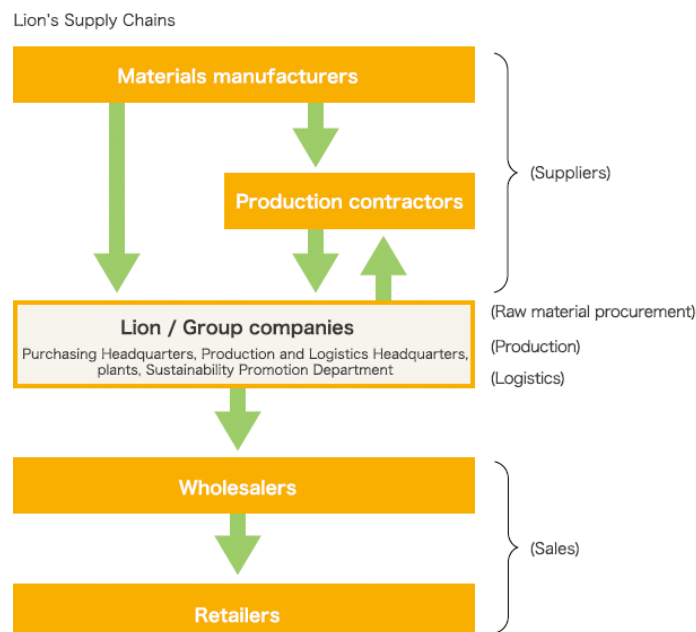
Furthermore, Lion recognizes the importance of promoting the sustainable procurement of palm oil, a key plant-based raw material for the Company, and is advancing initiatives to that end.

Instituting the LION Anti-Bribery Principles

The Lion Group established the [LION Anti-Bribery Principles](#) in January 2019 in light of developments around the world related to strengthening legal regulations against acts of bribery and corruption.

Going forward, we will continue working to ensure that our business activities are fully compliant with the laws and regulations of the countries and regions in which we do business.

Overview and Implementation Framework



Initiatives



**Promoting Sustainability with Materials
Manufacturers and Production Contractors**




**Aiming for Sustainable Raw Material
Procurement**



Promoting Sustainability with Materials Manufacturers and Production Contractors

Self-Checks Based on the Lion Group Supplier CSR Guidelines^{*1}

To advance responsible procurement activities, each year the Lion Group asks that the materials manufacturers and production contractors (suppliers) it works with implement self-checks based on the [Lion Group Supplier CSR Guidelines](#) . In this way, we are promoting the creation of frameworks throughout the supply chain to avoid risk related to human rights, labor practices, the environment, fair operating practices, consumer issues and compliance.

Since 2014, we have moved the self-checks entirely online, enabling suppliers to respond more efficiently. We also provide suppliers with feedback based on the self-check results. The result of these efforts is a system that continuously advances CSR procurement. We aim for a 100% response rate every year.

In 2022, Lion Corporation (Korea) requested self-checks from its 129 suppliers, achieving a response rate of 57%. Lion Daily Necessities Chemicals (Qingdao) Co., Ltd., requested self-checks from its 42 suppliers, achieving a response rate of 100%. Southern Lion Sdn. Bhd. requested self-checks from its 71 suppliers, achieving a response rate of 49%.

Additionally, self-checks^{*2} were also conducted by 72 trading partners of Lion Engineering Co., a domestic Group company, achieving a response rate of 99%.

We will continue to promote sustainability initiatives with our suppliers.

^{*1} The Lion Group Supplier CSR Guidelines comprise 21 guidelines under the five categories (Human Rights/Labor Practices, The Environment, Fair Operating Practices, Consumer Issues, Compliance)

[> Lion Group Supplier CSR Guidelines and Glossary \(English\)](#) 

[> Lion Group Supplier CSR Guidelines and Glossary \(Japanese\)](#) 


[> Lion Group Supplier CSR Guidelines and Glossary \(Japanese\) \(Lion Engineering Co. Ltd. version\)](#) 


[> Lion Group Supplier CSR Guidelines and Glossary \(Chinese\)](#) 

[> Lion Group Supplier CSR Guidelines and Glossary \(Korean\)](#) 

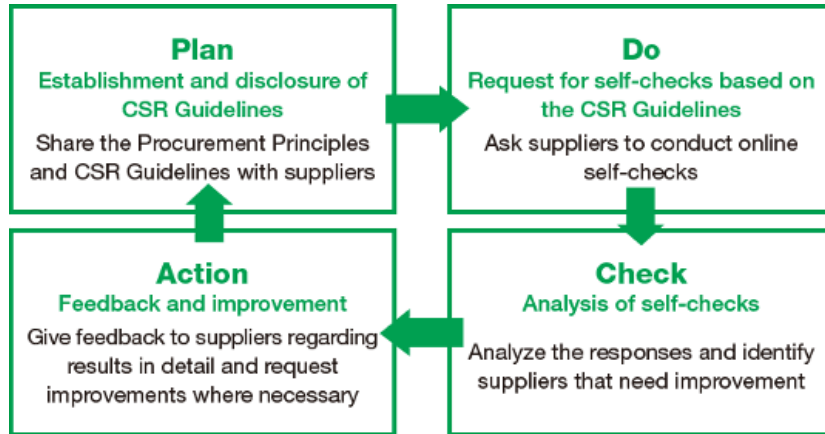
^{*2} Lion Engineering Co., Ltd.'s version of the self-check includes the addition of “Confrontation with antisocial entities: Cut off relations with antisocial entities and reject any unreasonable demands” to item 21.

Timeline of Sustainable and Responsible Procurement Initiatives

2005	Instituted the Basic Policy Regarding Purchasing and implemented appropriate procurement of raw materials and products.
2008	Established the Procurement Principles , which clarify our social and environmental considerations. Conducted a questionnaire survey for domestic and overseas raw material manufacturers and production contractors about their corporate activities regarding legal compliance, product service quality and safety, environmental considerations, labor practices and human rights, and fair trade.
2013	Amended the Procurement Principles and clarified our stance of considering legal compliance, environmental conservation and respect for human rights when selecting suppliers. Instituted the Lion Group Supplier CSR Guidelines  , which specify the sustainability initiatives we expect from raw material manufacturers and production contractors and asked our suppliers to conduct self-checks of their sustainability initiatives.
2014	Introduced an online self-check system.
2018	Lion Corporation (Korea) requested self-checks from its suppliers, expanding the number of countries in which the Group implements self-checks.
2019	<ul style="list-style-type: none"> Established the LION Human Rights Policy and LION Anti-Bribery Principles to clarify our stance on initiatives for sustainable and responsible procurement. Established the Sustainable Material Procurement Policy to advance initiatives aimed at the sustainable procurement of palm oil derivatives and pulp and paper products, which are key raw materials for the Lion Group. Took part in the Supplier Ethical Data Exchange (Sedex)—headquartered in the United Kingdom—in order to further reduce social and environmental risk in purchasing.
2020	Overseas Group company Lion Daily Necessities Chemicals (Qingdao) Co., Ltd. requested self-checks from its suppliers.
2021	Domestic Group company Lion Engineering Co., Ltd. requested self-checks from its suppliers.
2022	Overseas Group company Southern Lion Sdn. Bhd. requested self-checks from its suppliers.

The Lion Group does business with suppliers who have implemented self-checks based on the [Lion Group Supplier CSR Guidelines](#)  .

PDCA Cycle for Self-Checks

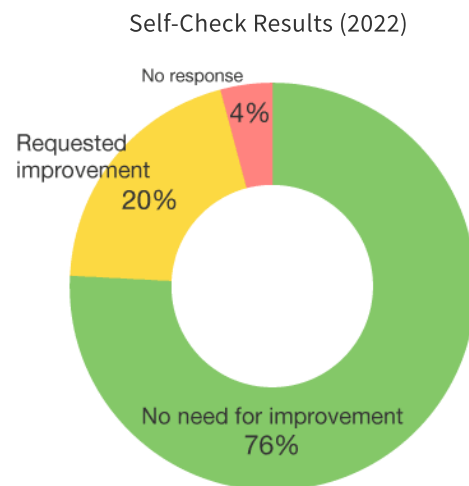


In order to ensure that our suppliers understand the importance of addressing sustainability-related issues, we include a section explaining the situation surrounding sustainability in our self-check request form. The self-check employs a three-step checking standard for each initiative and a detailed glossary.

Number of Suppliers Evaluated and Response Rate (Target: 100% every year)

	Suppliers	Response Rate
2017	625	99%
2018	610	98%
2019	585	99%
2020	574	100%
2021	502	100%
2022	474	96%

Results Summary



Number of companies monitored:
474 raw material manufacturers and production contractors of the domestic Lion Group (423 domestic and 51 overseas)

- The response rate in 2022 was 96%, and the average score, on a scale of 1 to 3 points, was 2.62, confirming that sustainability measures are being implemented throughout the supply chain.
- There were 21 suppliers that did not respond.

Key Suppliers

The Lion Group considers suppliers from whom it purchases substantial amounts of raw materials and suppliers that cannot be readily replaced to be key suppliers. We monitor the sustainability initiatives of key suppliers on an ongoing basis. Specifically, we define key suppliers as those that provide 80% or more (on a purchase price basis) of a given material used by the Lion Group and suppliers that are necessary to the Lion Group's ability to stably supply products to the market.


Key Suppliers

	Number of key suppliers	Portion of all primary suppliers that are key suppliers	Portion of purchasing that is from key suppliers (monetary basis, among all primary suppliers)
2017	90	14.4%	80%
2018	90	14.8%	87%
2019	90	15.4%	80%
2020	90	15.7%	89%
2021	90	17.9%	89%
2022	90	17.9%	89%

High-Risk Suppliers

After receiving the self-checks, the Lion Group confirms whether or not suppliers are meeting the standards it has set for its key sustainability items. Suppliers with low scores are designated as high-risk suppliers.

Selecting New Suppliers

Before doing business with a new supplier, Lion requires the company to perform a self-check based on the [Lion Group Supplier CSR Guidelines](#)  to confirm that the company meets the standards it has set for its key sustainability items.

Joined Sedex, the Supplier Ethical Data Exchange

Headquartered in the United Kingdom, Sedex is a not-for-profit organization that provides the world's largest platform for managing and sharing ethical supply chain data, with the aim of establishing ethical and responsible business practices in global supply chains. The Lion Group joined Sedex as an AB member at the end of 2019 in order to further reduce social and environmental risk in its purchasing. We encourage our suppliers to join Sedex to reduce the burden of self-checks and request that they use the platform provided by Sedex to submit their annual self-check responses. Of Lion's 90 key suppliers, 18 are using the Sedex platform (as of December 31, 2022). Going forward, we will continue to reinforce and enhance supplier management and risk management.



Employee Training on Sustainable Procurement

Lion provides sustainable procurement training to every purchasing department employee who is involved in buying. We also hold study groups to help employees obtain certification under the Certified Procurement Professional (CPP) system offered by the Japan Management Association.* Participants not only learn buying operation management and gain practical knowledge, they learn about the importance of procurement that takes into account the environment, ethics, safety and hygiene, human rights and other such factors as well as about working with suppliers.

When selecting suppliers and setting pricing and other terms, we always enter into agreements through negotiations rooted in fairness and transparency. We thoroughly enforce compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors through such means as training for Purchasing Headquarters employees.

In response to growing calls for CSR procurement, going forward, we will advance human resource development, including proactively sending employees to seminars related to purchasing and procurement.

* CPP: A qualification for persons involved in corporate purchasing and procurement indicating that the holder has acquired specialized knowledge in the field of purchasing and procurement.

[🔗 CPP qualification website \[Japanese\]](#)

Aiming for Sustainable Raw Material Procurement

Sustainability Material Issue
Management

Building Responsible Supply Chain



Approach

The Lion Group aims to contribute to the achievement of the Sustainable Development Goals (SDGs), a set of shared worldwide goals for 2030. However, palm oil derivatives and pulp and paper products, which are key raw materials in the Lion Group's products, present risks related to raw material procurement to sustainable development in terms of human rights, labor issues and environmental issues. To address these risks, we have established the [Sustainable Material Procurement Policy](#). Based on this policy, we are advancing initiatives aimed at the sustainable procurement of palm oil derivatives and pulp and paper products.

Sustainable Palm Oil Procurement

The Lion Group is proactively advancing the utilization of plant-derived materials that are carbon neutral and non-depletable. Among the plant-derived materials that Lion uses are derivatives of palm oil—the world's leading vegetable oil in terms of production volume. Palm oil is produced in principally Malaysia and Indonesia.



The Raw Material Behind Palm Oil: Oil Palms

Palm oil production is increasing year by year, partly because oil palms (the source of palm oil) are highly productive and can be harvested throughout the year. However, with the rapid expansion of production, a number of issues have arisen in producing regions, such as the destruction of tropical rainforests and wildlife habitats as land is cleared for the development of new plantations. Furthermore, improper farming operations involving a wide range of human rights and labor abuses that reflect a lack of social justice have been identified. These include poor labor conditions with inadequate consideration given to health and safety, low wages, improper treatment of immigrant workers and the use of child labor.

Since 2006, Lion has been a member of the “[Roundtable on Sustainable Palm Oil \(RSPO\)](#)”,^{*1} which works toward the resolution of such issues. In 2012, the Oleochemical Production Site of Lion Chemical Co., Ltd., a domestic affiliate that procures palm oil from Malaysia and Indonesia, passed the RSPO's supply chain certification system^{*2} inspection and was certified as a plant that may handle RSPO-certified palm oils. Accordingly, Lion Group started procuring RSPO-certified palm oils from 2012. The Lion Chemical Corporation Fine Chemical Production Site received RSPO supply chain certification in March 2020, and Lion Corporation and all its plants (the Chiba Plant, Odawara Plant, Osaka Plant and Akashi Plant) were certified in August 2020. Moreover, Lion Specialty Chemicals Co., Ltd. was certified in June 2022.

The Lion Group's aim for the end of 2030 is to ensure RSPO certification for all the palm oil derivatives it uses. As of the end of 2022, Lion had switched to RSPO-certified products for 99% of its domestic key raw materials.

Furthermore, regarding the palm oil derivative used in its consumer products, the Group's aim is to purchase only oil that can be traced to sustainability-conscious mills. To ensure traceability, the Group discloses a mill list detailing the key materials procured from its primary suppliers.

[> Mill list](#) 

Going forward, we will continue to work to procure sustainable palm oil.

*1 [The Roundtable on Sustainable Palm Oil](#)

The Roundtable on Sustainable Palm Oil (RSPO) believes that for palm oil production to be sustainable, it must not only be compliant with relevant laws and regulations, but economically sustainable, environmentally appropriate and socially beneficial. These requirements are laid out concretely in the RSPO Principles and Criteria. Only palm oil produced in accordance with these seven principles and 40 criteria can be RSPO-certified.

*2 RSPO Supply Chain Certification

This system certifies that RSPO-certified raw materials have a reliable delivery system in place throughout the entire supply chain, after audits by external auditors.



RSPO Supply Chain Verification certificates of the Lion Chemical Co., Ltd. Oleochemical Production Site and Fine Chemical Production Site

RSPO Supply Chain Verification certificate of Lion Corporation and all its directly owned plants

RSPO Supply Chain Verification certificate of the Lion Specialty Chemicals Co., Ltd.

Sustainable Pulp and Paper Procurement

Pulp and paper are used in the manufacture of the Lion Group's product packaging, booklets and pamphlets as well as in the copy paper and other office supplies the Company purchases. In order to better protect biodiversity in the procurement of these materials, based on the [Sustainable Material Procurement Policy](#), we are advancing the procurement of third-party-certified paper products. As of the end of 2022, 99% (by weight) of such products procured from domestic manufacturers was third-party certified, and 65% (SKU) of packaging materials for major products was third-party certified. In addition, we have identified the country of harvest's administrative divisions (states, provinces, etc.) for 100% of the woodchips and pulp used in our product packaging.

Participation in External Supply Chain Initiatives

Lion has been a member of the [Roundtable on Sustainable Palm Oil \(RSPO\)](#), an international initiative, since 2006. Furthermore, since 2012, Lion has taken part in the Supply Chain Subcommittee of the Global Compact Network Japan, contributing to the preparation of various publications, such as an introductory text on CSR procurement.



[Roundtable on Sustainable Palm Oil \(RSPO\)](#)



[Japan Sustainable Palm Oil Network \(JaSPON\) \[Japanese\]](#)



[United Nations Global Compact \(UNGC\)](#)

Holding the 12th Regional Purchasing Manager Meeting

The Lion Group holds the Regional Purchasing Manager meeting annually with the goals of reducing costs at the overall Group level and reinforcing communication between the purchasing staff of participating companies by fostering personal connections.

In 2022, the conference was held online in September, with participation from six countries, including Japan. At the meeting, the 12th of its kind, representatives from each company reported on their use of such sustainable packaging materials as mono-materials and recycled plastics as part of their ESG initiatives, challenges their Purchasing departments have been facing due to the COVID-19 pandemic, their cost reduction efforts and other issues in addition to sharing information. We will continue to support the purchasing activities of each company to strengthen the purchasing power of the entire Group.



Participating purchasing staff of each company at the online meeting

Participating Overseas Group Companies

- Lion Corporation (Thailand) Ltd.
- Southern Lion Sdn. Bhd.
- PT. Lion Wings
- Lion Corporation (Korea)
- Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.

Green Purchasing

The second item of Lion's [Procurement Principles](#) states that Lion shall "Rationally select business partners not only on the basis of quality, cost and timely delivery, but also regulatory compliance, environmental protection, labor, and human rights, to fulfill our responsibility to customers and to create a sustainable, healthy society." In line with this principle, we promote environmentally friendly green purchasing on a Company-wide basis.

Along with green purchasing, we are committed to using environmentally friendly office supplies, including notebooks and company envelopes made from recycled paper and FSC certified paper. In addition, with the relocation to the new headquarters, we have shifted from a conventional purchasing model with multiple departments ordering such supplies independently to one in which a concierge counter handles bulk purchases, helping to regulate the overall volume of office supplies in stock.

Transition to Biomass Inks for Product Packaging

Products with reduced environmental impact are required if we are to minimize environmental problems such as marine plastic pollution and global warming. With this aim in mind, Lion has started using biomass inks* made from plant-based raw materials for some of the color inks used in product packaging (pouches, shrink films, attention seals, labels, etc.).

* Inks designed with biomass-derived raw materials as a portion of the resin component and comprising more than 10% plant-based ingredients in the ink film once dry.