

# **CSR Procurement Guideline**

**October 1, 2018**

**First Edition**

**PHC Holdings Corporation**

## Introduction

PHC Holdings Corporation Group (hereinafter "PHC"), in accordance with its procurement policy, which is based on PHC's corporate mission, has been entering into basic transaction agreements that include provisions concerning CSR (e.g. respect for human rights, environmental conservation, export control, fair trade, and compliance).

We aim to do business with suppliers that satisfy certain criteria for quality, cost, delivery, and service (QCDS), have a solid business record, and fulfill their social responsibility, and we work with these suppliers to build a sustainable supply chain.

We have formulated this CSR Procurement Guideline (hereinafter "this Guideline") as an encapsulation of PHC's approach to conducting CSR procurement based on the needs of society.

Although we have already been asking our suppliers to promote CSR activities, this Guideline was created to stipulate CSR-related matters that all organizations including ourselves are required by society to achieve. We therefore request your continued understanding and support for our CSR activities.

We have also prepared a check-sheet for suppliers to use in self evaluating your efforts to comply with the content of this Guideline. We trust that you will use it to ascertain the extent of and evaluate your CSR activities.

Procurement Department  
PHC Holdings Corporation

# Procurement Guideline

Our suppliers are our partners in creating products and services that provide our customers with value. The below describes PHC's basic policy on procurement.

- **Conducting global procurement**

To ensure success with production activities on a global scale, we build partnerships with suppliers around the world and create the functions and value society requires through mutual trust, self-improvement, and collaboration.

- **Conducting CSR procurement**

We work with our suppliers to carry out procurement activities that uphold laws and social norms and practicing good corporate ethics, and fulfill our social responsibility respecting human rights and the rights of workers, ensuring occupational safety and health, protecting the environment, and maintaining information security.

- **Procurement activities done in cooperation with our suppliers**

In order to realize product value that will satisfy our customers, we act as an information source for our suppliers on things such as market trends concerning components and products, as well as new technologies, materials, and techniques. We also maintain and improve the quality of the products we procure, achieve competitive pricing, and adapt to market changes.

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## 1. Human Rights and Labor

Suppliers shall value the human rights of workers and treat them with dignity and respect in accordance with international human rights standards.

This section applies to all workers, including temporary workers, provisional employees, seasonal workers, students, contract employees, directly hired employees, and workers in other work arrangements.

Suppliers are expected to formulate policies concerning human rights and disclose them on websites or by other means, as well as establish management systems under which risk assessments and corrective measures are to be taken.

### 1-1 Commitment from the Top Management

**Suppliers shall make available for view, both internally and externally, a specific message of commitment from the top management concerning the human rights**

<Specific actions>

- Suppliers shall issue a statement on respecting human rights from the top management that shall include the following content and be made available for view both internally and externally.
  - An explanation of the kinds of human rights to be upheld.
  - The intent to uphold the rights of workers as part of respecting human rights (e.g. eliminating forced labor and slave labor, the exploitation of child labor, and employment discrimination, and protecting workers' right to organize and practice collective bargaining).
  - The intent to uphold women's rights.
  - The intent to work with external stakeholders (e.g. business partners, suppliers, community residents, and consumers) in efforts to uphold human rights.
  - The intent to repair harm done by a human rights violation.
  - The intent to not criticize or attack human rights protection groups.
- Suppliers shall provide translations of the top management's statement on respecting human rights in the native languages of each of its workers.

### 1-2 Prohibition of Forced Labor

**Suppliers shall employ all workers based on their own free will and shall not force any workers into labor**

<Specific actions>

- Suppliers shall not engage in any forced or involuntary prison labor, slavery, bonded labor, indentured labor or servitude, or human trafficking.
- Suppliers shall not impose unreasonable restrictions on workers' freedom in entering or exiting dormitories or workplaces.
- Before entering into formal contracts (in the case of foreign workers, prior to their departure from their original country), suppliers shall provide written notice to workers stating their working conditions in their native language.
- Suppliers shall recognize workers' right to terminate their employment.
- Suppliers shall not revoke or conceal from workers, or dispossess workers of, any government-issued identification, passport, work permit (unless the retention of such documents is required by law), or immigration documentation, and shall ensure that manpower supply companies or staffing agencies do not so.
- Suppliers shall not collect any recruitment fees from workers and shall ensure that manpower supply companies or staffing agencies do not so.
- Suppliers shall not revoke or conceal from workers, or dispossess workers of, any items workers require to receive their wages (e.g. bankcards, passbooks).

- Suppliers shall request and confirm that manpower supply companies and staffing agencies comply with all of the above items.

### 1-3 Prohibition of Child Labor and Regard for Young Workers

**Suppliers shall not employ children under the minimum labor age nor assign young workers any work that may impair their development**

<Specific actions>

- Suppliers shall not employ any children.  
(A child refers to anyone under the age of 15, under the age for completing compulsory education, or under the minimum employment age in that country, whichever is highest)
- Suppliers shall verify workers' ages using forms of identification issued by public authorities.
- Suppliers shall not have workers under the age of 18 (young workers) perform work that may jeopardize their health or safety, or expose them to danger (e.g. night shift work, overtime work).
- When employing students, suppliers shall properly manage medical examination records and other records for the students, strictly examine the educational institutions to be cooperate with, protect students' rights in accordance with applicable laws, provide them with appropriate support and education and appropriately manage their employment.
- In the absence of applicable local laws, the wage rate for student workers, interns, and apprentices shall be the same wage rate as other workers performing equal or similar tasks.

### 1-4 Working Hours

**Suppliers shall appropriately manage workers' working hours, days off, and annual leave within the statutory limits**

<Specific actions>

- Except in emergency or extraordinary situations, a workweek shall not exceed 60 hours per week, including overtime work.  
Any local laws that impose stricter provisions shall apply.
- Scheduled and actual annual working days shall not exceed statutory limits.
- Suppliers shall provide workers with at least one day off per seven days.
- Suppliers shall provide workers with break time in accordance with local laws.
- Suppliers shall have a timecard or similar system to record workers' break times and lunch time.  
Where such systems cannot be implemented, suppliers shall inform workers of break times and lunch time by line shutdowns, turning off lights, chimes, or other such means.

### 1-5 Decent Wages

**Suppliers shall pay workers at least the statutory minimum wage and shall not reduce wages unreasonably**

<Specific actions>

- Suppliers shall comply with all applicable wage-related laws, including those relating to minimum wages, overtime work, and legally mandated benefits.
- Suppliers shall pay extra wages for overtime work in accordance with local laws.
- Suppliers shall not require workers to pay costs necessary for the execution of business.
- Except when permitted by applicable law, suppliers shall not reduce wages as a disciplinary measure.
- Suppliers shall inform workers of all wage deductions.
- By the date of wage payment, suppliers shall provide workers with paychecks that include information sufficient to verify compensation received for work performed.

- Suppliers shall pay wages and allowances to all workers (including provisional employees, temporary workers, and outsourced personnel) based on local laws, on a regular basis and without delay.

#### 1-6 Humane Treatment

**Suppliers shall respect workers' human rights and treat workers in a humane manner**

<Specific actions>

- Suppliers shall not treat workers in a harsh or inhumane manner, which includes harassment, sexual abuse, corporal punishment, mental or physical coercion, and verbal abuse.
- Suppliers shall define clear disciplinary policies and procedures concerning inhumane treatment and communicate them to workers.

#### 1-7 Elimination of Discrimination

**Suppliers shall endeavor to eliminate discrimination in recruitment and employment while ensuring equal opportunities and fair treatment**

<Specific actions>

- Supplier shall not engage in discrimination based on age, gender, race, faith, religion, social status, nationality, ethnicity, pregnancy, political affiliation, marital status, marital history, sexual orientation, gender identity, medical history, physical disability, union membership, the presence or absence of hepatitis, HIV, or other infectious disease, genetic information, or military experience in employment practices, which include wages, promotions, bonuses, and access to training.
- Suppliers shall accommodate the religious practices of workers to a reasonable extent.
- Suppliers shall not conduct any medical examination or physical examination that could be used in a discriminatory way for workers or job candidates.

#### 1-8 Workers' Right to Organize

**Suppliers shall respect workers' right to organize as a means of labor-management negotiations concerning matters such as working conditions, working environments, and wage levels.**

<Specific actions>

- Suppliers shall allow workers to engage in collective bargaining and participate in peaceful assemblies.
- Suppliers shall recognize workers' right to organize and join labor unions in accordance with local laws.
- Suppliers shall not engage in any discrimination, reprisal, intimidation, or harassment against workers and/or their representatives for their exercise of the right to organize.
- Suppliers shall ensure that workers and/or their representatives are able to communicate with management regarding working conditions and views on management practices.

#### 1-9 Auditing Manpower Supply Companies

**Suppliers shall take measures to prevent human rights violations by manpower supply and staffing agencies**

<Specific actions>

- Suppliers shall, at a minimum, conduct prior investigations and audits of manpower supply companies and staffing agencies with which they have direct contractual relationships.

## 1-10 Human Rights Education

**Suppliers shall conduct training and education activities in order to raise awareness of respecting human rights**

<Specific actions>

- Suppliers shall conduct human rights trainings for managers as well as those for general employees.

## 2. Safety and Health

Suppliers shall work to improve occupational safety and health. In addition to minimizing injuries and illnesses, suppliers shall also be aware that safe and healthy work environments enhance the quality of products and services, production consistency, and worker retention and morale. In order to identify and resolve safety and health-related problems in the workplace, suppliers shall also listen to feedback from workers and provide continuous worker trainings.

Suppliers are expected to formulate policies concerning safety and health and disclose them on websites or by other means, as well as establish management systems under which risk assessments and corrective measures are to be taken.

### 2-1 Workplace Safety

**Suppliers shall evaluate safety risks in the workplace and ensure safety through proper design, engineering, and administrative controls**

<Specific actions>

- Suppliers shall identify potentially hazardous locations in the workplace (e.g. electrical and other power sources; fire; vehicles; and drop, caught-in, tipping, and collision hazards), take preventive measures and workplace safety measures (including lockout/tagout), and conduct trainings on an ongoing basis.
  - \*Lockout: Locking machines and equipment and rendering them inoperable by cutting off their power.
  - \*Tagout: Indicating via tag or similar means on the lockout and shut-off devices, that the device's power is shut off and that it is prohibited to manipulate a power blocking device.
- Suppliers shall provide workers with appropriate personal protective equipment such as goggles, safety hats, and gloves.
- Suppliers shall encourage workers to point out unsafe work locations.
- Suppliers shall provide workers with information about and training in safety and health in their native languages.

### 2-2 Emergency Preparedness

**Suppliers shall prepare emergency measures for possible disasters and accidents to protect lives and personal safety, and shall keep everyone in the workplace informed of these measures**

<Specific actions>

- To prepare for emergencies, suppliers shall take measures that include confirming its obligation to report when emergencies occur, establishing rules for contacting supervisors and workers, setting up evacuation facilities, informing workers of evacuation routes and methods in their native language, stockpiling emergency medical supplies, installing fire detection systems and fire extinguishers, securing means of external communication, and preparing recovery plans.
- To minimize the impact of disasters, suppliers shall identify and evaluate what could occur in the event of an emergency, establish emergency response plans and measures, and store this information or display the information in easily-reachable areas in the workplace.
- Suppliers shall regularly (at least twice a year) provide workers with emergency response trainings (including evacuation training).

### 2-3 Work-related Injuries and Illnesses

**Suppliers shall identify situations concerning work-related injuries and illnesses and take appropriate measures**

<Specific actions>

- Suppliers shall provide proper medical treatment for occupational injuries and diseases.
- Suppliers shall categorize, record, analyze, and investigate occupational injuries and diseases, and shall take countermeasures or preventive measures.
- Suppliers shall establish procedures dictating how workers can return to the workplace after suffering occupational injuries and diseases and shall promote the worker's return to the workplace.

### 2-4 Industrial Hygiene

**Supplier shall identify situations concerning the biological and chemical substances, noises, offensive odors, and other elements of the workplace that are harmful to the human body, take appropriate measures, and manage workers' health**

<Specific actions>

- Suppliers shall measure the impact of dust, organic solvents, vapors, bacteria, and other elements of the working environment, and shall identify and manage elements harmful to workers' health.
- Suppliers shall provide appropriate equipment including protective gear and ventilation systems.
- Suppliers shall conduct medical examinations in accordance with laws and engage in the prevention and early detection of workers' illnesses.
- Suppliers shall pay careful attention to prevention of health damage or mental health problem due to long working hours and overwork.

### 2-5 Regard for Physically Demanding Work

**Suppliers shall identify physically demanding works and appropriately manage them to prevent injury and illness**

<Specific actions>

- Suppliers shall identify, evaluate the risks of physically demanding works that include heavy object transport, repetitive task by hand, heavy labor, and prolonged standing and take countermeasures.

### 2-6 Machinery and Equipment Safeguarding

**Suppliers shall take appropriate safety measures for machinery and equipment that they use**

<Specific actions>

- Suppliers shall evaluate safety risks of machinery and equipment.
- When safety risks exist, suppliers shall take safety measures such as setting up interlocks and barriers, and shall perform appropriate maintenance.

\*Interlocks: Mechanisms that prevent operation unless certain conditions are satisfied.

## 2-7 Facility Safety and Health

**Suppliers shall appropriately keep facilities provided to workers for their livelihood (including dormitories, cafeterias, and toilets) safe and healthy**

<Specific actions>

- Suppliers shall provide workers with clean toilet facilities, potable water, food cooked and stored in a clean environment, and cafeterias.
- If suppliers have cafeterias, they shall comply with sanitary standards stipulated by laws.
- Suppliers shall keep dormitories clean and safe, establish emergency exits, provide hot water for bathing and showering, ensure appropriate temperature and air conditioning, and provide personal space of an appropriate size

### 3. Environment

In order to make society more sustainable, suppliers shall show regard for the environment and strive to minimize any adverse effect on society, the environment, and natural resources in their production and product development activities. In so doing, they shall contribute to business growth through the creation of environmental value and shall resolve environmental problems through business activities.

#### 3-1 Management of Chemical Substances Contained in Products

**For all of its products, suppliers shall manage all chemical substances specified by the laws**

<Specific actions>

- In addition to ensuring that any unlawful chemical substances are not contained in their products, suppliers shall comply with labeling regulations and conduct all required testing and evaluation.

#### 3-2 Management of Chemical Substances Used in the Production Process

**In the production process, suppliers shall manage chemical substances that are specified by the laws of countries where they are located**

<Specific actions>

- For chemical substances used in the production process, suppliers shall acquire and update chemical substance safety data sheets and shall provide workers with training in the handling of chemical substances in accordance with such data sheets.
- When using toxic substances (including specified chemical, radioactive, and biological substances) in the production process, suppliers shall store, handle, and process such substances in accordance with management manuals and laws.
- In addition to managing chemical substances that must not be contained in products, suppliers shall monitor how much chemical substances are discharged into external environment and report such monitoring results to governmental agencies and shall make efforts to reduce the emission of these substances.

#### 3-3 Environmental Management System

**Suppliers shall establish and run an environmental management system**

<Specific actions>

- An environmental management system is a comprehensive system for promoting environmental activities and involves organizational structures, planning activities, division of responsibilities, practices, procedures, processes, and managerial resources. In addition to establishing such a system, suppliers shall carry out PDCA cycles and make continuous improvements towards environmental conservation.

\*Environmental activities: Developing an environmental policy, implementing necessary measures for realizing such a policy, and reviewing, and maintaining these measures.

\*A key example of an environmental management system is ISO 14001, which allows third-party certification.

### 3-4 Minimizing Environmental Impacts (e.g. Drainage, Sludge, and Emissions)

**Suppliers shall comply with laws concerning drainage, sludge, and emissions in the country where they are located, and shall make further improvements with voluntary standards as necessary**

<Specific actions>

- Suppliers shall establish voluntary goals and standards that are higher than standards stipulated by laws to reduce environmental impact. In addition to that, suppliers shall improve the monitoring, control, and processing of drainage, sludge, and emissions, and reduce the output of such.
- Suppliers shall identify air pollutants that need to be controlled and conduct regular and routine monitoring of these pollutants.

### 3-5 Environmental Permits and Licenses

**Suppliers shall obtain permits and licenses from governmental agencies when required by local laws, and shall submit management reports to the agencies when requested**

<Specific actions>

- Suppliers shall appoint administrators who have acquired certain qualifications specified by law.  
\*The following are examples of Japanese laws that require companies to appoint administrators with certain qualifications
  - Waste Management and Public Cleansing Law: Specially Controlled Industrial Waste Manager
  - Act Concerning the Rational Use of Energy: Qualified Energy Manager (in factories that use a certain level of energy)
  - Air Pollution Control Act: Pollution Prevention Manager (in factories that emit chemical substances, dust, and particulates)
- Suppliers shall appoint all necessary officers in charge of managing toxic/deleterious substances, specified chemical substances, and hazardous materials used in their business.
- Depending on the type of business and location, suppliers shall obtain necessary permits and licenses from governmental agencies concerning environmental impact assessments and facilities handling hazardous materials.

### 3-6 Effective Utilization of Resources and Energy (3Rs)

**Suppliers shall set voluntary targets for resource and energy conservation and shall strive to effectively utilize resources and energy on an ongoing basis**

<Specific actions>

- As a means to effectively utilize resources, suppliers shall reduce the amount of materials, water, and waste that go into making products and shall promote the usage of recycled resources and parts.
- Suppliers shall take steps towards the rational utilization of thermal and electrical energy and energy conservation so as to effectively use petroleum, natural gas, coal, coke and other fuel sources.
- Suppliers shall carry out the "3Rs": Reduce, Reuse, and Recycle.

**3-7 Reduction of Greenhouse Gas Emissions**

**Suppliers shall establish voluntary targets for the reduction of greenhouse gas emissions and shall strive to reduce them on an ongoing basis**

<Specific actions>

- Greenhouse gases refer to six material groups of gases: carbon dioxide, methane, nitrous oxide, HFCs, PFCs, and SF6.
- As continuous efforts to reduce such emissions, suppliers shall establish voluntary reduction targets for the six groups of greenhouse gases and shall create and thoroughly execute plans to achieve these targets.

**3-8 Reduction of Waste**

**Suppliers shall establish voluntary targets for the reduction of final waste and shall strive to reduce it on an ongoing basis**

<Specific actions>

- As continuous efforts to reduce waste, suppliers shall establish voluntary reduction targets for final waste and shall create and thoroughly execute plans to achieve these targets.  
\*Final waste refers to waste requiring either landfill disposal or incineration.
- Suppliers shall dispose of their waste properly and in accordance with laws.

**3-9 Disclosing Environmental Activities**

**Suppliers shall disclose the outcomes of environmental activities as required**

<Specific actions>

- Suppliers shall disclose the results of their environmental activities, which includes measures taken towards environmental conservation along with emissions into the air, water, and land, volume of resources used, and volume of waste generated. They shall also disclose any harm done to the environment by individual business offices.  
\*Disclosure methods include releasing environmental reports to the public and reporting to stakeholders as required.
- Suppliers shall establish organizations and responsible persons in charge of carrying out environmental conservation activities to periodically put together the outcomes. They shall record on an ongoing basis key environment-related outcomes such as environmental conservation management indicators, level of attainment.

**3-10 Regard for Biodiversity**

**Suppliers shall procure raw materials with a regard for biodiversity**

<Specific actions>

- When sourcing biological resources as raw materials, suppliers shall source materials so as to preserve biodiversity. This includes sourcing Forest Stewardship Council (FSC) certified lumber.

#### 4. Corporate Ethics and Compliance

To fulfill social responsibilities and to continue business, suppliers shall uphold the highest level of ethics by conducting sound and fair business management and disclosing information (including business conditions) in an appropriate manner.

Suppliers are expected to formulate policies concerning corporate ethics and compliance and disclose them on websites or by other means, as well as establish management systems under which risk assessments and corrective measures are to be taken.

##### 4-1 Prohibition of Corruption, Bribery, etc.

**Suppliers shall maintain sound and healthy relationships with political and administrative bodies and shall not engage illegal acts that include bribery and illegal political donations**

<Specific actions>

- Suppliers shall formulate corporate ethics and compliance policies that prohibit any form of bribery or corruption.
- Suppliers shall establish and implement procedures for monitoring compliance concerning the prevention of corruption.
- Suppliers shall provide employees with educations on preventing corruption and bribery.

##### 4-2 Prohibition of the Offer or Acceptance of Improper Benefits

**Suppliers shall not offer or accept improper advantages in relationships with stakeholders**

<Specific actions>

- Suppliers shall prohibit the provision, or any promise, offer, permission, request for provision, or receipt of bribes or unjust or improper benefits by themselves or any agents or representatives (e.g. contractors).

(This includes bribes to public officers, offering improper benefits to antisocial forces, and insider trading.)

##### 4-3 Information Disclosure

**Suppliers shall provide or disclose information actively to stakeholders, regardless of whether disclosure is required by laws**

<Specific actions>

- Suppliers shall disclose information regarding the labor, safety and health, environmental activities, business activities, structure, financial conditions, and business performance of them in accordance with applicable rules, regulations, international standards, and commonly-accepted industry practices.
- Suppliers shall not tolerate any concealment or falsification of situations or facts concerning the supply chain.

##### 4-4 Respecting Intellectual Property Rights

**Suppliers shall respect the intellectual property rights of others**

<Specific actions>

- Suppliers shall protect the intellectual property rights of others (including customers).

#### 4-5 Fair Business

**Suppliers shall not conduct any act that impedes fair, transparent, and free competition**

<Specific actions>

- Suppliers shall engage in fair business, advertising, and competition in compliance with international standards and industry rules.  
(Suppliers shall not engage in cartel activity or collusive bidding, and shall not make any labeling or advertisement for their products, including those that are fraudulent or may cause misunderstanding among customers)
- Suppliers shall conduct employee educations on preventing cartel activities, collusive bidding, fraudulent labeling, and similar acts.

#### 4-6 Prevention and Early Detection of Misconduct

**Suppliers shall conduct activities to prevent misconduct and shall establish systems for the early detection and handling of misconducts**

<Specific actions>

- Suppliers shall establish systems that ensure the confidentiality, anonymity, and protection of supplier and employee whistleblowers.
- Suppliers shall provide workers with means of reporting that allow them to raise their concerns without fear of retaliation.

#### 4-7 Responsible Sourcing of Minerals

**Suppliers shall not purchase minerals that could cause social problems, such as those involving human rights**

<Specific actions>

- Suppliers shall formulate policies concerning responsible mineral procurement and reasonably and continuously assure that the tantalum, tin, tungsten, and gold in their products do not directly or indirectly finance or benefit armed groups perpetrating serious human rights abuses in the Democratic Republic of the Congo or its nine neighboring countries.
- Suppliers shall conduct due diligence on the origins and distribution process of minerals, and shall disclose the results upon customer request.

#### 4-8 Prohibition of Abusing Advantageous Position

**Suppliers shall not engage in any act that may disadvantage their suppliers by abusing an advantageous position**

<Specific actions>

- Suppliers shall conduct good-faith, fair, and impartial trading pursuant to agreements and shall not unilaterally decide or change trade terms with their suppliers or other business partners, or impose unreasonable requests or obligations on such parties by abusing one's position as a purchaser or client.
- Suppliers shall comply with laws concerning the abuse of advantageous position in any country where such is prohibited by laws or regulations (e.g. the Subcontract Act in Japan)

#### 4-9 Appropriate Export Management

**Suppliers shall develop a well-defined management system for the export of legally regulated technologies and goods and shall follow proper export procedures**

<Specific actions>

- Suppliers shall carry out appropriate export procedures for things such as parts, products, technologies, equipment, and software subject to export regulations in accordance with international agreements (e.g. the Wassenaar Arrangement) and laws.
- Suppliers shall establish a management system for exports.  
(In some cases, export licenses or other forms of approval from regulatory authorities must be acquired prior to export.)

### 5. Information Security

**As global companies that customers can feel good about doing business with, suppliers shall implement effective information security programs in order to properly handle and manage customer information, personal information, and information assets that pertain to technologies, quality, products, and services.**

**Suppliers are expected to formulate policies concerning information security and disclose them on websites or by other means, as well as establish management systems under which risk assessments and corrective measures are to be taken.**

#### 5-1 Prevention of Information Leakage

**Suppliers shall properly manage and protect the personal information of customers, third parties, and workers, as well as confidential information received from customers and third parties**

<Specific actions>

- Suppliers shall work to protect personal information of all people involved in business transactions with them, which includes their suppliers (tier 2 suppliers), customers, consumers, and employees.
- When collecting, storing, handling, transferring, or sharing personal information, suppliers shall comply with laws and regulations concerning privacy and information security.
- Suppliers shall properly manage and protect confidential information received from their customers and third parties.
- Suppliers shall periodically provide workers with information security trainings (including educations and trainings regarding targeted attacks).
- Suppliers shall establish response systems and procedures to handle information security incidents.

#### 5-2 Protection against Threats on Computer Networks

**Suppliers shall take protective measures against threats on computer networks and ensure that no damages suffered by themselves or others**

<Specific actions>

- Suppliers shall take protective measures against threats on computer networks and ensure that no damages suffered by themselves or others.

## 6. Quality and Safety

Suppliers shall prioritize product safety in research and development, planning, design, manufacturing, sales, repair, and disposal operations for their products, and shall establish a quality management system to continuously improve product quality.

### 6-1 Quality Management System

**Suppliers shall establish and run a quality management system**

<Specific actions>

- Suppliers shall endeavor to establish quality management systems and acquire ISO 9001 or other third-party certification pertaining to quality management systems.  
\*Leading quality management systems include ISO 9001, ISO/TS 16949, and ISO 13485
- Suppliers shall conduct activities to prevent quality problems from occurring.
- When serious quality problems occur, suppliers shall make thorough efforts to prevent their recurrence.

### 6-2 Provision of Precise Information on Products and Services

**Suppliers shall provide consumers and customers with precise information on products and services**

<Specific actions>

- Suppliers shall provide precise information on specifications, quality, and handling procedures for products and services.
- In accordance with laws, suppliers shall properly report information on substances contained in products.
- Information in catalogs, advertisements, and other promotional materials concerning suppliers' products and services must not be false, misleading for customers or consumers, or defamation of any third parties or individuals or must not infringe any rights of any third parties or individuals.
- Suppliers shall promptly report to customers any Man, Machine, Method, or Material changes (commonly known as "4M changes") on components delivered.

### 6-3 Ensuring Product Safety

**When suppliers design their products on their own responsibility, the designs shall satisfy the safety standards prescribed by the laws of the country concerned**

<Specific actions>

- In addition to compliance with laws, suppliers shall also consider product safety that is normally required, such as design, production, parts, and labeling.  
\*Laws concerning product safety
  - Japan: Electrical Appliances and Materials Safety Act, Consumer Product Safety Act, Household Goods Quality Labeling Act, etc.  
(Safety standards are prescribed in bylaws, JIS, and elsewhere)
  - Overseas safety standard: UL, BSI, CSA, etc.
- Suppliers shall establish management systems that ensure traceability (history of materials, parts, processes, etc.) and a prompt response process for problem solving.

## 7. Contribution to Society

To advance social sustainability, suppliers shall actively engage in activities that contribute to the development of international and local communities.

### 7-1 Contribution to Society and Local Communities

**Suppliers shall voluntarily engage in activities that contribute to the development of international and local communities**

<Specific actions>

- Suppliers shall engage in activities to support communities using their management resources.
  - \*Common activities
    - Philanthropy using products, services, technologies, etc.
    - Philanthropy using facilities, human resources, etc.
    - Monetary donations to philanthropic organizations and activities
    - Collaboration with local communities when disasters occur
- Suppliers shall determine the extent of the contributions they can make and then carry them out proactively.

## 8. Management System

Suppliers shall establish management systems that aim to accomplish and continuously improve the following activities, in line with the intent of this Guideline.

- (a) Upholding laws and regulations that apply to their business and products, and comply with customer requirements
- (b) Complying with this Guideline
- (c) Identifying and reduce business risks related to this Guideline

### 8-1 Company Commitment

**Suppliers shall formulate corporate social and environmental responsibility policies that establish their efforts concerning compliance and continuous improvement thereof, with endorsement by their top management**

<Specific actions>

- Suppliers shall formulate policies for satisfying requirements 1 through 7 of this Guideline. These policies shall be endorsed by their top management and prepared in workers' native languages.

### 8-2 Appointing Directors/Officers in Charge of CSR

**Suppliers shall appoint directors or officers who have overall responsibility for establishing CSR management systems and conducting related programs.**

<Specific actions>

- Suppliers shall appoint directors or officers, among company executives, who have responsibility for formulating management and operation systems for carrying out sections 1 through 7 of this Guideline and for conducting related programs.
- Suppliers shall make those directors or officers responsible for conducting periodic reviews and supervising operational status of management systems.
- Suppliers shall evaluate the performance of at least one director or officer or one manager on their efforts and achievements regarding respect for human rights.

**8-3 Legal and Customer Requirements**

**Suppliers shall identify applicable laws, regulations, and customer requirements, keep being updated about and establish a process for complying with those laws, regulations, and requirements**

<Specific actions>

- Suppliers shall identify applicable laws, regulations, and customer requirements and establish and update internal rules as required as well as establish a process for monitoring compliance.

**8-4 Risk Assessment and Management**

**Suppliers shall establish a process to identify situations concerning risks regarding compliance, human rights, environmental, safety and health, labor practice, ethics, information security, and quality associated with their operations**

<Specific actions>

- Suppliers shall establish a process to identify risks regarding compliance, environmental, human rights, safety and health, labor practice, ethics, information security, and quality.
- Suppliers shall evaluate the relative significance of the risks and shall determine and execute appropriate methods for mitigating these risks.
- Suppliers shall also identify risks involving CSR-related problems (e.g. human rights abuses) that may occur inside or outside of them, and shall establish systems for addressing the problems according to their significance.

**8-5 Improvement Objectives**

**Suppliers shall formulate objectives and action plans for carrying out CSR activities**

<Specific actions>

- Suppliers shall document all objectives, numerical targets, and action plans for carrying out requirements 1 through 7 of this Guideline.
- Suppliers shall periodically evaluate degree of achievement regarding CSR activities.

**8-6 Training**

**For the sake of carrying out CSR activities, suppliers shall conduct training programs for managers and workers**

<Specific actions>

- Suppliers shall provide trainings to give their management and workers an understanding of CSR policies and the knowledge and skills necessary to carry out action plans for the purpose of achieving CSR targets.

**8-7 Communication**

**Suppliers shall establish a process for providing workers, suppliers, and customers with information about their policies, practices, forecasts, and goals**

<Specific actions>

- Suppliers shall establish a process for providing workers, suppliers, and customers with clear and accurate information about their policies, practices, forecasts, and goals.

**8-8 Worker Feedback and Participation**

**Suppliers shall establish a process for gathering feedback from workers about implementation of CSR activities, assessing their understanding, and making continuous improvements**  
<Specific actions>

- Suppliers shall establish a process for gathering feedback from workers about implementation of the requirements of this Guideline and CSR activities, evaluating their understanding, and making continuous improvements.

**8-9 Monitoring**

**Suppliers shall conduct periodic self assessments to confirm compliance with CSR-related laws, regulations, and other requirements**  
<Specific actions>

- Suppliers shall conduct periodic self assessments to ensure compliance with laws and regulations, this Guideline, and CSR-related contractual requirements of customers.
- Suppliers shall establish monitoring systems for verifying whether or not CSR-related problems such as human rights abuses are occurring outside of them in connection with their business.

**8-10 Improvement Measures**

**Suppliers shall establish a process for correcting all flaws and deficiencies discovered with regard to CSR-related matters**  
<Specific actions>

- Suppliers shall establish a process for correcting all flaws and deficiencies identified through assessments, inspections, and investigations by them or third parties.

**8-11 Documentation and Records**

**Suppliers shall create and maintain documents and records that attest to conformance with laws, regulations, and this Guideline's requirements**  
<Specific actions>

- Subject to appropriate preservation of confidentiality in the interest of protecting individuals, suppliers shall create and maintain documents and records that attest to conformance with laws, regulations, and this Guideline's requirements.

**8-12 Supplier Responsibility**

**Suppliers shall require their suppliers (tier 2 suppliers) to conform with this Guideline's requirements**  
<Specific actions>

- Suppliers shall inform their suppliers (tier 2 suppliers), manpower supply companies, and staffing agencies of the requirements under this Guideline.
- Suppliers shall establish a process for monitoring their suppliers' compliance with this Guideline.
- When selecting their own suppliers, suppliers shall take into consideration efforts being made to resolve CSR-related problems.

### 8-13 BCP Initiatives

<b>Suppliers shall establish BCP (Business Continuity Plans) and implement related measures</b>
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<Specific actions>

- In order to ensure appropriate delivery times and stable supply, suppliers shall conduct investigations on the entire supply chain including upstream suppliers.
- In order to prepare for natural disasters, accidents, and contingency situations, suppliers shall endeavor to implement measures to secure stable supply (e.g. purchasing from multiple suppliers, holding inventory in reserve)
- Suppliers shall inform relevant customers of the end of production of their products within the timeframe agreed upon in contracts.

<Reference>

The following data were used as reference in formulating this Guideline.

- Universal Declaration of Human Rights: <http://www.un.org/en/universal-declaration-human-rights/index.html>
- ILO International Labour Standards: <http://www.ilo.org/global/standards/lang--en/index.htm>
- ILO Code of Practice Occupational Safety and Health: <http://www.ilo.org/safework/lang--en/index.htm>
- OECD Guidelines for Multinational Enterprises: <http://mneguidelines.oecd.org/>
- United Nations Global Compact: <http://www.unglobalcompact.org/>
- Ethical Trading Initiative: <http://www.ethicaltrade.org/>
- EICC Code of Conduct: [http://www.eiccoalition.org/media/docs/EICCCodeofConduct5\\_1\\_English.pdf](http://www.eiccoalition.org/media/docs/EICCCodeofConduct5_1_English.pdf)