

Shindengen Group Supply-Chain CSR Promotion Guidelines

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Shindengen Electric Manufacturing Co., Ltd.

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※Adapted from “Responsible Business Conduct Guidelines” prepared by JEITA

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I Introduction

Guided by its management philosophy, “Together with society, our customers, and our employees,” the Shindengen Group strives to advance sustainable management throughout its businesses.

Across society, spurred by corporate scandals, there is growing interest in reinforcing corporate initiatives to maintain business integrity, ensure fair business practices and manage information security. At the same time, in light of the Sustainable Development Goals (SDGs) and other international initiatives, corporate efforts in such areas as respect for human rights and environmental preservation are attracting increasing attention.

Against this backdrop, the Shindengen Group has established the Shindengen Group Action Guidelines and Basic CSR Policy. By acting in accordance with our corporate social responsibility (CSR), we aim to maintain appropriate internal control within the Group and effective communication with stakeholders while further enhancing our corporate value and contributing to both society internationally and communities locally.

The globalization of supply chains in recent years has made it more important than ever to take action on CSR not only across the Group, but throughout the supply chain.

In light of growing international calls for CSR, we have amended the Shindengen Group Supply-Chain CSR Promotion Guidelines with reference to the Responsible Business Conduct Guidelines of the Japan Electronics and Information Technology Industries Association (JEITA).

We expect all of our business partners to ensure legal and regulatory compliance, uphold social norms and contribute to society. Furthermore, we ask our business partners to act in accordance with CSR and build appropriate management systems informed by the Shindengen Group Materials Procurement Policy and Shindengen Group Supply-Chain CSR Promotion Guidelines.

II Procurement Policy

Our Basic Stance

In accordance with the “Shindengen Group Guideline for Action,” the group’s procurement sections strive to enhance its corporate value and pursue mutual development with business partners through the purchase of necessary materials and services, etc., from the global market with an emphasis on appropriate quality, cost, and delivery time in order to provide customers with the high-quality products they need.

Shindengen Group Materials Procurement Policy

1. Compliance with legislation and social norms

i) Compliance with legislation and regulations

We observe the applicable laws, regulations, and social norms (environment, human rights, labor, safety, sanitation, ethics, etc.) of each country and region.

ii) Fair and equitable business activities

Regardless of business size or nationality, we ensure our procurement operations are handled in a fair and equitable manner. Quality, cost, delivery time, and reliability of supply are all considered.

2. Green procurement

As part of our global environmental conservation activities, we strive for green procurement. This involves the procurement of materials with smaller environmental impacts, taking into consideration energy conservation, materials usage, chemical management, and the impact on biological diversity.

3. Establishment of partnerships

We strive to establish mutually beneficial relationships with our customers based on long-term trust and offering superior products and services.

4. Quality, delivery period, and stable supply

i) Securing high quality

To assure and continually improve the quality of our products, we request suppliers establish quality management systems and undergo third-party quality certification in conformity with the ISO9000 family of standards.

ii) Securing delivery periods and establishing a stable supply system

To best meet our customers’ demands for stable supply under changing conditions, we request our suppliers to secure delivery periods and establish stable material and/or service supply systems.

iii) Continuing supply in instances of disasters or emergencies

In the event of disasters or emergencies such as earthquakes and floods, we request that our suppliers share supply chain information that may impact the procurement process for our customers. Additionally, we encourage our suppliers even under normal circumstances to engage in their own risk management activities in order to minimize any disruption during times of disasters or emergencies.

5. Support for local procurement

We support local procurement and local production.

6. Requests of our customers

i) Compliance with laws and social norms

We request our customers to fulfill their corporate social responsibility and to observe the applicable laws, regulations, and social norms (environment, human rights, labor, safety, sanitation, ethics, etc.) of each country and region.

ii) Sound business activities

We request our customers to promote sound and fair business activities to build long-term mutual cooperation and trust.

iii) VA/VE activities

We request our customers to provide suggestions and propose new materials or cost improvement activities through their VA/VE activities.

iv) Shortening the procurement period

We request our customers to be capable of adapting quickly and flexibly to changes in the market.

III Promotion Guidelines

1. Human Rights and labor

(1-1) Prohibition of forced labor

Suppliers must not make use of forced or bonded labor, inhumane prison labor, slavery or human trafficking. Suppliers must not force workers to work in any occupation and must adhere to the rights of workers to leave their workplaces or terminate their employment of their own volition.

(1-2) Prohibition of child labor; considerations when employing young workers

Suppliers must not employ children who are below the minimum working age. Furthermore, suppliers must not employ young workers under 18 years of age in work which involves working at night, working overtime or performing hazardous work that could jeopardize the worker's health or safety.

(1-3) Considerations regarding working hours

Suppliers must not only ensure that workers do not work in excess of the limits placed on working hours as prescribed by the laws and regulations of the region in which they are working but must also manage workers' working hours and workers' leave in an appropriate manner, based on due consideration of international standards.

(1-4) Appropriate pay and allowances

Suppliers must adhere to all applicable laws and regulations regarding remuneration to be paid to workers (including minimum wage, overtime pay and any other allowances or deductions from wages that are legally required). It is also desirable that suppliers consider the level of pay that is required to cover the purchase of items necessary for daily living (the "living wage") when paying workers.

(1-5) Prohibition of inhumane treatment

Suppliers must respect the human rights of their workers and must not subject them to inhumane treatment (including psychological or physical abuse, forced labor or harassment) or undertake actions which could potentially constitute such treatment. Furthermore, suppliers must secure facilities for workers to keep their personal belongings and valuables in, and sufficiently ample personal space for workers to enter and exit as appropriate.

(1–6) Prohibition of discrimination

Suppliers must not engage in discrimination or harassment. Furthermore, suppliers must take into consideration any requests workers may make regarding their religious practices, within reason.

(1–7) Freedom of association and right of collective bargaining

Suppliers must respect workers' right of collective bargaining as a means of enabling labor-management consultations concerning working conditions and levels of pay, etc., in addition to adhering to the laws and regulations of the region where suppliers operate.

2. Health and safety

(2–1) Work safety

Suppliers must identify and evaluate work-related risks to safety, and must ensure safety through appropriate design-based, technological and management-based means. In particular, reasonable consideration must be paid to the safety of pregnant women and breastfeeding mothers.

(2–2) Emergency planning

Suppliers must prepare for disasters and accidents that could jeopardize lives or physical safety, identify such events including those with the potential to occur, create action plans and install necessary facilities, etc., for responding to emergencies in order to minimize harm to workers and assets, and undertake education and drills that will ensure that such actions can be taken at times of disaster.

(2–3) Occupational injury and illness

Suppliers must identify, evaluate, record and report any occupational injuries and illnesses and must undertake appropriate countermeasures or corrective measures.

(2–4) Industrial hygiene

Suppliers must ascertain the status of the working environment at the workplace to identify and evaluate risks which could expose workers to harmful biological, chemical, or physical impacts and manage such risks appropriately.

(2–5) Consideration of physically demanding work

Suppliers must identify, evaluate and appropriately manage worker exposure to the hazards of physically demanding work to prevent occupational injury and illness.

(2-6) Machine safeguarding

Suppliers must evaluate machinery for safety hazards and take appropriate measures to ensure the safety of workers.

(2-7) Health and safety of facilities

Suppliers must provide workers with ready access to clean and safe facilities (dormitories, cafeterias, toilets, etc.). Furthermore, suppliers must ensure that worker dormitories are provided with appropriate emergency egress.

(2-8) Health and safety communication

Suppliers must provide workers with appropriate workplace health and safety information and training in the language of the worker or in a language the worker can understand for all identified workplace hazards that workers are exposed to. Suppliers must also provide feedback mechanisms to encourage workers to raise safety concerns.

(2-9) Health management for workers

Suppliers must carry out appropriate health management for all employees.

3. Environment

(3-1) Environmental permits and reports

Suppliers must obtain the permits and approvals required for conducting business as well as register and report according to local laws and regulations.

(3-2) Reducing energy consumption and greenhouse gas emissions

Suppliers must address energy efficiency and make continuous efforts to reduce greenhouse gas emissions and energy consumption.

(3-3) Air emissions

Suppliers must comply with relevant laws and regulations and implement appropriate measures to reduce the atmospheric emission of hazardous substances.

(3-4) Water management

Suppliers must comply with laws and regulations, monitor the source, usage and discharge of water used, and save water. All wastewater must be tested as required, as well as monitored, controlled and processed before discharge or disposal. Sources of pollution that may cause water pollution must also be identified and appropriately managed.

(3-5) Effective utilization of resources and waste management

Suppliers must comply with laws and regulations and implement appropriate management in order to promote the 3Rs (reduce, reuse and recycle), ensure the effective utilization of resources and minimize waste.

(3-6) Chemical substance management

Suppliers must comply with laws and regulations to identify, label and manage chemical and other substances posing a hazard to humans or the environment and conduct management to ensure the safe handling, transport, storage, use, recycling, reuse or disposal of such substances.

(3-7) Managing the chemical substances contained in products

Suppliers must comply with all laws, regulations and customer requests applicable to the prohibition and restriction of specific substances contained in products.

4. Fair Trading and ethics

(4-1) Anti-corruption

Suppliers must not either independently or in collusion with other parties engage in any form of bribery, corruption, extortion or embezzlement.

(4-2) Prohibition of offering and accepting improper profit and advantage

Suppliers must not give or accept promises, offers or authorization for bribes or other means of obtaining undue or improper advantage.

(4-3) Appropriate disclosure of information

Suppliers must disclose information regarding labor, health and safety, environmental practices, business activities, structure, financial situation and performance in accordance with applicable regulations and prevailing industry practices. Falsification of records or misrepresentation of information are unacceptable.

(4-4) Respect for intellectual property

Suppliers must respect intellectual property and must transfer technologies and knowhow in a manner that protects intellectual property rights. Furthermore, suppliers must also safeguard the intellectual property of third parties, such as customers and suppliers.

(4–5) Fair business

Suppliers must uphold standards of fair business, competition and advertisement.

(4–6) Detect injustice promptly and protect whistleblowers

Suppliers must conduct activities to prevent fraud and put in place systems to detect and respond to fraud at an early stage. Suppliers must protect the confidentiality of information regarding whistleblowing and the anonymity of whistleblowers, and avoid retaliation towards whistleblowers.

(4–7) Responsible sourcing of minerals

Suppliers must exercise due diligence to ensure that minerals such as tantalum, tin, tungsten and gold that are included in products that they manufacture do not cause or contribute to serious human rights violations, environmental destruction, corruption, conflict or other problems in conflict-affected and high-risk areas.

(4–8) Appropriate import/export controls

Suppliers must maintain a clear management framework and undertake appropriate import/export procedures for the import and export of technologies and items regulated under the law.

5. Quality and safety

(5–1) Ensuring product safety

Suppliers must satisfy safety standards defined by the laws and regulations of each country and sufficiently ensure product safety in the design, manufacturing and retail phases with consideration of their responsibility as a product supplier.

(5–2) Quality management

Suppliers must not only adhere to all applicable laws and regulations regarding product and service quality but must also adhere to their own product quality standards and customer requirements.

(5–3) Providing accurate information on products and services

Suppliers must provide information about products and services that is accurate and does not cause confusion.

6. Information security

(6-1)Protection against cyberattacks

Suppliers must protect against cyberattacks and other threats and prevent damages to their company and others.

(6-2)Protecting personal information

Suppliers must adhere to relevant laws and regulations regarding all personal information belonging to suppliers, customers, consumers, employees and others and must ensure that such information is managed and protected in an appropriate manner.

(6-3)Preventing the leakage of confidential information

Suppliers must appropriately control and protect the confidential information of their own company and of their customers and third parties.

7. Business continuity planning

Suppliers must identify and assess risks to business continuity, examine their impact on the business and establish preparatory measures required in the medium to long term and a business continuity plan (BCP) that indicates the status of those initiatives.

8. Supplier management

Suppliers must establish a process for communicating the requirements of the Promotion Guidelines to their suppliers and monitoring supplier compliance.

II Annex(Reference) Description※

※Adapted from “Responsible Business Conduct Guidelines” prepared by JEITA

1. Human Rights and labor

【Description】

Worker(s) refers to anyone that works, regardless of the form of employment, including regular employees, temporary employees, migrant workers, students, contract employees, and directly hired employees.

International human rights standards to refer include the Universal Declaration of Human Rights and International Bill of Human Rights of the United Nations and the Core Labor Standards of the ILO.

(1-1) Prohibition of forced labor

【Description】

Companies are prohibited from transporting, concealing, employing, transferring, and receiving people by means of threat, coercion, abduction, or deceit. Having workers pay fees for employment may also lead to forced labor. Forced work to pay off such a fee is also prohibited.

In particular, there are many reports of migrant workers including foreign workers being forced to work. When employing foreign workers, those workers must be provided with an employment contract containing the employment conditions in a language that they can understand, before they leave their home country.

Other acts that lead to forced labor include hindering workers from using their government-issued identification, passport/visa, work permit, or immigration application (except when the law stipulates that someone other than the worker retain such documents) by means of concealment or confiscation, or imposing limitations on worker entry/exit to facilities or movement within facilities.

【Description of Terms】

Forced labor refers to involuntary labor conducted under the threat of penalty, etc. Types of forced labor include the following.

- ①Abusing vulnerabilities (such as employment contracts not in the native language of migrant workers)
- ②Deception (such as employment/labor conditions not explained correctly, or replaced during employment process)
- ③Isolation (such as having workers work in locations that are difficult to access or communicate with from the outside)
- ④Threats and intimidation (such as penalizing workers for workplace complaints or demanding that workers pay a fine when they want to terminate employment)

- ⑤Withholding wages (such as delaying wage payments or forcibly storing or putting aside part of wages)
- ⑥Debt coercion (such as workers having debt in order to pay off recruitment fee)
- ⑦Excessive overtime (such as making workers work overtime in excess of what is allowed by the law or the labor–management agreement)
- ⑧Prohibiting movement (such as restrictions on movement not based on a reason such as information security or health and safety, or constant monitoring of a dormitory via surveillance camera)
- ⑨Physical or mental abuse (such as violence, yelling, or sexual harassment)
- ⑩Withholding the original copies of identification (such as when the employer holds the passport of a worker)

Bonded labor refers to labor that workers cannot voluntarily terminate. This includes cases where workers are forced to incur debt in order to pay recruitment fee, and not allowing the workers to leave until that debt is paid.

Exploitation refers to unfair treatment based on the abuse of a superior bargaining position, and exploitative prison labor refers to the act of making prisoners work without paying adequate wages.

(Modern) Slavery is defined by the United States Department of State as umbrella terms with trafficking in persons and human trafficking to refer to both sex trafficking and compelled labor. It is also defined by Modern Slavery Act of 2015 in the United Kingdom as unfair exploitation of people in a forced labor circumstances.

(1–2) Prohibition of child labor; considerations when employing young workers

【Description】

Child labor is prohibited in all circumstances by the ILO and national laws. In particular, there is a pressing need to immediately address the worst forms of child labor. The Worst Forms of Child Labor Convention, 1999 (No. 182) of the ILO defines these as the following four forms of child labor.

- all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labor, including forced or compulsory recruitment of children for use in armed conflict;
- the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
- the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;
- work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

Workers (including students etc.) under the age of 18 should be guaranteed satisfactory working conditions, and The Minimum Age Recommendation, 1973 (No. 146) of the ILO

stipulates the following benefits in particular.

- the provision of fair remuneration and its protection, bearing in mind the principle of equal pay for equal work;
- the strict limitation of the hours spent at work in a day and in a week, and the prohibition of overtime, so as to allow enough time for education and training (including the time needed for homework related thereto), for rest during the day and for leisure activities;
- the granting, without possibility of exception save in genuine emergency, of a minimum consecutive period of 12 hours' night rest, and of customary weekly rest days;
- the granting of an annual holiday with pay of at least four weeks and, in any case, not shorter than that granted to adults;
- coverage by social security schemes, including employment injury, medical care and sickness benefit schemes, whatever the conditions of employment or work may be;
- the maintenance of satisfactory standards of safety and health and appropriate instruction and supervision.

Due diligence is also required to protect the rights of children.

【Description of Terms】

Child labor refers to any kind of activity or work which, by its nature or the circumstances in which it is carried out, is harmful to the intellectual, physical, social and moral development of young people and undermines their education, preventing them from going to school, constraining them to abandon schooling too soon or requesting them to work and study at the same time.

Minimum age for employment shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years according to the Minimum Age Convention, 1973 (No. 138) of the ILO (during the transitional period, a country whose economy and educational facilities are insufficiently developed may initially specify a minimum age of 14 years). The age at which employment is allowed also differs according to the nature of labor. In regard to hazardous work, all countries must set a minimum working age of 18 years. However, such work may be allowed from the age of 16 years in cases where:

- National organizations of employers and workers concerned have been consulted beforehand;

- The health, safety and morals of the young persons concerned are fully protected; and
- The young persons have received adequate specific instruction or vocational training in the relevant field of activity.

Minimum age for employment		
	Developed countries	Developing countries
Regular work	15 years	14 years
Hazardous work	18 years	18 years
Light work	13 years	12 years

Hazardous work refers to the following.

- work which exposes children to physical, psychological or sexual abuse;
- work underground, under water, at dangerous heights or in confined spaces;
- work with dangerous machinery, equipment and tools, or which involves the manual handling or transport of heavy loads;
- work in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health;
- work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.

(1–3) Considerations regarding working hours

【Description】

Companies are required to assign work hours and grant leave and rest periods based on applicable laws and regulations. They should also consider internationally recognized standards.

For example, as in the Hours of Work (Industry) Convention, 1919 (No. 1) and Hours of Work (Commerce and Offices) Convention, 1930 (No. 30), international standards of the ILO (not ratified by Japan) stipulate that weekly work hours must not exceed 48 hours including overtime, except in emergency or unusual situations. The Weekly Rest (Industry) Convention, 1921 (No. 14) and Weekly Rest (Commerce and Offices) Convention, 1957 (No. 106) (not ratified by Japan) stipulate that workers must be granted at least one full day (24 hours or longer) off or longer weekly rest period each week (work must not exceed six consecutive days). Although the Hours of Work (Industry) Convention, 1919 (No. 1) and Hours of Work (Commerce and Offices) Convention, 1930 (No. 30) are important conventions, they are not the up-to-date instrument. The ILO has also issued Reduction of Hours of Work Recommendation, 1962 (No.116), which promotes the ratification of Forty-Hour Week Convention, 1935 (No. 47) as the social standards to achieve (not ratified by Japan).

Several industry standards also set a weekly limit on work hours at 60 hours including overtime.

【Description of Terms】

Appropriate manage refers to the following:

- Annual working days shall not exceed the maximum set by law.
- Weekly work hours including overtime shall not exceed the maximum set by law (excluding unavoidable times of disaster or emergency).
- Workers shall be allowed the right to paid annual leave, maternity leave, and childcare leave as stipulated by the law.

- Workers shall be allowed the break time stipulated by the law.
- Physical and mental health checks shall be conducted to ensure the health of workers.

(1–4)Appropriate pay and allowances

【Description】

Minimum wage refers to the minimum wage stipulated by laws regarding wages in the country where the company is doing its operation, and employees must be paid wages at or above the minimum wage. In addition to the legally-binding minimum wage, it is also desirable that companies voluntarily consider a living wage calculated as the wages required to maintain a minimum living standard.

Unfair wage deductions may be deemed to be a non-payment of wages. For example, in the SA8000 international standard regarding labor and human rights, pay cuts must not be made for the purpose of discipline, but as an exception, companies are allowed to do so when (1) it is allowed by domestic law and (2) doing so is agreed upon in a collective agreement that was freely negotiated.

Furthermore, compensation for overtime work must be paid to workers at a rate higher than the standard pay rate by hour, according to the laws and regulations of the corresponding region. Upon payments, companies must provide a wage slip that includes information that enables the breakdown of payments to be checked.

【Description of Terms】

Minimum wage refers to the minimum wage stipulated by laws regarding wages in the country where the company is doing its operation. This must be paid to workers at the appropriate time without delay, based on the law where the company is doing its operation. Living wage refers to a level of wages that meets the needs of a worker and their family and satisfies the dignity of that worker, according to international standards.

Unfair wage deductions refer to wage deductions that violate laws regarding labor, etc. For example, companies cannot deduct the cost of uniforms, personal protective equipment required for work, or the cost of cleaning uniforms from wages. However, this does not include nonpayment of wages corresponding to time not worked due to worker's late to work or absence.

(1–5)Prohibition of inhumane treatment

【Description】

Companies are required to establish, notify workers and operate a disciplinary policy and handling procedures, and an internal reporting system (grievance mechanism) for identifying the facts of inhumane treatment.

【Description of Terms】

Psychological abuse refers to the act of causing mental or emotional harm through psychological violence to others by means, for example, of inhumane expressions or

harassment, neglect, or words that damage one's self-esteem.

Physical abuse refers to a violence and work under harsh circumstances.

Coercion refers to the act of forcing others to do something against their will through intimidation, etc. For example, forcing workers to work overtime.

Harassment refers to the act of making others feel unpleasant due to pestering or bullying. This includes sexual harassment, sexual abuse, physical punishment, physical or mental oppression, verbal abuse, and the withdrawal of basic physical comfort (such as chairs or personal protective equipment).

In addition, it also includes abuse of authority, or pregnancy discrimination and maternity harassment.

The Violence and Harassment Convention, 2019 (No. 190) of the ILO defines violence and harassment as indicated below.

(a) the term violence and harassment in the world of work refers to a range of unacceptable behaviors and practices, or threats thereof, whether a single occurrence or repeated, that aim at, result in, or are likely to result in physical, psychological, sexual or economic harm, and includes gender-based violence and harassment;

(b) the term gender-based violence and harassment means violence and harassment directed at persons because of their sex or gender, or affecting persons of a particular sex or gender disproportionately, and includes sexual harassment.

(1–6) Prohibition of discrimination

【Description】

Behavior that may lead to discrimination is not allowed in wages, promotions, rewards, access to training, hiring, and employment practices, including discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, veteran status, protected genetic information, or marital status.

Furthermore, health checks and pregnancy tests are also regarded as discrimination if they could harm equal opportunity or the fairness of treatment.

The grounds of discrimination are diverse.

- Race and color: Discrimination made on the basis of belonging to a specific ethnic group, which may affect ethnic minorities, indigenous peoples, or tribal populations.

- Sex: Discrimination on the basis of biological characteristics and functions that distinguish men and women and of social differences between men and women. It also includes discrimination on the basis of marital status, family structure, or motherhood.

- Religion: Discrimination on the basis of membership to a certain religion or expression of religious belief. It also includes discrimination against atheists.

- Political opinion: Discrimination on the basis of different opinions with respect to established political principles, membership to a particular political party, political or

sociopolitical attitudes, civic commitment, or moral qualities.

- National extraction: Discrimination on the basis of a person's birthplace, ancestry or foreign origin. It may target national or linguistic minorities, nationals who have acquired their citizenship by naturalization, and the descendants of migrants from other countries, etc.

- Social origin: Discrimination on the basis of social class, occupational category, or caste. Social origin may affect one's career.

The principle of non-discrimination in respect of employment and occupation comprises the principle of equal remuneration for men and women who accomplish work of equal value. According to the Equal Remuneration Convention, 1951 (No. 100) of the ILO, the principle refers to all the elements of remunerations, such as salary or ordinary wage and other basic fees, directly or indirectly paid, in cash or in kind, by the employer to the worker arising out of the employment (Convention No. 100). Objectively determining the value of work requires the consideration of the elements such as work components, responsibilities, skills, efforts, working conditions, and major achievements.

Discrimination can also be based on factors such as age or disability, health (in particular HIV/AIDS), membership of a labor union, and sexual orientation. In the United States, the following factors must also be considered.

- Veteran status: United States law defines the covered veteran status as a veteran of the Vietnam war, and defines employment measures, consideration, and protection. This is because veterans are thought to face discrimination based on inability to communicate with other workers due to being treated as a murderer, as well as disorders due to military service (such as post-traumatic stress disorder (PTSD)).

- Protected genetic information: In the United States, GINA (Genetic Information Nondiscrimination Act of 2008) defines genetic information as the results of genetic diagnosis. Genetic information is given as a factor for discrimination due to the possibility of discrimination based on genetic information such as the latent risk of disease.

(1-7) Freedom of association and right of collective bargaining

【Description】

Companies are also required to respect the right of workers to establish and join trade unions of their own choosing, and at the same time respect the rights of workers not to join a trade union or refrain from such activities. Furthermore, workers and their representatives must be able to engage in collective bargaining to formally gain mutual understanding with management regarding concerns about working conditions and management practices, without fear of discrimination, retaliation, intimidation, or harassment.

【Description of Terms】

In regard to Collective Bargaining, the Right to Organize and Collective Bargaining Convention, 1949 (No. 98) of the ILO requires that companies recognize representative

organizations of the workers for the purpose of collective bargaining, promote bona fide negotiations between both sides, and incorporate provisions for dispute resolution into collective agreements. The following items are recommended as concrete examples of relevant corporate activities.

- Provide such facilities as may be necessary to establish effective collective agreements.
- Enable duly authorized representatives of workers to negotiate with representatives of management who are authorized to take decisions on the matters under negotiation.
- Not threaten or suggest retribution to influence unfairly negotiations or hinder the exercise of the right to organize.
- Provide information required for meaningful negotiations.
- When requested by the government, respond constructively with relevant information on their operations.

2. Health and safety

【Description】

Minimizing work-related injury and illness and maintaining a safe and healthy working environment leads to quality of products and services, consistency of production, and worker retention, and morale. Moreover, it is essential for companies to have worker input and provide workers with training in order to identify and resolve safety and health problems in the workplace.

(2-1) Work safety

【Description】

Companies must identify safety hazards in the workplace and their risk of occurrence, and implement safety measures for workers. Examples of safety hazards in the workplace include contact with chemical substances, electricity, or other energy sources, fire, vehicular accidents, and fall hazards.

Example safety measures are indicated below. Companies must systematically promote such measures.

- Identifying and assessing safety hazards, including their risk of occurrence
- Designing an appropriate workplace that eliminates safety hazards and considers safety
- Implementing safety communications (including the handling of personal protective equipment)

It is also necessary to take reasonable measures to protect pregnant women and nursing mothers from conditions with high hazards.

【Description of Terms】

Risks regarding occupational safety refer to the potential risk of health problems and accidents that occur during work, due to factors such as electricity or other energy, fire, vehicles or moving objects, floors that are slippery or prone to tripping, and falling objects.

Proper design, engineering, and administrative controls refer to the elimination or reduction of risks according to the hierarchical control of (1) Elimination of risk factors or substitution to safer options, (2) Engineering control (such as monitoring dangerous places using sensors and shutting down the power source of machinery or equipment (lock out)), (3) Administrative control (such as signs indicating prohibition of energy shutdown equipment operation during shutting down of the power source (tag out)), and (4) Providing personal protective equipment (safety gear such as protective goggles, helmets, and gloves)

Reasonable steps to protect pregnant women and nursing mothers from conditions with high hazards includes avoiding risks such as lifting/moving heavy objects, exposure to infectious diseases, exposure to lead, exposure to poisonous chemical substances, physically demanding work, exposure to radioactive substances, threats of violence, long work hours, extreme temperatures, and extreme noise.

For one year after childbirth, if it is necessary for a worker to nurse a child, it is desirable for a company to provide an appropriate break time for nursing or milking, and to implement measures such as providing a safe and clean place to do so, that colleagues and the general public cannot enter and cannot see.

(2-2)Emergency planning

【Description】

Emergency plans refer to, for example, emergency reporting, communication to employees, clarifying evacuation procedures, installing evacuation equipment, ensuring easily identifiable exits without obstruction, providing appropriate exit facilities, storing medical supplies for emergency, installing fire detection systems, installing fire extinguishers, fire shutters, and sprinklers, securing external communication methods, and maintaining recovery plans.

Dissemination of emergency plans within the workplace is also required. This involves, for example, providing emergency training (including evacuation drill) to workers, and placing/posting emergency procedures in the workplace in an easily accessible location.

(2-3)Occupational injury and illness

【Description】

Companies must record occupational injury and worker illness, provide necessary medical treatment, investigate cases, identify and eliminate causes, implement corrective actions including preventing, managing and reporting.

It is also necessary to define rules for promoting worker's return/restart to work and to report implementation thereof.

【Description of Terms】

Appropriate countermeasures refer to systems and measures for promoting worker's reporting, classifying and recording injury and illnesses, providing medical treatment when

necessary, investigating injury and illnesses, implementing corrective actions to eliminate causes, and facilitating worker's return to work. This also includes implementing the required administrative procedures stipulated by the law and taking out industrial accident insurance.

(2-4)Industrial hygiene

【Description】

The possibilities of hazard must be eliminated or controlled according to the appropriate design and engineering and administrative control. When hazard cannot be adequately controlled through such methods, it is necessary for workers to be provided appropriate personal protective equipment that is well managed and maintained, and to use that equipment appropriately.

【Description of Terms】

Hazardous agents include substances that are poisonous, radioactive, or cause chronic illness (such as lead and asbestos). These substances may exist in smoke, steam, mist, or dust form. Noise and odors may be deemed hazardous to the human body if they are significantly strong.

Appropriate control refers to the establishing and implementing management standards, and providing the appropriate training and personal protective equipment to workers.

(2-5)Consideration of physically demanding work

【Description of Terms】

Physically demanding work includes long hours of work in an unnatural position, long hours of repetitive or continuous work such as data entry or assembly work that causes physical exertion, and heavy labor such as the manual handling of heavy raw materials or manual transport of heavy objects.

Appropriate management includes providing working circumstances based on human engineering, regular breaks, providing supportive tools, and the sharing and cooperating works among multiple workers. (It is also effective to maintain circumstances that enable people to move around properly and efficiently, and consider the reduction of accidents and mistakes.)

Ergonomics, or Human Factors is a field of research utilized in the actual design of objects and environments to ensure that humans can use them in as natural state as possible and with movements as naturally as possible. (This also includes the reduction of accidents and mistakes by maintaining circumstances that enable people to move around correctly and efficiently.)

(2-6)Machine safeguarding

【Description of Terms】

Appropriate safeguarding refers to management for preventing injuries and accidents that occur during work, safety mechanisms such as failsafe, foolproof, interlock, and tagout, and protective barriers in place, as well as regular inspection and maintenance of machinery.

(2-7) Health and safety of facilities

【Description】

Maintaining health and safety refers to maintaining the cleanliness and sanitation of facilities, and requires the following points to be considered.

- Drinking water: Water quality tests compliant with laws and regulations, and safe drinking water (provided by a water cooler, etc.)
- Sanitary food preparation: Clothing cleanliness and health checks for kitchen workers, pest control, temperature control of food storage, effective cafeteria business licenses, etc.
- Toilets: Clean toilet facilities of a sufficient number, providing toilet paper, etc.
- Dormitories: Fire response plan, emergency exit routes (egress), secured accommodations for storing personal items (providing lockable storage), adequate living space (3.3 m² or more per person), ventilation, temperature control, adequate lighting, etc.

(2-8) Health and safety communication

【Description】

Companies must provide appropriate workplace health and safety information and training regarding all the workplace hazards that workers will be exposed to (including but not limited to machinery, electricity, chemicals, fire, and physical hazards).

Occupational health and safety information should be clearly posted in facilities or placed in a location identifiable and accessible by workers. It also must be provided in a language that the workers can understand.

Training must be provided to all workers before starting work and regularly after that. It is also encouraged that safety concerns from workers are raised. Items for training include the correct use of personal protective equipment, emergency response measures, safe operation of machinery, and preparations before entering hazardous environments. Paragraph 43 of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy also contains information concerning the fostering of a preventative culture based on labor-management dialog.

(2-9) Health management for workers

【Description of Terms】

Appropriate health management refers to conducting health checks at least at the level stipulated by law, and working on the prevention and early detection of worker illness. It is also necessary to adequately consider treatment such as mental healthcare and the prevention of health problems due to overwork.

3. Environment

【Description】

The responsibility to consider the environment refers to the promotion of measures for minimizing negative impacts on regional society, the environment, and natural resources, and prioritize maintaining the health and safety of not only workers, but all people in the local community.

(3-1) Environmental permits and reports

【Description】

Examples in Japan include the obligation to assign a manager that has obtained the qualifications stipulated by the law, such as laws on waste disposal (a specially-controlled industrial waste manager), energy saving (an energy manager in plants that use a certain level of energy), and the control of air pollution (a pollution prevention manager at plants that emit chemical substances, dust, or smoke).

Furthermore, companies may be obligated to assign a manager responsible for poisonous/deleterious substance management, designated chemical substance management, and hazardous substance management, depending on the chemical substances used in business. It may also be necessary to receive permission for facilities that handle hazardous substances and environmental impact assessments, depending on the type of business conducted and the location of plants.

(3-2) Reducing energy consumption and greenhouse gas emissions

【Description】

Improving energy efficiency involves minimizing energy consumption and the related scope 1 and scope 2 greenhouse gases (GHG), and companies must track and document energy efficiency at each facility or business site.

【Description of Terms】

There are various types of greenhouse gases, but the term greenhouse gas generally refers to the six groups of substances defined in the Kyoto Protocol, which are carbon dioxide, methane, nitrous oxide, HFC, PFC, and SF₆.

Continuous efforts for reducing greenhouse gas emissions refer to the process of setting voluntary reduction targets for the above six types of greenhouse gases, and making and executing plans to achieve them.

Scope 1 greenhouse gas emissions are direct emissions caused by a company, and scope 2 greenhouse gas emissions are indirect emissions caused by the use of electricity, heat, and steam provided by another company.

(3-3) Air emissions

【Description】

Hazardous substances discharged to the atmosphere include volatile organic chemicals, aerosols, corrosives, microparticles, ozone depleting substances, and combustion byproducts. Companies must strive to analyze and monitor these substances prior to discharge, and only discharge them after conducting the required control and treatment based on the results of that analysis and monitoring. Program includes routine monitoring of treatment systems for the performance and the handling of substances to discharge.

(3-4) Water management

【Description】

Water management requires monitoring water sources, use, and discharge, seeking opportunities to conserve water, and controlling channels of contamination.

Controlling channels of contamination includes confirming that site water channels are free from contamination and are protected from contamination (such as confirming that there are no pools of standing water and grease/oil slicks near storm drains) and that the emergency response equipment is in place (shutoff valves and stopcocks must be installed to prevent outflow or leakage of clean water and sewage due to a plant accident or natural disaster, and street inlets/sewage inlets and storage reservoirs installed to contain leaks or overflows are deemed to be insufficient), etc.

(3-5) Effective utilization of resources and waste management

【Description】

Companies must identify and manage wastes not identified to be hazardous even when disposing, implement a systematic approach for responsible disposal or recycling, and work for reducing waste.

Companies must implement measures for disposing substances according to local laws and regulations, and minimizing the disposing substances, and ensure that natural resources are not wasted.

Programs include changing the production equipment at the source, using alternative materials, and reusing and recycling resources. Companies should also settle voluntary targets for the help of complying with laws and regulations. Natural resources refer to water, fossil fuels, minerals, virgin forest, and the products of virgin forest, etc. The prevention of environmental pollution leads to the saving of natural resources and is closely related to the sustainability of the planet.

(3-6) Chemical substance management

【Description】

In Japan, companies must perform management based on the Chemical Substance Control Law, Poisonous and Deleterious Substances Control Law, Industrial Safety and Health Act, Fire Service Act, and PRTR (Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management). It is also necessary to consider chemical substance management in manufacturing processes.

(3-7) Managing the chemical substances contained in products

【Description】

Companies must also consider customer demands regarding the chemical substances contained in products.

- Companies must follow the laws and regulations of the countries where the products are sold.

- Companies must take responsibility for the components included in the end products, and upstream companies must provide the required information to downstream companies.

For example, when exporting to the EU, the relevant laws and regulations include the RoHS Directive and the REACH Regulation.

It is also necessary to consider the substances that are added, contaminated, or adhere during the manufacturing process.

4. Fair Trading and ethics

【Description】

Companies must comply with the laws and regulations not only of Japan but also of all the countries where they do business. Furthermore, all employees must conduct business with highest standards of integrity and obtain trust from all stakeholders, with senior management setting an example.

(4-1) Anti-corruption

【Description】

Companies must uphold a policy of prohibiting any and all forms of bribery, excessive entertainment or gifts, corruption, blackmail, or embezzlement, and maintain continuous compliance.

Continuous compliance requires not only establishing policy, but also appropriately training employees and continuing to ensure that policy is implemented.

(4-2) Prohibition of offering and accepting improper profit and advantage

【Description】

Companies are prohibited from directly or indirectly providing or receiving something valuable, or promising or proposing to do so, in order to gain business or obtain inappropriate

benefit.

It is necessary to clarify policies and procedures and monitor in order to comply with laws regarding the preventing of corruption.

(4-3) Appropriate disclosure of information

【Description】

Companies are required to actively provide and disclose information to stakeholders.

The information to provide and disclose to stakeholders includes the details of business activities, financial situation, ESG (environmental, social, and governance) information, risk information (such as damage due to large-scale disasters, adverse impacts on the environment and society, and the discovery of significant legal violations), and information regarding the supply chain. Disclosing information on critical risks in a timely manner, and communicating to customers are also one of the examples actively providing information. Companies are not allowed to tamper records, misrepresent information, or disclose false information.

(4-4) Respect for intellectual property

【Description】

The protection of intellectual property applies not only to a company, but also to third parties such as customers and suppliers.

【Description of Terms】

Intellectual property includes trade secrets and technical know-how in addition to intellectual property rights.

Intellectual property rights are rights defined by law, and include patent rights, utility model rights, design rights, trademark rights, and copyrights.

(4-5) Fair business

【Description】

Companies must comply with laws regarding fair business practices, including competition laws and the Proper Transactions Act*, and must not engage in illegal activities such as cartels, unfair trade practices, or misleading representations.

* Proper Transactions Act: Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators

It is also necessary to avoid forces that pose a threat to the order and safety of civil society, and comply with laws, regulations, and all social standards. In the catalog presentations and advertising of products and services, companies must not express untruths or mislead consumers and customers, and must also make sure not to include information that slanders or infringes the rights of other companies or individuals.

【Description of Terms】

Fair competition refers to complying with local laws regarding fair competition and fair trading and promoting free and fair competition while avoiding cartel agreements to restrict competition, unfair business practices, and misleading representation.

Fair advertising refers to advertising that provides factual information that is not for unfair purposes.

(4-6) Detect injustice promptly and protect whistleblowers

【Description】

“Activities to prevent improper act” means to train and enlighten employees as well as to create a rich communication in workplace.

In a grievance mechanism available to related parties including employees of the company and its suppliers, the company must ensure the anonymity of the whistleblower such as the supplier or employee, and the confidentiality of what was reported, and whistleblowers must be protected from disadvantageous treatment by the company or an individual due to the act of whistleblowing.

【Description of Terms】

Typical examples of measure for “system to discover and respond to improper act in an early stage” are as follows:

- Assign in-house and outside contact persons who handle improper act so that the top management can discover an improper act in an early stage.

Whistleblowing refers to reporting or disclosing unfair practices in one’s company or supply chain.

Whistleblower refers to a person who reports or discloses inappropriate activity by an employee or director of a company or a public official or public institution.

Disadvantageous treatment refers to acts that harm the working circumstances including harassment, as well as changes to working conditions such as unfair performance evaluation, rewards, dismissal, or reshuffling.

(4-7) Responsible sourcing of minerals

【Description】

Due diligence regarding responsible minerals procurement refers to companies establishing policies, communicating expectations to suppliers (and incorporating them in contracts where possible), identifying and reviewing risks in the supply chain, and establishing and implementing strategies to handle the identified risks.

The following five steps are included in the internationally-recognized OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas document regarding due diligence for responsible mineral procurement.

Step1: Establish strong company management systems

Step2: Identify and assess risks in the supply chain

Step3: Design and implement a strategy to respond to identified risks

Step4: Carry out independent third-party audit of smelter/refiner's due diligence practices

Step5: Report annually on supply chain due diligence

Related laws include Section 1502 of the Dodd-Frank Wall Street Reform & Consumer Protection Act in the United States and the Conflict Minerals Regulation of the European Union.

(4-8) Appropriate import/export controls

【Description】

Companies must understand and comply with the various national laws and regulations for importing and exporting.

Technologies and goods regulated by law refer to components, products, technologies, equipment, and software subject to import/export control according to laws and regulations based on international agreements, etc. (such as the Wassenaar Arrangement). It may be necessary to obtain permission, etc. from the competent authorities regarding importing and exporting.

5. Quality and safety

【Description】

The safety, quality, and accuracy of information on products and services may have a profound impact on not only customers but a wide variety of stakeholders.

Recognized management systems such as ISO9001 were referred to when establishing these guidelines, and may contain additional useful information.

(5-2) Ensuring product safety

【Description】

When companies design products, they must ensure adequate product safety and consider their responsibility as a manufacturer when providing products. They must also consider the safety that the product should ordinarily provide, in addition to legal compliance.

Example Japanese laws regarding product safety include the Electrical Appliance and Material Safety Act, Consumer Product Safety Act, and Household Goods Quality Labeling Act. Safety standards are defined in bylaws and JIS standards, etc. Overseas safety standards include UL, BSI, and CSA standards, etc.

Effective measures for ensuring product safety include management such as traceability (history of materials, components, and processes, etc.) and swift handling to solve problems.

(5-3) Quality management

【Description】

Companies must comply with all laws and regulations that apply to the quality of products and services, and are also required to establish appropriate frameworks and management systems for complying with their own quality standards and customer requirements.

(5-4) Providing accurate information on products and services

【Description】

Companies are required to provide information to customers and consumers that is correct, accurate and does not lead to misunderstandings. They must not provide false information or information that has been falsified.

【Description of Terms】

Accurate information refers to the following, for example.

- Accurate information regarding the specifications, quality, and handling method of products and services.
- Accurate information on the substances contained in the materials and components used in products, etc.

6. Information security

【Description】

With the development of the advanced information technology society in recent years, information management is becoming more and more important. Problems with information management such as the leak of confidential information and personal information can have a profound effect on various stakeholders including the supply chain, in addition to the company itself and its customers.

Recognized management systems such as ISO27001 were referred to when establishing these guidelines, and may contain additional useful information.

(6-1) Protection against cyberattacks

【Description】

Companies are required to prevent trouble caused by cyberattacks, such as the leak or modification of information and the stopping of information systems. Since attackers can expand their target of attack based on customer and client information they obtain, the scope of damage from cyberattacks is not limited to the company in question. The devices subject to cyberattacks are expanding from conventional computers and servers to industrial systems and devices part of the IoT (Internet of Things), and countermeasures must also be implemented for such devices. It is also important to establish a plan for quickest recovery from a remedy of cyberattack. Plans include data backup and redundancy of data server or data center.

【Description of Terms】

Example of cyberattacks include targeted e-mail that leads to malware infections or malicious sites, which can cause the leak of personal information, customer information, client information, and confidential information such as trade secrets, as well as other harm such as important files becoming encrypted and held for ransom.

(6-2) Protecting personal information

【Description】

Companies are required to comply with local laws and regulations to carefully handle the personal information of suppliers, customers, consumers, and employees. Personal information must only be collected, stored, processed, transmitted, and shared within the scope required to achieve the specified purpose it is used for.

【Description of Terms】

Personal information is information regarding a living individual, and contains information that enables that particular individual to be identified, such as name, date of birth, or other attributes (including information that can be easily matched with other information to identify a particular individual).

Appropriate management refers to establishing and implementing a general management framework for personal information, and includes establishing rules and policies that workers must comply with, establishing plans, and implementing of measures, as well as audits and reviews.

Appropriate protection includes preventing personal information from being wrongfully or unfairly retrieved, used, disclosed, or leaked.

(6-3) Preventing the leakage of confidential information

【Description】

Companies are required to establish an appropriate framework and management system for managing the confidential information collected by the company or received from third parties. This includes defining information management levels and employee training.

【Description of Terms】

Confidential information generally refers to information disclosed according to a written confidentiality agreement (including digital information recorded magnetically or optically) or information disclosed orally upon confidential notice.

Appropriate management refers to establishing and implementing a general management framework for personal information, and includes establishing rules and policies that workers must comply with, establishing plans, the implementing of measures, as well as audits and reviews.

Appropriate protection involves preventing confidential information from being wrongfully or unfairly retrieved, used, disclosed, or leaked.

7. Business continuity planning

【Description】

The occurrence of large-scale natural disasters such as earthquakes and typhoons as well as terrorism, riots, infectious disease, and accidents may cause a major impact on business continuity. Companies must make appropriate preparations for such events to ensure that production operations can quickly resume, and thereby minimize impact on the supply chain. Recognized management systems such as ISO22301 were referred to when establishing these guidelines and may contain additional useful information.

(7-1) Developing and preparing a business continuity plan

【Description】

Business continuity risks include large-scale natural disasters (such as earthquakes, tsunamis, floods, heavy rainfall, heavy snowfall, and tornadoes) as subsequent power outages, water outages, and traffic obstructions, accidents (such as fires or explosions), the spread of infectious and contagious diseases, and terrorism or riots.

Advance countermeasures required include local recovery strategies indicating how to protect, mitigate, and recover the various elements of production sites from estimated damage. It is also important to secure alternative methods of recovery from damage when it takes longer than expected.

Companies must provide continuous training to employees so that they can act in the event of an actual disaster, and establish a manual for quickly recovering business according to a business continuity plan (BCP).

【Description of Terms】

A business continuity plan (BCP) is a plan created in advance that enables production activities to be swiftly resumed so that a company can fulfill its responsibility of supply when the company or its suppliers are affected by a disaster such as a large-scale natural disaster.

Manual for quickly recovering business is documenting activities from establishing to recovery, and the process and procedures until recovery is complete.

8. Supplier management

【Description】

In the Guiding Principles for Business and Human Rights of the United Nations and OECD guidelines, companies are required to take the same responsibility for CSR in their supply chain as they do at their own company. Therefore, it is necessary to communicate the requirements in Guideline to suppliers, monitor the status of compliance, and promote improvements.

End of Document.