

CSR Procurement Guideline

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2nd Edition

PHC Holdings Corporation

Introduction

PHC (hereinafter "the PHC"), in accordance with this procurement guideline, which is based on the Company's management philosophy, enters into basic transaction agreements that stipulate matters concerning CSR (e.g. respect for human rights, environmental conservation, export control, fair trade, and legal compliance).

We aim to do business with suppliers that satisfy established 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 define. We therefore request your continued understanding and support of our CSR activities.

We have also prepared a checklist for suppliers to use in self evaluating their efforts to comply with the content of this Guideline. Suppliers should use it to ascertain the extent of and evaluate their CSR activities.

Procurement Department, Headquarters
PHC Holdings Corporation

Procurement Guideline

Our suppliers are our partners in creating products and services that provide our customers with value. The below describes the 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 will 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 will 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 President

Shall make available for view, both internally and externally, a specific message of commitment from the president concerning the human rights

<Specific actions>

- Shall issue a statement on respecting human rights from the president 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.
- Provide translations of the president's statement on respecting human rights in the native languages of each of its workers.

1-2 Prohibition of Forced Labor

Shall employ all workers of their own free will with no worker being subject to forced labor

<Specific actions>

- Shall not engage in any forced or involuntary prison labor, slavery, indentured labor, seasonal contract labor, or human trafficking.
- 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), provide written notice to workers about their working conditions in their native language.
- Shall recognize workers' right to terminate their employment.
- Shall not revoke or conceal from workers, or dispose 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.
- Shall not revoke or conceal from workers, or dispose of, any items workers require to receive their wages (e.g. bankcards, passbooks).
- 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

Shall not employ children under the minimum labor age nor assign work that may impair young worker's development

<Specific actions>

- 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)
- Shall verify workers' ages using forms of identification issued by public authorities.
- 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, shall ensure that properly manage medical examination records and other records for the students, that strictly examine the educational institutions to be cooperate with, that students' rights are protected in accordance with applicable laws, and that they are provided with appropriate support and education.
- 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

Shall ensure that workers' working hours, days off, and annual leave are appropriately managed so that statutory limits are not infringed

<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.
- Shall provide workers with at least one day off per seven days.
- Shall provide workers with break time as stipulated by local law.
- Shall have a timecard or similar system to record workers' break times and lunch time. Where such systems cannot be implemented, shall inform workers of break times and lunch time via line shutdowns, turning off lights, chimes, or other such means.

1-5 Decent Wages

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

<Specific actions>

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

Shall respect workers' human rights and treat workers in a humane manner

<Specific actions>

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

1-7 Elimination of Discrimination

Shall endeavor to eliminate discrimination in recruitment and employment while ensuring equal opportunities and fair treatment

<Specific actions>

- 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.
- Shall accommodate the religious practices of workers to a reasonable extent.
- 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

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

<Specific actions>

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

1-9 Auditing of Manpower Supply and Other Companies

Shall take measures to prevent human rights violations by manpower supply and staffing agencies

<Specific actions>

- Shall, at a minimum, conduct advance investigations and audits of primary manpower supply companies and staffing agencies with which workers have a direct contractual relationship.

1-10 Human Rights Education

Shall provide education and conduct awareness-raising activities in order to instill in workers the importance of respecting human rights

<Specific actions>

- Shall conduct human rights training for general employees as well as management.

2. Safety and Health

Suppliers shall work to improve occupational safety and health. In addition to minimizing injuries and illnesses, 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, shall also listen to feedback from workers and provide ongoing worker training.

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

Shall evaluate safety risks in the workplace and ensure safety through proper design, engineering, and administrative controls

<Specific actions>

- 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 training 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 operation of a power blocking device is prohibited and that the device's power is shut off.
- Shall provide workers with appropriate personal protective equipment such as goggles, safety hats, and gloves.
- Shall ask workers to point out unsafe work locations.
- Shall provide workers with information about and training in safety and health in their native languages.

2-2 Emergency Preparedness

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, 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, shall identify and evaluate matters that could occur in the event of an emergency, establish emergency response plans and measures, and store this information in easily-reachable areas in the workplace, or display the information.
- Shall provide regularly (at least twice a year) emergency response training (including evacuation training) for workers.

2-3 Work-related Injuries and Illnesses

Shall identify situations concerning work-related injuries and illnesses and take appropriate measures

<Specific actions>

- Shall provide proper medical treatment should workers be injured or become ill.
- Shall categorize, record, analyze, and investigate injury and illness cases, and shall take countermeasures or preventive measures.
- Shall establish procedures dictating how workers can return to the workplace after becoming injured or ill and shall promote the worker's return to the workplace.

2-4 Industrial Hygiene

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>

- 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.
- Shall provide appropriate protective gear, ventilation systems, and other equipment.
- Shall conduct medical examinations in accordance with law and engage in the prevention and early detection of workers' illnesses.
- Shall pay careful attention to preventing long working hours and overwork from affecting worker health and shall carefully monitor workers' mental health.
- Promote health management and improve the health of employees.

2-5 Regard for Physically Demanding Work

Shall identify physically demanding work and appropriately manage to prevent injury and illness from such work

<Specific actions>

- Shall identify, evaluate the risks of, and control physically demanding work that includes heavy object transport, manual repetitive task, heavy labor, and prolonged standing.

2-6 Machinery and Equipment Safeguarding

Shall take appropriate safety measures for machinery and equipment to be used at their own company

<Specific actions>

- Shall evaluate machinery and equipment for safety hazards.
- When hazards exist, 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

Shall appropriately ensure the safety and health of facilities (including dormitories, cafeterias, and toilets) provided to workers for their livelihood

<Specific actions>

- Shall provide workers with clean toilet facilities, potable water, food cooked and stored in a clean environment, and cafeterias.
- If the company has a cafeteria, shall comply with health codes stipulated by law.
- Shall keep dormitories clean and safe, establish emergency exits, provide hot water for bathing and showering, ensure appropriate temperature and ventilation, 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 Used in Products

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

<Specific actions>

- In addition to unlawful chemical substances not contained in its products, shall comply with labeling regulations and conduct all required testing and evaluation.

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

Shall carry out managements for chemical substances specified by the laws in that country, in the production process

<Specific actions>

- For chemical substances used in the production process, 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, shall store, handle, and process such substances in accordance with management manuals and laws.
- In addition to managing chemical substances that may not be contained in products, shall track emissions and report to governmental agencies on chemical substances emitted into the external environment and shall work to reduce the emission of these substances.

3-3 Environmental Management System

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, shall carry out PDCA and make continuous improvements towards environmental conservation.

*Environmental activities: Developing an environmental policy, implementing all 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)

Shall comply with laws concerning drainage, sludge, and emissions in the country concerned, and shall make further improvements with voluntary standards as necessary

<Specific actions>

- "Voluntary standards" refers to voluntarily-set goals to reduce environmental impact to over the levels stipulated by laws. While the basic aim is to prevent environmental damage from occurring, there is always room for further improving standards by, for example, improving the monitoring,

control, and processing of drainage, sludge, and emissions, and reducing the output of such.

- Shall identify air pollutants subject to control and conduct regular and routine monitoring of these pollutants.

3-5 Environmental Permits and Licenses

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

<Specific actions>

- Shall appoint administrators who have acquired 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)
- Shall appoint all necessary officers in charge of toxic/deleterious substances, specified chemical substances, and hazardous materials used in their business.
- Depending on the type of business and location, companies may need to obtain permits and licenses from governmental agencies concerning environmental impact assessments and facilities handling hazardous materials.

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

Shall set voluntary targets for resource conservation 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, shall reduce the amount of materials, water, and waste that go into making products and shall promote the usage of recycled resources and parts.
- Shall take steps towards the rational utilization of thermal and electrical energy. By conserving energy used, shall make effective use of petroleum, natural gas, coal, coke and other fuel sources.
- Shall carry out the "3Rs": Reduce, Reuse, and Recycle.

3-7 Reduction of Greenhouse Gas Emissions

Shall establish voluntary targets for the reduction of greenhouse gas emissions and shall strive to reduce 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 ongoing efforts to reduce such emissions, 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

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

<Specific actions>

- As ongoing efforts to reduce waste, 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.

- Shall dispose of waste at their companies properly and in accordance with law.

3-9 Disclosing Environmental Activities

Shall disclose the outcomes of environmental activities as required

<Specific actions>

- 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.

- Outcomes should be periodically organized by establishing organizations and administrators for carrying out environmental conservation activities. 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

Shall procure raw materials with a regard for biodiversity

<Specific actions>

- When sourcing biological resources as raw materials, 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.

Shall maintain sound and normal relationships with political and administrative bodies and shall not engage illegal acts that include bribery and illegal political donations

<Specific actions>

- Shall formulate corporate ethics and compliance policies that prohibit any form of bribery or corruption.
- Shall establish and implement procedures for monitoring legal compliance concerning the prevention of corruption.
- Shall provide employees with in-house education on preventing corruption and bribery.

4-2 Prohibition of the Offer or Acceptance of Improper Advantages

Shall not offer or accept improper advantages in relationships with stakeholders

<Specific actions>

- Shall prohibit the provision, or any promise, offer, permission, request for provision, or receipt of bribes or unjust or improper benefits from one's own company or a company representative (e.g. contractors and agents).

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

4-3 Information Disclosure

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

<Specific actions>

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

4-4 Respecting Intellectual Property Rights

Shall respect the intellectual property rights of others

<Specific actions>

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

4-5 Fair Business

Shall not conduct any act that impedes fair, transparent, and free competition

<Specific actions>

- Shall engage in fair business, advertising, and competition in compliance with international standards and industry rules.
(Shall not engage in cartel activity or collusive bidding, and shall not make any marking for its products, including fraudulent labeling, that may cause misunderstanding among customers)
- Shall conduct in-house education on preventing cartel activities, collusive bidding, fraudulent labeling, and similar acts.

4-6 Prevention and Early Detection of Misconduct

Shall conduct activities to prevent misconduct and shall establish a system for the early detection and handling of misconduct

<Specific actions>

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

4-7 Responsible Sourcing of Minerals

Shall not purchase minerals that could cause social problems, such as those involving human rights

<Specific actions>

- Shall formulate policies concerning responsible mineral procurement and reasonably and continuously assure that the tantalum, tin, tungsten, and gold in products they produce 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.
- 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

Shall not engage in any act that may disadvantage their suppliers by abusing an advantageous position

<Specific actions>

- Shall conduct good-faith, fair, and impartial trading pursuant to agreements. Shall not make unilateral decisions about 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.
- Shall comply with laws concerning the abuse of advantageous position in any country where such is prohibited by law or regulation (e.g. the Subcontract Act in Japan)

4-9 Appropriate Export Management

Shall develop a well-defined management system for the export of legally regulated technology and goods and shall follow proper export procedures

<Specific actions>

- 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.
- 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

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>

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

5-2 Protection against Threats on Computer Networks

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

<Specific actions>

- 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

Shall establish and run a quality management system

<Specific actions>

- 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
- Shall conduct activities to prevent quality problems from occurring.
- When serious quality problems occur, shall make thorough efforts to prevent their recurrence.

6-2 Provision of Precise Information on Products and Services

Shall provide consumers and customers with precise information on products and services

<Specific actions>

- Shall provide precise information on specifications, quality, and handling procedures for products and services.
- In accordance with laws, shall properly report information on substances contained in products.
- Information in catalogs, advertisements, and other promotional materials concerning one's products and services must be factual and not capable of causing misunderstanding among consumers or customers. It shall also not include any content that defames other companies or individuals or infringes on their rights.
- 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 designing products on their own responsibility, its designs shall satisfy the safety standards prescribed by the laws of the country concerned

<Specific actions>

- In addition to compliance with laws, shall also make safety considerations as they are normally required for things 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.
- 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

Voluntarily engage in activities that contribute to the development of international and local communities

<Specific actions>

- 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
- 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 the following while achieving ongoing improvements, in line with the intent of this Guideline.

- (a) Uphold laws and regulations that apply to one's business and products, and comply with customer requirements
- (b) Comply with this Guideline
- (c) Identify and reduce business risks related to this Guideline

8-1 Company Commitment

Shall formulate corporate social and environmental responsibility policies to confirm the company's efforts concerning compliance and continuous improvement, with endorsement by company executives

<Specific actions>

- Shall formulate policies for satisfying requirements 1 through 7 of this Guideline. These policies shall be endorsed by company executives and prepared in workers' native languages.

8-2 Establishing Directors in Charge of CSR

Shall establish company directors with overall responsibility for establishing CSR management systems and conducting related programs.

<Specific actions>

- Shall establish company directors, among company executives, with responsibility for formulating management and operation systems for carrying out sections 1 through 7 of this Guideline and for conducting related programs.
- Shall task these directors with conducting periodic reviews and supervising of the operational status of management systems.
- Shall evaluate the performance of at least one director and manager each in part based on the progress made with efforts to respect human rights.

8-3 Legal and Customer Requirements

Shall specify applicable laws, regulations, and customer requirements and continually acquire the latest information about, and establish a process for complying with these laws, regulations, and requirements

<Specific actions>

- Shall specify 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

Shall establish a process to identify situations concerning the legal compliance, human rights, environmental, safety and health, labor practice, ethics, information security, and quality risks associated with their operations

<Specific actions>

- Shall establish a process to identify legal compliance, environmental, human rights, safety and health, labor practice, ethics, information security, and quality risks.
- Shall evaluate the relative significance of each risk and shall determine and execute appropriate methods for mitigating these risks.
- Shall also identify risks involving CSR-related problems (e.g. human rights abuses) occurring in their suppliers or outside the company, and shall establish systems for addressing them according to their significance.

8-5 Improvement Objectives

Shall formulate objectives and action plans for carrying out CSR activities

<Specific actions>

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

8-6 Training

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

<Specific actions>

- Shall provide training to give managers and workers an understanding of CSR policies and the knowledge and skills needed to carry out action plans for the purpose of achieving targets.

8-7 Communication

Shall establish a process for providing workers, suppliers, and customers with information about company policies, practices, forecasts, and goals

<Specific actions>

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

8-8 Worker Feedback and Participation

Shall establish a process for gathering feedback from workers about carrying out CSR activities, assessing their understanding, and making continuous improvements

<Specific actions>

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

8-9 Monitoring

Shall conduct periodic self assessments to confirm compliance with CSR-related laws, regulations, and other requirements

<Specific actions>

- Shall conduct periodic self assessments to ensure compliance with laws and regulations, this Guideline, and CSR-related contractual requirements from customers.
- Shall establish a monitoring system for verifying whether or not CSR-related problems such as human rights abuses are occurring outside the company in connection with the company's business.

8-10 Improvement Measures

Shall establish a process for correcting all flaws and deficiencies discovered

<Specific actions>

- Shall establish a process for correcting all flaws and deficiencies identified through assessments, inspections, and investigations by the company and external parties.

8-11 Documentation and Records

Shall create and maintain documents and records that attest to conformance with laws, regulations, and this Guideline's requirements

<Specific actions>

- After properly ensuring confidentiality in the interest of protecting individuals, 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 that their suppliers (tier 2 suppliers) conform with this Guideline's requirements

<Specific actions>

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

8-13 BCP Initiatives

Shall establish BCP (Business Continuity Plans) and implement related measures

<Specific actions>

- In order to ensure appropriate delivery times and stable supply, shall conduct investigations on supply sources going back along the supply chain.
- In order to prepare for natural disasters, accidents, and contingency situations, shall endeavor to

implement stable supply measures (e.g. purchasing from multiple suppliers, holding inventory in reserve)

- Shall inform of part production termination 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

【Revision history】

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