

ShinMaywa CSR

Procurement Guidelines

ShinMaywa Industries, Ltd.

Procurement Dept., Corporate Planning Div.

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1. Introduction

We wish to thank our business partners for your continued support and cooperation.

We also appreciate that various partners have given us company information, including corporate strengths.

In the global society, where information can be shared across national borders by the development of information and communication technology, there is a growing awareness of issues concerning climate change, human rights, and discrimination, and businesses, as one of the economic entities that enrich society, are expected to solve these social issues.

It is also important for businesses not to cause social problems that may hinder their maintenance and development, and the entire supply chain should respond to risks and opportunities, such as business opportunities that meet the needs of society and risk management.

We have also established our Sustainability Management Policy to promote business management that addresses the environment (E), society (S), and governance (G) in order to continuously improve corporate value and create social value. In particular, we consider people to be the greatest corporate asset and believe that our Human Rights Policy constitutes the foundation of our business activities. Accordingly, we also expect our business partners to support and practice this policy.

For procurement, amid the cooperation of our suppliers of various sizes and in various regions, we have compiled the CSR/Sustainable Procurement Standards, which are the minimum mandatory rules that our suppliers are required to meet. To allow us to better put forth this request to our suppliers in detail, we have formulated the ShinMaywa CSR Procurement Guidelines, which define the items that our suppliers are required to observe, respect, and consider as the ideal state.

The Standards represent the minimum requirements we consider necessary for connecting supply chains, such as the practice of sustainability-conscious behavior as a member of society, organizational efforts to promote such behavior, and risk management.

We will review the Standards in accordance with the social impact of each of our business segments and social changes in each region, and we expect our suppliers to implement the initiatives toward the ideal state that has been shared by us and pursue and raise the level of sustainability together step by step. We hope to improve our products and services and fulfill our corporate social responsibility through improvement in the entire supply chain.

We ask our suppliers to help us achieve CSR/sustainable procurement by keeping the Guidelines in mind, increasing sensitivity to society, and implementing activities from the matters prioritized through risk management.

We ask that you also request your business partners to support and practice the content of this document.

2. CSR Procurement Policy

(1) Partnership

We will deepen mutual understanding and value the relationship of trust based on better partnerships with all of our business partners.

(2) Open door

We will make the best deals based on the principle of free competition, both in Japan and overseas.

(3) Maintenance of fair business relationships

We will always deal in a fair and equitable manner with all of our business partners

(4) Selection of business partners

Business partners are selected based on QCD and CSR evaluations—including quality, delivery, and price of materials, management reliability, technological development capabilities, and environmental friendliness—and through proper procedures.

(5) Provision of information and maintenance of confidentiality

We will respond to the requests of our business partners in good faith and provide them with information necessary to conduct business with us. At the same time, we seek useful information from our business partners, and we strictly manage trade secrets provided to us and strive to maintain confidentiality.

3. CSR/Sustainable Procurement Standards

(1) Thorough compliance with corporate ethics

The content and trends of laws and regulations applicable to our company and the spirit of those laws and regulations (legal compliance) are understood and complied with, and our Clean Procurement Declaration — which states that we will not receive or provide entertainment, gifts, or money to or from interested parties—is understood.

(2) Rejection of antisocial forces

There is no personal or organizational contact of employees with antisocial forces.

(3) Thorough information security

Confidential and personal information to be kept confidential is identified and strictly controlled.

(4) Quality assurance

The safety of products, goods, and services is recognized within the company as a top priority, and such attitude of employees on a daily basis and an environment for addressing abnormalities pointed out have been established.

(5) Information disclosure

Information that should be disclosed and information that should be kept confidential are managed separately.

(6) Respect for human rights

A system has been established to implement measures to prevent human right violations and harassment, and to enable reporting and consultation.

(7) Creation of a safe workplace environment

Safety and health are recognized within the company as top priorities for the workplace, and such attitude of employees on a daily basis and an environment for addressing abnormalities pointed out have been established.

(8) Thorough risk management and training

In-house training to prevent legal violations and periodic checks of compliance status are conducted.

(9) Contribution to local communities

Contributions with an awareness of coexistence with the local community (such as cleaning of the neighborhood by employees) are carried out.

(10) Reduction of environmental impact

Specific initiatives that lead to consideration for the environment (global warming, pollutants, and the natural environment) are conducted.

4. Clean Procurement Declaration

Stricter moderation and ethics are required in our relationships with business partners, and in order to build a sound relationship where the principle of fair competition works, those who are engaged in purchasing goods and services shall act in accordance with the following standards.

- (1) Persons engaged in purchasing transactions shall not accept inappropriate gifts, entertainment, etc.

- (2) Persons engaged in purchasing transactions shall not acquire prelisted stocks from purchasing counterparties or buy or sell stocks after obtaining inside information.
- (3) Persons engaged in purchasing transactions shall not commit any act that is considered as receiving personal benefits.

5. Ideal State of CSR Procurement

【1】 General affairs

(1) Compliance with laws and regulations

We must comply with relevant national and international laws, regulations, etc. throughout product development, production, distribution of goods, provision of services, etc.

(2) Sharing the values and thinking behind CSR

In order to fulfil our social responsibilities throughout the entire supply chain, it is necessary for the entire supply chain to confirm and share the values and thinking behind our CSR, and to understand the importance of individual awareness and actions to implement the goals, plans, and improvements of organizational initiatives linked according to specific roles.

Additionally, PDCA management (evaluation of the results of initiatives, confirmation of the processes that produced the results, and improvements based on the evaluation, etc.) must be linked to corporate growth.

(3) Stakeholder engagement

We should reflect stakeholder opinions in our governance and decision-making processes, through dialogue designed to understand the expectations and areas of interest of everyone concerned with the company.

(4) Ban on retaliatory actions

We must not take retaliatory actions against those who have reported violation of laws and ordinances, discrimination, infringement of the standards we provided, etc.

(5) Business continuity plan (BCP)

In the event that the company experiences an emergency situation (natural disaster, major fire, terrorist attack, etc.), we should fulfil our corporate social responsibility by minimizing the damage suffered, protecting the company, employees, community, and supply chain, and continuing business.

【2】 Environment

(1) Energy saving, including power and water saving

We should take measures to reduce energy consumption throughout product development, production, distribution of goods, provision of services, etc. Examples of possible measures include use of low carbon materials, introduction of highly energy-saving facilities and logistics systems, thermal insulation of buildings, and introduction of energy management systems. In addition, water use should be controlled since water saving also reduces the operation of pumps and other water supply equipment and leads to energy saving.

(2) Use of low carbon/carbon-free energy

We should use energy with low CO2 emission factors, throughout product development, production, distribution of goods, provision of services, etc. Examples of possible measures include use of electricity and heat generated from renewable energy sources or lower CO2-emitting fuels, such as natural gas.

(3) Reduction of greenhouse gas emissions by other means

We should take measures to reduce greenhouse gas emissions such as carbon dioxide, methane, and fluorocarbons, throughout product development, production, distribution of goods, provision of services, etc. Examples of possible measures include replacement of fluorocarbon-based freezers and refrigerators with non-fluorocarbon ones (natural refrigerant-based ones), and use of carbon offsets.

(4) Promotion of the 3 Rs (“Reduce, Reuse, and Recycle”)

Reduce: Efforts should be made to reduce the amount of resources used when manufacturing products, as well as to identify, manage, and reduce waste, such as by developing and providing durable products and devising maintenance systems to extend product life.

Reuse: Efforts should be made for repeated use of used products and their parts, etc. within their standards and for development and provision of products that enable such use, development of repair and diagnostic techniques, etc.

Recycle: Efforts should be made for effective use of waste and other materials as raw materials and energy sources, product design that enables such use, recovery of used products, development of recycling technologies, etc.

(5) Reduced use of containers, packaging, etc.

We should take measures to minimize the use of containers and packaging for individual products, and packing and shipping materials, including boxes and transport pallets,

throughout product development, production, distribution of goods, provision of services, etc. We also should use reusable and/or recyclable containers and packaging, and packing and shipping materials.

(6) Prevention of contamination, management of chemicals, waste disposal, and consideration for the water environment

We must prevent contamination of the air, water, soil, etc., appropriately manage chemicals (including chemicals contained in products), and appropriately dispose of wastes throughout product development, production, distribution of goods, provision of services, etc., based on relevant environmental laws, ordinances, etc. In environments around water sources, usage and wastewater discharge should be managed according to local impact and risk management, such as water pollution due to flooding, use of water during drought, etc. With these efforts, we should also take measures to avoid the creation of adverse impacts on the environment and human health.

(7) Collection of raw materials with consideration for resource conservation

When we use resources derived from forests, oceans, etc. for product development, production, distribution of goods, provision of services, etc., we must not use resources illegally collected or cultivated. We should also use raw materials collected or cultivated in consideration of resource conservation, including the perspective of mitigating deforestation and forest degradation (the spread of efforts toward zero deforestation).

(8) Conservation of biodiversity

We must not use raw materials derived from endangered animal and plant species—for which no measures to protect resources or to ensure the reproduction of species are taken—throughout product development, production, distribution of goods, provision of services, etc. We should also take measures to reduce burdens on biodiversity and the ecosystem by conserving rare animals and plants, adopting production methods that have little adverse impacts on organisms and their habitats, and other means.

【3】 Human rights

(1) Compliance with and respect for international human rights standards

We should comply with and respect international standards concerning human rights (in particular, the Universal Declaration of Human Rights; International Convention on the Elimination of All Forms of Racial Discrimination; International Covenant on Civil and Political Rights; International Covenant on Economic, Social and Cultural Rights; Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or

Punishment; Convention on the Elimination of All Forms of Discrimination against Women; Convention on the Rights of the Child; Convention on the Rights of Persons with Disabilities; International Convention for the Protection of All Persons from Enforced Disappearance; Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others; and United Nations Declaration on the Rights of Indigenous Peoples) throughout product development, production, distribution of goods, provision of services, etc.

(2) Ban on discrimination and harassment

We must eliminate any forms of discrimination and harassment based on race, nationality, religion, sex, sexual orientation, gender identity, level of ability, social status, etc. (including on account of color, language, political or other opinion, national or social origin, or property) throughout product development, production, distribution of goods, provision of services, etc. We must also ensure that we are not complicit in any human rights violations.

(3) Ban on violation of the rights of local residents, etc.

We must not illegally force local residents, etc. to leave their residences, or largely destroy the local living environment, throughout product development, production, distribution of goods, provision of services, etc.

(4) Respect for women's rights

Throughout product development, production, distribution of goods, provision of services, etc., we should respect women's rights and give due consideration to making good use of the capabilities of women as human resources and developing childcare leave systems from the perspective of women's empowerment, promotion of a gender-equal society, and reproductive health/rights.

(Reproductive health/rights: The right to receive respect for one's own intention physically, mentally and socially, to live by one's own values, and to make one's own decisions regarding one's own body, in everything related to sex and childbearing.)

(5) Respect for the rights of persons with disabilities

Throughout product development, production, distribution of goods, provision of services, etc., we should respect the rights of persons with disabilities, and give due consideration to stimulating employment of persons with disabilities, creating a barrier-free workplace environment, and using products produced by persons with disabilities receiving vocational aid, in order to encourage them to participate in economic and social activities.

(6) Respect for children’s rights

Throughout product development, production, distribution of goods, provision of services, etc., we should respect children’s rights, and give due consideration to supporting parents and guardians who take care of children, in addition to stopping child labor, in order to encourage children’s healthy growth.

(7) Respect for the rights of social minorities

Throughout product development, production, distribution of goods, provision of services, etc., we should respect the rights of social minorities, such as ethnic, cultural and sexual minorities (including LGBTs) and migrant workers, as fully as the rights of other people, and give due consideration to supporting these people to enjoy economic and social rights equal to the rights of other people, while taking into consideration the protection of privacy according to their characteristics.

【4】 Labor

(1) Compliance with and respect for international labor standards

We should comply with and respect international labor standards (the Fundamental Principles and Rights at Work advocated by the International Labor Organization (ILO)—including principles concerning the four fundamental rights: 1) freedom of association and the effective recognition of the right of collective bargaining, 2) elimination of all forms of forced labor, 3) effective abolition of child labor, and 4) elimination of discrimination in respect of employment and occupation—which include the ILO Core Labor Standards, in particular) throughout product development, production, distribution of goods, provision of services, etc.

(2) Freedom of association and the right of collective bargaining

We must secure the fundamental rights of workers engaged in product development, production, distribution of goods, provision of services, etc., such as freedom of association and the right of collective bargaining.

(3) Ban on forced labor

We must not compel workers to engage in any forms of forced labor, including forced labor or forced overtime work through such coercive means as improper withholding of identification documents or improper collection of deposits, or be involved in human trafficking, throughout product development, production, distribution of goods, provision of services, etc.

(4) Ban on child labor

We must not employ children under the legal working age in the relevant country or region throughout product development, production, distribution of goods, provision of services, etc.

Furthermore, we must not make children work in any form.

(5) Ban on discrimination in employment and careers

We must not practice any forms of discrimination against workers engaged in product development, production, distribution of goods, provision of services, etc. in employment, wages, working hours or other working conditions on account of race, nationality, religion, sex, sexual orientation, gender identity, level of ability, social status, etc. (including on account of color, language, political or other opinion, national or social origin, or property).

(6) Wage

We must pay at least the minimum wage, which is the minimum amount that must be paid as a wage, provided for in relevant laws and ordinances to workers engaged in product development, production, distribution of goods, provision of services, etc.

In addition, appropriate collective labor agreements regarding overtime work, etc., should be concluded, and extra pay and payment methods, etc. should be applied fairly.

(7) Ban on long working hours

We must not set illegally long work hours for workers—or set long work hours that cause damage to workers' health and welfare for workers to whom working hour regulations, etc. do not apply—throughout product development, production, distribution of goods, provision of services, etc.

Additionally, we should also manage statutory or pre-agreed working hours appropriately, reduce excessive working hours, grant workers the right to take paid leave, and grant at least one day off per week.

(8) Safety and hygiene of workplaces

We must create physically and mentally safe and healthy working environment and conditions, including the establishment of a safety and health committee and mental healthcare, for workers, etc. engaged in product development, production, distribution of goods, provision of services, etc. in accordance with laws and ordinances relevant to health and hygiene. The management, etc. should also give due consideration to fostering working environments that bring workers a favorable work-life balance.

(9) Foreign and migrant workers

We must conduct proper labor management of foreign and migrant workers (including technical interns) who work in our country for product development, production, distribution of goods, provision of services, etc. based on relevant laws and ordinances, and must not do illegal or unjust conducts such as paying no wages, setting illegally long work hours for them, depriving them of their passport, forcing them to return home, and collecting deposit money from them. We also must notify each worker of his/her working conditions in a format written in the language that he/she can understand in accordance with laws, administrative directions, etc. Additionally, we must respect the traditions and customs of the countries and regions in which we operate, as well as the religious traditions and customs of our employees, and take care not to interfere in these traditions and customs as a result of applying uniform employment regulations, etc.

Moreover, if we have workers introduced or sent to us, we should check whether the businesses who introduce or send workers to us have been licensed based on laws and ordinances, or whether the said businesses illicitly violate the rights of foreign workers. Additionally, we should take measures to provide favorable living environment for foreign workers, to establish systems for enabling foreign workers to easily file complaints and ask for consultation, and to collaborate with authorized labor-related organizations.

【5】 Economy

(1) Prevention of corruption

We must not be involved in corruption, such as bribery, throughout product development, production, distribution of goods, provision of services, etc.

(2) Fair business practices

Throughout product development, production, distribution of goods, provision of services, etc., we must comply with competition laws in Japan, such as the Anti-Monopoly Act and the Subcontract Act, as well as regulations on the abuse of a superior bargaining position, and must not be engaged in unfair and uncompetitive business practices, such as dumping, beating down of prices, and bid-rigging.

(3) Rejection of anti-social forces and groups

We must eliminate any relationships with anti-social forces such as organized crime groups and corporate racketeers.

(4) Use of raw materials with no involvement with a conflict or crime

We must not use any raw material for product development, production, goods, etc.

which is involved with a conflict or crime or could be a money source of an armed force or criminal organization. With regard to conflict minerals such as tin, tantalum, tungsten, and gold, and products containing conflict minerals, we must investigate whether the procurement channels may be linked to funding for armed forces or criminal organizations, and comply with laws and regulations, etc. that require the clarification of no involvement.

(5) Protection of intellectual property rights

We must not violate the intellectual property rights (e.g. patent rights, copyrights, and design rights) and trade secrets of a third party, throughout product development, production, distribution of goods, provision of services, etc.

(6) Quality and product safety

Ensuring quality is a fundamental premise for doing business.

Additionally, ensuring product safety is important for customers to be able to use our products with peace of mind. Quality assurance throughout the product lifecycle is a corporate social responsibility.

During the product development stage, we must incorporate product safety through risk assessment, and ensure design quality including safety by complying with and verifying various international standards, and conducting safety review meetings. During the manufacturing stage, we must ensure product quality by manufacturing products in accordance with the product blueprints.

(7) Responsible marketing (misleading representation, etc.)

We must provide accurate information in a correct manner throughout the marketing activities of product development, production, distribution of goods, provision of services, etc. We must not use misleading representations prohibited by the Act against Unjustifiable Premiums and Misleading Representations or inappropriate representations such as false representations prohibited by the Unfair Competition Prevention Act in Japan. We also should give due consideration to consumers and society, such as by avoiding use of discriminatory or misleading advertisements and restraining use of advertisements that will adversely affect children.

(8) Proper management of information

Throughout product development, production, distribution of goods, provision of services, etc., we must handle personal information based on relevant laws, and properly manage the confidential matters that we come to know during our business operations to prevent these matters from being leaked outside through cyberattacks, internal frauds, etc. We should also take preventive measures, such as enhancing the management of information

access and establishing systems for preventing information leakage according to the levels of information security risks, and proactively building systems useful in case of information leakage, including ones for identifying the cause of leakage and minimizing resulting damage.

(9) Invigoration of regional economies

In bases conducting product development, production, distribution of goods, provision of services, etc., we should pay attention to social issues faced by each region for the development of the region, and should undertake activities to solve such issues in cooperation with the local community.

(10) Trade control including security

In major countries around the world, in order to prevent weapons and goods and technologies that can be diverted to military use from reaching countries and terrorists that threaten the security of Japan and the international community, as well as others who may engage in activities of concern, an international framework centered on developed countries (international export control regime) has been created, which controls exports, etc. in cooperation with the international community. We must conduct our trade in accordance with the laws and regulations related to this trade control initiative, from the perspective of security.

Additionally, when importing, there are goods that are prohibited or regulated, so it is necessary to manage such goods in accordance with relevant laws and regulations, including stipulated payment of customs duties and consumption tax.

(11) Promotion of CSR procurement in the supply chain

CSR is not limited to stakeholders directly related to the company. The scope of activities also extends to stakeholders who have an indirect influence through the supply chain, such as material procurement from suppliers of raw materials and parts, and the manufacturing, distribution, and sales of our products. We must fulfil our corporate social responsibility throughout the entire supply chain.

When a buyer company procures products, materials, or resources, etc., we must request it to add “supplier” issues such as responses to the natural environment, labor environment, human rights, etc. in addition to the conventional “material” issues such as quality, performance, price and delivery time. CSR initiatives including traceability, which identifies the origin of raw materials, must also be requested.

Additionally, procurers who have contact with suppliers should understand our thinking, values, and standards related to CSR.