



HTK CSR Procurement Policy

February 2017

HTK Group

Introduction

The HTK Group strives to be a good company that can earn the trust and fulfill the expectations of all stakeholders.

To achieve this goal, we established our group corporate philosophy, “HTK Philosophy,” which is the foundation of all business activities and summarizes the brand statements, company creeds, values, and Code of Conduct.

This CSR Procurement Policy clarifies our basic position on purchase and procurement under the HTK Philosophy. When doing business with our Group, please confirm this along with basic business agreements and other materials.

February 20, 2017

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President and Representative Director

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I Human Rights and Labor

[I-1] Prohibit forced labor

Suppliers are requested to employ all employees on a voluntary basis, and not to commit forced labor.

Above-mentioned forced labor means all non- voluntary labor.

The followings are examples of typical forced labor:

- Labor that is against one's will
- Labor for debt that limits the freedom of job turnover due to unpaid debt, etc.
- Slave labor practiced as a result of trafficking of humans
- Inhumane prison labor in harsh environments including cases of prisoners

The following are also regarded as forced labor:

- Prohibition of voluntary job turnover
- Obligation to deposit identification cards/passports/work permit cards with employers

[I-2] Prohibit inhumane treatment and infringements of human rights

Suppliers are requested to respect human rights of employees and to prohibit harsh and inhumane treatment such as maltreatments and/or various harassments.

Typical inhumane treatments are abuses, physical punishments, sexual harassments, and intimidating harassments (harassment by verbal abuse and intimidating acts).

[I-3] Prohibit child labor

Suppliers are requested not to employ children who are under the lowest labor age and not to assign such jobs that impair children's development.

Generally, child labor means employment of persons who are under the lowest labor age and negligence of young laborer protection as specified in the treaty and/or recommendations of International Labor Organization (ILO).

For example, employment of persons who are under fifteen years old and violations of the law to protect young laborers are prohibited as the case of child labor in Japan. Limitation of night-shift work and dangerous work are concrete examples of protecting young laborers from employment that may impair their health, security, and morality.

Also, as for international cases, employments of persons who are under the lowest labor age and the violation of the obligation to protect as specified in each country's law apply to child labor.

In countries where there are no relevant laws, acts violating the lowest age treaty and/or recommendations of ILO are regarded as child labor (The rule of the lowest employment age is fifteen years old: ILO treaty No.138.)

[I-4] Prohibit discrimination

Suppliers are requested to prohibit discrimination during the process of job offering and hiring, and to endeavor the equal opportunity and fairness of treatment.

Discrimination means provision of differences in opportunities and/or treatment such as recruitment, promotion, reward and participation in trainings due to elements other than rational elements such as one's ability, competence, and achievement.

Typical elements of discrimination are race, ethnicity, nationalities, birthplace, color, age, gender, sexual orientation, disability, religion, political affiliation, union membership, marital status, and so on.

Additionally, when health examinations and pregnancy tests impair the fairness in equality of opportunity or treatment, such act is considered as discrimination.

[I-5] Pay appropriate wages

Suppliers are requested to pay legal minimum wage or more, and not to practice unfair wage deduction as means of a disciplinary action.

The minimum wage means the lowest wage specified in each country's wage-related laws. In this item, payment of other allowance including overtime compensation and legal payment are included.

Improper wage reduction means the wage reduction violating labor-related laws, etc.

[I-6] Regulate working hours

Suppliers are requested to regulate employee's working hours/holidays/vacations not to exceed the legal ceiling.

In this item, the following are the examples of proper control:

- Scheduled working days per year do not exceed the legal ceiling
- Working hours per week including overtime (except for emergency cases) does not exceed the legal ceiling
- Providing employees with at least one holiday per week
- Providing the rights of a vacation leave on an annual basis as specified in the law

[I-7] Respect the rights to freedom of association

Suppliers are requested to respect the rights to freedom of association of employees, as means of employer-employee consultation, in order to settle working conditions and/or wage issues, etc.

Respecting the rights of employees to organize means of considerations for freedom of association, freedom to participate in labor unions according to laws, freedom to stage a protest, and freedom to participate in workers' council without revenge, threats, and/or harassments to employees.

II Occupational Health and Safety

II-1] Apply safety measures for equipment and instruments

Suppliers are requested to apply appropriate safety measures for equipment and instruments used in their company.

Appropriate safety measures mean the management to prevent accidents and health problems occurring on the job.

The following are examples of appropriate control:

- Adoption of safety mechanisms such as called fail-safe, foolproof, and inter-lock
- Installation of safety devices and protective barriers
- Periodical inspection and maintenance of machinery

II-2] Promote safe activities in the workplace

Suppliers are requested to evaluate their own safety risks and to ensure safety in the workplace with appropriate design, technique, and control method.

The risk to safety in the workplace means potential risks of accidents and health problems on the job such as electric shock or other energy-caused accidents, fire, vehicles, slippery floor, or falling objects.

The following are examples of appropriate design, technology and control method:

- Monitoring dangerous places with sensors
- Blocking off sources of power to machinery by locking it (lock out)
- Setting the tag that specifies the prohibition of manipulating energy blocking device while the source of power is blocked (tag out)
- Provision of protective equipments such as glasses/hard hat/glove etc.

[II-3] Promote hygiene in the workplace

Suppliers are requested to grasp the condition in the workplace related with biological and chemical harms, noise, and odor, which are harmful to health, and to provide appropriate measures.

Chemical substances that are harmful to the human body include smoke, mist, dust, poison, nuclear radiation, and substances that cause chronic diseases (lead, asbestos etc.). And gross noise and odor are elements of this section are deemed as being harmful to the human body.

And the following are examples of the appropriate measures:

- Identification of chances to contact these harmful things and assessment
- Establishment and operation of management criteria
- Appropriate education on hygiene for workers
- Provision of protective devices to workers etc.

[II-4] Apply appropriate measures for occupational injuries and illnesses

Suppliers are requested to grasp the situation of occupational injuries and illnesses in the workplace, and to provide appropriate measures.

The following are examples of appropriate measures:

- Rules and programs that enable promotion of reporting by employees
- Classification and record of injury/illness
- Provision of required medical treatment
- Investigation of injury/illness
- Execution of measures to correct and exclude the cause
- Promotion of returning affected-employees to workplace etc. (workers' accident insurance is also included)

And performing required procedure to the government according to the law is also included.

[II-5] Properly manage disasters and accidents

Suppliers are requested to prepare the emergency response measures for possible disasters and accidents in order to protect human lives, and to inform all-out to people in the workplace.

Typical examples of emergency response measures are as follows:

- Prompt reporting during an emergency
- Notification to employees
- Clarification of evacuation procedure
- Installation of evacuation facilities
- Storing of emergency medical products
- Installation of fire detecting system and fire containment device
- Securing external communication method
- Development of recovery plan etc.

The following are ways to keep employees in the workplace informed:

- Implementation of emergency response education to employees (including evacuation drill)
- Storing or posting emergency response procedure etc. within the reach of employees in the workplace is included

[II-6] Be careful about physically demanding work

Suppliers are requested to define the physically demanding works, and to control appropriately to prevent injury and illness.

Operations that require physically demanding work include not only hard labor such as manually carrying tasks of heavy objects but also long-term repetitive work and continuous work such as assembly work and data entry work.

Appropriate control means periodical break, provision of assistive device, burden share, and cooperation of multiple workers etc.

[II-7] Promote safety and hygiene in all company facilities

Suppliers are requested to keep safety and hygiene appropriately in all company facilities provided for employee's living (ex. Dormitory, canteen, restroom.)

The facilities provided for employee's living include the ones provided in the workplace for the employees (restrooms, drinking fountains, locker rooms, canteens etc.), facilities provided for employees outside of the workplace (Dormitories, etc.)

Along with keeping cleanliness/sanitation, typical examples are measures for safe drinking water, fire, air ventilation, temperature control, emergency escape route (exit), and secure storage of personal belongings.

[II-8] Promote health maintenance programs for employees

Suppliers are requested to provide appropriate health maintenance programs for all employees.

Appropriate health management tries to prevent and detect employees' illness early by providing medical checkup at least according to the standard of law. Prevention of health problems due to overwork and care for mental health also need to be considered adequately.

III Environment

III-1] Control hazardous chemicals in products

Suppliers are requested to control chemical substances (contained in products) defined by laws and regulations.

The products must be under control not to include chemical substances that are specified as to not to be included by the law. Additionally, mandatory labeling and testing must be performed.

III-2] Control hazardous chemicals in manufacturing

Suppliers are requested to control chemical substances (used in manufacturing processes) defined by local laws and regulations.

The manufacturing process must be under control not to utilize the chemical substances that are specified as not to be included by the law. And grasping amount of emission to the external environment and reporting it to government, and trying to reduce the amount of emission of relevant substance are also necessary actions.

III-3] Establish and apply an environmental management system

Suppliers are requested to establish and implement an environmental management system.

The environmental management system means the part of overall environmental management system that includes organizational structure, planning activities, responsibilities, practices, procedures, processes and resources to promote environmental activities.

Environmental activities mentioned here forth means to develop, implement, achieve, review, and to maintain the environmental policy in order to promote the continuous improvement program using the so-called PDCA (Plan Do Check Action) closed-loop.

One of typical environmental management systems is ISO14001, which can receive a third-party certificate.

III-4] Minimize environmental pollution (water, soil, air)

Suppliers are requested to be in compliance with local laws and regulations of drainage, sludge and air emissions, and to improve such environmental pollution by voluntary criteria as needed.

Voluntary criteria are required to have goals in order to reduce the environment impacts more than the standard defined by laws.

Besides preventing the occurrence of common nuisance, the following activities are good practices for further improvement: improvement of monitoring, controlling, processing of drainage/sludge/exhaust etc. and reduction of their amount.

III-5] Obtain environmental permits

Suppliers are requested to obtain necessary environmental permits defined by local laws and regulations, and to submit necessary reports to the government.

In the case of Japan, the following are examples of legal obligations to install officers who have legally-defined qualifications:

- Waste Disposal and Public Cleaning Law: Responsible officer of specially controlled industrial waste
- Law Concerning the Rational Use of Energy Qualified person for energy management in factories that use more than a certain level of energy
- Air Pollution Control Law etc.: Officer in charge of pollution control in the factories that emit chemical substances, dust, exhaust, and so on.

Officers in charge of poisons, specified chemical substances, and hazardous materials are also obliged to be installed depending on the chemical substances used in the business.

Government permits/licenses concerning environmental influence evaluation and facilities dealing with hazardous material may be needed depending on the contents of the business and location of the factory.

[III-6] Promote resource and energy saving by reusing, reducing, and recycling (3R)

Suppliers are requested to define a voluntary goal of natural resources and energy saving, and to implement continuous activities for efficient usage.

A resource saving is to strive to effectively utilize resources. Typical programs are as follows:

- Reduction of waste and material usage to make the product
- Utilization of recycled resource and parts etc.

Energy saving is to strive to save the use of heat and electric energy. By saving energy, fuel resource such as oil, natural gas, coal, coke etc. can be used effectively.

3R stands for Reduce, Reuse, and Recycle.

[III-7] Promote green-house gas reduction

Suppliers are requested to define a voluntary goal of the green-house gas reduction, and to implement continuous activities for further reduction.

Although there are various types of greenhouse gases, the following six types of substance groups are specified particularly in the Kyoto Protocol: carbon dioxide, methane, nitrogen dioxide, HFC, PFC, and SF6.

Setting voluntary goal for reduction, making plans, and surely implementing the plans for these six types of greenhouse gases are good practice of continuous reduction activities.

[III-8] Promote waste reduction

Suppliers are requested to define a voluntary goal of the eventual waste reduction, and to implement continuous activities for further reduction.

The eventual wastes are defined as wastes for which earth filling or incineration is required.

Setting voluntary goal of reduction, making plans, and surely implementing the plans for the eventual wastes are good practice of continuous reduction activities.

[III-9] Disclose environmental preservation activities

Suppliers are requested to disclose outcomes of environmental activities appropriately.

Typical outcomes of environmental activities are as follows:

- Measures implemented for environmental preservation
- Emissions to air/drainage/lands
- Amount of used resources, wastes, and so on

Also, environmentally harmful outcomes that business establishments have caused are included.

To summarize outcomes regularly, it is good practice to define the organization and to assign responsible officers to conduct environmental preservation activities, who continuously take records concerning management indicators of environmental preservation activities, achievement of the activity objectives, and important matters relating to other environment.

Disclosures of environmental reports and/or necessary reports to stakeholders are examples of disclosing methods.

IV Fair Trading

[IV-1] Prohibit corruption and bribery

Suppliers are requested to maintain a sound and normal relationship with politics and government administration without committing bribery and/or making illegal political donations.

“Bribe-giving” means acts of offering money, entertainment, gifts, or other benefits/conveniences to public servants or equivalent persons (hereafter called public employees), in pursuit of some business advantage in return, such as approval and license, acquisition/maintenance of trading, or access to nondisclosure information.

In addition, “bribe-giving” includes entertainment or gift-giving that is beyond social discipline even if it does not solicit any business reward.

“Illegal political donation” means acts of contributing political donation requesting some business advantage in return, such as approval and license, acquisition/maintenance of trading, or access to nondisclosure information. The political donation not following the proper legal procedures is included.

[IV-2] Prohibit abuse of a superior position

Suppliers are requested not to create disadvantage for their suppliers by abuse of a superior position.

Abuse of a superior position means acts of unilaterally determining or changing trading conditions with suppliers or imposing irrational requests or obligations on suppliers by taking advantage of their superior position as a purchaser or outsourcer.

Procurement deals shall be fairly and faithfully conducted based on contracts without abuse of a superior position. In countries with legislation relating to abuse of a superior position, the relevant laws shall be observed. (E.g. National Contract Act in Japan)

[IV-3] Prohibit the offering and receiving of inappropriate profit and advantage

Suppliers are requested not to offer and/or to receive inappropriate benefits to/from stakeholders.

Typical examples of “Inappropriate benefit offering/receipt” are as follows:

- Bribery activity such as offering or receiving a gift, award, prize money, etc. beyond the bounds of the law to/from a customer
- Providing or accepting money/valuables or entertainment beyond the social discipline
- Act of supplying inappropriate benefit to an antisocial force (criminal organization, terror organization, etc.) that adversely affects public order or sound activities.
- Insider trading by which stock of a company is traded based on the critical nondisclosure information about operations of a customer, etc.

[IV-4] Prohibit impediment to free competition

Suppliers are requested not to impede fair, transparent, and free competition.

“Competition restrictive activities” mean acts of making prior agreements among companies in the same trade about product/service prices, quantities, sales areas, etc. (cartel), or prior arrangements with other bidders about a winning bidder and successful tender price (collusive bidding).

Furthermore, obtaining and utilizing trade secret of other companies in an illegal way, showing false indication and showing indication that confuses customers about other companies’ products are also referred as acts of unfair competition.

[IV-5] Provide accurate information on products and services

Suppliers are requested to provide accurate information on products and services to consumers and customers.

Typical examples of the accurate information are as follows:

- Accurate specification, quality, and handling procedures about products/services.
- Accurate information on substances contained within products and their components.
- Sales promotion such as catalogs and advertisements for a product/service shall not use untruthful/incorrect expressions and descriptions that mislead consumers/customers, and shall not include information that slanders or infringes other companies or individuals.

[IV-6] Respect intellectual property

Suppliers are requested not to infringe upon intellectual property rights.

“Intellectual property rights” (IPR) includes patent rights, utility model rights, design rights, trademark rights, copyrights, trade secrets, and so on.

Prior to development, production, sale, and/or provision of a product/service, preliminary IPR survey shall be sufficiently conducted about the intellectual properties of third parties. The usage of a third party’s intellectual property without permission constitutes an infringement of IPR, except for cases that have valid reasons,

Furthermore, illegal reproduction of computer software or another copyrighted work constitutes an infringement of IPR.

Likewise, illegal procurement and utilization of a trade secret of a third party also constitutes an infringement of IPR.

[IV-7] Use appropriate export procedures

Suppliers are requested to streamline the clear-cut control system and execute proper export procedures, regarding exports of technologies and goods defined by laws and regulations.

“Technologies and goods regulated by laws and regulations” include parts, products, technologies, facilities, and software of which exports are stipulated by international treaty/agreement/regulations (such as Wassenaar Arrangement) and domestic laws.

Exporting may require specific procedures such as acquiring permission from the regulatory governmental authorities.

[IV-8] Disclose appropriate company information

Suppliers are requested to positively disclose company information for stakeholders, regardless of legal obligation.

The information to be provided/disclosed for stakeholders includes business activities content, financial status, business performance, risk information (e.g. damage by a large-scale disaster, occurrence of an adverse effect on the environment and society, discovery of a serious law violation), and so forth.

Disclosing and offering information of serious risk status to customers every time is an example of positive information provision.

[IV-9] Detect injustice promptly

Suppliers are requested to perform activities to prevent improper act, and to streamline the system to discover and to respond to improper act in an early stage.

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

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.
- Try to ensure privacy of the whistleblower and protect the whistleblower appropriately.
- Quickly respond to an improper act, and provide the response result to the whistleblower.

V Product Quality and Safety

[V-1] Ensure product safety

Suppliers are requested to satisfy safety standards defined by laws and regulations by each country, for products when they develop/design on their own responsibility.

In the product design phase, the product safety shall be sufficiently ensured with consideration of the product liability and responsibility as a manufacturer. On product safety, normally requested safeties as well as compliance with laws are considered.

The followings are examples of laws on product safety in Japan:

- Electrical Appliance and Material Safety Law
- Consumer Products Safety Law
- Household Goods Labeling Law

Safety standards are defined in detailed regulations of laws, JIS, etc. International safety standards include UL, BSI, and CSA.

Securing of product safety includes management of traceability (history of materials, parts, processes, etc.) and prompt response for problem solving.

[V-2] Establish and apply a quality management system

Suppliers are requested to establish and implement a quality management system.

The quality management system is a part of the overall quality management system that includes organizational structure, planning activities, responsibilities, practices, procedures, processes and resources to promote quality assurance activities.

Quality assurance activities here mean to develop, implement, achieve, review, and to maintain the quality policy in order to promote the continuous improvement program using the so-called PDCA (Plan Do Check Action) closed-loop.

Some of the typical quality management systems are ISO9000 family, IATF16949 (ISO/TS16949), and ISO13485.

VI Information Security

[VI-1] Secure computer networks against threats

Suppliers are requested to take protection against threats on the computer network, and to prevent damages to their company and others.

Threats on computer network refer to, as examples, computer viruses, computer worms, and spy wares.

If a computer connected to the Internet should get infected to computer threats, customer information and confidential information may be leaked out and/or these computer threats may attack computers of other companies, resulting in serious damages such as suspension of business or loss of credibility.

Therefore, it is important to take effective measures against such threats on computer network so as to avoid harmful influence inside and outside the company.

[VI-2] Prevent the leakage of personal information

Suppliers are requested to appropriately control and protect personal information of employees, customers, and third parties.

Personal information means information on live individuals that can identify a specific person by name, birth date, and other descriptions in the information (including information that can be easily compared with other information to identify a specific person.)

Appropriate control means construction and operation of the overall management scheme on personal information, including creation of regulations and guidelines to be observed by employees, making plans, implementing programs, internal audits, and reviews based on the management scheme.

Appropriate protection means not unreasonably or improperly obtaining, utilizing, disclosing, or leaking personal information.

[VI-3] Prevent the leakage of customer and third-party confidential information

Suppliers are requested to control and protect confidential information from customers and third parties.

Confidential information usually means information disclosed from a document, etc. (including electromagnetic- or optically-recorded data information) that that is deemed as confidential, or orally disclosed after confidentiality is notified.

Proper control means construction and operation of the overall management scheme on personal information, including creation of regulations and guidelines to be observed by employees, making plans, implementing programs, internal audits, and reviews based on the management scheme.

Appropriate protection means not unreasonably or improperly obtaining, utilizing, disclosing, or leaking confidential information.

VII Contribution to Society

[VII-1] Contribute to society and community

Suppliers are expected to practice proactive voluntary activities to contribute to the development of global society and local community.

The activities to contribute to the development of global society and local communities mean the support using company's management resources.

Typical approaches are as follows:

- Social contribution using regular business operation and existing technologies.
- No pecuniary social contribution using facilities and human resources, etc.
- Monetary social donation

And the followings are concrete examples:

- Cooperation with communities at a time of disaster
- Employee's volunteering
- Activity support of/donation to/transmission
- Introduction of various information of NPO and NGO

Each company determines the possible activity range and works on such contribution to society positively.

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