



Description of DNP Group CSR Procurement Guidelines

V4.1

Dai Nippon Printing Co., Ltd.

DNP Group CSR Procurement Guidelines

The following have been established as the guidelines to which the DNP Group and its suppliers must adhere so as to fulfill their social responsibilities:

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Establishing a Management System (Requests)

A. Establishing a Management System

Companies must construct management systems, and make efforts towards continuous improvement through proper operations in order to boost social compatibility throughout the supply chain.

B. Supplier Management

Companies must communicate to their suppliers the demands of society, such as responses to human rights, labor, the environment, corruption and bribery (such as in these guidelines), and to create a process to monitor supplier compliance with those social requirements.

C. Establishing a Grievance Mechanism

Companies must establish a grievance mechanism that can be used by stakeholders including workers and suppliers in order to prevent illicit behavior in their inside as well as throughout the supply chain. In addition, when handling complaints, steps must be taken so as those making the complaint do not suffer any disadvantage.

D. Disclosing the Activities

Companies must disclose information regarding their actions according to these guidelines and relevant laws and regulations.

Code of Conduct (Matters to be complied with)

1. Respecting the Laws and Internationally Recognized Standards

Companies must respect internationally recognized standards in addition to complying with the laws and regulations of their home country as well as countries and regions where they conduct business.

1-1. Respecting the Laws and Internationally Recognized Standards

Companies must respect internationally recognized standards in addition to complying with the laws and regulations of their home country as well as countries and regions where they conduct business.

2. Human Rights and Labor

Companies must respect the rights of workers in line with international human rights standards including the ILO core labor standards in addition to complying with relevant laws and regulations.

2-1. Prohibiting Forced Labor

Companies must not use labor obtained by forced, bonded, exploitative prison labor, slavery, or human trafficking. Companies also must not force to work, and must keep the right of workers to terminate employment.

2-2. Prohibiting Child Labor and Respecting the Rights of Young Workers

Companies must not allow children who are under the minimum age for employment. Furthermore, companies must also not allow young workers under the age of 18 to perform hazardous work that is likely to jeopardize their health or safety, including night work or overtime.

2-3. Decent Working Hours

Companies must not allow workers to work exceeding the maximum working hours set by local laws and regulations, and appropriately manage working hours and days off in consideration of internationally recognized standards.

2-4. Adequate Wages and Allowances

Companies must comply with all applicable laws and regulations regarding payments of work (including minimum wage, overtime payments, and allowances and deductions required by law). Furthermore, it is expected that companies pay wages at a level that allows workers to support their basic needs (a living wage).

2-5. Prohibiting Inhumane Treatment

Companies must respect the human rights of workers and must not treat workers in a manner that is or may be construed inhumane, including physical and psychological abuse, coercion, or harassment. Companies must also provide workers with individually secured accommodations for storing their personal and valuable items, and a reasonable personal space along with reasonable entry and exit privilege.

2-6. Prohibiting Discrimination

Companies must not engage in discrimination or harassment. Companies must also consider requests from workers regarding religious practices where appropriate.

2-7. Freedom of Association and Right to Collective Bargaining

In conformance with local laws and regulations, companies shall respect the right to collective bargaining of workers and openly communicate with workers for improving working environments and wage conditions.

3. Health and Safety

In addition to complying with relevant laws and regulations, Companies must take consideration of standards such as ILO health and safety guidelines to minimize injury and illness in the workplace and maintain a safe and healthy working conditions.

3-1. Occupational Safety

Companies must identify and assess risks regarding occupational safety and maintain safety through proper design, engineering and administrative controls. Taking reasonable steps must also be taken to protect pregnant women and nursing mothers.

3-2. Emergency Preparedness

Companies must identify the possibility of emergency situations by such as natural disasters or accidents that may adversely affect human life or safety, establish procedures in case of emergency to minimize harm to workers and property, install the required equipment, and conduct training and drills so that the required responses can be taken in case of emergency.

3-3. Occupational Injury and Illness

Companies must identify, assess, record, and report the status of occupational injury and illness, and implement appropriate countermeasures and corrective actions.

3-4. Industrial Hygiene

Companies must identify, assess, and appropriately control the risk of workers being exposed to hazardous biological, chemical, or physical agents in the workplace.

3-5. Physically Demanding Work

Companies must identify and assess worker exposure to the hazards of physically demanding tasks and appropriately control such work so that it does not lead to occupational injury and illness.

3-6. Machine Safeguarding

Companies must evaluate the machinery used by workers for safety hazards and provide appropriate safeguarding.

3-7. Health and Safety at Facilities

Companies must appropriately maintain the health and safety of facilities and accommodations provided to workers (such as dormitories, cafeterias, and toilets). Dormitories also require appropriate emergency egress to be provided.

3-8. Health and Safety Communication

Companies must provide training on appropriate health and safety information regarding various workplace hazards that workers are exposed to in the workplace in languages and methods that the workers can understand. A system that enables workers to provide feedback on safety is also required.

3-9. Worker Health Management

Companies must conduct appropriate health management for all employees.

4. Environment

Companies must actively address environmental problems such as resource depletion, climate change, and pollution, as well as address regional environmental problems considering the health and safety of its relevant local community.

4-1. Environmental Permits and Reports

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

4-2. Reducing Energy Consumption and Greenhouse Gas Emissions

Companies must make efforts to improve energy efficiency and set voluntary greenhouse gas

emission targets, while engaging in continuous reduction activities and the active introduction of renewable energy.

4-3. Air Emissions

Companies must comply with relevant laws and regulations and implement appropriate measures for reducing the emission of hazardous substances to the atmosphere.

4-4. Water Management

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

4-5. Effective Utilization of Resources and Waste Management

Companies must promote the purchase of eco-friendly products with low environmental burdens and the procurement of raw materials that show consideration for bio-diversity. At the same time, by complying with laws and regulations and performing appropriate management, companies must promote the R's of Reduction, Reuse and Recycling, aim for the effective use of resources and minimize the generation of waste materials.

4-6. Chemical Substance Management

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

4-7. Managing the Chemical Substances Contained in Products

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

5. Fair Trading and Ethics

Companies must conduct business activities based on high ethical standards in addition to compliance with the law.

5-1. Preventing Corruption

Companies must not be involved in bribery, corruption, blackmail, or embezzlement in any form.

5-2. Prohibiting Inappropriate Provision and Improper Benefit

Companies must not provide or accept any promises, propositions, or approvals as a means of obtaining bribes or any other illicit or inappropriate benefit.

5-3. Fair Information Disclosure

Companies must disclose information regarding labor, health and safety, environmental activities, business activities, organizational structure, financial situation, and performance according to applicable laws and regulations and industry practices. Falsification of records or the disclosure of false information is not allowed.

5-4. Respecting Intellectual Property

Companies must respect intellectual property rights and the transfer of technology and expertise must be performed in a manner where intellectual property is protected. Companies must also protect the intellectual property of third parties such as customers and suppliers.

5-5. Conducting Fair Business

Companies must engage in fair business, competition, and advertising.

5-6. Protecting Whistleblowers

Companies must protect the confidentiality of information regarding whistleblowing and the anonymity of whistleblowers, and avoid retaliations towards whistleblowers.

5-7. Proper Import/Export Control

Suppliers are requested to establish a clear management system, and use appropriate import and export procedures regarding the import and export of technologies and goods regulated by laws and regulations.

5-8. Responsible Minerals Procurement

Companies must exercise due diligence to ensure that the minerals such as tantalum, tin, tungsten, gold, cobalt, mica, aluminum, copper, lithium and nickel contained in its products manufactured do not cause or contribute to serious human rights abuses, environmental destruction, corruption, or disputes in Conflict-Affected and High-Risk Areas.

6. Quality and Safety

Companies must ensure the safety and quality and provide correct and accurate information on provided products and services.

6-1. Ensuring Product Safety

Companies must fulfill their responsibility as a supplier by ensuring that products meet safety standards stipulated by national laws and conduct design, manufacturing, and sales to ensure adequate product safety.

6-2. Quality Management

Companies must comply with their own quality standards and customer requirements in addition to all laws and regulations applicable to the quality of products and services.

6-3. Providing Accurate Information on Products and Services

Companies must provide correct and accurate information on products and services that will not cause misunderstandings.

7. Information Security

Companies must prevent leaks of confidential information and personal information, and enhance information security.

7-1. Defense from Cyber Attacks

Companies must implement protective measures against threats such as cyber attacks and conduct management to prevent damage to the company and others.

7-2. Protecting Personal Information

Companies must comply with relevant laws and regulations and appropriately manage and protect all personal information of suppliers, customers, consumers, and employees.

7-3. Preventing Leak of Confidential Information

Companies must appropriately manage and protect the confidential information not only of their own but also received including from customers and third parties.

8. Business Continuity Planning

Companies must make preparations to ensure that they can quickly resume business activities in order to fulfill their responsibility of supply in the event that the company or a business partner becomes a victim of such as a large-scale natural disaster.

8-1. Developing and Preparing a Business Continuity Plan

Companies must identify and assess risks to business continuity, examine their impact on the business, and establish preparatory measures required in the medium to long term and a business continuity

plan (BCP) that indicates the status of those initiatives.

Contribution to Society (Recommendations)

1. Contribution to Society

Companies must actively engage in social contribution activities that make a contribution to the development of both international society and local communities.

1-1. Contribute to society and community

Companies must utilize their own management resources and independently perform activities that contribute to the development of both international society and local communities.

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Description of Establishing a Management System

A. Establishing a Management System

[Code Interpretation]

The following points must be considered when establishing a management system for achieving the various items in Section 1: Code of Conduct.

- Whether it complies with the laws, regulations, and customer requirements regarding business practices and products
- Whether it is according to the content of these guidelines
- Whether it identifies and reduces the risks regarding the content of these guidelines
- Whether continuous improvements can be expected based on the above

[Description of Terms]

A **management system** is establishing a framework for continuous improvements through the Plan-Do-Check-Action (PDCA) cycle regarding policy compliance, implementation systems, corrective actions, and stakeholder engagement. This is not necessarily for the purpose of acquiring certification. Furthermore, a management system includes the following.

- Company commitment
- Management accountability and responsibilities
- Legal and customer requests
- Risk identification and risk management
- Improvement objectives
- Training
- Communication
- Worker feedback, participation, and grievance
- Audits and assessments of identified risks
- Corrective Action Process
- Documentation and recording

Examples of well-known management systems are indicated below

- Health and safety management systems such as ILO Guidelines on occupational safety and health management systems, OHSAS18001, and ISO 45001
- Environmental management systems such as ISO 14001 and Eco-Action 21

- Quality management systems such as the ISO 9000 family, IATF16949, and ISO13485
- Information security such as ISO/IEC 27001
- Business continuity such as ISO22301

Due diligence guidelines regarding all corporate conduct include the OECD Due Diligence Guidance for Responsible Business Conduct.

This guidance includes the following six processes.

- (1) Embed responsible business conduct into policies and management systems
- (2) Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services
- (3) Cease, prevent and mitigate adverse impacts
- (4) Track implementation and results
- (5) Communicate how impacts are addressed
- (6) Provide for or cooperate in remediation when appropriate

Due diligence is the process enterprises should carry out to identify, prevent, mitigate and account for how they address these actual and potential adverse impacts in their own operations, their supply chain and other business relationships, as recommended in the OECD Guidelines for MNEs.

Effective due diligence should be supported by efforts to embed RBC into policies and management systems, and aims to enable enterprises to remediate adverse impacts that they cause or to which they contribute.

(Source: OECD Due Diligence Guidance for Responsible Business Conduct)

The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy defines **due diligence in the field of labor** as indicated below, and emphasizes stakeholder engagement (the process for actively engaging with stakeholders via dialog, etc. in order to achieve mutually acceptable results as a company fulfills its social responsibility) and harmonization with host country development.

10. (e) In order to gauge human rights risks, enterprises - including multinational enterprises - should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should involve meaningful consultation with potentially affected groups and other relevant stakeholders including workers' organizations, as appropriate to the size of the enterprise and the nature and context of the operation. For the purpose of achieving the aim of the MNE Declaration, this process should take account of the central role of freedom of association and collective

bargaining as well as industrial relations and social dialogue as an ongoing process.

11. Multinational enterprises should take fully into account established general policy objectives of the countries in which they operate. Their activities should be consistent with national law and in harmony with the development priorities and social aims and structure of the country in which they operate. To this effect, consultations should be held between multinational enterprises, the government and, wherever appropriate, the national employers' and workers' organizations concerned.

(Source: The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy)

B. Supplier Management

[Code Interpretation]

In the Guiding Principles for Business and Human Rights of the United Nations and OECD guidelines, companies are required to take the same responsibility for CSR in their supply chain as they do at their own company. Therefore, it is necessary to communicate the requirements in Section 1: Code of Conduct to suppliers, monitor the status of compliance, and promote improvements.

Supply chain management is covered in Chapter 2 of International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games by the ILO. This handbook provides specific examples of recommended practices, points of attention for each process, and supply chain management process, in order to promote the implementation of sustainable supply management according to international labor standards, particularly regarding aspects of labor and human rights.

- Supply chain management process (role of in-house expertise, etc.)
- Human rights/labor due diligence process for new suppliers, etc.
 - Preliminary research → on-site due diligence → agreement on action plan → contracting and monitoring
- Assessing human rights and labor risks
 - Risk indices/factors, examples of questions to suppliers
- Dialogue/communication with suppliers
 - Content and method of discussions in dialogue process, interviewees and interviewing techniques
- On-site occupational safety and health check
- Consultation with third parties regarding labor issues
 - Things to keep in mind for consultation with trade unions, employers' organizations, and NGOs, sources of information, etc.

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the

[Description of Terms]

A **supply chain** refers not only to the process starting from raw materials and to the end when products and services arrive at the consumers, but all relationships including such as worker dispatch agents and contractors, regardless of the individual roles of each company.

C. Establishing a Grievance Mechanism

[Code Interpretation]

In order to comply with Section 1: Code of Conduct, it is important to establish a mechanism for processing grievances from stakeholders including workers and suppliers, and enable treating problems as a continuous process. In order to ensure that the grievance mechanism functions effectively, it is useful to conduct awareness surveys to see the level of understanding and to ask for participating continuous improvements by collecting suggestions, etc.

[Description of Terms]

A **grievance mechanism** is a framework that enables related parties to report acts suspected to be in violation of Section 1: Code of Conduct to promote corrective action.

It is important that complaints can be lodged via anonymous reporting. Whistleblowers must not be treated disadvantageously due to their complaints

Example of grievance mechanism include a suggestion box, telephone, e-mail, or hotline managed by an external organization.

D. Disclosing the Activities

[Code Interpretation]

Companies must not only disclose information as stipulated by the law, etc., but also disclose information regarding efforts for these guidelines to stakeholders including customers.

Examples types of information disclosure include CSR reports and sustainability reports via company websites and printed media.

Guidelines to refer to include GRI Standards and Environmental Reporting Guidelines from the Ministry of the Environment.

Description of Code of Conduct

1. Respecting the Laws and Internationally Recognized Standards

1-1. Respecting the Laws and Internationally Recognized Standards

[Code Interpretation]

In recent years, various laws, regulations, and policies regarding the environment, human rights, and bribery and corruption have been introduced and adopted around the world. Companies must understand and comply with them. Some laws and regulations also apply beyond the country where companies are doing their operations. With the globalization of supply chains and markets, companies are required to ensure compliance with laws and regulations not only in their own company but throughout the supply chain, while also respecting international standards.

[Description of Terms]

Internationally Recognized standards refer to expectations in the behavior of a socially responsible organization, guided by customary international law, generally-accepted principles of international law, and intergovernmental agreements that are universally or near-universally accepted (including conventions and treaties).

For example, this corresponds to documents such as the Guiding Principles on Business and Human Rights and Sustainable Development Goals (SDGs) of the United Nations, the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD), and the MNE Declaration (Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy) of the International Labour Organization (ILO).

2. Human Rights and Labor

[Code Interpretation]

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

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

2-1. Prohibiting Forced Labor

[Background]

In 2016, 40.3 million people were estimated to be victims of modern-day slavery, including 16 million people that were victims of forced labor in the private sector. *Freedom from forced labor is a basic human right associated with the right to freely choose one's work.

Work should meet with individual expectations and ability, and should be decent.

(*Source: Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, ILO, 2017)

[Code Interpretation]

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

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

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

[Description of Terms]

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

- (1) Abusing vulnerabilities (such as employment contracts not in the native language of migrant workers)
- (2) Deception (such as employment/labor conditions not explained correctly, or replaced during employment process)
- (3) Isolation (such as having workers work in locations that are difficult to access or communicate with from the outside)
- (4) Threats and intimidation (such as penalizing workers for workplace complaints or demanding that workers pay a fine when they want to terminate employment)
- (5) Withholding wages (such as delaying wage payments or forcibly storing or putting aside part of wages)
- (6) Debt coercion (such as workers having debt in order to pay off recruitment fee)
- (7) Excessive overtime (such as making workers work overtime in excess of what is allowed by the law or the labor-management agreement)
- (8) Prohibiting movement (such as restrictions on movement not based on a reason such as information security or health and safety, or constant monitoring of a dormitory via surveillance camera)

- (9) Physical or mental abuse (such as violence, yelling, or sexual harassment)
- (10) Withholding the original copies of identification (such as when the employer holds the passport of a worker)

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

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

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

2-2. Prohibiting Child Labor and Respecting the Rights of Young Workers

[Background]

151.8 million children are working over the world, with about half that number, 72.5million, are engaged in hazardous work. One in five children in Africa and one in thirteen children in the Asia Pacific region are engaged in child labour. This form of exploitation not only violates the rights of children, but also leads to vulnerable economic growth and hinders equal development.

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

[Code Interpretation]

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

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

health, safety or morals of children.

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

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

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

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

[Description of Terms]

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

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

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

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

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

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

Hazardous work refers to the following.

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

(Source: Worst Forms of Child Labour Recommendation, 1999 (No. 190))

2-3. Decent Working Hours

[Background]

Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury and illness.

[Code Interpretation]

Companies shall allocate working hours, provide vacation and rest periods, and manage them to prohibit excessive overtime in accordance with applicable laws and regulations. We also need to consider internationally recognized standards.

For example, as in the Hours of Work (Industry) Convention, 1919 (No. 1) and Hours of Work (Commerce and Offices) Convention, 1930 (No. 30), international standards of the ILO (not ratified by Japan) stipulate that weekly work hours must not exceed 48 hours including overtime,

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

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

[Description of Terms]

Appropriate manage refers to the following:

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

2-4. Adequate Wages and Allowances

[Code Interpretation]

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

Unfair wage deductions may be deemed to be a non-payment of wages. For example, in the SA8000 international standard regarding labor and human rights, pay cuts must not be made for the purpose of discipline, but as an exception, companies are allowed to do so when (1) it is allowed by domestic law and (2) doing so is agreed upon in a collective agreement that was freely negotiated. Furthermore, compensation for overtime work must be paid to workers at a rate higher than the standard pay rate by hour, according to the laws and regulations of the corresponding region. Upon payments, companies must provide a wage slip that includes information that enables the breakdown of payments to be checked.

[Description of Terms]

Minimum wage refers to the minimum wage stipulated by laws regarding wages in the country where the company is doing its operation. This must be paid to workers at the appropriate time without delay, based on the law where the company is doing its operation.

Living wage refers to a level of wages that meets the needs of a worker and their family and satisfies the dignity of that worker, according to international standards.

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

2-5. Prohibiting Inhumane Treatment

[Background]

Inhumane treatment such as sexual harassment and verbal abuse may exacerbate in the working environment without other people around realizing.

[Code Interpretation]

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

Appropriate worker living conditions are required both in terms of human rights and health and safety, and are explained separately in Item (3-7).

[Description of Terms]

Psychological abuse refers to the act of causing mental or emotional harm through psychological violence to others by means, for example, of inhumane expressions or harassment, neglect, or words that damage one's self-esteem.

Physical abuse refers to violence and work under harsh circumstances.

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

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

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

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

- (a) the term violence and harassment in the world of work refers to a range of unacceptable behaviours and practices, or threats thereof, whether a single occurrence or repeated, that aim at, result in, or are likely to result in physical, psychological, sexual or economic harm, and includes gender-based violence and harassment;
- (b) the term gender-based violence and harassment means violence and harassment directed at persons because of their sex or gender, or affecting persons of a particular sex or gender disproportionately, and includes sexual harassment.

2-6. Prohibiting Discrimination

[Code Interpretation]

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

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

The grounds of discrimination are diverse.

- **Race and color:** Discrimination made on the basis of belonging to a specific ethnic group, which may affect ethnic minorities, indigenous peoples, or tribal populations.
- **Sex:** Discrimination on the basis of biological characteristics and functions that distinguish men and women and of social differences between men and women. It also includes discrimination on the basis of marital status, family structure, or motherhood.
- **Religion:** Discrimination on the basis of membership to a certain religion or expression of religious belief. It also includes discrimination against atheists.
- **Political opinion:** Discrimination on the basis of different opinions with respect to established political principles, membership to a particular political party, political or sociopolitical attitudes, civic commitment, or moral qualities.
- **National extraction:** Discrimination on the basis of a person's birthplace, ancestry or foreign origin. It may target national or linguistic minorities, nationals who have acquired their citizenship by naturalization, and the descendants of migrants from other countries, etc.
- **Social origin:** Discrimination on the basis of social class, occupational category, or caste. Social origin may affect one's career.

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

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

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

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

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

*Information on covered veteran status: <https://www.dol.gov/ofccp/regs/statutes/4212.htm>

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

*Information regarding the Genetic Information Nondiscrimination Act of 2008:

<https://www.eeoc.gov/laws/types/genetic.cfm>

2-7. Freedom of Association and Right to Collective Bargaining

[Code Interpretation]

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

[Description of Terms]

1949 (No. 98) of the ILO requires that companies recognize representative organizations of the workers for the purpose of collective bargaining, promote bona fide negotiations between both sides, and incorporate provisions for dispute resolution into collective agreements. The following items are recommended as concrete examples of relevant corporate activities.

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

(Source: The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (Paragraph 47 to 63))

3. Health and Safety

[Code Interpretation]

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

The Guidelines on occupational safety and health management systems (ILO-OSH 2001) of the ILO and recognized management systems such as OHSAS18001 and ISO45001 were referred to when establishing these guidelines and may contain additional useful information.

3-1. Occupational Safety

[Code Interpretation]

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

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

- Identifying and assessing safety hazards, including their risk of occurrence
- Designing an appropriate workplace that eliminates safety hazards and considers safety

- Implementing safety communications (including the handling of personal protective equipment)

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

[Description of Terms]

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

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

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

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

3-2. Emergency Preparedness

[Background]

Evacuation routes are sometimes not accessible in times of emergency by locks and obstacles. Workers are dying by inhalation of flame and smoke or falling and jumping down in case of fire accident occurs because they cannot escape from a building. That is why it is important to ensure an evacuation route that enables workers to escape, to maintain systems that all workers surely can evacuate in safe and to conduct adequate evacuation drill.

[Code Interpretation]

Emergency plans refer to, for example, emergency reporting, communication to employees,

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

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

3-3. Occupational Injury and Illness

[Background]

Companies must prioritize worker health and safety and also consider occupational injury.

[Code Interpretation]

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

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

[Description of Terms]

Appropriate countermeasures refer to systems and measures for promoting worker's reporting, classifying and recording injury and illnesses, providing medical treatment when necessary, investigating injury and illnesses, implementing corrective actions to eliminate causes, and facilitating worker's return to work. This also includes implementing the required administrative procedures stipulated by the law and taking out industrial accident insurance.

3-4. Industrial Hygiene

[Code Interpretation]

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

[Description of Terms]

Hazardous agents include substances that are poisonous, radioactive, or cause chronic illness (such as lead and asbestos). These substances may exist in smoke, steam, mist, or dust form.

Noise and odors may be deemed hazardous to the human body if they are significantly strong.

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

3-5. Physically Demanding Work

[Description of Terms]

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

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

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

3-6. Machine Safeguarding

[Description of Terms]

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

3-7. Health and Safety at Facilities

[Code Interpretation]

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

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

person), ventilation, temperature control, adequate lighting, etc.

3-8. Health and Safety Communication

[Code Interpretation]

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

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

Training must be provided to all workers before starting work and regularly after that. It is also encouraged that safety concerns from workers are raised. Items for training include the correct use of personal protective equipment, emergency response measures, safe operation of machinery, and preparations before entering hazardous environments.

Paragraph 43 of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy also contains information concerning the fostering of a preventative culture based on labor-management dialog.

3-9. Worker Health Management

[Description of Terms]

Appropriate health management refers to conducting health checks at least at the level stipulated by law, and working on the prevention and early detection of worker illness.

It is also necessary to adequately consider treatment such as mental healthcare and the prevention of health problems due to overwork.

4. Environment

[Code Interpretation]

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

Recognized management systems such as ISO14001 were referred to when establishing these guidelines, and may contain additional useful information.

4-1. Environmental Permits and Reports

[Code Interpretation]

Examples in Japan include the obligation to assign a manager that has obtained the qualifications stipulated by the law, such as laws on waste disposal (a specially-controlled industrial waste

manager), energy saving (an energy manager in plants that use a certain level of energy), and the control of air pollution (a pollution prevention manager at plants that emit chemical substances, dust, or smoke).

Furthermore, companies may be obligated to assign a manager responsible for poisonous/deleterious substance management, designated chemical substance management, and hazardous substance management, depending on the chemical substances used in business.

It may also be necessary to receive permission for facilities that handle hazardous substances and environmental impact assessments, depending on the type of business conducted and the location of plants.

4-2. Reducing Energy Consumption and Greenhouse Gas Emissions

[Code Interpretation]

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

[Description of Terms]

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

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

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

4-3. Air Emissions

[Code Interpretation]

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

4-4. Water Management

[Code Interpretation]

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

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

4-5. Effective Utilization of Resources and Waste Management

[Code Interpretation]

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

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

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

4-6. Chemical Substance Management

[Code Interpretation]

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

4-7. Managing the Chemical Substances Contained in Products

[Code Interpretation]

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

- Companies must follow the laws and regulations of the countries where the products are sold.
- Companies must take responsibility for the components included in the end products, and upstream companies must provide the required information to downstream companies.

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

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

5. Fair Trading and Ethics

[Code Interpretation]

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

5-1. Preventing Corruption

[Code Interpretation]

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

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

5-2. Prohibiting Inappropriate Provision and Improper Benefit

[Code Interpretation]

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

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

5-3. Fair Information Disclosure

[Code Interpretation]

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

The information to provide and disclose to stakeholders includes the details of business activities, financial situation, ESG (environmental, social, and governance) information, risk information

(such as damage due to large-scale disasters, adverse impacts on the environment and society, and the discovery of significant legal violations), and information regarding the supply chain.

Disclosing information on critical risks in a timely manner, and communicating to customers are also one of the examples actively providing information.

Companies are not allowed to tamper records, misrepresent information, or disclose false information.

5-4. Respecting Intellectual Property

[Code Interpretation]

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

[Description of Terms]

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

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

5-5. Conducting Fair Business

[Code Interpretation]

Companies must comply with laws regarding fair business, including fair competition and subcontract law, and must not conduct illegal acts such as cartel agreements to restrict competition, unfair business practices, or misleading representation.

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

[Description of Terms]

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

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

5-6. Protecting Whistleblowers

[Code Interpretation]

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

[Description of Terms]

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

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

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

5-7. Proper Import/Export Control

[Code Interpretation]

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

Technologies and goods regulated by law refer to components, products, technologies, equipment, and software subject to import/export control according to laws and regulations based on international agreements, etc. (such as the Wassenaar Arrangement).

It may be necessary to obtain permission, etc. from the competent authorities regarding importing and exporting.

5-8. Responsible Minerals Procurement

[Code Interpretation]

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

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

Step1 : Establish strong company management systems

Step2 : Identify and assess risks in the supply chain

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

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

Step5 : Report annually on supply chain due diligence

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

6. Quality and Safety

[Code Interpretation]

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

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

6-1. Ensuring Product Safety

[Code Interpretation]

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

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

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

6-2. Quality Management

[Code Interpretation]

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

6-3. Providing Accurate Information on Products and Services

[Code Interpretation]

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

that has been falsified.

[Description of Terms]

Accurate information refers to the following, for example.

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

7. Information Security

[Code Interpretation]

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

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

7-1. Defense from Cyber Attacks

[Code Interpretation]

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

[Description of Terms]

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

7-2. Protecting Personal Information

[Code Interpretation]

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

[Description of Terms]

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

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

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

7-3. Preventing Leak of Confidential Information

[Code Interpretation]

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

[Description of Terms]

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

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

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

8. Business Continuity Planning

[Code Interpretation]

The occurrence of large-scale natural disasters such as earthquakes and typhoons as well as terrorism, riots, infectious disease, and accidents may cause a major impact on business continuity.

Companies must make appropriate preparations for such events to ensure that production operations can quickly resume, and thereby minimize impact on the supply chain.

Recognized management systems such as ISO22301 were referred to when establishing these guidelines and may contain additional useful information.

8-1. Developing and Preparing a Business Continuity Plan

[Code Interpretation]

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

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

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

[Description of Terms]

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

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

Description of Contribution to Society

1. Contribution to Society

1-1. Contribute to society and community

[Code Interpretation]

Activities that can contribute to the development of the international community and local communities are those that utilize the management resources of companies.

Support activities for the community are generally as follows.

- Social contribution utilizing original business and technology
- Non-monetary social contribution utilizing facilities and human resources
- Social contribution through monetary donations

Specifically, we can give examples of cooperation with the community in the event of a disaster, employee volunteers, activity support for NPOs / NGOs, donation activities, various information dissemination / introduction, etc., and the range of activities that each company can carry out. It is hoped that we will make a positive contribution to society.

DNP's Responsible Minerals Procurement Framework

May 2023

DNP will promote the following five-step approach in accordance with the " OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" in order to achieve Responsible Minerals Procurement as stipulated in 5-8 of the DNP Group CSR Procurement Guidelines. We would like to ask our suppliers for their understanding of this framework and their commitment to this initiative.

Step 1: Establish strong company management systems

DNP will establish a responsible department with persons in charge of responsible minerals procurement, and to promote this initiative, we will inform and explain the DNP Group CSR Procurement Guidelines and its manual to stakeholders.

We request that suppliers agree to DNP's responsible mineral procurement initiatives through the Basic Business Contract, etc., and that they do business with smelters/refiners that have received Conformant certification through the Responsible Minerals Assurance Process (RMAP) of the Responsible Minerals Initiative (RMI), which leads the responsible minerals procurement process. By providing education on responsible minerals procurement to employees involved in the selection and procurement of raw materials for our company, we aim to acquire knowledge and deepen their understanding of our initiatives. Furthermore, by educating all employees on the risks of human rights violations caused by minerals procurement, we will promote understanding of respect for human rights through minerals procurement.

In addition, with the aim of early detection of human rights risks in the minerals supply chain, we will establish a Compliance Hotline as a contact point for consultation and reporting on human rights issues, and will keep records of investigations and communications for five years.



Step 2: Identify and assess risks in the supply chain

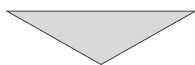
DNP requests suppliers to conduct an annual survey using RMI templates*1 and to create supply chain mapping to identify risks associated with mining, trading, handling, and exporting minerals from conflict-affected and high-risk areas throughout the supply chain. The results of the survey are used to determine whether or not the minerals in question are contained, to confirm the country of origin, and to identify smelters/refiners. The results of the survey will be compared with those of the countries and regions subject to Section 1502 of Dodd-Frank Wall Street Reform and Consumer Protection Act and the EU Conflict Minerals Regulation to assess the risk in the mineral supply chain. If any indication of Annex II risk*2 such as human rights violations is found, we will conduct a more detailed follow-up investigation.

*1 RMI templates

1. CMRT: Conflict Minerals Reporting Template
2. EMRT: Extended Minerals Reporting Template
3. PRT: Pilot Reporting Template

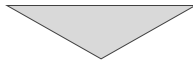
*2 Annex II risks: Six risks stipulated in the OECD Due Diligence Guidance Annex II for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

1. Serious abuses associated with the extraction, transport or trade of minerals
2. Direct or indirect support to non-state armed groups
3. Misconduct by Public or Private Security Forces (Protection Fees)
4. Bribery and fraudulent misrepresentation of the origin of minerals
5. Money laundering
6. Non-payment of taxes, fees and royalties to the government (tax evasion)



Step 3: Design and implement a strategy to respond to identified risks

Based on the judgment of the persons and department responsible for responsible mineral procurement, we will create a risk management plan for the identified and evaluated risks, request that suppliers take measures to mitigate risks, and make transaction decisions. Based on the risk management plan, we confirm the progress, content, and tracking of initiatives, and report to our own Sustainability Committee. If the situation changes, we will make an additional assessment of this risk.



Step 4: Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain

DNP promotes the use of minerals that have undergone third-party audits, such as minerals derived from smelters/refiners that have been Conformant-certified by the RMAP implemented by RMI. In addition, we request upstream suppliers who can directly/effectively correct and mitigate risks such as human rights violations through first-tier suppliers to undergo audits.



Step 5: Report on supply chain due diligence

The implementation status of DNP's responsible mineral procurement initiatives is disclosed on our website, integrated report, etc. every year.