

Procurement Guidelines

1. Introduction

Hodogaya Chemical Group (the "**Group**") has adopted ESG (Environment, Social and Governance) and is promoting CSR (Corporate Social Responsibility) activities in order to gain the trust of various stakeholders including its shareholders, investors, business partners, local communities and employees. The Group therefore requests its suppliers to comply with the "Procurement Guidelines" of the Group. The Group also wishes to further deepen its involvement in ESG and promotion of CSR activities through cooperation with the survey "Survey of Implementation Status of Procurement Guidelines".

2. Details of Procurement Guidelines

(1) Human Rights and Labor

(i) Prohibition of Forced Labor

The Group employs all of its employees of their own free will and does not cause them to engage in forced labor. Forced labor means any labor that is not based on one's own free will.

(ii) Prohibition of Inhumane Treatment

The Group respects the human rights of its employees and prohibits any harsh or inhumane treatment such as abuse or various types of harassment (harassing behavior). Inhumane treatment means abuse, corporal punishment, sexual harassment, "power harassment" (harassing behavior using offensive language or intimidating behavior), etc.

(iii) Prohibition of Child Labor

The Group does not employ children under the minimum working age or cause any children to work in a way detrimental to their development. Child labor generally means employing any person who is under the minimum working age prescribed in the conventions or recommendations of the International Labour Organization or failing to protect young workers.

(iv) Prohibition of Discrimination

The Group is committed to eliminating discrimination in recruitment and employment and achieve equality in opportunities and treatment. Discrimination means making distinctions in opportunities or treatment in recruitment, promotion, remuneration or attendance at training based on factors other than the justifiable factors such as one's ability, aptitude or results. Discriminatory factors include, for example, race, ethnicity, nationality, birthplace, skin color, age, gender, sexual orientation, disability, religion, political opinion, union membership, marital status, etc.

(v) Proper Wages

The Group pays at least the legal minimum wage to its employees and does not make any unjustifiable wage reductions. The minimum wage means the minimum level of wages prescribed in wage-related laws and regulations in the country of location. Wages also include payment of overtime allowances and other allowances including statutory benefits. Unjustifiable wage reductions mean wage reductions in violation of labor-related laws and regulations.

(vi) Working Hours

The Group properly manages working hours, holidays and annual leave of its employees so as not to exceed the legal limits.

(2) Health and Safety

(i) Safety Measures for Mechanical Devices

The Group takes proper safety measures for the mechanical devices etc. used in the Group. The proper safety measures mean management to prevent accidents and health problems that occur during employment.

(ii) Workplace Safety

The Group evaluates the risks to workplace safety and ensures safety through proper design and technical and management measures. The risks to workplace safety mean potential risks of accidents and health problems that occur during employment including electricity or other energy, fire, vehicles, slippery or tripping floors or falling objects etc.

(iii) Workplace Hygiene

The Group understands the circumstances in which the workplace is exposed to harmful organisms and chemical substances, noise and offensive odors and takes the appropriate measures. Chemical substances harmful to the human body include soot and smoke, steam, mist and dust etc. as well as poisonous materials, radiation and substances causing chronic diseases (lead, asbestos, etc.). Excessive noise or offensive odors are factors in workplace hygiene as being harmful to the human body.

(iv) Occupational Injury and Disease

The Group understands the circumstances of occupational injuries and diseases and takes appropriate measures. The appropriate measures mean the system or measures that enable encouragement of reporting by employees, classification and recording injuries and diseases, provision of medical treatment as needed, investigation of injuries and diseases, implementation of corrective actions to eliminate the causes thereof and promotion of employees' return to work etc. (including taking out workers' accident compensation insurance).

(v) Emergency Response

In order to protect life and limb, the Group prepares emergency response measures and familiarizes its members in the workplace with these measures, assuming disasters and accidents that may occur. The emergency response measures include, for example, reporting, notification to employees, clarification of evacuation methods, installation of evacuation facilities, stockpiling of emergency medical supplies, installation of fire detection systems, installation of fire control equipment, securing of external communication methods and development of restoration plans at the time of emergency.

(vi) Consideration for Physically Demanding Work

The Group identifies physically demanding work and properly manages such work so as not to result in injuries or diseases.

(vii) Safety and Hygiene of Facilities

The Group ensures the health and hygiene of the facilities provided for the livelihood of its employees. The facilities provided for the livelihood of its employees mean the facilities provided to its employees at the workplace or outside the workplace.

(viii) Management of Employees' Health

The Group provides proper health management for all employees. Proper health management means performing medical examinations at least at the level prescribed by laws and regulations and aiming for prevention and early detection of diseases in its employees. At the same time, it is necessary to give full consideration to prevent health problems due to excessive work as well as mental health care.

(3) Environment

(i) Management of Chemical Substances Contained in Products

The Group manages chemical substances designated by laws and regulations for all products. The management of chemical substances for products means complying with the required labelling requirements and implementing the required testing in addition to ensuring that no chemical substances designated as prohibited substances is contained in the products.

(ii) Management of Chemical Substances Used in the Manufacturing Process

The Group manages chemical substances designated by laws and regulations in the country where its manufacturing process is located. The management of chemical substances in the manufacturing process means attempting to reduce the emissions amount of the chemical substances through understanding such emissions amount discharged into the external environment and reporting such amount to the governmental

authorities, as well as managing the chemical substances that may not be contained in the products.

(iii) Environment Management System

The Group establishes and operates an environment management system. The environment management system means a general management system for promoting environmental activities, which include organizational structures, planned activities, sharing of responsibilities, practices, procedures, processes and management resources. The environmental activities herein mean preparing environmental policies, implementing, achieving, reviewing and maintaining measures in accordance with such policies and carrying out continuous improvements for environmental conservation through the so-called PDCA cycle.

(iv) Minimizing Environmental Impact (Drainage, Sludge, Emission, etc.)

The Group complies with laws and regulations in the country of location regarding drainage, sludge and emissions and makes further improvements when necessary in accordance with its voluntary standards. The voluntary standards mean having a goal of reducing environmental impacts beyond the standards stipulated in laws and regulations.

(v) Environmental Permits and Administrative Approvals

The Group complies with laws and regulations in the country of location, obtain permits and approvals from government if necessary and submits the required management reports to the government.

(vi) Effective Utilization of Resources and Energy

The Group sets voluntary targets for conservation of resources and energy and attempts effective utilization of resources and energy on a continuous basis. The conservation of resources means attempting the effective use of resources. As a means to this end, the Group reduces the amount of materials used and waste materials generated for the products and promotes the use of recycled resources and parts. The conservation of energy means attempting rationalization of the use of heat and electrical energy. Saving energy enables effective use of fuel resources such as oil, natural gas, coal, coke, etc.

(vii) Reduction of Greenhouse Gas Emissions

The Group sets voluntary targets for reduction of greenhouse gas emissions and attempts continuous reduction thereof. There are various types of greenhouse gases but they refer to the following six types of substances: carbon dioxide, methane, nitrous oxide, HFC, PFC, and SF₆, especially stipulated in the Kyoto Protocol.

(viii) Reduction of Waste Materials

The Group sets voluntary targets for reducing final waste materials and attempts the continuous reduction thereof. Final waste materials mean waste materials that require a landfill or incineration.

(ix) Conservation of Biodiversity

The Group takes into account the direct and indirect impacts of its business activities on ecosystems and is committed to the conservation and sustainable use of biodiversity.

(x) Disclosure of Environmental Preservation Status

The Group discloses the results of its environmental activities as necessary. The results of environmental activities mean the measures implemented for environmental conservation, emissions into the atmosphere, drainage and soil, the amount of resources used, and the amount of waste materials, as well as including environmentally harmful results caused by its business office.

(4) Fair Trading and Ethics

(i) Prohibition of Corruption and Bribery

The Group maintains sound and normal relationships with political and administrative authorities and does not make bribes or illegal political contributions. Bribery means provision of money, entertainment, gifts or other benefits or conveniences for public officials and persons equivalent thereto (the "**Public Officials**") in pursuit of any business advantage in return including acquisition and maintenance of permits and approvals and transactions and acquisition of non-public information.

(ii) Prohibition of Abuse of Superior Bargaining Position

The Group does not carry out any act which gives any disadvantage to its suppliers by abusing its superior bargaining position. The abuse of a superior bargaining position means an act of determining or changing the terms and conditions of the transactions with its suppliers etc. in a unilateral way, making unreasonable demands or imposing unreasonable obligations, or using the position of a purchaser or consigner. The Group carries out procurement transactions in a sincere, fair and equitable manner based on agreements, etc. and does not carry out any act which abuses its superior bargaining position. The Group complies with laws and regulations concerning abuse of a superior bargaining position in the country where such laws and regulations exist (for example, the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators in Japan).

(iii) Prohibition of Offering and Receiving Improper Advantages

The Group does not offer or receive improper advantages to its stakeholders.

(iv) Prohibition of Anticompetitive Conduct

The Group does not carry out any act which interferes with fair, transparent and free competition. Anticompetitive conduct means making arrangements with other companies in the same industry as to price, volume or sales territory of products or services (cartels) or making arrangements with successful bidders or engaging in bidding price collusion with other bidders (collusive bidding). In addition, acquiring or using trade secrets of other companies by illegal means or making false representations or representations that may mislead customers in relation to the products of other companies is an act of unfair competition.

(v) Provision of Accurate Information on Products and Services

The Group provides accurate information on products and services to consumers and customers.

(vi) Respecting Intellectual Property

The Group does not infringe upon the intellectual property rights of others. Intellectual property means patent rights, utility model rights, design rights, trademark rights, copyrights, trade secrets, etc. In the development, production, sales and provision of products or services, the Group sufficiently carries out preliminary investigation on intellectual property of a third party. Except where there are justifiable grounds, unauthorized use of intellectual property of a third party constitutes an infringement of intellectual property rights.

(vii) Proper Export Control

The Group performs proper export procedures for the export of technologies and goods regulated by laws and regulations by providing a clear control system. Technologies and goods regulated by laws and regulations include parts, products, technologies, equipment, software, etc. regulated by laws and regulations based on international agreements (Wassenaar Arrangements, etc.), concerning exports.

(viii) Information Disclosure

The Group actively provides or discloses information to all stakeholders, whether or not disclosure is required by laws and regulations. The content of information to be provided or disclosed to stakeholders means the details of its business activities, financial condition, business performance, risk information (for example, damage caused by a large-scale disaster, occurrence of adverse effects on environment and society, and detection of serious violation of laws and regulations), etc.

(ix) Prevention and Early Detection of Misconduct

The Group takes action to prevent misconduct and has developed a system to detect and deal with misconduct at an earlier stage. Acts to prevent misconduct means

educating and enlightening employees and creating workplaces with a comfortable and friendly atmosphere.

(5) Quality and Safety

(i) Ensuring Product Safety

When designing products in its sole responsibility, the Group ensures that the products meet the safety standards stipulated in laws and regulations of each country. The Group designs the products to ensure sufficient product safety and sells them, considering its responsibility as a manufacturer. The Group also gives consideration to normally expected safety compliance as well as legal compliance concerning product safety.

(ii) Quality Management System

The Group establishes and operates a quality management system. A quality management system is a general framework for promoting quality assurance activities which includes organizational structure, planned activities, sharing of responsibilities, practices, procedures and management resources. Quality assurance activities herein mean preparing quality policies and implementing, achieving, reviewing and maintaining measures in accordance with such policies and carrying out continuous improvements for quality assurance through the so-called PDCA cycle.

(6) Information Security

(i) Defense against Threats on Computer Networks

The Group manages to prevent damage to itself or others by taking defensive measures against threats on computer networks. Threats on computer networks include, for example, computer viruses, computer worms, spyware, etc.

(ii) Prevention of Leakage of Personal Information

The Group properly manages and protects the personal information of customers, third parties and its employees. Personal information means information concerning living individuals, which is capable of identifying a specific individual from name, date of birth and other descriptions contained in such information (including information which is capable of being easily matched against other information and thereby identifying a specific individual).

(iii) Prevention of Leakage of Confidential Information of Customers and Third Parties

The Group properly manages and protects confidential information received from customers and third parties. Confidential information generally means information disclosed in the documents (including electro-optically recorded data information) that

are agreed to be confidential and information orally disclosed after confidentiality thereof has been notified.

(7) Contribution to Society

(i) Contribution to Society and Local Community

The Group voluntarily engages in activities that contribute to the development of international and local communities. Those activities that can contribute to the development of international and local communities mean support activities for communities, utilizing corporate management resources.

(8) Responsible Sourcing of Mineral Resources

(i) Conflict Minerals

We will advance efforts to achieve responsible sourcing of mineral resources throughout the supply chain. We will not procure raw materials, including tin, tantalum, gold, and tungsten (conflict minerals), that are sourced from conflict-affected and high-risk areas, including the Democratic Republic of the Congo and neighboring countries, where human rights abuses or funding for armed groups are present. If the use of conflict minerals is identified, we will demand corrective action from our suppliers and cease using the materials until corrective measures are completed.

(9) Others

(i) Preparation of BCP Manual

A BCP (Business Continuity Plan) means a plan not only for the safety of employees but also for continuing business operations in the event of an emergency. Expected emergencies are natural disasters such as large-scale earthquakes or floods, accidents at factories such as large-scale explosions or fires, pandemics, etc.; by setting up a BCP, the Group can expect to effect smoother responses to emergencies as well as address issues regarding business management through the inspection of its business being carried out in preparation for the plan.

(10) Language

The governing language of the Procurement Guidelines shall be Japanese.

If an English or any other translation hereof is made, such a translation shall be for reference purposes only. If there is any deviation between the Japanese original and the translation thereof, the Japanese version shall prevail

Survey of Implementation Status of Procurement Guidelines

Company Name			
Department			
Contact Person			
Phone, Fax	Phone:		Fax:
E-mail			

Date	
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Please review the questions, select and fill in the response column (Level 0-3, Other).
Please use the Remarks column if you select "Other" or need to provide additional details.

*Please contact our division in charge for any question you have when filling out this survey.

No.	Questions	Response Level 0	Response Level 1	Response Level 2	Response Level 3	Response Other	Response Level	Remarks
(1)(i)	Prohibit forced labor	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(ii)	Prohibit inhumane treatment	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(iii)	Prohibit child labor	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(iv)	Prohibit discrimination	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(v)	Pay proper wages	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(vi)	Working hours are proper	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(2)(i)	Implement safety measures for machines and equipment	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(ii)	Ensure workplace safety	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(iii)	Implement hygiene control of workplace	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(iv)	Understand circumstances of occupational injury and disease and take proper measures thereof	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(v)	Prepare emergency response measures and familiarize its members in the workplace with these measures	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(vi)	Give consideration to physically demanding work	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(vii)	Properly secure safety and hygiene of the facilities for the livelihood of its employees	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(viii)	Implement health management of its employees	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(3)(i)	Manage chemical substances contained in products	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(ii)	Manage chemical substances used in manufacturing process	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(iii)	Establish environment management system	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(iv)	Comply with laws and regulations and implement voluntary management for minimizing environmental impact (drainage, sludge, emission, etc.)	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(v)	Properly obtain permits and approvals from government (environmental permits, etc.)	Not properly obtained	Recognize the importance	Properly obtained	Initiatives in place with a system for corrective action	Not applicable		
(vi)	Effectively utilize resources and energy	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(vii)	Reduce greenhouse gas emissions	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(viii)	Reduce waste materials	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(ix)	Engage in the conservation of biodiversity	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(x)	Disclose its environmental preservation status	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		

No.	Questions	Response Level 0	Response Level 1	Response Level 2	Response Level 3	Response Other	Response Level	Remarks
(4)(i)	Prohibit corruption and bribery	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(ii)	Prohibit abuse of superior bargaining position	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(iii)	Prohibit offering and receiving of improper advantages	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(iv)	Prohibit anticompetitive conduct	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(v)	Provide accurate information on products and services	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(vi)	Respect intellectual property	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(vii)	Implement proper export control	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(viii)	Actively provide or disclose information to its stakeholders	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(ix)	Have a system for prevention and early detection of misconduct	No system in place	Recognize the importance	System in place	System in place with regular reviews	Not applicable		
(5)(i)	Ensure product safety	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(ii)	Establish quality management system	No system in place	Recognize the importance	System in place	System in place with regular reviews	Not applicable		
(6)(i)	Take defensive measures against the threats on computer networks	No system in place	Recognize the importance	System in place	System in place with regular reviews	Not applicable		
(ii)	Prevent leakage of personal information	No system in place	Recognize the importance	System in place	System in place with regular reviews	Not applicable		
(iii)	Prevents leakage of confidential information of customers and third parties	No system in place	Recognize the importance	System in place	System in place with regular reviews	Not applicable		
(7)(i)	Voluntarily engage in activities contributing to society and community	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(8)(i)	The company is making efforts to achieve responsible sourcing of mineral resources and is verifying that its suppliers do not use conflict minerals by utilizing frameworks such as the "Responsible Minerals Assurance Process (RMAP)" established by the Responsible Minerals Initiative (RMI).	No initiatives	Recognize the importance	Initiatives in place	Initiatives in place with a system for corrective action	Not applicable		
(9)(i)	Prepare BCP manual	No system in place	Recognize the importance	System in place	System in place with regular reviews	Not applicable		
Total							0	

Comment