



*Think Automation and beyond...*

# IDEC Group CSR Procurement Guidelines

August 1st, 2018 (First Edition)

**IDEC CORPORATION**

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## Introduction

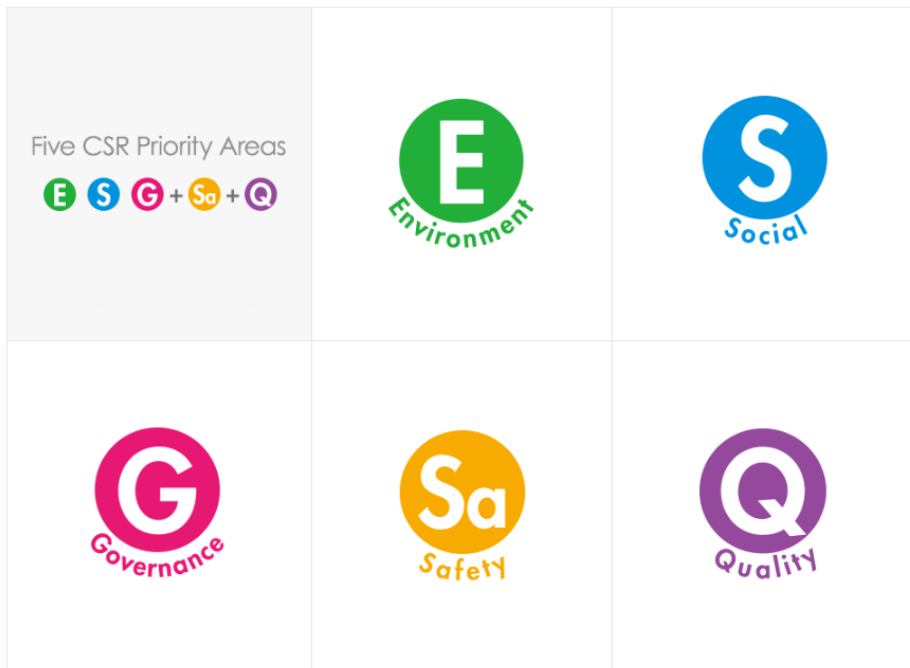
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The IDEC Group is actively involved in Corporate Social Responsibility (CSR) activities. This is due to the corporate mission which requires: “for all employees to respect humanity as we contribute to society and economy through business growth.” Most importantly, we keep “spreading safety” and “contributions to the global environment” through our business at the center of those activities. Based on the “IDEC Group Corporate Ethics and Code of Conduct” and the Ten Principles of the United Nations Global Compact, we aim for sustainable growth through our business activities. In 2017, we established the “IDEC Group CSR Charter.” Here, based on our corporate mission, “management with respect for humanity,” we declare that we will maximize the happiness of all stakeholders surrounding the IDEC Group.

In addition, recent years have seen various changes in the CSR demands that society places on businesses, in areas that include human rights and labor, health and safety, environmental protection, and ethics. Responding to such demands has become a necessary condition of business continuity, and in light of such developments, the IDEC Group is advancing CSR activities in priority areas referred to as ESG+Sa+Q, consisting of the environment (E), society (S), and governance (G) as well as IDEC’s own strengths of safety (Sa) and quality (Q).

### Five CSR Priority Areas

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Based on these societal demands, these IDEC Group CSR Procurement Guidelines have been established in light of the need to identify to members of the IDEC Group and its suppliers in more specific terms the Group's thinking on CSR procurement.

The Guidelines begin by introducing the Purchasing Policy intended to identify the IDEC Group's basic approach to transactions with suppliers. These Guidelines clearly identify matters with which suppliers are expected to comply based on a shared understanding of our corporate social responsibility.

Suppliers are requested to understand the main points of these Guidelines and implement the necessary actions and activities to comply with each of the requirements herein.

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## **Purchasing Policy**

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In engaging in new transactions, the IDEC Group will provide an environment in which all suppliers can trade with it in a fair and impartial manner. To increase customer satisfaction even further, it will strive to build a supply-chain management (SCM) system on a global basis, seeking to secure an extensive range of suppliers around the world. Together with aiming to procure materials with outstanding quality, cost, and delivery (QCD) performance and low environmental impact, it also will aim to realize coexistence and co-prosperity with suppliers as a good business partner.

### **Global**

To enable global production activities, outstanding parts and materials shall be procured from global suppliers in the optimal locations.

### **Fair and impartial**

The Group will engage in fair transactions regardless of company size or nationality. Relations shall be built based on mutual cooperation and trust through transactions reflecting comprehensive, fair evaluation of matters, such as quality, price, delivery time, stability of supply, and CSR. In addition, information learned through transactions shall be managed appropriately and shall not be disclosed nor divulged to third parties or used for other than its intended purpose without permission.

### **Green procurement**

Procurement transactions shall be conducted in compliance with laws and regulations, and standards related to environmental protection and proactive efforts shall be made to lessen environmental impact through means, such as development of environmental management systems together with suppliers thorough management of chemical substances, and promoting recycling of resources, to procure eco-friendly materials with low environmental impact and thus fulfill our corporate responsibilities to society.

### **CSR procurement**

CSR procurement shall be advanced, based on consideration for matters, such as legal and regulatory compliance, respect for human rights, health and safety, environmental protection, coexistence with society, and timely and appropriate disclosure of information. To response to increasing interest among customers in all processes involved in generating products and services, joint efforts will be conducted with the suppliers who play important roles in such processes based on a shared understanding of CSR.

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## 1. LABOR

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Business partners are committed to uphold the human rights of workers and to treat them with dignity and respect as understood by the international community. This applies to all workers, including temporary, migrant, student, contract, direct employees, and any other type of worker.

### (1) Freely Chosen Employment

- In no case shall forced, bonded (including debt bondage), or indentured labor, involuntary or exploitative prison labor, slavery, or human trafficking be used. (This includes transporting, harboring, recruiting, transferring, or receiving persons by means of threat, force, coercion, abduction, or fraud for labor or services.)
- There shall be no unreasonable restrictions on workers' freedom of movement in the facility in addition to unreasonable restrictions on entering or exiting company-provided facilities.
- All work must be voluntary and workers shall be free to leave work at any time or terminate their employment.
- Employers and agents may not hold or otherwise destroy, conceal, confiscate or deny access by employees to their identity or immigration documents, such as government-issued identification, passports or work permits, unless such holdings are required by law.
- Workers shall not be required to pay recruitment fees or other related fees for their employment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

### (2) Young Workers

- Child labor is not to be used in any work. The term "child" refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest.
- The use of legitimate learning programs in workplace, which comply with all laws and regulations, is supported.
- Workers under the age of 18 (Young Workers) shall not perform work that is likely to jeopardize their health or safety, including night shifts and overtime.
- In accordance with laws and regulations, working records of student workers shall be retained properly, checked strictly to ensure that instructors in the workplace provide student workers with appropriate guidance, and managed to ensure that the rights of student workers are protected fully.

- In the absence of local law, the wage rate for student workers, interns, and apprentices shall be at least the same wage rate as other entry-level workers performing equal or similar tasks.

### **(3) Working Hours**

- A workweek is not to exceed the maximum set by local law.
- Workers shall be allowed at least one day off every seven days.

### **(4) Wages and Benefits**

- Business partners shall comply with all applicable wage related laws and regulations, including those relating to minimum wages, overtime work, and legally mandated benefits.
- Business partners shall pay extra wages for overtime work in accordance with local laws.
- Business partners shall not reduce wages as a disciplinary measure even in cases subject to disciplinary action.
- At the time of payment, business partners shall provide workers understandable and accurate wage statements that include sufficient information to verify compensation for work performed.
- Business partners shall pay wages and allowances to all workers based on local laws.

### **(5) Humane Treatment**

- There is to be no harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse of workers, nor is there to be the threat of any such treatment.
- Clear disciplinary policies and procedures shall be decided on for persons who have caused any issues, such as those described above, and they shall be communicated to workers.

### **(6) Non-Discrimination**

- Business partners should be committed to a workforce free of harassment and unlawful discrimination.
- Companies shall not engage in discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status in hiring and employment practices, such as wages, promotions, rewards, and access to training.
- Business partners shall accommodate the needs of workers within a reasonable extent for religious practices, as necessary.

- Workers or potential workers should not be subjected to medical tests or physical exams that could be used in a discriminatory way.

#### **(7) Freedom of Association**

- Business partners shall respect the right of all workers to form and join trade unions of their own choosing, to bargain collectively and to engage in peaceful assembly, and to respect the right of workers to refrain from such activities.
- Workers and/or their representatives shall be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation, or harassment.

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## **2. HEALTH and SAFETY**

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Business partners shall recognize that in addition to minimizing the incidence of work-related injury and illness, a safe and healthy work environment enhances the quality of products and services, consistency of production, and worker retention and morale. Business partners shall also recognize that raising worker awareness and education is essential to identifying and solving health and safety issues in the workplace.

#### **(1) Occupational Safety**

- Worker potential for exposure to safety hazards (e.g., chemical, electrical and other energy sources, fire, vehicles, and fall hazards) are to be identified and assessed, and controlled through preventative maintenance and safe work procedures (including lockout/tag-out \*1 ), and ongoing safety training.

\*1 Lockout and tag-out procedures are important means of protecting employees engaged in the operation, service, inspection, and maintenance of machinery and equipment from danger. Lockout refers to locking machinery and equipment after first cutting off circuit breakers, switches, valves, and other sources of motive

power during inspection and maintenance. Tag-out refers to attaching a type of warning tag to safe parts of a locked-out device. The machinery or equipment must not be restarted until the tag has been removed. Lockout and tag-out are used simultaneously to demonstrate clearly that the source of motive power has been cut off.



- Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate, well-maintained, protective equipment and educational materials about risks to them associated with these hazards.
- Reasonable steps must also be taken to remove or reduce any workplace health and safety risks to pregnant women.

## **(2) Emergency Preparedness**

- Emergency situations and events and their resulting impacts and damage are to be identified and their content verified.
- Damage due to emergency situations and events is to be minimized by regularly maintaining emergency plans and response procedures, including emergency reporting, employee notification and evacuation procedures, evacuation drills, appropriate fire detection and suppression equipment, escape paths, and recovery plans.
- Such plans and procedures shall focus on minimizing harm to life, the environment, and property.

## **(3) Occupational Injury and Illness**

- Procedures and systems are to be in place to classify and record injury and illness cases, provide necessary medical treatment, investigate cases and implement corrective actions to eliminate their causes, and facilitate return of workers to work.

## **(4) Industrial Hygiene**

- Risk of worker exposure to chemical, biological, and physical agents in the workplace is to be identified and risks eliminated or controlled through administrative controls as necessary.
- When hazards cannot be adequately controlled by such means, workers are to be protected by being provided with and using appropriate, personal protective equipment and educational materials.

## **(5) Physically Demanding Work**

- Worker exposure to the hazards of manual material handling, repetitive physically demanding tasks, prolonged standing, and highly repetitive or forceful assembly tasks is to be identified, evaluated, and controlled.

## **(6) Machine Safeguarding**

- Necessary measures, such as use of protective railings, interlocking structures\*2, and protective walls shall be employed for machinery and equipment used for production and other purposes, and such machinery and equipment shall be maintained and managed to avoid worker injuries.

\*2 Interlocking is an approach to safety equipment and safety design in which other operation is not possible unless certain conditions are satisfied.

#### **(7) Sanitation, Food, and Housing**

- Workers are to be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities.
- Worker dormitories provided by the business partners are to be maintained to be clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, adequate lighting heat and ventilation, and reasonable personal space along with reasonable entry and exit privileges.

#### **(8) Health and Safety Communication**

- Business partners shall provide workers with appropriate workplace health and safety training in their native language the worker can understand. Health and safety related information shall be posted in the facility in a location identifiable and accessible by workers.

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### **3. ENVIRONMENTAL**

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Business partners recognize that environmental responsibility is integral to producing world-class products. In manufacturing operations, adverse effects on the community, environment, and natural resources are to be minimized while safeguarding general health and safety.

#### **(1) Environmental Permits and Reporting**

- All required environmental permits (e.g. discharge monitoring), approvals and registrations are to be obtained, maintained, and kept current and their operational and reporting requirements are to be followed.

#### **(2) Pollution Prevention and Resource Reduction**

- The use of natural resources, including water and energy, and the generation of waste are to be minimized or eliminated at the source or by practices, such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling,

re-use, or other means.

### **(3) Hazardous Substances**

- Chemicals and other materials posing a hazard to humans or the environment are to be identified and properly treated by safe handling, movement, storage, re-use, or other means.

### **(4) Wastewater and Solid Waste**

- Business partners shall implement a systematic approach to identify, manage, reduce, and responsibly dispose of or recycle solid waste (non-hazardous). In addition, they must strive to analyze and monitor the content of wastewater discharged from manufacturing processes and other activities and discharge or dispose of such wastewater only after implementing necessary management and treatment based on the results of such analysis and monitoring. They also must implement measures to reduce the generation of wastewater. The performance of systems for handling and treatment of wastewater must be monitored on a daily basis.

### **(5) Air Emissions**

- Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals, and combustion byproducts generated from operations are to be characterized, routinely monitored, controlled, and treated as required prior to discharge. Business partners shall conduct routine monitoring of the performance of its air emission control systems.

### **(6) Materials Restrictions**

- Business partners are to adhere to all applicable laws, regulations, and customer requirements regarding prohibition or restriction of specific substances in products and manufacturing, including classifying for recycling and disposal.

### **(7) Rain Water control**

- Pollution due to outflow of rainwater must be prevented through systemic efforts. In addition, measures must be taken to prevent unlawful drainage and outflows from entering rainwater pipes.

### **(8) Energy Consumption and Greenhouse Gas Emissions**

- Energy consumption and greenhouse gas emissions are to be tracked and documented, at the facility and/or corporate level. Business partners are to look for cost- effective methods to

improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.

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## 4. ETHICS

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To meet social responsibilities and to achieve success in the marketplace, business partners are to uphold the highest standards of ethics including the following:

### (1) Business Integrity

- The highest standards of integrity are to be upheld in all business interactions.
- Business partners shall have a zero tolerance policy to prohibit any and all forms of bribery, corruption, extortion, and embezzlement.
- All commercial transactions must be implemented with transparency and reflected accurately in accounting ledgers.
- Monitoring and other procedures must be implemented to ensure compliance with laws on prevention of corruption.

### (2) No Improper Advantage

- Bribes or other means of obtaining undue or improper advantage are not to be promised, offered, authorized, given, or accepted. This prohibition covers promising, offering, authorizing, giving, or accepting anything of value, either directly or indirectly through a third party, in order to obtain or retain business, direct business to any person, or otherwise gain an improper advantage.

### (3) Disclosure of Information

- Information regarding business partner labor, health and safety, environmental practices, business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices.
- Falsification of records or misrepresentation of conditions or practices in the supply chain of business partners is unacceptable.

### (4) Intellectual Property

- The need to protect intellectual property rights must be respected and given due consideration. Transfer of technologies and expertise must be implemented in a manner that does not infringe on intellectual property rights, and customer information is to be safeguarded.

#### **(5) Fair Business, Advertising, and Competition**

- Standards of fair business, advertising, and competition are to be upheld. In addition, appropriate measures are to be implemented to safeguard customer information.

#### **(6) Protection of Identity and Non-Retaliation**

- Programs to protect the confidentiality and anonymity of whistleblowers are to be formulated, unless prohibited by law. Business partners should have a communicated process for their employees to be able to raise any concerns without fear of retaliation.

#### **(7) Responsible Sourcing of Minerals**

- Business partners shall have a policy to reasonably assure that the tantalum, tin, tungsten, and gold in the products they manufacture do not directly or indirectly finance armed groups that are perpetrators of serious human rights abuses in the Democratic Republic of the Congo or an adjoining country.

#### **(8) Privacy**

- Business partners are to commit to protecting personal information of everyone they do business with, including suppliers, customers, consumers, and employees.
- Business partners are to comply with privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted, and shared.

#### **(9) Prohibition of Abusing Advantageous Position**

- Business partners shall conduct good faith, fair, and impartial trading pursuant to contracts and arrangements. It is not allowed that suppliers make a unilateral decision or change trade terms with their suppliers or impose unreasonable requests or obligations making use of the advantageous position of transactions.
- Business partners shall comply with laws and regulations concerning the abuse of advantageous position in any country where such laws and regulations are established.

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## **5. PRODUCT SAFETY**

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### **(1) Ensuring Product Safety**

- When designing products under their own responsibility, business partners must employ designs capable of securing product safety through compliance with applicable laws and regulations, conformity to standards, and design of products reflecting consideration for safety.
- Securing product safety should include the management of traceability (e.g., history of materials, parts, process) and prompts responses for problem solving.

## **(2) Provision of appropriate product-related information**

- Business partners must appropriately show necessary information, including specification, quality, handling procedures of products or services.

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# **6. MANAGEMENT SYSTEMS**

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## **(1) Company initiatives**

- Business partners shall formulate policies approved by top management to fulfill their corporate social responsibility through confirmation of compliance and efforts toward continual improvement and policies related to their responsibility to protect the environment.

## **(2) Management accountability and responsibility**

- Executives in charge of ensuring that the management structure and related programs are implemented shall be made clear.
- Executives in charge shall review the management structure periodically.

## **(3) Legal requirements and customer requirements**

- Processes shall be established to identify, monitor, and understand applicable laws and regulations and customer requirements.

## **(4) Risk Assessment and Risk Management**

- Business partners shall establish a process to identify the legal compliance, environmental, health and safety, labor practice and ethics risks associated with operations.
- To ensure regulatory compliance, the relative importance of individual risks shall be evaluated and they shall be managed based on appropriate procedures.

## **(5) Improvement Objectives**

- Objectives and implementation plans are to be established to improve the Business Partner's fulfillment of its social and environmental responsibilities.

#### **(6) Training**

- Programs are to be conducted for training managers and workers to implement the Business Partner's policies, procedures, and improvement objectives.

#### **(7) Communication**

- A process for communicating clear and accurate information about business partners' policies, practices, expectations, and performance to workers, suppliers, and IDEC group is to be established.

#### **(8) Worker Feedback and Participation**

- Ongoing processes to assess employees' understanding of and obtain feedback on practices and conditions covered by these guidelines and to foster continuous improvement are to be maintained.

#### **(9) Audits and Assessments**

- Business partners shall conduct periodic self-evaluations to ensure conformity to legal and regulatory requirements related to social and environmental responsibility, the requirements of these guidelines, and customer contractual requirements.

#### **(10) Corrective Action Process**

- A process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations, and reviews is to be maintained.

#### **(11) Preventive measures**

- A process is to be maintained for measures to prevent the reoccurrence of deficiencies that have occurred and the occurrence of similar deficiencies.

#### **(12) Documentation and Records**

- Documents and records to ensure regulatory compliance and conformity to practices and conditions covered by these guidelines along with appropriate confidentiality to protect privacy are to be created and maintained.

#### **(13) Supplier Responsibility**

- A process to communicate these guidelines requirements to suppliers and to monitor supplier compliance to these guidelines is to be maintained.

**(14) BCP Initiatives**

- In order to prepare for natural disasters, accidents, and contingency situations, business partners shall formulate Business Continuity Plans to implement measures to ensure stable supplies of materials and services within a scope that includes the IDEC Group and suppliers' own suppliers and to support IDEC Group risk management initiatives.



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## References

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These Guidelines summarize practical standards for actions and activities to be implemented and complied with by suppliers, based on the IDEC Group Corporate Ethics and Code of Conduct.

The following standards were referred to in its preparation.

- IDEC Group Corporate Ethics and Code of Conduct  
<http://www.idec.com/csr/governance/compliance.html>
- The Ten Principles of the United Nations Global Compact  
[www.unglobalcompact.org](http://www.unglobalcompact.org)
- ILO International Labor Standards  
[www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm](http://www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm)
- Responsible Business Alliance Code of Conduct  
<http://www.responsiblebusiness.org/standards/code-of-conduct/>

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## Document revision history

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First edition: August 1, 2018

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|---|-----------------------|
| 1. Information provided by suppliers may not be disclosed externally.   |                       |
| 2. The content of these Guidelines is subject to change in response to revisions to laws, regulations, internal rules, or other materials. Check the IDEC website regularly for the latest information. |                       |
| 3. If you have any questions about this guideline, please contact the address below;  |                       |
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