

SUMITOMO RIKO GROUP

Supplier CSR Guidelines

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2nd Edition



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I. Introduction

We, Sumitomo Riko, together with Group companies, constantly intensify our contribution to Corporate Social Responsibility (CSR) and to sustainable development of the society.

In November 2011 we elaborated the first "Supplier CSR Guidelines" and asked our suppliers to implement CSR management.

On the basis of the above, next to the development of technology, compliance of the laws and environmental aspects, we also ask for respect for human rights and ensuring safety to employees, which additionally increases expectations of corporate social responsibility.

In October 2014, using the "Sumitomo" trade mark due to the change of the company's business name into "Sumitomo Riko", we acknowledged the "The Sumitomo Spirit" as the foundation and the basic policy of business activity of the Sumitomo Group. Additionally, our company established the "Sumitomo Riko Group Management Philosophy", which sets forth the S.E.C. idea (Safety, Environment, Compliance) – the essentials of our business philosophy, thus supplementing the "Sumitomo Riko Group Action Charter".

Acting in accordance with the "The Sumitomo Spirit", the "Sumitomo Riko Group Management Philosophy" and the "Sumitomo Riko Group Action Charter", together with our suppliers, we are going to continue to perform procurement activities based on CSR awareness. Therefore, we are asking for your cooperation.

II. The Sumitomo Spirit and The Sumitomo Riko Group Management Philosophy

●The Sumitomo Spirit (Business Principles)

Article 1. Sumitomo shall achieve prosperity based on a solid foundation by placing prime importance on integrity and sound management in the conduct of its business.

Article 2. Sumitomo's business interests must always be in harmony with the public interest. Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

●The Sumitomo Riko Group Management Philosophy

In light of the Sumitomo Spirit, all of us at the Sumitomo Riko Group will:

- 1. We will provide superior products and services to meet customer needs based on technological innovation.**
- 2. We will place top priority on safety and work to ensure the safety of people and society.**
- 3. We will strive to protect the global environment and to contribute to creating better communities.**
- 4. We will maintain a high standard of corporate ethics and observe all laws and regulations to earn public trust and confidence worldwide.**
- 5. We will foster an invigorating corporate culture that respects our employees' diversity, personal qualities, and individuality.**

III. Sumitomo Riko Group Action Charter

The Sumitomo Riko Group, in view of The Sumitomo Spirit and in accordance with the Sumitomo Riko Group Management Philosophy, endeavors to fulfill its Corporate Social Responsibility (CSR) with a strong sense of ethical values and contribute to sustainable development of society in harmony with people and the Earth. To this end, we act in line with the following 11 principles.

1. Commitment to Customers

1. We shall develop and provide socially beneficial and safe products and services that give satisfaction to customers and earn their confidence. We shall contribute to society through such business activities.

We shall:

- 1-1. endeavor to understand customer needs and develop and provide socially beneficial products and services to contribute to sustainable development of society;
- 1-2. ensure the safety and quality of products and services;
- 1-3. provide customers with appropriate information on products and services; and
- 1-4. respond sincerely to inquiries from customers and reflect their perspectives in the improvement and development of products and services.

2. Compliance

We shall engage in fair, transparent and free competition and ensure that transactions are appropriate. Also, we shall observe laws, regulations, and rules, as well as maintain a sound and proper relationship with political bodies and government agencies.

We shall:

- 2-1. comply with the antitrust laws of countries and regions and not engage in monopolistic practices, unlawful restraint of transactions (cartels), or unfair trade practices;

- 2-2. protect the intellectual property rights of the Sumitomo Riko Group and not engage in illegal acquisition or illegal use of the intellectual property of third parties nor infringe their rights;
- 2-3. implement appropriate export procedures and controls regarding exports of technologies and goods that are restricted by laws and regulations of countries and regions;
- 2-4. not provide or receive entertainment, gifts, or money to or from business partners for the purpose of gaining or maintaining unlawful profit and/or preferential treatment; and
- 2-5. comply with the laws and regulations of countries and regions when making political donations or other monetary contributions and endeavor to build transparent and fair relationships with political bodies and government agencies.

3. Dialogue with Stakeholders, Information Disclosure, and Information Management

In addition to communicating with shareholders, we shall interact extensively with the public, and disclose corporate information actively and fairly. We shall also protect and properly manage personal and customer data and other types of information.

We shall:

- 3-1. promote communication with shareholders and investors through general meetings of shareholders and investor relations (IR) activities;
- 3-2. endeavor to prevent insider trading;
- 3-3. disclose information to stakeholders in an appropriate and timely manner;
- 3-4. promote two-way communications with a wide range of stakeholders through public communications, public hearings, dialogues, and other means; and
- 3-5. protect personal and customer data appropriately.

4. Respect of Human Rights

We shall respect the diversity, character and personality of employees and ensure a safe and comfortable working environment, thereby cultivating a sense of belonging and plenitude.

We shall:

- 4-1. promote work-life balance and establish personnel and organization systems that enable diverse people to work;
- 4-2. make no unjustified discrimination in employment and treatment of persons and provide equal opportunities;
- 4-3. prevent occupational accidents and support the wellbeing of our employees;
- 4-4. respect the different attributes of our employees and support their career development and skill development;
- 4-5. engage in dialogues directly with our employees or with their representatives and discuss matters with them in good faith;
- 4-6. not countenance child labor or forced labor; and
- 4-7. comply with laws and regulations of countries and regions concerning wages and other benefits, working hours and holidays.

5. Environment

Recognizing that environmental issues pose challenges to all humankind and that it is an integral part of our existence and activities, we shall proactively tackle these issues.

We shall:

- 5-1. implement measures to mitigate global warming and work to establish a recycling-based society;
- 5-2. comply with laws and regulations of countries and regions concerning prevention of pollution of air, water, and soil, etc. and prevent environmental contamination through continuous monitoring and reduction of pollutants;
- 5-3. manage potentially environmentally harmful chemical substances to ensure

safety;

- 5-4. ensure that our products of each country and region do not contain chemical substances prohibited by laws and regulations of that country and region;
- 5-5. not use prohibited chemical substances in manufacturing processes, and regarding chemical substances that are specified by laws and regulations of countries and regions, monitor their emission volumes and report to governmental agencies; and
- 5-6. engage in nature conservancy activities, including conservation of biodiversity.

6. Social Contribution

We shall actively engage in philanthropic activities and other socially beneficial activities as a good corporate citizen.

We shall:

- 6-1. apply our resources and expertise to help resolve social issues that have a bearing on our business activities;
- 6-2. promote collaboration with a wide range of partnerships, including NPOs/NGOs and regional communities, in order to resolve issues;
- 6-3. support employees' voluntary involvement in the community; and
- 6-4. participate in social contribution activities of the industry of which we are a part and of the business community.

7. Action against Anti-Social Forces

We shall resolutely confront antisocial forces and organizations that pose a threat to the order and security of civil society and sever all relations with such individuals and groups.

We shall:

- 7-1. clearly announce our policy of rejecting any contact with antisocial forces;
- 7-2. implement a Group-wide initiative in compliance with laws to prevent any damage to the Group by antisocial forces; and

7-3. collaborate with the relevant organizations to eliminate antisocial forces.

8. Respect for Global Compliance

In line with the globalization of business activities, we shall comply with laws and regulations of the countries and regions where our business operations are based and respect human rights and other international norms of behavior. We shall also conduct business by taking into consideration the local culture and customs as well as the interests of stakeholders, and contribute toward the development of the local economy and society.

We shall:

- 8-1. respect international norms of various kinds, including human rights, in addition to ensuring compliance with the Sumitomo Riko Group Action Charter and laws and regulations of the countries and regions where we operate;
- 8-2. respect the cultures and customs of the countries and regions where we operate, and always promote business activities based on mutual trust with stakeholders;
- 8-3. promote localization of management and improvement of the working environment attuned to the circumstances of the countries and regions;
- 8-4. take an interest in the CSR initiatives of suppliers in the countries and regions where we operate and provide support to them for improvement, as necessary; and
- 8-5. not provide gifts or entertainment to foreign officials as a means of gaining unlawful benefits or profits.

9. Risk Management

We shall assess risks that may arise in the future and develop measures to prevent their materialization; and if they do materialize, we shall endeavor to minimize the damage.

We shall:

- 9-1. identify and analyze risks to which business activities of the Sumitomo Riko Group are exposed and establish a structure to avert risks and Group-wide systems for risk management; and
- 9-2. monitor and evaluate activities in order to prevent risks materializing and to minimize damage in the event that they do materialize.

10. Initiative of Top Management

Recognizing that it is the role of top management to inculcate the spirit of this Charter throughout the Group, top management of the Sumitomo Riko Group shall take the initiative in an exemplary manner to implement the Charter within Sumitomo Riko and throughout the Group companies, while also encouraging the Group's suppliers to endorse and fulfill the principles of this Charter. Furthermore, top management shall continuously listen and respond to voices from within and outside the Group and establish internal systems to promote CSR.

- 10-1. Top management shall fully exercise leadership in order to clarify the management philosophy and the code of conduct, ensure adherence to the same throughout the Sumitomo Riko Group, and promote CSR.
- 10-2. Top management shall articulate the management philosophy, the code of conduct, and the CSR policy to external parties and disclose information on concrete activities.
- 10-3. We shall establish Group-wide systems for implementation of initiatives.
- 10-4. We shall ensure that corporate ethics are observed and CSR is promoted throughout the Sumitomo Riko Group. In addition, we shall also encourage our suppliers and other members of the supply chain to do the same.
- 10-5. We shall maintain the corporate ethics helpline (point of contact for consultation), which is independent of the usual chain of command, and utilize it to improve business conduct.
- 10-6. We shall implement education and training concerning observation of corporate ethics and promotion of CSR and improve such programs.

10-7. We shall check and evaluate the impact of initiatives concerning the Sumitomo Riko Group Action Charter and the extent to which its principles are inculcated.

11. Clarification of Where Responsibility Resides

In the event of any violation of the Charter, top management of the Sumitomo Riko Group shall take charge to resolve the issue, investigate and identify the causes of the lapse and make efforts to prevent recurrence. At the same time, top management shall promptly make a public disclosure of such violation, explain what has occurred, and, upon clarifying the authority and responsibility, impose strict disciplinary action on those responsible.

11-1. Top management shall always adopt a risk management perspective and design internal systems for prevention of emergencies.

11-2. In the event of an emergency, top management shall take command of the investigation of the facts and the identification of the causes without delay and formulate and implement appropriate policies and measures to fulfill the responsibility of the company.

11-3. Top management shall swiftly provide a clear explanation of the facts, the policy on countermeasures, measures to prevent recurrence prevention, and other matters.

IV. Basic Attitude toward Procurement Activities

Based on the understanding that fulfilling one's Corporate Social Responsibility (CSR) is a prerequisite for a company to survive, we emphasize to our employees that "compliance with the law takes priority over profits". As part of such policies, we are making efforts to spread compliance awareness among all employees of the Sumitomo Riko Group companies by distributing brochures entitled "Guidelines and Requirements for the Ethical Conduct of Business" and "Compliance Manual", as well as by organizing internal workshops.

In this setting, we can ensure that our procurement activities are conducted in a fair and transparent manner in all aspects of our transactions, above and beyond "compliance." As fundamental policies in procurement activities, we have set Sumitomo Riko's basic policy on transactions and our code of conduct as outlined below. If our employees behave in any way which conflicts with the code, we will take firm action.

1. Basic policy on transactions

We consider Sumitomo Riko Group and its suppliers to be partners on an equal footing, and therefore we ensure that all transactions are conducted in a fair and transparent manner and that promises and contracts are always respected.

2. Code of conduct

- 1) The selection of suppliers should be implemented in accordance with guidelines related to procurement. (we never decide and support a specific supplier due to personal reasons)
- 2) All determinations on terms and conditions of transaction and releases of information to suppliers should be made in a fair manner.

3) Sumitomo Riko Group shall pay significant attention to the management of confidential information regarding suppliers and must not use such information for any purposes other than procurement activities.

4) Sumitomo Riko Group must not accept from its suppliers, nor ask a supplier for, any remuneration such as a gift or entertainment that exceeds the scope of social norms.

3. Reaction to violations

If our employees violate the terms outlined above, we will take firm action as specified in employment regulations.

V. Sumitomo Riko's Expectations of Suppliers

1. Delivery of the highest quality products and services

Sumitomo Riko Group aims to provide products and services useful for life in terms of safety, high quality, competitive costs, and meeting customer expectations.

Therefore, we ask our suppliers to supply goods and services complying with ordered specifications, safety and quality standards, at commercially attractive prices, and to respect delivery dates and stability.

2. Enhancing technological level

Sumitomo Riko Group carries out ongoing monitoring of customers' needs, and demonstrates its creativity in an effort to develop original new products and solutions. To this end, we ask our suppliers of products and services to continuously improve technological standards, develop new technologies and materials, and persistently apply VE / VA and to submit proposals for solutions.

*VE / VA (Value Engineering / Value Analysis): analysis of a project in order to optimize costs before / after the start of production.

3. Promoting healthy management

We aim to create long-term relationships with suppliers who demonstrate healthy management practices, and to build together bonds of trust and cooperation. Therefore, we ask our suppliers to share information concerning their policies and current management situation (including financial condition).

4. Caring for the environment

We believe that engaging in environmental issues is the common responsibility of mankind and is a necessary element in the existence and activity of the company. We require that our suppliers demonstrate deep understanding of this matter, and expect them to promote spontaneous and proactive measures to protect the

environment with a view to nature, as well as to comply with Sumitomo Riko Group Green Procurement Standards for supplies.

5. Compliance with regulations and social norms, fair and appropriate activity of the company

We expect our suppliers to act in accordance with laws and regulations in force in the country or region where the supplier conducts business activity (domestic and regional anti-trust regulations, the Subcontract Act, foreign exchange regulations, acts on personal data protection, copyright, laws preventing the abuse of intellectual property etc.).

We expect our suppliers to put strong emphasis on actions that prevent extortion and corruption including bribery.

6. Contribution to society and eliminating antisocial forces

Striving for a better society, we ask our suppliers to respect the culture and customs of their country or region, and to promote active contribution to the economic and social development of those areas.

Furthermore, we believe that we should strongly oppose any forces and organizations posing a threat to safety or public and civil order. Also in this regard, we ask our suppliers for understanding and appropriate action.

7. Caring for human rights, health and safety at work

We ask our suppliers to respect fundamental human rights in their activities and to create a healthy and active work environment based on the principle "Safety First".

We insist that our suppliers never use forced labor, inhuman treatment, child labor, racial harassment, or illegal employment of foreigners. We also ask that suppliers comply with state and local standards regarding health and safety at work, conditions of employment, including the issue of wages and working conditions.

Regarding the supply of raw materials and materials which might result in social problems related to human rights, work or the environment (e.g. conflict minerals (*1)), it is recommended that such materials should be used reasonably, only after their impact on society has been carefully analyzed and, in case of doubt, it is recommended that their use be abandoned.

(*1) minerals extracted within territories affected by armed conflicts including, without limitation, the Democratic Republic of the Congo and neighboring countries (tantalum, tin, gold, tungsten), which are used to fund military actions (conflict minerals).

8. Information disclosure and promoting public dialogue

We ask suppliers to submit in a timely and appropriate manner any information useful for stakeholders concerning management, finance, environmental protection or contribution to the society, and to promote public dialogue.

9. Maintaining confidentiality and data protection

We request that suppliers implement proper management and respect the confidentiality of data obtained in the course of transactions with Sumitomo Riko Group and we ask them not to disclose such data without our permission. Moreover, we request that suppliers implement security measures against threats to the computer network and continuously update these measures so that their own company or other companies do not suffer any damage.

10. Risk Management

We ask for our suppliers' cooperation regarding appropriate preventive measures and risk management activities undertaken by Sumitomo Riko Group. Especially in unforeseen circumstances, treating the safety of local society and our employees as a priority, we aim to ensure a stable supply to our customers. We would like to

kindly ask our suppliers to take action in the same way, setting the security of local society and their employees as the highest priority.

Moreover, in order to react quickly in emergencies, we ask for the implementation of accident prevention measures such as the establishment of a Business Continuity Plan (BCP).

11. Extending and promoting CSR values along the supply chain

We ask our suppliers to extend the spirit of our CSR guideline also to their suppliers by means of education and promotion of company CSR policies. It is important for us that all our suppliers are committed to CSR management.



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