

Kyocera
Supply Chain CSR Procurement Guideline

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Introduction

In recent years, “Corporate Social Responsibility (CSR)” is becoming a matter of concern worldwide.

“CSR is generally interpreted as voluntary efforts by companies for the purpose of sustainable development in the fields purely outside of financial activities, such as compliance with laws, consumer protection, environment preservation, labor issues, respect for human rights, and contribution to communities” (METI, Japan). In other words, private companies are defined as social beings that have responsibilities to operate their business with enough considerations for their stakeholders with corporate ethics..

In addition, many problems which should be tackled by whole supply chain have appeared, including conflict minerals problem under the background of forced labor and violation of human rights, and establishment of business continuity plan for speedy restoration and continuation of business at the times of disaster. Therefore, we establish "Kyocera Supply-Chain CSR Deployment Guideline" which would serve suppliers a better understanding of our CSR policy.

Under such circumstances, we have made efforts to develop an organizational framework on CSR such as compliance with laws and environmental preservation. From now on, we would like to promote these activities continuously by getting cooperation of suppliers. It is believed that all companies involved in a series of business processes consisting of R&D, manufacturing, sales, services, etc. have to cooperate to respond to social needs in order to realize the mutual prosperity of the whole supply chain.

We are very pleased if you understand this guideline and promote CSR activities eagerly. Due to importance of CSR, please note that we reluctantly have to reconsider whether we continue the business with you, in case that you do not approve of this activity.

Revision of the Guideline

To fulfill social responsibilities throughout the entire supply chain, we formulated “Kyocera Supply Chain CSR Promotion Guideline” in 2008 and asked for cooperation of our suppliers.

However, as requests of the society as well as our customers for CSR have changed over time, we decided to review the Guideline and changed its name to “Kyocera Supply Chain CSR Procurement Guideline”.

We would like our suppliers to understand the intent of this revision, and ask for continued cooperation.

We would also ask you to communicate this revision to your business partners.

Purchasing Policy

We (Corporate Purchasing Group) always make aboveboard purchases with humble gratitude on the code of conduct "What is the right thing to do as a human being" based on Kyocera Philosophy.

1. Mission Statement of Corporate Purchasing Group

“We pursue the noble goal of the business faithfully, create value and contribute to evolution of the business through unremitting procurement operation, with commitment of prospering together with valued suppliers, elevating our spirit, and standing as a social being.”

Purchasing people have to be credible and have their raison d’etre by living in thankfulness, humbly reflecting their own behaviors and making continuous self-discipline.

2. Supplier Selection Policy

We select suppliers based on the following policies.

- Kyocera’s fundamental policy shall be understood by the supplier.
- Top Management’s attitude of the supplier and its management rationale shall be acceptable to Kyocera.
- the supplier aims to improve management ability, technological strength and manufacturing capability; and business management shall be appropriate and stable in terms of scale and finances.
- the supplier excels in such areas including, but not limited to product quality, price, delivery, and service capability.
- the supplier is faithfully involved in global environmental preservation activity.

Kyocera Group Corporate Social Responsibility (CSR)

Since its establishment, Kyocera has followed its Management Rationale, “To provide opportunities for all of our employees to pursue their material and spiritual happiness, and through our joint efforts, contribute to humanity and society.” Management has been based on the Kyocera Philosophy, with “What is the right thing to do as a human being” as the decision-making criterion. . .

For the Kyocera Group, CSR is none other than the application of the basis of our management – the Kyocera Philosophy. Application of the Kyocera Philosophy builds mutual trust with our stakeholders, and ultimately, it contributes to the sustainable development of the Kyocera Group and the healthy development of society.



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I. LABOR

- 1) Freely Chosen Employment
 - Employers are not to use forced labor, slave labor, bonded labor or labor by trafficking of persons.
 - Employers are to confirm the intention of employees by signing an employment agreement in writing with them or exchanging a statutory document.
 - All labor is to be provided voluntarily, and employees shall be free to leave work.
 - Employers are not to require employees to submit their identification, passport or work permit as part of conditions of employment.
 - Employers are not to require employees to pay recruitment fees to them or agents.
- 2) Young Workers
 - Employers are not to use child labor. 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.
 - Employers are not to make employees under the age of 18 work night shifts or perform work that is likely to jeopardize their health or safety.
 - When hiring student workers and interns, employers are to protect their rights and properly manage them. Employers are to pay wages to those workers and interns at the same rate as entry-level workers who perform equal or similar tasks.
- 3) Working Hours
 - Employers are to follow rules for regular work hours and overtime work hours set force by law.
 - Employers are to follow rules for holidays set force by law.
- 4) Wages and Benefits
 - Employers are to pay extra wage for overtime work based on law.
 - Employers are not to cut wages as punishment.
 - Employers are to provide employees with comprehensible wage statements in a timely manner.
- 5) Humane Treatment
 - There is to be no sexual harassment, sexual abuse, corporal punishment or verbal abuse. Employers are to have a policy and procedures in place for disciplinary actions to be taken for the abovementioned inhumane treatment and communicate them to employees.
- 6) Non-Discrimination
 - Employers are not to engage in discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, national origin (ethnicity), disability, pregnancy, religion, political affiliation, union membership or marital status.
 - Employers are to provide employees with reasonable accommodation for religious practices.
 - Employers are not to perform medical tests or physical exams on employees that could be used in a discriminatory way.
- 7) Freedom of Association
 - Employers are to respect employees' rights to form and join trade unions in conformance with local laws.
 - Employers are to provide employees with opportunities to openly communicate with management regarding working conditions.

II. HEALTH and SAFETY

- 1) Occupational Safety
 - To ensure employees' safety, employers are to adopt an appropriate work method, install safety devices and provide training in a continuous manner to control risks (electricity, other energy sources, fire, vehicle and fall hazards).
 - Employers are to provide employees with properly managed personal protective equipment as required.
 - Employers are to encourage employees to raise safety concerns.
- 2) Emergency Preparedness
 - Employers are to identify and assess potential emergency situations, install equipment to minimize their impact (emergency exit, emergency stairs and fire extinguisher), develop response procedures and conduct a regular drill.
- 3) Occupational Injury and Illness
 - Employers are to have procedures and a system in place to prevent, manage and report occupational injury and illness.
- 4) Industrial Hygiene
 - Employers are to identify and evaluate employee exposure to harmful substances, and control it by measures to reduce exposure.
- 5) Physically Demanding Work
 - Employers are to identify, evaluate and manage the risk of physically demanding work performed by employees.
- 6) Machine Safeguarding
 - Employers are to evaluate safety hazards of production equipment and other equipment and install and properly manage interlocks and barriers as required.
- 7) Sanitation, Food, and Housing
 - Employers are to provide employees with ready access to clean toilet and sanitary potable water. When there is a canteen, food provided and related facilities are to be clean and sanitary.
 - A company dormitory is to be clean and safe and equipped with emergency exit, bathing facilities/shower and other necessary facilities.
- 8) Health and Safety Communication
 - Employers are to provide health and safety training to employees in a language they can understand and post information on health and safety in the facility in a clear manner.

III. ENVIRONMENTAL

- 1) Environmental Permits and Reporting
 - Employers are to obtain and maintain environmental permits and licenses required by law and keep them current and make a required report.
- 2) Pollution Prevention and Resource Reduction
 - Employers are to reduce the amount of materials used in business activities as well as the amount of waste generated by changing a production process, recycling or reuse.
- 3) Hazardous Substances
 - Employers are to identify chemicals which affect the environment and manage safe handling, movement, storage, use, recycling or reuse and disposal thereof.
- 4) Wastewater and Solid Waste
 - Employers are to have and enforce a system to properly identify, manage, reduce and dispose of waste.
 - Employers are to implement measures to reduce generation of wastewater and conduct routine monitoring of wastewater treatment systems to properly handle wastewater.
- 5) Air Emissions
 - Employers are to properly handle and conduct routine monitoring of air pollutants generated by business activities.
- 6) Materials Restrictions
 - Employers are to adhere to laws, regulations and customer requirements regarding prohibition of use or restriction of specific substances in products and manufacturing.
- 7) Storm Water Management
 - Employers are to have a system in place to prevent pollutants from entering storm water drainage.
- 8) Energy Consumption and Greenhouse Gas Emissions
 - Employers are to track and document energy consumption and greenhouse gas emissions, set up a voluntary target for reduction and continue to work on reducing them.

IV. ETHICS

- 1) Business Integrity
 - Employers are to have a zero tolerance policy to prohibit bribery, corruption, extortion and embezzlement.
 - All business dealings are to be transparent and accurately reflected on employers' business books and records.
 - Employers are to implement monitoring and enforcement procedures to ensure compliance with anti-corruption laws.
- 2) No Improper Advantage
 - Employers are not to promise, offer, authorize, give or accept bribes or other means of obtaining undue or improper advantage.
- 3) Disclosure of Information
 - Employers are to disclose information regarding labor, health and safety, environmental activities, business activities, organization, financial situation and performance in accordance with law.
- 4) Intellectual Property
 - Employers are to protect intellectual property rights in transferring technology and knowhow.
- 5) Fair Business, Advertising and Competition
 - Employers are to establish standards of fair business, advertising and competition.
 - Employers are to safeguard customer information.
- 6) Protection of Identity and Non-Retaliation
 - Employers are to have a system in place to report an ethical issue in confidence and protect a whistle-blower from retaliation.
- 7) Privacy
 - Employers are to comply with privacy and information security laws and regulations when they collect, store, process, transmit and share personal information.

V. Conflict Minerals

- Employers are to make efforts based on OECD Due Diligence Guidance.
- Employers are to conduct investigations in accordance with the Responsible Minerals Initiative (RMI) program.
- Employers are to have a policy for efforts regarding procurement of conflict minerals.
- Employers are to disclose such policy on their HP and by other means.
- Employers are to require procured parts to be conflict-free.
- Employers are to collect information on refining companies by CMRT (Conflict Minerals Reporting Template).
- Employers are to exercise due diligence on the information they collected.
- Employers are to have and operate a system to manage conflict minerals including corrective actions.
- Employers are to disclose the process as well as results of these activities based on customer requests.

VI. BCP (BUSINESS CONTINUITY PLAN)

- Social responsibilities for BCP (Business Continuity Plan) are to be included in the company-wide policy and the code of conduct.
- Employers are to disclose such company-wide policy and code of conduct on their HP and by other means.
- Employers are to identify and assess underlying risks and important management resources (personnel, equipment, parts and information) and set a target time to recovery.
- To achieve a target time to recovery, employers are to formulate and implement measures for important management resources (personnel, equipment, parts and information) which will pose a problem (bottleneck).
- Employers are to specify an organizational structure and response procedures from initial reaction to recovery to be adopted when a disaster strikes.
- Employers are to conduct a drill on a regular basis according to response procedures to be performed when a disaster strikes.

VII. MANAGEMENT SYSTEM

- 1) Company Commitment
 - Employers are to have a policy for corporate social and environmental responsibilities endorsed by executive management.
- 2) Management Accountability and Responsibility
 - Employers are to appoint senior executive responsible for implementing management systems and associated programs for labor, health and safety, environment, ethics and conflict minerals and BCP (hereinafter called “CSR-related items”).
 - Senior management is to review the status of the management system of CSR-related items on a regular basis.
- 3) Legal and Customer Requirements
 - Employers are to have a system in place to identify, monitor and understand applicable laws, regulations and customer requests regarding CSR-related items.
- 4) Risk Assessment and Risk Management
 - Employers are to have a system in place to identify risks associated with CSR-related items, and properly manage identified risks.
- 5) Improvement Objectives
 - Employers are to have objectives and an execution plan in writing to improve social and environmental responsibilities.
- 6) Training
 - Employers are to have a training program to achieve a corporate policy, procedures and improvement objectives and ensure compliance regarding CSR-related items.
- 7) Communication
 - Employers are to have a system in place to clearly and accurately communicate information about their policies and performance to employees, suppliers and customers.
- 8) Worker Feedback and Participation
 - Employers are to have a system in place to assess employees’ understanding of and obtain feedback on corporate policies for CSR-related items and to foster continuous improvement.
- 9) Audits and Assessments
 - Employers are to regularly conduct an internal audit to check compliance with laws and regulations and customer requests regarding CSR-related items.
- 10) Corrective Action Process
 - Employers are to have a system in place to correct non-conformity regarding CSR-related items identified during internal or external audit.
- 11) Documentation and Records
 - Employers are to create and maintain documents and records to ensure legal compliance regarding CSR-related items, meet customer requirements and protect personal information.
- 12) Supplier Responsibility
 - Employers are to have a system in place to communicate their codes to suppliers and to monitor compliance with such codes.

<REFERENCES>

We used the following standards in preparing the Guideline.

- ◆ Universal Declaration of Human Rights
<http://www.un.org/en/universal-declaration-human-rights/>
- ◆ ILO^{*1} International Labor Standards
<http://www.ilo.org/declaration/lang--en/index.htm>
- ◆ United Nations Global Compact
<https://www.unglobalcompact.org/what-is-gc/mission/principles>
- ◆ RBA^{*2} (Former EICC^{*3}) Code of Conduct
<http://www.responsiblebusiness.org/standards/code-of-conduct/>
- ◆ OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas
<http://www.oecd.org/corporate/mne/mining.htm>
- ◆ Responsible Minerals Initiative
<http://www.responsiblemineralsinitiative.org/>

^{*1} International Labour Organization

^{*2} Responsible Business Alliance

^{*3} Electronic Industry Citizenship Coalition

<DOCUMENT HISTORY>

December 2008, Version 1.0

August 2013, Version 2.0

July 2014, Version 3.0

January 2015, Version 3.1

August 2017, Version 3.2

January 2018, Version 4.0