



IKO Group Supplier CSR Procurement Guidelines

First Edition, July 2022

Nippon Thompson Co., Ltd.

■ Introduction

It is essential for a company to grow sustainably not only to fulfill its legal responsibilities, but also to fulfill its social responsibilities as a member of society through corporate activities, in other words, CSR initiatives. Through implementation of green procurement based on our basic philosophy “to accomplish environment-friendly corporate activities as a corporate social responsibility, to reduce our environmental loads, and to contribute to creating a rich global environment,” we have promoted our CSR initiatives with an awareness of global environment conservation since FY1999. However, to achieve a broader scope of social responsibility, one that embraces human rights and labor issues, as well as environmental issues, we hereby formulate the IKO Group Supplier CSR Procurement Guidelines.

In response to the growing interest in CSR throughout business processes, we believe we must pursue not just CSR activities on our own, but throughout our supply chain. By ensuring that our entire supply chain meets current social standards, we believe we can achieve prosperity based on mutual trust.

We request that our business partners grasp the purpose of these Guidelines, implement them within their own companies, and urge their own suppliers to acknowledge and implement these Guidelines.

■ Management Philosophy

A company centered on technology development that contributes to society

Nippon Thompson is a company that has earned the trust of our customers by focusing on their needs and through the manufacture and sale of important mechanical components such as bearings and bearing-related equipment. In order to further grow as a global company and have a strong presence, we aim to become a company centered on technology development that focuses all of our expertise and passion into solving the problems of our customers.

■ Basic Procurement Policy

- We will engage in fair and optimal procurement from suppliers with competitive prices, focusing on quality, cost, and on-time delivery.
- We will comply with all laws and regulations and conduct fair transactions.
- We will promote green procurement as part of procurement efforts that consider the global environment.
- We will build a supply chain that will develop sustainably and fulfill our social responsibilities through our corporate activities.

■ CSR Procurement Operation Policy

- We seek the understanding and cooperation of our business partners regarding these Guidelines. Alongside them, we seek to promote CSR procurement across the entire supply chain.
- By understanding and improving the circumstances of our business partners, we strive to enhance our CSR procurement. (We may request that you provide relevant information; we very much appreciate your cooperation in this regard.)
- Before commencing transactions with you, we will assess your circumstances in light of these Guidelines and confirm whether you agree to and will willingly work in line with our CSR initiatives.
- We request that you engage in efforts to promote these Guidelines within your own supply chain.

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Matters We Request Our Business Partners to Implement

To meet social expectations and customer requirements, we have summarized below the matters that we and our business partners should mutually recognize and comply with.

1. Human Rights and Labor

(1) Prohibition against forced labor

- Not to engage in forced, bonded, or slave labor, or involuntary and inhumane prison labor.
- Employ workers in accordance with applicable laws, regulations, and rules in the countries in which business is conducted, as well as with contractual agreements. Do not require employees to surrender their officially-issued identifications, passports, or work permits as a condition of employment.
- Ensure that all labor is voluntary and guarantee that employees have the freedom to leave their employment or terminate their employment relationships.

(2) Prohibition against child labor

- Child labor is prohibited. In this context, a “child” refers to any individual whose age does not exceed 15 years or the compulsory schooling completion age or minimum working age as defined by the laws and regulations of the countries/regions in which business is conducted, whichever is the later.
- Do not assign young workers under the age of 18 years any hazardous or harmful work that may impair their sound development.

(3) Consideration for working hours

- Comply with the statutory working hours of the countries in which business is conducted, prohibit exceeding the maximum working hours with overtime hours counted in, and strive to reduce working hours.
- Provide statutorily mandated holidays and paid leave.

(4) Decent wages

- Comply with all applicable laws and regulations of the countries in which business is conducted, including those related to the minimum wage, overtime, and statutory benefits. Ensure that employees are paid accordingly.

(5) Prohibition against inhumane treatment

- Avoid any form of cruel or inhumane treatment, or harassment, such as sexual harassment and power harassment, physical punishment, mental or physical coercion, or verbal abuse.

(6) Prohibition against discrimination

- Avoid harassment or discrimination in the workplace.
- In terms of recruitment and employment, such as from the aspects of promotion and compensation, eliminate all forms of discrimination against job applicants and employees based on race, skin color, age, gender (including sexual orientation), ethnicity, disability, religion, political orientation, labor union membership, marital status, or other such factors.

(7) Freedom of association

- Respect the rights to freely organize into associations, join labor unions, and engage in collective bargaining in accordance with the laws and regulations of the country in which business is conducted.

- Guarantee that employees can engage in dialogue with the management team regarding their working conditions without fear of retaliation, threats, or harassment.

(8) Respect for religious traditions and customs

- Respect the traditions and customs of the countries and regions of operations, as well as the religious traditions and customs of employees. Give due consideration to ensure that such traditions and customs are not hindered.

2. Safety and Health

(1) Workplace safety and health

- For machinery and equipment, implement safety measures such as the use of safety devices, interlocks, and protective barriers, and appropriately maintain such equipment.
- In cases in which employees are directly exposed to living creatures or chemical substances in the course of their work, manage their safety and health.
- Implement workplace safety measures and manage workplaces via appropriate technological/managerial means. Provide employees with proper protective equipment.

(2) Emergency preparedness

- In the event of an emergency, assess the circumstances and seek to minimize its impact in accordance with appropriate recovery plans and procedures.

(3) Occupational accidents and work-related illnesses

- Assess the circumstances of occupational accidents and work-related illnesses and implement the necessary corrective measures.

(4) Physically demanding work

- Assess the circumstances in which physically demanding work takes place and appropriately manage such work. Furthermore, provide employees with suitable tools for their work.

(5) Employee health management

- Arrange statutorily mandated health checkups, etc. for all employees. Implement health management such that illnesses can be prevented or detected at the early stages.

3. Environmental Conservation

(1) Environmental permits and reporting

- Comply with environmental laws and regulations, obtain environmental permits and registration as prescribed by such laws and regulations, maintain and renew the registered details, and submit required reports.

(2) Reducing energy consumption and greenhouse gas emissions

- Strive to conserve energy across all business activities. Promote the development and dissemination of products that can contribute to energy saving.
- Strive to reduce greenhouse gas emissions.

(3) Water management

- Properly treat sewage water and waste generated in manufacturing processes and wastewater treatment processes before discharge or disposal.

(4) Effective use of resources and waste management

- Strive to conserve water and other resources used in all business activities.
- Strive to reduce waste, etc. and also promote 3R (Reduce, Reuse, and Recycle) initiatives.

(5) Control of chemicals

- Properly handle, transport, store, reuse, and dispose of chemicals and other substances that may lead to environmental pollution. Strive to reduce their use.

(6) Control of chemicals contained in products

- Comply with statutory regulations and prohibitions concerning the materials contained in products, including laws and regulations related to recycling and disposal, as well as labeling regulations.

4. Fair Trade and Ethical Business Management

(1) Preventing corruption

- Maintain a high standard sense of ethics. Do not engage in corruption, extortion, or embezzlement in reciprocal business relationships.

(2) Prohibition against illicit provision and acceptance of benefits

- Do not offer or accept gifts or entertainment for the purpose of influencing decisions or other illicit purposes.

(3) Appropriate information disclosure

- Appropriately disclose information regarding the business activities, organizational operations, financial conditions, and business performance of your company in accordance with applicable laws and regulations and customary practices.

(4) Respect for intellectual property rights

- Act with due respect for intellectual property rights.
- Appropriately manage intellectual property rights belonging to other parties so as to prevent the infringement thereof and to ensure that the transfer and handling of proprietary technologies and know-how belonging to your company or to others are proceeded in a manner that safeguards their rights.

(5) Fair business execution

- Engage in fair transactions, fair advertising, and fair competition. Appropriately manage customer information.
- Strictly manage confidential information obtained through transactions, and do not disclose it to any external party without the consent of the business partner associated with the confidential information concerned.

(6) Responsible mineral procurement policy

- Promote initiatives to avoid the use of minerals associated with conflicts or CSR risks—that is, minerals sourced from regions affected by conflict or high-risk regions where political circumstances are unstable, where the social infrastructure has collapsed, or where violence is widespread (“target region” hereinafter).

* Conflicts and CSR risks refer to the following:

- Human-rights violations related to the mining, transportation, and trading of minerals (including forced labor, child labor, human trafficking, and other inhumane acts such as abuse)
- Direct or indirect support to armed groups
- Illegal activities by public or private security forces
(such as unlawful taxation or extortion of money within areas under their control)
- Bribery, falsification of place of origin of minerals, money laundering, and non-payment of taxes, various fees, or mining-rights fees to governments

(7) Contributions to local communities

- Promote activities that contribute to local communities and support their social and economic development.
- Particularly for businesses operating overseas, work to ensure not just mere compliance with the laws and regulations of each country in question, but to respect the country's history, culture, and customs and to contribute to the development of its society.

Established July 19, 2022