

VALQUA GROUP
CSR Procurement Guidelines



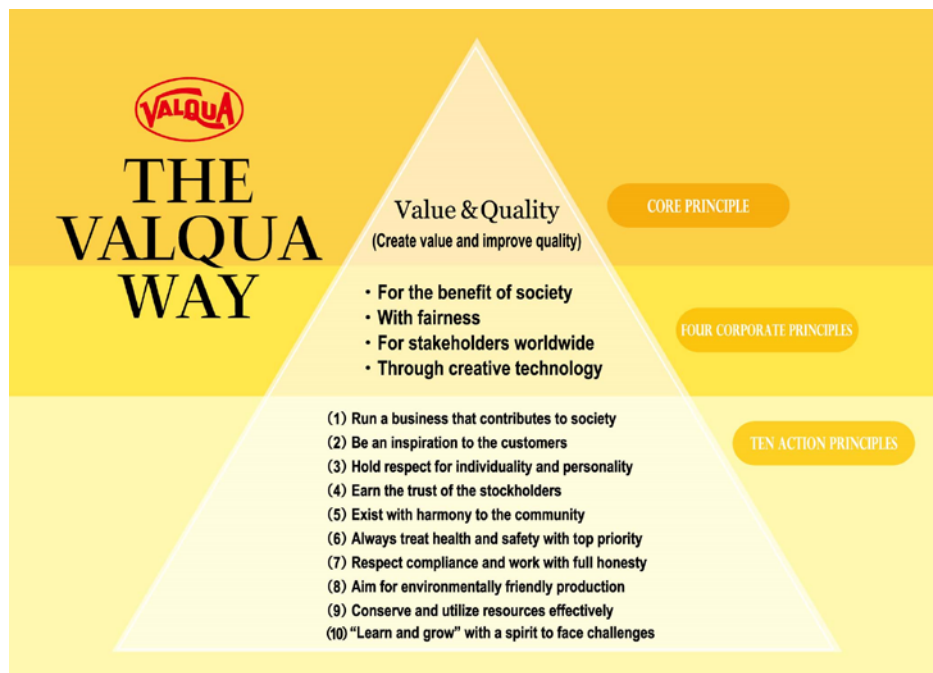
Introduction

In recent years, the roles and responsibilities expected by society of enterprises seeking sustainable growth have been steadily increasing. Furthermore, it has also become an important social responsibility to disclose and explain results and challenges actively to stakeholders, as well as to improve corporate activities through communications with stakeholders, in order to build relations of trust with them.

The VALQUA Group’s corporate philosophy—“THE VALQUA WAY”—consisting of “Value & Quality,” from which our corporate name derives, is also our core principle. Four “Corporate Principles” and “Ten Action Principles” make it easy for employees to understand and practice that core principle. Deeply understanding and practicing those principles serve as the foundations for the Corporate Group’s CSR. With the VALQUA Group’s CSR concept based on “THE VALQUA WAY,” we promote “Collaboration with Stakeholders,” “Superior Quality,” and “Rules First.”

Based on “THE VALQUA WAY” and “CSR Concept,” we have established the “VALQUA Group CSR Procurement Guidelines.” We would ask our suppliers to understand the purpose of the Guidelines and provide their cooperation.

■ THE VALQUA WAY



■ VALQUA Group’s CSR Concept



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I. CSR Procurement Concept within the VALQUA Group

To fulfill our corporate social responsibilities, it is essential not only for us to promote CSR in our activities, but also for suppliers to work on CSR. That is, we believe that social responsibility can be fulfilled by having all companies in the entire supply chain participate in response to social needs. Accordingly, we consider it crucial for CSR procurement that all suppliers understand our corporate philosophy and CSR concept, and cooperate by agreeing with our procurement activities.

II. VALQUA Group's Basic Procurement Policy

VALQUA Group's Basic Procurement Policy

1. Compliance with laws, regulations, and ethics

The Corporate Group shall comply with laws, regulations, and social norms, practice sound and fair corporate activities, and ask suppliers to take CSR-conscious actions.

[Collaboration with Stakeholders][Rules First]

2. Principles of fair, free competition

The Corporate Group shall procure superior parts and services from suppliers and optimal areas throughout the world based on the principle of fair competition.

[Collaboration with Stakeholders][Superior Quality][Rules First]

3. Environmentally conscious corporate activities

The Corporate Group shall actively engage in the Earth-conscious procurement of materials used in products.

[Collaboration with Stakeholders][Superior Quality]

4. Consideration of human rights

The Corporate Group shall practice corporate activities that ensure respect for human rights.

[Collaboration with Stakeholders]

5. Health and safety

The Corporate Group shall make efforts to prevent disasters by predicting potentially dangerous or hazardous factors in enterprises, as well as conduct appropriate health management through activities for maintaining and enhancing health and safety in its workplaces that allow employees to work with peace of mind.

[Superior Quality]

III. VALQUA Group's CSR Procurement Standards

1. Compliance with laws, regulations, and ethics

1) Ensuring compliance with laws and regulations in corporate activities

The Corporate Group shall comply with the laws and regulations of the central and local governments where it conducts corporate activities, as well as respect the International Code of Conduct to the maximum extent possible.

2) Prohibiting inappropriate provision or receipt of profits

The Corporate Group shall prohibit providing or receiving inappropriate profits (including direct provision or receipt or indirect provision or receipt through a third party). Inappropriate payoffs to anti-social forces, insider trading, etc. also fall under such acts.

3) Appropriately engaging in import and export activities

The Corporate Group shall build an appropriate import and export management system and carry out appropriate import and export procedures in accordance with the laws and regulations of each nation or region.

4) Respecting and protecting intellectual property rights

(i) The Corporate Group shall respect a third party's intellectual property rights and shall in no case make illegal use thereof.

(ii) The Corporate Group shall appropriately manage and use its own intellectual property to prevent misuse.

5) Information management

The Corporate Group shall strictly manage confidential information of which it may become aware through transactions and make efforts to maintain its confidentiality, as well as strictly manage it to prevent disclosure to a third party without approval.

6) Securing information

The Corporate Group shall take control measures to protect against computer network threats and prevent damage to itself or others.

7) Conflict minerals

The Corporate Group shall provide neither funding nor benefits, either directly or indirectly, to armed groups who are guilty of serious human rights violations in the Democratic Republic of the Congo and neighboring countries.

* Conflict minerals = tantalum, tin, tungsten, gold, or derivatives produced in the troubled areas above

8) Labor

(i) Prohibiting labor under coercion

The Corporate Group shall prohibit forced labor, bonded labor, slave labor, and involuntary and inhumane prison labor.

- (ii) Prohibiting child labor

This applies to children aged less than 15 years old, who are younger than the age at which compulsory education is completed or the minimum working age in the relevant country. This is predicated on the fact that the use of legitimate workplace training programs that comply with all laws/regulations and rules is supported. The Corporate Group shall prohibit workers less than 18 years old (young workers) from engaging in night work or other work that endanger their health and safety at risk including overtime work.
 - (iii) Freedom of association

The Corporate Group shall respect employees' right to organize.
2. Principles of fair and free competition
- 1) Transparent purchasing

The Corporate Group shall practice procurement activities that are open to both domestic and overseas markets from a long-term and international standpoint.
 - 2) Fair and equitable purchasing activities

When selecting suppliers, the Corporate Group shall provide broad-ranging and fair opportunities, and make selections in good faith after making comprehensive and equitable assessments of quality, prices, delivery time, capacity for technological development, etc.
3. Environmentally conscious corporate activities
- 1) Complying with environmental laws, regulations, and rules

The Corporate Group shall duly manage and retain necessary data provided for in separate laws, regulations, rules, etc., such as compliance with environmental laws and regulations, regulations on substances contained in products, etc., as well as obtain all environmental licenses (monitoring emissions, etc.), approvals, and registrations required.
 - 2) Ensuring maintenance and management in environmentally conscious production processes

The Corporate Group shall build, maintain, and improve an environment management system in the development and production of products.
 - 3) Reducing and eliminating substances of concern

The Corporate Group shall identify and manage chemical substances that could cause harm when emitted into the environment, in order to handle, move, store, use, recycle, reuse, and process them safely.
 - 4) Preventing pollution and conserving the environment

The Corporate Group shall appropriately treat polluted water and waste materials produced in manufacturing processes and effluent treatment processes prior to disposal.
 - 5) Air pollution

The Corporate Group shall discharge volatile organic compounds and by-products produced in workplaces in a proper manner in accordance with environmental laws and regulations.

4. Considering human rights

1) Respecting personal information

The Corporate Group shall strictly manage the handling of personal information in its corporate activities.

2) Prohibiting harsh and inhumane treatment

The Corporate Group shall prohibit harsh and inhumane treatment, such as sexual harassment, abuse, physical discipline, psychological or physical coercion, verbal abuse, etc.

3) Prohibiting discrimination

The Corporate Group shall prohibit discrimination based on race, nationality, religion, age, disabilities, gender, marital status, sexual orientation, etc.

5. Health and safety

1) Risk management in workplaces

The Corporate Group shall assess risks to the safety of workplaces and ensure safety through appropriate designs or technological means or management tools.

2) Health management

The Corporate Group shall ensure there are procedures and systems for preventing, managing, pursuing, and reporting work accidents or illnesses.

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