

**Kawasaki Group
CSR Procurement Guidelines**

**Procurement Division
Kawasaki Heavy Industries, Ltd.**

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The Kawasaki Group conducts procurement activities based on the following Kawasaki Group Basic Policies for Material Procurement.

I. Kawasaki Group Policies for Material Procurement

Basic Policies

The Kawasaki Group conducts procurement activities based on the Kawasaki Group Mission Statement, the encapsulation of the Group's management principles.

- **Fair and Impartial Procurement**

We will provide broad and impartial opportunities for our business partners and will make selections with integrity and in good faith after conducting comprehensive and fair evaluations of quality, price, delivery schedule, technological development capabilities, and other such factors.

- **Relationships with Business Partners**

The Kawasaki Group will take a long-term perspective as it strives to build relationships of trust with business partners based on mutual respect for one another's vision and position with the aim of mutual enhancement of competitiveness and prosperity.

- **Compliance**

We will observe related statutes and regulations as well as social norms. We will place information gained through procurement under appropriate controls and will take thoroughgoing measures to protect confidential information and prevent leaks.

- **Consideration for Human Rights, Labor and Occupational Safety and Health**

We will advance procurement activities with consideration for human rights, the work environment, and occupational safety and health.

- **Harmony with the Global Environment through Green Procurement**

We will advance procurement with consideration for the global environment with respect to the materials used in products.

To Our Suppliers

The Kawasaki Group's business activities are made possible by its partnerships with suppliers. In its business activities, the Kawasaki Group is advancing initiatives in the following areas. We therefore ask that our suppliers do the same.

1. Compliance

We ask that our suppliers observe applicable statutes and regulations as well as social norms in their respective business areas. We also ask that they place information gained through procurement activities under appropriate controls and take thoroughgoing measures to protect confidential information and prevent leaks.

2. Consideration for Human Rights, Labor, and Occupational Safety and Health

We ask that our suppliers and business partners give consideration to human rights, the work environment, and occupational safety and health.

3. Ensuring Quality and Safety

We ask that our suppliers provide materials that meet the high standards of quality and safety required by the Kawasaki Group.

4. Reinforcing Competitiveness

We ask that our suppliers share with us the challenges they face and their goals as well as information about new materials, technologies, and techniques while proactively making suggestions related to value engineering and other ways of reducing costs in order to develop competitive technologies and products.

5. Stable Supply

We ask that our suppliers maintain production and crisis management systems capable of stably securing and providing materials in order to supply materials in a timely manner.

6. Information Disclosure

We ask that our suppliers implement the timely disclosure of information relevant to society (such as that on environmental and social impacts).

7. Consideration for the Global Environment

We ask that our suppliers comply with environmental laws and regulations and select and supply products with minimal environmental burden.

8. Harmonious Coexistence with Society

We ask that our suppliers endeavor to implement initiatives aimed at achieving harmonious coexistence with international society and local communities.

II. A Request to Our Business Partners (Detailed Rules)

A corporation must fulfill its social responsibilities by complying with laws and ordinances and by showing consideration for human rights and other concerns. We ask that our business partners also engage in the planning, implementation, and improvement of initiatives to promote the practices described in items "1. Compliance," which prescribes the observation of laws and ordinances, and "2. Consideration for Human Rights, Labor, and Occupational Safety and Health," which deals with the treatment of employees.

1. Compliance

(1) Thoroughgoing Implementation of Compliance Measures in All Aspects of Corporate Activities

You are asked to observe the laws and ordinances enforced in the countries and regions in which your corporate activities take place and to respect international norms of behavior to the greatest possible extent.

(2) Fair and Impartial Competition

You are asked to adhere with the competition laws in each country and region in which you operate, recognize the importance of free competition in the market and refrain from behavior that limits or obstructs fair and impartial competition.

(3) Appropriate Export-Import Control

In addition to creating systems for appropriate export-import control, you are asked to engage in export-import procedures in accordance with the laws, regulations, and other practices of each country and region in which you operate.

(4) Exclusion of Relationships with Anti-Social Forces

You are asked to declare and warrant that you are not an organized crime group, a member of an organized crime group, a quasi-member of an organized crime group, or a party affiliated with such a group, or any other entity constituting an anti-social force (hereafter collectively referred to as "anti-social forces"). You are also asked to declare and warrant that you never use violence, force, threatening language, or fraudulent means to make improper demands, and that you have no relationship of any kind with anti-social forces.

(5) Strict Control of Confidential Information

You are asked to implement stringent measures to ensure the appropriate management and strict retention of information obtained through transactions and to prevent the leakage of such information. This applies to information regarding technologies, products, pricing, and other business matters as well as personal information regarding business partners and other confidential information. In addition, you are asked to refrain from the improper acquisition and disclosure of such information and to properly manage such information via the implementation of preventive measures against computer and network security threats so as not to expose yourself and other companies to risk.

(6) Prevention of Infringement of Intellectual Property, Etc.

You are asked to take care not to improperly acquire or wrongfully use patent rights, utility model rights, design rights, trademark rights, copyrights, or other intellectual property or technical information (hereafter referred to as intellectual property and related information) belonging to third parties. Also, you are asked to avoid involvement in any infringement of intellectual property and related information.

(7) Building Fair and Impartial Relationships

In the course of engagement with customers and procurement sources, you are asked to build fair and impartial relationships with them and refrain from the improper provision or receipt of money or any other action constituting the provision of illicit benefits.

(8) Establishment of a Compliance Whistle-Blowing System

You are asked to establish a whistle-blowing system to allow employees to directly report to or consult with dedicated departments or external contacts when they recognize the emergence of material risks, such as those arising from illegal conduct being undertaken by other employees or such conduct in which whistle-blowers themselves are involved. This system must likewise accept direct reports and consultation from business partners and consumers who are aware of material risks arising from transactions with your company. Moreover, you are asked to ensure that confidentiality will be strictly observed in the course of such reporting or consultation and that the whistle-blowers will not suffer from detrimental treatment.

(9) Prohibition of Insider Trading

You are asked to refrain from buying or selling the stock of your company or other companies in a way that leverages unpublished critical information that may influence the stock price. You are also asked to refrain from encouraging others to engage in stock trading that leverages such information or provide them with such information.

(10) Prohibition of Acts Involving Conflicts of Interest

You are asked to prohibit your employees from acquiring benefits for themselves or a third party by sacrificing the interest of the company.

(11) Proper Approach to Issues Associated with Conflict Minerals

You are asked to prevent the purchase and use of conflict minerals (gold, tantalum, tungsten, tin, etc.) that serve as a source of finance for local armed groups involved in inhumane behavior in the Democratic Republic of the Congo and its surrounding countries.

2. Consideration for Human Rights, Labor, and Occupational Safety and Health

(1) Compliance with Labor-Related Laws and Ordinances

You are asked to comply with the labor-related laws and ordinances enforced in the countries and regions in which your corporate activities take place. You are also asked to pay the greatest possible respect to international norms of behavior and engage in thoroughgoing occupational safety and health management.

(2) Respect for Human Rights

You are asked not to tolerate any human rights violations, such as unfair labor practices, discrimination, and harassment, on the grounds of race, ethnicity, nationality, religion, age, gender, occupation, or other status requiring protection.

(3) Prohibition of Forced Labor and Child Labor

You are asked to declare and warrant that labor should never be forced by anyone else, but rather should be voluntarily carried out in accordance with the person's own will, and that labor practices exploiting children not of working age must be forbidden and eradicated.

(4) Working Hours and Wages

Regarding employee working hours and wages, you are asked to comply with the laws and ordinances enforced in the countries and regions in which your corporate activities take place.

(5) Thoroughgoing Measures for Occupational Safety and Health

As a business operator, you are asked to establish disaster prevention standards, exert the utmost efforts to prevent workplace accidents, and take a thoroughgoing approach to occupational safety management. In addition, you are asked to engage in conscientious occupational health management, including employee health management.

(6) Recognition of Freedom of Association and Respect for the Right to Collective Bargaining

You are asked to respect employees' freedom to associate, join a labor union, and engage in protests without being subject to retaliation, intimidation, or harassment. You are also asked to provide opportunities for dialogue between labor unions and management.

(7) Exclusion of Transactions with Companies that Benefit from Inhumane Labor Practices

You are asked to investigate your suppliers to confirm they are not benefitting from inhuman labor practices, including unfair labor agreements, working regulations, or wage regulations.

We consider it Kawasaki's responsibility to provide customers with a stable supply of safe, high-quality products and services. In order to fulfill this responsibility, we believe that the cooperation of our business partners is essential, and we therefore ask our business partners to take active measures to promote the practices described in the items "3. Ensuring Quality and Safety," "4. Reinforcing Competitiveness," and "5. Stable Supply."

3. Ensuring Quality and Safety

(1) Quality Assurance

In addition to assuring the reliability and safety of products and services, you are asked to ensure a level of quality that satisfies Kawasaki's requirements.

(2) Creation, Maintenance, and Improvement of Quality Control Systems

You are asked to create, maintain, and improve optimal quality control systems in order to maintain and assure the quality of products and services.

(3) Responsibility for Third Parties

You are asked to avoid causing any hazard, harm, or damage to any third party or otherwise endangering such entity's livelihood, physical well-being, or property.

(4) Appropriate Response to Product Accidents and/or the Distribution of Defective Products

You are asked to establish a system for handling product accidents and/or the unintentional distribution of defective products via the implementation of appropriate countermeasures, including the disclosure of information, contacting the relevant authorities, executing a product recall, and helping purchasers carry out safety measures.

(5) Traceability Control Pertaining to Raw Materials and Parts

You are asked to keep records of suppliers and all other relevant counterparties playing a role in each business process from the purchase of raw materials and parts to manufacturing, assembly, distribution, and sales to allow us to trace the purchase history of said materials and parts.

4. Reinforcing Competitiveness

(1) Enhancement of Competitiveness and Creation of Added Value

You are asked to develop and provide technologies, products, and services that are competitive and have high added value.

(2) Provision of Information on New Materials, New Technologies, New Manufacturing Methods, Etc.

You are asked to strive for innovation in technical development and production technology and to actively provide information on new materials, new technologies, new manufacturing methods, and so on.

(3) Promotion of Cost Reductions

You are asked to actively promote cost reductions via the use of such means as value engineering (VE).

5. Stable Supply

(1) Stable Supply

You are asked to build production and crisis management systems capable of maintaining the stable procurement and supply of materials.

(2) Observance of Delivery Schedules

You are asked to implement thoroughgoing measures to ensure the management of day-to-day operational progress and to observe delivery schedules.

(3) Development of BCPs

You are asked to establish a plan/system beforehand to secure the ability to continue your business if such an emergency as a disaster or epidemic were to occur.

Kawasaki is acutely aware of the corporate social responsibilities it is expected to fulfill in the countries and regions in which it operates. Based on this awareness, we believe that our involvement in initiatives aimed at securing the harmonious coexistence of our businesses and the global environment, society at large, and regional communities and their residents is key to creating, maintaining, and developing relationships with our stakeholders and winning their trust. We also consider that, to this end, we need to work in tandem with our business partners. Therefore, we ask our business partners to implement active measures to promote the practices described in the items "6. Information Disclosure," "7. Consideration for the Global Environment," and "8. Harmonious Coexistence with Society."

6. Information Disclosure

(1) Information Disclosure to Stakeholders

You are asked to provide stakeholders with, and publicly disclose, accurate and timely information regarding your management policies, finances, and business activities along with non-financial information deemed highly relevant to society as a whole, such as updates on social contribution and environmental protection activities being undertaken. In addition to thereby assuring corporate transparency, you are asked to work to build, maintain, and develop relationships with stakeholders and win their trust via the aforementioned endeavors.

7. Consideration for the Global Environment

(1) Compliance with Environment-Related Laws, Ordinances, and Regulations

You are asked to comply with Japan's Basic Environment Law, local government ordinances, and other relevant laws and ordinances, as well as RoHS directives,*¹ REACH regulations,*² and other environment-related regulations in the regions in which your corporate activities take place.

*¹ RoHS: Restrictions on Hazardous Substances. European Union directives restricting the use of specified hazardous substances in electrical and electronic equipment.

*² REACH: Registration, Evaluation, Authorization and Restriction of Chemicals. Regulations that require corporations to provide proof of the safety of chemical substances used within the European Union.

(2) Development of Environmental Management Systems

You are asked to build, maintain, and improve management systems designed to control environmental footprints arising from your corporate activities.

(3) Reduction and Elimination of Environmental Substances of Concern

You are asked to properly manage environmental load substances arising from your corporate activities and strive to reduce their emission, with the aim of addressing environmental concerns in the course of business operations on an ongoing basis.

(4) Pollution Prevention and Environmental Protection

You are asked to institute measures required to prevent air pollution, water pollution, soil pollution and noise pollution as well as vibration, ground subsidence, offensive odors, and other forms of pollution arising from your corporate activities, and to strive to preserve the environment.

(5) Efficient Use of Resources

You are asked to actively engage in the efficient use of resources via, for example, recycling, in addition to properly handling industrial waste discharged in the course of your corporate activities in conformity with recycling-related laws and regulations.

(6) Contribution to Global Environmental Protection

You are asked to recognize that your involvement in global environmental protection efforts is an important indicator of your corporate value. At the same time, you are asked to implement measures to reduce emissions of CO₂, methane, chlorofluorocarbons, and other greenhouse gases, as well as to cut back on the use of packaging materials, with the aim of contributing to global environmental protection.

8. Harmonious Coexistence with Society

(1) Social Contribution

You are asked to voluntarily and actively engage in social contribution activities and otherwise contribute to the sustainable development of the international community and regional communities through your corporate activities.

Our Call for CSR Activities Penetrating the Entire Supply Chain

Our business partners are asked to develop corporate structures for promoting CSR activities with reference to these guidelines and, similarly, to ask their procurement sources to do the same to ensure the widespread penetration of CSR activities throughout the supply c

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