

Pioneer CSR Procurement Guideline

Pioneer Corporation

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Promotion of CSR Procurement

Pioneer promotes Corporate Social Responsibility (CSR) activities as one of our business activities to actualize Pioneer's Group Philosophy "Move the Heart and Touch the Soul". The concept of Pioneer CSR is not only limited to company business activities but also embraces sustainable social development, including environmental protection, fair trade, human rights and health and safety etc.

We have always requested our suppliers to cooperate with our "Requests to Our Suppliers" because Pioneer believes it is very important to develop a partnership with our suppliers based on mutual trust, and also to work with all supply-chain from Pioneer to our suppliers.

Pioneer homepage: Home> Corporate> Procurement> Requests to Our Suppliers

URL: <http://pioneer.jp/en/info/prc/>

Firstly, we would like our suppliers to understand and uphold the principles embodied in our "Pioneer Group Charter for Corporate Operations" and "Pioneer Group Code of Conduct". Secondly, we expect our suppliers to conduct their business activities in line with this revised "Pioneer CSR Procurement Guideline". This revised Guideline defines our essential requirements, such as compliance with the law, regulations and social customs in the countries where the suppliers conduct business and respect for international principles concerning fair trade and human rights.

Lastly, we also extend these expectations to sub-contractors and ask our suppliers to extend the same expectations to their suppliers. Pioneer will deal preferentially with suppliers who are positively and actively addressing CSR.

Note: "Pioneer Group Charter for Corporate Operations" and "Pioneer Group Code of Conduct" can be found on the following webpage.

URL: <http://pioneer.jp/en/society/csr/code/charter.php>

This Guideline is formulated in accordance with "The Guidebook for the Supply-Chain CSR Promotion" issued by Japan Electronics and Information Technology Industries Association (JEITA).

URL: <http://home.jeita.or.jp/ecb/csr/index.html>

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(Tutorial of CSR Items)

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I Human Rights and Labor

[I-1] Prohibit forced labor

Suppliers are requested to employ all employees on a voluntary basis, and not to subject employees to forced labor.

Forced Labor means all non-voluntary labor, including:

- labor that is against one's will
- labor for debt that limits the freedom of job turnover due to unpaid debt, etc.
- slave labor practiced as a result of trafficking of humans
- inhumane prison labor in harsh environments

The following actions are also regarded as forced labor:

- prohibition of voluntary job resignation
- obligation to deposit identification cards/passports/work permit cards with employers

[I-2] Prohibit inhumane treatment and infringement of human rights

Suppliers are requested to respect the human rights of employees and to prohibit harsh and inhumane treatment such as maltreatment and/or harassment of employees.

Typical inhumane treatments include abuse, physical punishment, sexual harassment, and mental or physical coercion or verbal abuse.

[I-3] Prohibit child labor

Suppliers are requested not to employ children or persons under the minimum age of employment in accordance with the applicable laws of the respective countries they operate and conduct business in.

In countries where there are no relevant laws, the recommendations of the International Labor Organisation that the minimum age of employment is fifteen years old shall apply: ILO treaty No.138.)

[I-4] Prohibit discrimination

Suppliers are requested not to engage in discrimination during the process of job offering and hiring, and other such employment practices such as wages, promotions, rewards and access

to training.

Discrimination means treating a person unfairly because of who they are or because they possess certain characteristics.

Typical characteristics which are often discriminated against include race, ethnicity, nationality, birthplace, color, age, gender, sexual orientation, disability, religion, political affiliation, union membership, marital status, and so on.

Additionally, when health examinations and pregnancy tests impair the fairness in equality of opportunity or treatment, such act is considered as discrimination.

[I-5] Pay appropriate wages

Suppliers are requested to pay the legal minimum wage or more, and not to practise unfair wage deduction as means of a disciplinary action.

The minimum wage means the lowest wage specified in each country's wage-related laws and includes overtime compensation and legally mandated benefits.

Improper wage reduction means wage reduction which violates any existing labor-related laws.

[I-6] Regulate working hours

Suppliers are requested to regulate employee's working hours/holidays/vacations so as not to exceed the legal ceiling.

In this item, the following are examples of proper control:

- Scheduled working days per year do not exceed the legal ceiling
- Working hours per week including overtime (except for emergency cases) do not exceed the legal ceiling
- Providing employees with at least one holiday per week
- Providing the rights of a vacation leave on an annual basis as specified in the law

[I-7] Respect the rights to freedom of association

Suppliers are requested to respect the rights to freedom of association of employees, as means of employer-employee consultation, in order to settle working conditions and/or wage issues, etc.

Respecting the rights of employees to freedom of association, freedom to participate in labor unions according to laws, freedom to stage a protest, and freedom to participate in workers' council without

revenge, threats, and/or harassment to employees.

II Occupational Health and Safety

III-1] Apply safety measures for equipment and machinery

Suppliers are requested to put in place appropriate safety measures for equipment and machinery used in their company.

Appropriate safety measures mean active management to prevent accidents and health problems from occurring on the job.

The following are examples of appropriate safety measures:

- Adoption of safety mechanisms such as fail-safe, foolproof, and inter-lock mechanisms
- Installation of safety devices and protective barriers
- Periodical inspection and maintenance of machinery

III-2] Promote safe activities in the workplace

Suppliers are requested to evaluate their own safety risks and to ensure safety in the workplace with proper design, engineering and administrative controls, preventative maintenance and safe work procedures.

Safety risks in the workplace include potential risks of accidents and health problems caused by electric shock or other energy-caused accidents, fire, vehicles, slippery floor, or falling objects etc.

The following are examples of proper design, engineering and administrative controls, preventative maintenance and safe work procedures:

- Monitoring dangerous places with sensors
- Blocking off sources of power to machinery by locking it (lock out)
- Setting the tag that specifies the prohibition of manipulating energy blocking device while the source of power is blocked (tag out)
- Provision of protective equipments such as glasses/hard hat/glove etc.

III-3] Promote appropriate measures for occupational injuries and illnesses

Suppliers are requested to identify, evaluate and control the conditions in the workplace related with biological and chemical agents, noise, and odor, which are harmful to health, and to provide appropriate measures to eliminate or minimize such harm.

Chemical substances that are harmful to the human body include smoke, mist, dust, poison, nuclear

radiation, and substances that cause chronic diseases (lead, asbestos etc.). Loud noise and noxious odor can also be harmful to the human body.

The following are examples of appropriate measures:

- Procedures and systems to be put in place to prevent, manage, track and report occupational injury and illness.
- Provision of required medical treatment
- Investigation of injury/illness
- Execution of measures to eliminate or minimize the cause
- Facilitating return of affected employees to workplace
- workers' accident insurance
- such reporting procedure as required by the government authorities

[II-4] Properly manage disasters and accidents

Suppliers are requested to prepare emergency response measures for possible disasters and accidents in order to minimise harm to life, property and the environment.

Typical examples of emergency response measures are as follows:

- Prompt reporting during an emergency
- Notification to employees
- Evacuation procedures
- Provision of first aid boxes and other essential medical supplies
- Installation of fire detecting system and fire containment device
- Planning external communication methods
- Development of recovery plan etc.

The following are ways to keep employees in the workplace informed:

- Implementation of emergency response training to employees (including evacuation drill)
- Publication of emergency response procedure to all employees

[II-5] Be careful about physically demanding work

Suppliers are requested to identify and assess what constitutes physically demanding work, and to introduce adequate measures to prevent injury and illness.

Operations that require physically demanding work include not only hard labor such as manually carrying heavy objects but also long-term repetitive work and continuous work such as assembly work and data entry work.

Adequate measures include letting employees take periodic breaks, provision of equipment to minimize

the physically demanding aspect of the work, and deployment of sufficient number of employees for a task.

[II-6] Promote safety and hygiene in all company facilities

Suppliers are requested to maintain high levels of safety and hygiene in all company facilities provided both in the workplace and for employee's lodging outside of the workplace.

The facilities provided for employee's use in the workplace include restrooms, drinking fountains, locker rooms, canteens etc. Facilities provided for employees outside of the workplace include dormitories, canteen, restrooms etc. Along with maintaining cleanliness/sanitation, safe drinking water, cooking facilities, air ventilation, temperature control, emergency escape route (exit), and secure storage of personal belongings should also be provided.

[II-7] Promote health maintenance programs for employees

Suppliers are requested to provide appropriate health maintenance programs for all employees.

Appropriate health management helps to prevent and detect employees' illnesses early by providing medical checkups.

Prevention of health problems due to overwork and care for mental health also need to be considered adequately.

III Environment

III-1 Control hazardous chemicals in products

Suppliers are requested to comply with all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances in products and manufacturing, including labelling for recycling and disposal.

III-2 Control hazardous chemicals in manufacturing

Suppliers are requested to handle chemical substances (used in manufacturing processes) in accordance with the applicable laws of the respective countries they operate and conduct business in.

Chemicals and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, use, recycling or reuse and disposal.

III-3 Establish and apply an environmental management system

Suppliers are requested to establish and implement an environmental management system.

The environmental management system means the part of overall environmental management system that includes organizational structure, planning activities, responsibilities, practices, procedures, processes and resources to promote environmental activities.

A typical environmental management system is ISO14001.

III-4 Minimize environmental pollution (water, soil, air)

Suppliers are requested to be in compliance with local laws and regulations for drainage, sludge and air emissions.

Suppliers are requested to implement a systematic approach to identify, manage, reduce, and responsibly dispose of or recycle solid waste (non-hazardous).

Wastewater generated should be monitored and treated as required prior to discharge or disposal.

Air emissions generated should be monitored and treated as required prior to discharge.

III-5] Obtain environmental permits

Suppliers are requested to obtain the necessary environmental permits and to comply with such reporting requirements in accordance with the applicable laws of the respective countries they operate and conduct business in.

III-6] Promote resource and energy saving by reusing, reducing, and recycling (3R)

Suppliers are requested to set a voluntary goal of natural resources and energy saving, and to implement continuous activities for efficient usage.

The use of resources, including water and energy, are to be reduced at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

III-7] Promote green-house gas reduction

Suppliers are requested to set a voluntary goal of green-house gas reduction, and to implement continuous activities for further reduction.

The greenhouse gases consist of the following six types of substance groups: carbon dioxide, methane, nitrogen dioxide, HFC, PFC, and SF6.

III-8] Promote waste reduction

Suppliers are requested to set a voluntary goal of eventual waste reduction, and to implement continuous activities for further reduction.

The eventual wastes are defined as wastes for which earth filling or incineration is required.

IV Fair Trading

IV-1 Prohibit corruption and bribery

Bribes or other means of obtaining undue or improper advantage are not to be promised, offered, authorized, given or accepted.

This prohibition covers promising, offering, authorizing, giving or accepting anything of value, either directly or indirectly through a third party, in order to obtain or retain business, direct business to any person, or otherwise gain an improper advantage.

IV-2 Prohibit abuse of a superior position

Suppliers are requested not to create disadvantage for their suppliers by abuse of their superior position.

Abuse of a superior position means acts of unilaterally determining or changing trading conditions with suppliers or imposing irrational requests or obligations on suppliers by taking advantage of their superior position as a purchaser or outsourcer.

Procurement deals shall be fairly and faithfully conducted based on contracts without abuse of a superior position. In countries with legislation relating to abuse of a superior position, the relevant laws shall be observed. (E.g. National Contract Act in Japan)

IV-3 Prohibit impediment to free competition

Suppliers are requested not to impede fair, transparent, and free competition.

“Competition restrictive activities” mean acts of making prior agreements among companies in the same trade about product/service prices, quantities, sales areas, etc. (cartel), or prior arrangements with other bidders about a winning bidder and successful tender price (collusive bidding).

Obtaining and utilizing trade secret of other companies in an illegal way, misrepresenting and confusing customers about other companies’ products are also considered as acts of unfair competition.

[IV-4] Provide accurate information on products and services

Suppliers are requested to provide accurate information on products and services to consumers and customers.

Typical examples of accurate information are as follows:

- Accurate specification, quality, and handling procedures about products/services.
- Accurate information on substances contained within products and their components.
- Sales promotion such as catalogs and advertisements for a product/service shall not use untruthful/incorrect expressions and descriptions that mislead consumers/customers, and shall not include information that slander or disparage other companies or individuals.

[IV-5] Respect intellectual property

Suppliers are requested not to infringe upon intellectual property rights.

“Intellectual property rights” (IPR) include patent rights, utility model rights, design rights, trademark rights, copyrights, trade secrets, and so on.

Prior to development, production, sale, and/or provision of a product/service, preliminary IPR survey shall be sufficiently conducted on the intellectual properties of third parties. The usage of a third party’s intellectual property without permission constitutes an infringement of IPR.

Furthermore, illegal reproduction of computer software or another copyrighted work constitutes an infringement of IPR.

Likewise, illegal procurement and utilization of a trade secret of a third party also constitutes an infringement of IPR.

[IV-6] Use appropriate export procedures

Suppliers are requested to comply with all applicable import, export and re-export control laws and regulations of the countries having jurisdiction over them or their applicable transactions.

[IV-7] Disclose appropriate company information

Information regarding Suppliers’ labor, health and safety, environmental practices, business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices. Falsification of records or

misrepresentation of conditions or practices in the supply chain are unacceptable.

[IV-8] Detect injustice promptly

Suppliers are requested to have a whistleblower protection policy in place so as to encourage employees to bring forth their concerns without fear of retaliation.

Companies that encourage complaints by having an “open door” policy and have a standard of “no retaliation” for raising concerns are considered more transparent. These companies will be in a better position to address all concerns, whether they are about fraudulent accounting practices, unsafe conditions, or alleged discrimination.

[IV-9] Responsible minerals procurement

Suppliers should have a policy to reasonably assure that the minerals used in the products they manufacture does not directly or indirectly:

- **cause problems such as human rights violations, environmental destruction, child labor, etc.**
- **finance or benefit armed groups engaged in conflict.**

Suppliers should exercise due diligence on the source and chain of custody of these minerals and make their due diligence measures available to customers upon request.

V Product Quality and Safety

[V-1] Ensure product safety

Suppliers are requested to satisfy safety standards for products they develop/ design in accordance with the applicable laws of the respective countries they operate and conduct business in.

In the product design phase, the product safety shall be considered in terms of product liability and the supplier's responsibility as a manufacturer.

The following are examples of laws on product safety in Japan:

- Electrical Appliance and Material Safety Law
- Consumer Products Safety Law
- Household Goods Labeling Law

Safety standards are defined in detailed regulations of laws, JIS, etc. International safety standards include UL, BSI, and CSA.

Securing of product safety includes management of traceability (history of materials, parts, processes, etc.) and prompt response for problem solving.

[V-2] Establish and apply a quality management system

Suppliers are requested to establish and implement a quality management system.

The quality management system is a part of the overall quality management system that includes organizational structure, planning activities, responsibilities, practices, procedures, processes and resources to promote quality assurance activities.

Quality assurance activities here mean to develop, implement, achieve, review, and to maintain the quality policy in order to promote the continuous improvement program using the so-called PDCA (Plan Do Check Action) closed-loop.

Some of the typical quality management systems are ISO9000 family, ISO/TS16949, and ISO13485.

VI Information Security

[VI-1] Secure computer networks against threats

Suppliers are requested to protect against threats to their computer network, so as to prevent damage to their company and others.

Threats to computer network include computer viruses, computer worms, and spyware.

If a computer connected to the Internet should get infected, customer information and confidential information may be leaked out and/or these computer threats may in turn attack computers of other companies, resulting in serious damage such as suspension of business or loss of credibility.

Therefore, it is important to take effective measures against such threats to the computer network so as to avoid loss and damage to the supplier and those companies which they communicate with.

[VI-2] Prevent the leakage of personal information

Suppliers are requested to appropriately control and protect personal information of employees, customers, and third parties.

Personal information means information on live individuals that can identify a specific person by name, birth date, and other descriptions in the information (including information that can be easily compared with other information to identify a specific person).

Appropriate control means construction and operation of the overall management scheme on personal information, including creation of regulations and guidelines to be observed by employees, making plans, implementing programs, internal audits, and reviews based on the management scheme.

Appropriate protection means not unreasonably or improperly obtaining, utilizing, disclosing, or leaking personal information.

[VI-3] Prevent the leakage of customer and third-party confidential information

Suppliers are requested to control and protect confidential information from customers and third parties.

Confidential information usually means information disclosed from a document, etc. (including electromagnetic- or optically-recorded data information) that is deemed as confidential, or orally disclosed after confidentiality is notified.

Proper control means construction and operation of the overall management scheme on confidential information, including creation of regulations and guidelines to be observed by employees, making plans, implementing programs, internal audits, and reviews based on the management scheme. Appropriate protection means not unreasonably or improperly obtaining, utilizing, disclosing, or leaking confidential information.

VII Contribution to Society

[VII-1] Contribute to society and community

Suppliers are encouraged to practice proactive voluntary activities to contribute to the development of global society and local community.