

**Kawasaki Group
Sustainable Procurement
Guidelines**

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

Contents

I.	Kawasaki Group Policies for Material Procurement	1
II.	A Request to Our Business Partners (Detailed Rules)	
	1. Compliance	3
	(1) Regulatory Compliance	
	(2) Fair and Impartial Competition	
	(3) Export-Import Control	
	(4) Exclusion of Anti-Social Forces	
	(5) Confidential Information	
	(6) Protection of Intellectual Property	
	(7) Fair and Impartial Relationships	
	(8) Compliance Whistle-Blowing System	
	(9) Insider Trading	
	(10) Acts Involving Conflicts of Interest	
	(11) Responsible Sourcing of Minerals	
	2. Consideration for Human Rights, Labor, and Occupational Safety and Health	6
	2-1 Human Rights and Labor Practices	
	(1) Labor-Related Laws and Ordinances	
	(2) Human Rights	
	(3) Forced Labor and Young Workers	
	(4) Working Hours and Wages	
	(5) Freedom of Association and Right to Collective Bargaining	
	(6) Exclusion of Transactions with Companies that Benefit from Inhumane Labor Practices	
	(7) Approach to Respect for Human Rights	
	2-2 Safety and Health Management	
	(1) Occupational Safety and Health	
	(2) Machine Safeguarding	
	(3) Sanitation	
	(4) Safety and Health Communication	

3. Ensuring Quality and Safety	9
(1) Quality Assurance	
(2) Quality Control Systems	
(3) Responsibility for Third Parties	
(4) Appropriate Response to Product Accident and/or the Distribution of Defective Products	
(5) Traceability	
4. Reinforcing Competitiveness	10
(1) Enhancement of Competitiveness and Creation of Added Value	
(2) Provision of Information on New Materials, New Technologies, New Manufacturing Methods, Etc.	
(3) Promotion of Cost Reductions	
5. Stable Supply	10
(1) Stable Supply	
(2) Observance of Delivery Schedules	
(3) Development of BCPs	
6. Information Disclosure	11
(1) Information Disclosure to Stakeholders	
7. Consideration for the Global Environment	11
(1) Environment-Related Laws, Ordinances, and Regulations	
(2) Environmental Management Systems	
(3) Environmental Substances of Concern	
(4) Pollution Prevention and Environmental Protection	
(5) Efficient Use of Resources	
(6) Global Environmental Protection	
8. Harmonious Coexistence with Society	12
(1) Social Contribution	
Our Call for Promotion of Sustainability Initiatives for the Entire Supply Chain	13

The Kawasaki Group conducts procurement activities based on the following Kawasaki Group 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 Suppliers (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) Regulatory Compliance

You must 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 must 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) Export-Import Control

In addition to creating systems for appropriate export-import control, you must 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 Anti-Social Forces

You must 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 must also 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) Confidential Information

You must 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 must refrain from the improper acquisition and disclosure of such information and 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) Protection of Intellectual Property.

You must 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 must avoid involvement in any infringement of intellectual property and related information.

(7) Fair and Impartial Relationships

In the course of engagement with customers and procurement sources, you should 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) Compliance Whistle-Blowing System

You should 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 should 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) Insider Trading

You must 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 must also refrain from encouraging others to engage in stock trading that leverages such information or provide them with such information.

(10) Acts Involving Conflicts of Interest

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

(11) Responsible Sourcing of Minerals

- You should 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.
- For the purpose of responsible minerals procurement, you should cooperate with us when we conduct surveys, etc. using the RMI*¹ survey form.

*1 RMI (Responsible Minerals Initiative)

International organization that plays a leading role in guiding approaches to conflict minerals.

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

2-1 Human Rights, Labor Practices

(1) Labor-Related Laws and Ordinances

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

(2) Human Rights

- You must treat all people with equal dignity and respect regardless of race, color, gender, age, nationality, social or family origin, sexual orientation, gender identity, marital status, religion, political beliefs, mental or physical disabilities, or health status, and not to engage in inhumane acts such as unfair labor practices, discrimination, and harassment.
- You should strive to create a workplace culture that respects individual diversity regardless of gender, age, nationality, or disability.

(3) Forced Labor and Young Workers

- You must 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 procedures for hiring, dismissal, etc., and decision-making on working conditions are made in compliance with the laws and ordinances enforced in the countries or regions in which your corporate activities take place.
- You must not use labor that is subject to modern slavery, such as forced labor, slavery or trafficking of persons.
- You must prohibit labor by children under the minimum age stipulated by international conventions and national laws.
- You should not use workers under 18 years (Young Workers) of age for labor that may be harmful to their health, safety, or morals.

(4) Working Hours and Wages

- Regarding employee (including non-regular employee) working hours, wages and benefits, you must comply with the laws and ordinances enforced in the countries and regions in which your corporate activities take place.
- You should strive to restrict excessively long working hours by stipulating standards for directing overtime work, and by properly managing working hours.

- When you employ workers through outsourcing providers, you should request that such outsourcing providers comply with the laws and ordinances enforced in the countries and regions in which your corporate activities take place.

(5) Freedom of Association and Right to Collective Bargaining

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

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

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

(7) Approach to Respect for Human Rights

You should strive to establish a framework for human rights due diligence to implement ongoing process to prevent and mitigate negative impacts on human rights.

2-2 Safety and Health Management

(1) Occupational Safety and Health

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

(2) Safety Measures for Machinery

- You should conduct safety evaluation of equipment, machinery, etc., and take necessary measures to ensure safety and prevent health hazards, etc.
- You should perform necessary inspections and maintenance, including daily inspections, in addition to inspections required by the laws and ordinances.
- You should take necessary measures to ensure safety and prevent health hazards, etc. in the event of an abnormality.

(3) Sanitation

- With regard to sanitary facilities such as restrooms and cafeterias provided by business operators, you should strive to maintain a safe and clean working environment by paying attention to hygiene.

(4) Safety and Health Communication

- You should inform employees of the work manual or emergency instructions regarding safety assurance and prevention of health hazards.

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 should ensure a level of quality that satisfies Kawasaki's requirements.

(2) Quality Control Systems

You should 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 should 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 should 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

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

(3) Promotion of Cost Reductions

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

5. Stable Supply

(1) Stable Supply

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

(2) Observance of Delivery Schedules

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

(3) Development of BCPs

You should 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 should 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 should work to build, maintain, and develop relationships with stakeholders and win their trust via the aforementioned endeavors.

7. Consideration for the Global Environment

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

You must 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: The Restriction of the use of certain Hazardous Substances in electrical and electronic equipment. European Union directives restricting the use of specified hazardous substances in electrical and electronic equipment.

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

(2) Environmental Management Systems

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

(3) Environmental Substances of Concern

You should 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 should 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 strive to preserve the environment.

(5) Efficient Use of Resources

- You should reduce final waste emissions by properly disposing of waste in conformity with recycling-related laws and regulations.
- You should minimize the use of natural resources such as water, fossil fuels, minerals, and virgin forest products by practicing process changes, material substitution, reuse, conservation, and recycling related to production and other activities.

(6) Global Environmental Protection

- With the goal of achieving a decarbonized society, you should promote the reduction of greenhouse gas emissions such as CO₂, methane, and fluorocarbons generated by your corporate activities, as well as the improvement of energy efficiency, in order to protect the global environment.
- You should set targets for greenhouse gas emissions reduction activities and strive to manage emissions.

8. Harmonious Coexistence with Society

(1) Social Contribution

You should 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 Promotion of Sustainability Initiatives for the Entire Supply Chain

Our business partners are asked to develop corporate structures for promoting sustainable activities with reference to these guidelines and, similarly, to ask their procurement sources to do the same to ensure the widespread promotion of sustainability initiatives throughout the supply chain.

You may be requested to provide information or visit our business partners' factories to check the status of their sustainable activities.

If the results of the check indicate that our business partner's efforts are not satisfactory, we may ask the partner to submit and implement improvement measures. Your kind cooperation would be appreciated.

If you have any questions regarding these guidelines, please contact us at:

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