

For suppliers
Yokogawa Group
**Sustainable Procurement
Guidelines**

**SCM-PPPB-0002
2nd Edition**

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Global Business Service HQ.
Yokogawa Electric Corporation

These guidelines describe the code of conduct required of suppliers. It can not be used, disclosed or duplicated except for the purpose of referring to these guidelines.

Revision history

Rev.	Date	Description	Responsible department
0	January, 2009	The first edition of "YOKOGAWA Supply Chain CSR Guidelines" was established referring to the JEITA Supply Chain CSR Promotion Guidebook published in 2006.	Purchasing Division Yokogawa Electric Corporation
1.0	July 3, 2013	Addition (Conflict Minerals)	Purchasing and Operations Division Yokogawa Manufacturing Co., Ltd
1.1	June 6, 2018	Change (Responsible Department)	Global Business Service HQ Yokogawa Electric Corporation
2.0	August 8, 2019	Changed title to Sustainable Procurement Guidelines Revision of guidelines based on the RBA Code of Conduct, Version 6.0, to reflect support for the Global Compact	Global Business Service HQ Yokogawa Electric Corporation

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Introduction

We respect the global standard of social responsibility in our business activities to realize a sustainable society. We participate in the United Nations Global Compact^(note1) in 2009 and have expressed support for the 10 principles in the areas of human rights, labour, environment and anti-corruption. We announced our sustainability goals "Three goals"^(note2) in 2017, consistent with the UN Sustainable Development Goals and the Paris Agreement, and are working on solving social issues through our business.

In order to realize a sustainable society, not only does each company make efforts individually, but also companies connected in the supply chain also work together to make activities more effective and efficient. We share these Sustainable Procurement Guidelines with our business partners and strive to resolve social issues throughout the entire supply chain.

Please ensure that your business activities and those of your own comply with the content of these guidelines.

(note1) United Nations Global Compact (UNGC):

It was proposed at the 1999 World Economic Forum (Davos meeting) and launched on July 26, 2000. In addition to the "state", the UN called for private companies to work on four areas: human rights, labor, the environment, and anti-corruption.

(note2) Sustainability Goals "Three goals":

Against the backdrop of the movement of the world, Yokogawa has transformed itself and has set the sustainability goals "Three goals" shown in the figure for the society aiming for 2050.



Three goals

Yokogawa will work to achieve net-zero emissions, make a transition to a circular economy, and ensure the well-being of all by 2050, thus making the world a better place for future generations.

A. LABOR AND HUMAN RIGHTS

Suppliers (as for Yokogawa) shall recognize the International Labour Organization (ILO) and strive to protect the human rights of workers and to interact with workers with dignity and respect. This applies to all type of workers (not only direct employees).

1) Prohibition of Forced Labor

Do not use labor obtained through coercion, detention, inhuman prison labor, slavery or trafficking.

Specifically, we prohibit the transfer, concealment, recruitment, transfer or acceptance of persons by threat, coercion, abduction or fraud.

Labors shall not be required to pay recruitment fees or other related fees for their employment. And the forcing of forced labor to pay these costs is prohibited.

When hiring foreign workers, workers should be provided with employment agreements in which the conditions of employment are written in the language understood by them before they leave their home countries.

Subject to the agreed-on legal constraints in the relevant employment contract, all work must be voluntarily and workers shall be free to leave work at any time or terminate their employment.

It shall be noted that the act of destroying, concealing or forfeiting government-issued identity cards, passports, work permits or immigration applications (except where the law requires them to be kept) from workers, and imposing unreasonable restrictions on the workers' use to premises and on the movement of persons within premises, is also recognized as a matter of forced labor.

2) Prohibition of Child Labor and Consideration for Young Workers

Child labor is prohibited in all cases under the International Labour Organization (ILO) and relevant statutory laws in each jurisdiction.

The term "child" refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is eldest. Child labor is the practice of engaging in work without properly attending compulsory education, which is different from work for the development of children in compliance with laws and regulations.

In addition, young workers under the age of 18 shall not be assigned to night shifts, overtime work, or other work that is likely to impair their health or safety. Due diligence is required to protect their rights.

3) Working Hours

Working hours are not to exceed the maximum set by local law.

Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury and illness. International standards for granting hours of work, holidays and breaks per week must be complied with.

4) Wages and Benefits

Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits including bonuses and other social security measures.

For example, remuneration for overtime must be paid to workers at a rate higher than normal hourly wages in accordance with local laws and regulations. Workers shall be provided pay statements with information that can be used to confirm that payments are appropriate. The wages must be at a level that can cover the costs of each worker's living necessities.

5) Prohibition of Inhumane Treatment

There will be no harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor will there be the threat of any such treatment. Disciplinary policies and procedures in support of these requirements shall be clearly defined and communicated to workers.

6) Non-Discrimination

Harassment and discrimination may not occur in the workplace.

There shall be no discrimination, whether in wages, promotion, remuneration, education, recruitment or employment practices or otherwise, that could lead to discrimination on the basis of race, color, age, sex, sexual orientation, ethnicity or nationality, disability, pregnancy, religion, affiliation, military experience, etc.

Workers should be provided with reasonable accommodation for religious practices.

7) Freedom of Association

In conformance with local law, the right of all workers to form and join trade unions of their own choosing, to bargain collectively and to engage in peaceful assembly as well as the right of workers to exercise from such activities must be respected.

Workers and/or their representatives shall be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation or harassment.

B. HEALTH AND SAFETY

Suppliers (as for Yokogawa) shall be aware of the Occupational Health and Safety Guidelines of the International Labour Organization (ILO) and take steps to minimize injuries and physical/mental illnesses associated with workers and create safe and hygienic working environments. In this effort, it is essential to continuously provide workers with information and education.

1) Occupational Safety

Identify hazards in the workplace, including the possibility of incidents, and take measures to secure the safety of workers.

Examples of hazards in the workplace include contact of the human body with chemicals, electricity and other energy sources, fires, vehicle, and falls.

The following and other safety measures should be incorporated into daily operations:

- Identify and assess risks, including the possibility of occurrence of incidents
- Appropriate work site design that takes risk elimination and preventive maintenance into account
- Safety education activities (including handling of personal protective equipment).

Measures should also be taken to protect pregnant women/nursing mothers from dangerous situations and providing them with reasonable accommodation.

2) Emergency Preparedness

Emergencies in the workplace shall be identified, including the likelihood of occurrence, and emergency procedures shall be prepared to minimize damage to workers and property, and training shall be provided to enable actions to be taken in the event of a disaster.

Emergency measures include the installation of appropriate fire detectors and extinguishers, clear indication of evacuation methods, easy-to-understand removal of obstacles at the emergency exit, planning, implementation and reporting of evacuation drills.

3) Occupational Injuries and Illness

Occupational accidents and illnesses that have occurred to workers shall be documented, treated, and corrective action taken.

Corrective actions include investigations of accidents, identification of causes and implementation, management and reporting of preventive measures. In addition, it is also necessary to report on the provisions and implementation of the provisions to promote the return of workers to work in an event of an occupational incident.

4) Industrial Hygiene

Hazards of workers' exposure to physical substances and biological, chemical conditions at workplaces must be identified, evaluated and managed.

Potential hazards are eliminated by designing appropriate equipment and minimized by operational procedures. Workers are to be provided with and use appropriate, well-maintained, personal protective equipment. Protective programs shall include education on the risks associated with these hazards.

5) Physically Demanding Work

Workers' exposure to the hazards of physically demanding tasks, including manual material handling, moving of heavy items or repetitive lifting, prolonged standing and highly repetitive or forceful assembly tasks is to be appropriately identified, evaluated and controlled.

6) Machine Safeguarding

Production and other machinery shall be evaluated for safety hazards. Physical guards, interlocks and barriers are to be provided and properly maintained where machinery presents an injury hazard to workers.

7) Facility Safety and Health

Facilities provided for workers' life must be safe and sanitary.

Facilities for living include toilets, eating facilities, and dormitories. Each shall be clean and safe for safety and health.

Dormitories should also have appropriate emergency exits, facilities to store personal property and valuables, and sufficient personal space with adequate access.

8) Health and Safety Communication

Appropriate health and safety information and training to workers about the various operational hazards that may be encountered by workers must be provided in languages and manner that workers can understand.

It is also necessary to have systems in place to process safety-related feedback from workers.

C. ENVIRONMENTAL

Suppliers (as for Yokogawa) shall pay attention to issues such as energy resource depletion, global warming, and environment contamination, and to fulfill their responsibilities with respect to the environment.

Responsibility for environment considerations is to place top priority on ensuring the health and safety of not only workers, but also the people in the communities concerned, and to implement measures to minimize adverse impacts on local communities, the environment, and natural resource.

1) Compliance with Environmental Laws and Regulations in Business Activities

Environmental licenses and approvals required for business must be obtained, and environmental registration and reporting must be in accordance with the laws and regulations of locations of business.

2) Pollution Prevention and Conservation of Natural Resources

When discharging or disposing of pollutants, prevent the waste of natural resources by observing the laws and regulations of the location of the business, and minimizing the amount of pollutants discharged and disposed of.

These measures include changing production facilities at the source, replacing materials, thoroughly reusing resources, and recycling.

Natural resources include water, fossil fuels, minerals, raw forests, and the products of native forests. Preventing environment contamination leads to conservation of natural resources and is closely related to the sustainability of the planet.

3) Hazardous Substances

Carry out thorough control to identify and label chemicals and other substances that are hazardous or harmful to human bodies/environment.

In order to handle, transfer, store, use, recycle, reuse and dispose of these substances safely, systems must be established to ensure compliance with laws and voluntary standards.

4) Solid Waste

A systematic approach must be implemented to identify, manage, reduce, and responsibly dispose of or recycle solid waste (non-hazardous).

5) Air Emissions

Measures must be taken to prevent the release of hazardous substances into the atmosphere.

Hazardous substances released into the atmosphere include volatile organic chemicals, aerosols, corrosive, particulates, ozone-depleting chemicals, and by-products of combustion.

Prior to discharge, the content of these substances shall be analyzed and monitored, and necessary management and measures shall be implemented. Measures include regular monitoring of the handling of discharged substances and the performance of treatment systems.

6) Restriction of Substances used in Products

Comply with all applicable laws, regulations, and customer requirements regarding the prohibition or restriction of the use of certain substances in products and in the manufacturing process (including recycled and sorted waste).

We consider that the ability to comply with environmental laws and regulations is part of the quality of our company's products and services. We may ask you to provide us with necessary information about the products that we purchase from you.

7) Water Management

Maintain the understanding on situation of water intake, spillage, and pollution control and observe regulations.

"Maintain the understanding on the situation" means defining the standard characteristics, monitoring, documenting and recording the status of water sources, wastewater treatment, and treatment to control contamination. In addition, ensuring the optimum operation of the system for the treatment of wastewater before discharge and disposal, management of the water path, and control of contamination contributes to ensuring safe water.

8) Energy Consumption and Greenhouse Gas Emission

Efforts must be made to reduce energy consumption and greenhouse gas emissions and to promote energy efficiency improvement activities.

Energy efficiency improvement activities mean activities which minimize energy consumption and the emissions of Scope 1 and Scope 2 ^(note3) greenhouse gases and must be recorded and documented by the facility or business unit.

(note3) Scope 1 and Scope 2:

Scope 1 refers to direct emissions of greenhouse gases by businesses themselves. Scope 2 refers to indirect emissions resulting from the use of electricity, heat and steam supplied by other companies

D. ETHICS

Suppliers (as for Yokogawa) shall comply with ethical standards.

In order to fulfill our social responsibility and succeed in business, we must maintain the highest standards of ethics not only for each employee, but also for the company as a whole.

1) Business Integrity

A zero tolerance policy must be applied to prohibit any and all forms of bribery, corruption, extortion and embezzlement.

The continuation of corporate activities based on this policy is more important than to form a policy. In addition, whether corporate activities or not, employees are not permitted to perform prohibited actions or hold substances that are prohibited from being owned.

2) No Improper Advantage

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, or gain an improper advantage. In order to secure compliance with anti-corruption laws, it is important to clarify policies and procedures and to implement monitoring, among other measures.

3) Disclosure of Information

All business dealings shall be transparently performed and accurately reflected in business books and records. Information on 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 and misrepresentation of state of the business or conditions or practices in the supply chain are unacceptable.

4) Intellectual Property

Intellectual property rights (including trade secret) must be respected. Transfer and use of technology and know-how is to be done in a manner that protects intellectual property rights.

5) Fair Business, Advertising and Competition

Conduct fair business, advertising and competition.

Fair business means business activities that eliminate forces that threaten the order and safety of civil society and comply with all laws, regulations, customs and other social norms.

Fair advertising means not to advertise for fraudulent purposes or provide information that are different from facts.

Fair competition means complying with the laws and regulations of each country and region and promoting fair and free transactions without cartels, unfair trading methods, and illegal acts such as unfair displays.

6) Protection of Whistleblowers

Protect whistleblowers^(note4) who are concerned about ethical compliance, unless they violate laws and regulations.

The meaning of protection is "to protect the anonymity of whistleblowers", "to secure the confidentiality of contents of whistleblowers", "to prevent retaliation against whistleblowers" and "not to be treated disadvantageously for having reported" etc. Whistleblowers include suppliers and employees.

7) Responsible Sourcing of Minerals

Be responsible for the sourcing of minerals contained in manufactured products and cooperate with investigations and information disclosure of conflict minerals.

Conflict minerals include tantalum, tin, tungsten and gold, which are mined in the Democratic Republic of the Congo or adjoining countries and are the source of benefit for armed groups which are perpetrators of serious human rights violations in their countries of origin and supply chains.

In addition to conflict minerals, please refrain from procurement activities which provide financing to armed forces or criminal organizations or otherwise contribute to conflicts or human rights violations and crimes.

8) Protection of Personal Data

When handling personal information of suppliers, customers, consumers and employees, relevant laws must be complied with.

Collect, store, change, transfer, share and process personal information only to the extent necessary to achieve the purpose of use identified.

(note4) Whistleblower:

Whistleblowers include employees or officers, suppliers, etc.

E. MANAGEMENT SYSTEM

This chapter describes the items contained in the management system to verify that the daily operations of suppliers are conducted in accordance with the contents of A through D in the previous chapter.

The management system shall be designed to guarantee:

- Compliance with applicable laws, regulations and customer requirements related to operations and products;
- Conformance with these guidelines;
- Identification and mitigation of operational risks related to these guidelines;

1) Formulation of Policies

Formulate policies for social responsibility and environmental conservation responsibility.

Policies are approved by management and are written in a language that all workers can understand and are published in accessible locations.

2) Appointment and Responsibility of Executive

Appoint officer responsible for the implementation of the management system and related mechanisms.

The officer in charge regularly reviews whether these are operating properly.

3) Legal and Customer Requirements

Establish processes to understand what is described in these Guidelines, applicable laws, regulations, and customer requirements.

Processes include obtaining the latest trends in laws and regulations on a regular basis, and systematically changing policies and procedures in accordance with the mechanisms for sharing information and trends.

4) Risk Assessment and Risk Management

Processes must be in place to identify working, health and safety, environment, and ethical risks and to manage identified risks. Effective certificates covering the respective risk items will be eligible for substituting the verification of risks relating to those items.

5) Improvement Target

The targets to be achieved and action plans for social responsibility and environmental conservation shall be prepared in writing. Such targets and action plans shall be the ones which can be evaluated in a quantitative manner to monitor the progress of activities.

6) Training

Develop training programs with management and workers to understand and to incentivize behaviors responsive to social responsibilities and environment conservation responsibilities.

Record the training history and assess the effectiveness of the training.

7) Communication

Establish processes to communicate accurate information about policies and practices to workers, suppliers, and customers

8) Feedback

Establish feedback process from workers.

Feedback from workers includes awareness surveys to confirm the degree of understanding and participation in continuous improvements in response to the proposals by the workers, and a system for handling complaints. Workers who made a complaint must not be treated disadvantageously.

9) Audits and Assessments

Conduct periodic self- evaluations to confirm compliance with these guidelines.

Self-evaluation means checking whether you are operating in compliance with customer's contract requirements, all in respect of applicable laws and regulations, these guidelines, social responsibility and environmental protection.

10) Corrective Action Process

Provide procedures to take corrective actions when nonconformities are identified through evaluation, inspection, investigation or review by internal or external third parties.

11) Documentation and Records

Provide appropriate documentation for the operation of the management system. Be aware of compliance with applicable laws and regulations and customer requirements when documenting. Also, secure the confidentiality of the records.

12) Responsibility for Suppliers

Inform your suppliers of the content of these guidelines and request them to comply with these guidelines.

It is also necessary to establish a process to check if your suppliers are in compliance here with.

F. OTHERS

In addition, the following requirements must be complied with as part of social responsibilities within Yokogawa's supply chain.

1) Export and Import Control

When exporting or importing goods and providing software or technology, respect the spirit of international trade-related initiatives and comply with trade-related laws and regulations of each country where the goods, software or technology are existing.

2) Product Safety

Products must be designed and sold in compliance with the safety standards established by the laws and regulations of each relevant country. Product safety includes monitoring the source of materials, parts, and processes used to create the products. Product safety also includes taking prompt action to resolve safety issues.

3) Information Security

Take protective measures against threats on your computer network.

New threats are emerging each day, such as the stagnation of business operations due to spam e-mails and the leakage of information due to malware. It is necessary to have a system to obtain the latest information and take countermeasures.

Take measures to prevent information leakage.

It is necessary not only to protect personal information based on understanding of relevant laws and regulations, but also to establish a system that enables the appropriate management and protection of confidential information received from customers and third parties.

4) Business Continuity Plan

Identify and evaluate risks that may interfere with business continuity and develop a business continuity plan that summarizes the effects on business, the necessary measures to be taken in the medium to long term, and the status of measures to be taken.

It also includes preparing manuals for the early recovery of business in accordance with the established business continuity plan in the event of actual business stoppages and providing employees with ongoing training to enable them to respond to actual disasters.

End of Guideline

These guidelines describe sustainable procurement for the realization of a sustainable society. The following is an excerpt of "ISO 20400 Sustainable Procurement-Guidance" and the definitions of sustainable procurement and related terms.

Definitions and Terms

Social Responsibility

Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and practised in its relationships. (source: ISO20400 Sustainable Procurement Guidance)

Sustainability

State of the global system, including environmental, social and economic aspects, in which the needs of the present are met without compromising the ability of future generations to meet their own needs. (source: ISO20400 Sustainable Procurement Guidance)

Introduction to Sustainable Procurement

According to the ISO 20400 guidance, sustainable procurement is procurement that has the most positive environmental, social and economic impacts possible across the entire life cycle and that strives to minimize adverse impacts. Sustainable procurement is a powerful instrument when an organization considers sustainability requirements and its own contribution to sustainable development.

In addition, the ISO 20400 guidance confirms that the main principles for sustainable procurement are: accountability, transparency, ethical behaviour, full and fair opportunity, respect for stakeholder interest, respect for human rights as well as respect for the rule of law and international norms.