



SMK Group
Supply Chain CSR Guidelines
for Suppliers

(Ver. 3.0)

April, 2022

Released by
SMK Corporation

Contents

1. SMK Group Approach to CSR -----	1
(1) Promotion System -----	1
(2) Basic Concept of Promotion -----	1
SMK Philosophy	
SMK Action Guidelines	
SMK Group Charter for Corporate Behavior	
SMK Group Code of Conduct	
2. Request to Suppliers -----	6
Subjects to be observed -----	7
3. Closing Words -----	13

1. SMK Group Approach to CSR

We are committed to fulfilling our responsibility to society as a good corporate citizen and to consistently strive to raise our corporate value. This is in an attempt to earn the solid trust of, and to build better relationships with, parties connected with our SMK Group (stakeholders such as customers, shareholders, investors, suppliers, local communities and employees) and enhance our current relationships with those parties.

(1) Promotion System

In March 2007, SMK Group inaugurated a “CSR Committee”, directly controlled by the President, for the purpose of promoting and controlling all CSR activities for the entire SMK Group. The “CSR Committee” is comprised of 6 subcommittees for the purpose of promoting Group-wide activities conducted primarily by appointed members in cooperation with the related departments.

[Subcommittees]

1. Supply Chain CSR Working Group I
2. Supply Chain CSR Working Group II
3. Compliance Committee
4. Environmental Preservation Committee
5. Quality Improvement Committee
6. TN Administration Meeting for Works and Offices

Among these activities, risk management needs to be thorough, involving not only the SMK Group companies but also its suppliers, applying all relevant and applicable measures.

(2) Basic Concept of Promotion

“SMK Philosophy”, “SMK Action Guidelines”, “SMK Group Charter for Corporate Behavior” and “SMK Group Code of Conduct” are the foundation of all CSR promotional activities.

The SMK Group “SMK Philosophy” and “SMK Action Guidelines” describe the basic ideas for the behavior necessary to allow us to become a good corporate citizen by contributing to information society’s progression and sustainability. This goal is attained in an across-the-board manner by the following “SMK Philosophy” and “SMK Action Guidelines.”

SMK Philosophy

SMK is committed to the advancement of mankind through development of the information society, by integrating its current technological strengths and creating advanced technology.

SMK Action Guidelines

1. Contribute to society with pride and confidence.
2. Be customer-oriented, with zeal and sincerity.
3. Challenge courageously for higher goals without fear of failure.
4. Trust and respect each other for a brighter working atmosphere.
5. Keep an open mind, and view SMK from a global perspective.

The SMK Group Charter for Corporate Behavior comprises ten principles that function as guidelines for business enterprises' desired behavior as seen from the viewpoint of CSR.

SMK Group Charter for Corporate Behavior

SMK Group, in addition to being an economic entity engaged in the creation of added value through fair competition, must be useful to society as a whole. For this reason, SMK Group will adhere to the following ten principles; respect human rights and follow the letter and spirit of all laws, whether domestic or foreign, and of international rules, and behave in a socially responsible manner.

1. For customers' confidence, we will develop and provide superior goods in terms of quality, cost, and safety through our accumulated advanced technology.
2. To be understood/supported by stakeholders such as customers, business partners, and shareholders, we will engage in fair, transparent, and free competition, under the spirit of independence, self-help, and self-regulation.
3. We will promote communication with society, by fairly disclosing corporate information, as an open enterprise in the advanced information network age. In addition, we will protect and properly manage personal and customer data and other types of information.

4. We will take independent and positive action, fully recognizing the necessity of environment conservation.
5. We will strive to make it possible for employees to lead pleasant and enriched lives, by guaranteeing a comfortable and safe work environment and respecting our employees' dignity and individuality.
6. We will actively engage in social contribution activities as a good corporate citizen.
7. We will stand firm against anti-social forces and organizations that threaten the order and security of civil society.
8. In overseas operations, we will comply with the laws and regulations of the countries and regions, respect human rights and other international norms, and manage ourselves in a manner that contributes to local development.
9. To make the spirit of the Charter a reality, top executives will always listen to the voices within and outside SMK, take the lead in raising awareness of the Charter among all relevant Group members and to bring corporate systems into line with it, and endeavor to cultivate corporate ethics.
10. When the Charter is violated, top executives will take the initiative in resolving the problem, endeavoring to clarify its causes and prevent its recurrence, and take the necessary action. This includes precise explanation to the society and punishment for responsible persons, including themselves.

The SMK Group Code of Conduct specifically describes that every person in the SMK Group including Presidents must bear in mind at all times in order to earn the trust of our stakeholders as follows:

SMK Group Code of Conduct

1. General Provisions
 - 1) Purpose of this Code
 - 2) Scope of Application
2. Human Rights and Labor
 - 3) Prohibition of Forced Labor
 - 4) Prohibition of Child Labor
 - 5) Respect for Human Rights

- 6) Prohibition of Discriminations
- 7) Compliance with Employment Regulations
- 8) Working Hours and Wages
- 9) Freedom of Association

3. Health and Safety

- 10) Safety Measures for Machinery
- 11) Health and Safety in the Workplace
- 12) Emergency Measures
- 13) Considerations for Physically Burdensome Work
- 14) Health and Safety in the Facilities
- 15) Health Management

4. Environment

- 16) Environmental Permits and Reports
- 17) Minimization of Environmental Impact (drainage, sludge, exhaust, etc.) and Preservation of Water Resources and Biodiversity, etc.
- 18) Reduction in Emission of Greenhouse Gases and Final Waste
- 19) Management of Chemical Substances Contained in Products
- 20) Environmental Protection Activities

5. Fair Trade and Ethics

- 21) Compliance with Laws
- 22) Establishment of Customer Confidence
- 23) Fair Advertising and Public Relations
- 24) Free and Fair Competition
- 25) Protection of Intellectual Property Rights
- 26) Fair Transactions with Suppliers of Materials and Services
- 27) Entertainment and Gifts
- 28) Improper Profit
- 29) Donations and Limit of Political Donations
- 30) Stand against Antisocial Forces
- 31) Responsible Mineral Procurement
- 32) Compliance with Laws Concerning Imports and Exports
- 33) Disclosure of Management Information
- 34) Prohibition of Insider Trading

- 35) Appropriate Accounting Procedures
- 36) Prohibition of Private Activity
- 367 Appropriate Use of Corporate Assets

6. Quality and Safety

- 38) Product Safety and Quality Assurance

7. Information Control

- 39) Control of Trade Secrets and Company Secrets
- 40) Information Security
- 41) Protection of Personal Information

8. Social Contribution

- 42) Social Contribution

9. SMK Ethics Helpline

- 43) SMK Ethics Helpline

10. Supplementary Provisions

- 44) Reference
- 45) Improvement or Amendment of this Code of Conduct
- 46) Penalty
- 47) Submission of Pledge Card
- 48) Enforcement

2. Request to Suppliers

CSR is by nature a subject to be put into action voluntarily by each enterprise individually. For the SMK Group to successfully carry out CSR activities, promotion within our supply chain is imperative. Thus, our suppliers are requested to promote CSR in a manner identical to the SMK Group's approach.

In addition, the following describes subjects that we endeavor for our suppliers to address from the viewpoint of risk management. These subjects must be undertaken not only within our suppliers' own organizations but also within their own upper stream suppliers.

◆Compliance

Business enterprises must conduct commercial activities in full compliance with related laws, ordinances, and corporate ethics. Although it is widely accepted that accepting responsibility for so-called compliance is a minimum requirement, thorough compliance is strongly urged.

◆Management of material subjects

SMK Group has set material subjects that should be dealt with on a priority basis as follows:

- Human rights and labor
- Health and safety
- Environmental conservation
- Ethics and fair trading
- Product quality and safety
- Information security
- Management systems

SMK Group expects the following specific subjects to be observed by all supply chain parties on a priority basis. These specific subjects are based on the "Supply Chain CSR Promotion Guidebook" as put forward by the Japan Electronics and Information Technology Industries Association (JEITA) and the RBA Code of Conduct established by the Responsible Business Alliance (RBA formerly EICC).

[Subjects to be observed]

1. General Description of CSR

1.1 Vigorous promotion of CSR activities

Suppliers shall recognize their own social responsibilities and vigorously promote CSR activities.

1.2 Contribute to society and community

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

2. Human Rights and Labor

2.1 Employment based on free will

Suppliers shall employ employees on a voluntary basis, and not commit forced labor.

2.2 Prohibition of child labor and consideration of young workers

Suppliers shall not employ children who are under the lowest labor age and not assign jobs that endanger the health and safety of younger workers to pursuant to the laws and regulations of each country.

2.3 Working hours

Suppliers shall properly regulate employees' working hours/holidays/vacations so that they do not exceed the legal ceiling of that country or region.

2.4 Wages and benefits

Suppliers shall comply with laws related to wages and benefits and not practice unfair deductions.

2.5 Humane treatment

Suppliers shall not treat employees harshly and inhumanely, including various types of harassments such as sexual harassment or maltreatment, physical punishment, mental or physical coercion, or maltreatment by violent language.

Suppliers shall also clarify standards regarding disciplinary measures and notify employees of these standards.

2.6 Removal of discrimination and harassment

Suppliers shall not discriminate and harassment against an applicant's place of birth, nationality, race, ethnic group, creed, religion, age, sex, pregnancy, disability, etc. during the process of job offering and hiring, and will endeavor to offer equal opportunity and fairness of treatment.

2.7 Freedom of association

Suppliers shall enter into dialogue and discussion with employees and respect their rights to freedom of association in accordance with the laws of that country.

3. Health and Safety

3.1 Safety in the workplace

Suppliers shall evaluate their own safety risks and ensure safety in the workplace with an appropriate design, technique, and control method.

3.2 Prepare for emergencies and disasters

Suppliers shall prepare emergency response measures for possible disasters and accidents in order to protect human lives, and provide the employees with education and drill.

3.3 Occupational injuries and illnesses

Suppliers shall identify the status of occupational injuries and illnesses in the workplace, and take appropriate measures.

3.4 Hygiene in the workplace

Suppliers shall identify the conditions in the workplace relating to biological and chemical substances, and noise and odors, which are harmful to health, and take the appropriate measures to manage the health of employees.

3.5 Care for physically demanding work

Suppliers shall identify physically demanding work, and investigate and control the situation appropriately to prevent work-related injury and illness.

3.6 Safety measures for machinery use

Suppliers shall apply appropriate safety measures for equipment and instruments used in the workplace.

3.7 Safety and hygiene in all company facilities

Suppliers shall maintain safety and hygiene appropriately in all company facilities where employees spend time (e.g. dormitory, canteen, restroom).

3.8 Safety and hygiene communication

Suppliers shall provide easy-to-understand information, education and drill to employees concerning workplace safety and hygiene.

4. Environmental Conservation

4.1 Environmental permits and reports

Suppliers shall obtain and submit environmental permits, notifications and reports required by law, and comply with the applicable laws and regulations.

4.2 Save resources and prevent contamination

Suppliers shall reduce waste and conserve all resources containing water and energy by improving work processes and by substituting, recycling and reusing raw materials.

4.3 Hazardous substances

Suppliers shall identify chemical and other substances hazardous to humans or the environment and ensure that they control the safe handling, movement, storage, use, reuse and disposal of such substances.

4.4 Waste

Suppliers shall identify waste that may occur in the course of working activities, and supervise and control them appropriately.

4.5 Air pollution

Suppliers shall identify air pollution that may occur in the course of working activities, and supervise and control them appropriately.

4.6 Restricted materials

Suppliers shall comply with the applicable laws and regulations relating to the prohibited use or restriction of certain substances in products and during manufacturing.

4.7 Water management

Suppliers shall identify the use status of water and treat drainage appropriately.

4.8 Energy consumption and emission of greenhouse gas

Suppliers shall appropriately record and control energy consumption and the emission of greenhouse gas, and try to reduce them by using effective methods.

4.9 Environmental management

Suppliers shall establish and implement an environmental management system.

4.10 Disclosure of environmental preservation activities

Suppliers shall disclose outcomes of environmental activities appropriately.

5. Ethics and Fair Trading

5.1 Prohibit corruption and bribery

Suppliers shall maintain a sound and normal relationship in all business interactions without bribery and corruption.

5.2 Prohibit the offering and receiving of inappropriate profit and advantage

Suppliers shall not offer and/or receive inappropriate benefits to/from stakeholders.

5.3 Disclose information

Suppliers shall accurately record all business dealings and disclose them with other information regarding business activities in accordance with applicable regulations and prevailing industry practices.

5.4 Intellectual property rights

Suppliers shall not infringe upon others' intellectual property rights.

5.5 Fair business

Suppliers shall comply with the competition law of each country and region, and shall compete fairly, transparently and freely by not committing such an act that abuses the improper restriction of trade or a dominant bargaining position such as private monopoly, cartels, and collusion.

5.6 Use appropriate export procedures

Suppliers shall streamline the clear-cut control system and execute proper export procedures regarding exports of technologies and goods defined by laws and regulations.

5.7 Responsible sourcing of materials

Suppliers shall investigate the origin and distribution processes of minerals and avoid sourcing resources that may cause human rights violations by excavating illicit resources in conflict areas. It shall also disclose its investigation methods if necessary.

5.8 Prevent and promptly detect injustice and protect informants

Suppliers shall provide an internal reporting system to prevent and promptly detect injustice, and maintain and protect the anonymity of informants.

6. Product Quality and Safety

6.1 Ensure product safety

Suppliers shall satisfy safety standards defined by the applicable laws and regulations by each country, for products that they develop or design.

6.2 Provide accurate information on products and services

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

6.3 Quality management system

Suppliers shall establish and implement a quality management system.

7. Information Security

7.1 Protect personal information

Suppliers shall respect the privacy of persons concerned and comply with laws and regulations when acquiring, managing and using personal information.

7.2 Prevent the leakage of customer and third-party confidential information

Suppliers shall control and protect confidential information acquired from customers and third parties.

7.3 Secure computer networks against threats

Suppliers shall take protection against threats on the computer network, and to prevent damages to their company and others.

8. Management systems

8.1 Corporate commitment

Executive Management shall determine policy relating to the company's social and environmental responsibility and clarify that the company is continuously promoting compliance.

8.2 Administrator

Suppliers shall designate an administrator of the management system and define its responsibility for developing the management system and putting it into practice. The administrator shall also periodically review and evaluate the execution status of the management system.

8.3 Understanding laws and customer requirements

Supplier shall continuously acquire information about the applicable laws and regulations and customer demands, and appropriately streamline processes to comply with them.

8.4 Risk evaluation and management

Suppliers shall identify risks relating to observance of laws and regulations, the environment, safety and hygiene, working practices, and ethics, and appropriately implement and maintain internal control in accordance with the level of each risk.

8.5 Objectives and plans

Suppliers shall draw up objectives and plans based on their own policy relating to social and environmental responsibility, and periodically review and update the progress.

8.6 Education

Suppliers shall provide employees with an education so that employees comply with the applicable legal and regulatory requirements.

8.7 Communication

Suppliers shall clearly and accurately communicate their own policies, measures, expectations and results to employees, suppliers and customers.

8.8 Employees' participation

Suppliers shall confirm the level of understanding among employees of activities based on their own policies, and continuously make and foster improvements based on feedback and violation warnings from employees by means of effective and safe grievance mechanism.

8.9 Audits and evaluations

Suppliers shall periodically make self-evaluations to ensure conformity to legal and regulatory requirements, content of these guidelines, and customer requests related to social and environmental responsibility.

8.10 Corrections

Suppliers shall define a process for timely correction of detected weaknesses and deficiencies.

8.11 Documents and records

Suppliers shall create and appropriately manage documents and records that prove compliance with legal and regulatory requirements.

8.12 Supplier responsibility

Suppliers shall communicate the requirements of these guidelines to their own suppliers and demand their compliance with these guidelines.

3. Closing Words

The products and services that SMK Group provides to its customers are a direct result of materials and services provided by its suppliers. SMK Group sincerely believes that promotion of CSR activities throughout the Group and supplier base is key to creating a mutually beneficial and long-lasting business partnership. SMK Group sincerely would like to ask for support from the suppliers to attain this goal together.

NOTE: These guidelines are subject to change as necessary and without prior notification. Changes, if made, will be communicated immediately to all suppliers.

Revision History

- Ver. 1.0 July 2007
- Ver. 2.0 July 2019
- Ver. 3.0 April 2022