



shaping your dreams

OSG Group

CSR Procurement Guideline

March 2024(3rd Edition)

OSG Corporation

Contents

I.	Introduction	1
II.	OSG Group Procurement's Basic Policies	2
III.	Requests to Business Partners (detailed regulations)	4
	1. Corporate Governance	
	(1) Establishment of CSR promotion system	
	(2) Establishment of internal controls	
	(3) Establishment of business continuity planning (BCP) system	
	(4) Establishment of a whistle-blower system	
	(5) Dispatch of CSR-related information inside and outside the company	
	2. Human Rights	
	(1) Basic attitude toward human rights	
	(2) Respect for human rights and the prohibition of discrimination	
	(3) Avoidance of complicity in (or contribution to) human rights abuses	
	(4) Respect and consideration for the life and culture of the local community and indigenous people	
	3. Labor	
	(1) Basic attitude toward labor practices	
	(2) Prohibition of discrimination in the workplace	
	(3) Provision of equal opportunities to employees regarding human resources development and career advancement, etc.	
	(4) Prohibition of inhumane treatment	
	(5) Payment of fair wages	
	(6) Fair application of working hours, time off, and paid time off, etc.	
	(7) Prohibition of forced labor	
	(8) Prohibition of child labor	
	(9) Respect for the religious traditions and customs of the country of operation	
	(10) Recognition of and respect for freedom of association and the right to collective bargaining	
	(11) Proper management of employee safety and health	
	4. Environment	
	(1) Basic attitude toward environmental initiatives	
	(2) Management of chemical substance indicated in laws and regulations, etc. in production processes, products and services	
	(3) Control and reduction of waste water, sludge and air emissions	
	(4) Sustainable and efficient utilization of resources (energy, water, raw materials, etc.)	
	(5) Reduction of GHG (greenhouse gases)	

- (6) Identification, management, reduction, and the responsible disposal or recycling of wastes
- (7) Initiatives related to biodiversity

5. Fair Corporate Activities

- (1) Basic attitude toward fair business practices
- (2) Establishment of appropriate relationships with local governments and public officials in and outside countries where business activities are conducted
- (3) Prevention of the giving and receiving of improper advantages with customers and trade partners, etc., in sales and purchasing activities, etc.
- (4) Prevention of competition law violations in sales activities, etc.
- (5) Rejection of relationships with antisocial forces/organizations
- (6) Prevention of the unauthorized use of a third party's intellectual property and of illegal reproduction of copyrighted works
- (7) Services for responding to complaints from outside the company and for consultations
- (8) Prohibition of insider trading
- (9) Prohibition of acts with conflicting interests

6. Quality and Safety

- (1) Basic attitude toward product and service quality and safety
- (2) Ensuring product and service quality and safety
- (3) Appropriate response to product or service accidents and the circulation of defective goods

7. Information Security

- (1) Basic attitude toward information security
- (2) Defense against attacks on computer networks
- (3) Protection of personal information and privacy
- (4) Prevention of misuse of confidential information

8. Supply Chain

- (1) Basic attitude toward the supply chain
- (2) Use of raw materials not involved in conflict or crime (initiatives against conflict minerals)

9. Harmonious coexistence with local communities

- (1) Initiatives to reduce damage to the health, safety, and sanitation of local communities and residents
- (2) Initiatives with contribute to the local community and residents and collaborate towards sustainable development

Introduction

OSG Group sets our company mission as “While offering products and services that contribute to society, we will make consideration of the environment an essential task. We will follow societal norms, and use our power through communication to harmoniously promote sustainable development.” We believe it is most important for OSG Group to achieve this mission by responding to the demands of society accurately, and to build a future with all stakeholders.

In order to do so, we must carry out healthy and highly transparent corporate management, while enhancing our sensibility to social demands and changes on an organizational basis.

The environment surrounding us has been changing to put more focus on CSR activities including the expansion of ESG investment.

Taking this into consideration, in December 2020, we established “CSR Procurement Guidelines” as the guidelines for CSR activities expected of our business partners, aiming to promote CSR in our entire supply chain, in order to build stronger relationships of mutual trust. Following this, we have conducted surveys with our business partners, trying to both understand compliance with these guidelines and to disseminate them.

We request each business partner to establish a system to promote CSR activities based on these guidelines, and in addition, to expand these guidelines to its suppliers and to make CSR activities prevail in the entire supply chain.

We’d like to continue to work together with our business partners for mutual harmony and benefit by further promoting CSR activities. Your understanding and cooperation will be highly appreciated.

OSG Corporation

Procurement Division

II. OSG Group Procurement's Basic Policies

At OSG Group, we implement the following measures based on "Procurement's Basic Policies" in our procurement activities.

●Open and Fair Transactions

OSG Group carries out fair and open transactions based on the principle of free competition and in accordance with the values of globality and openness. In order to establish relationships leading to mutual growth, OSG Group and its suppliers make efforts to deepen mutual understanding and build relationships of mutual trust.

●Compliance with Laws, Regulations and Social Demands

Our procurement activities are carried out in compliance with laws, regulations, and social norms. In accordance with social demands, we also develop our procurement activities with due consideration to the environment, human rights, labor standards, health and safety, and information management.

●Consideration for the Environment

In order to protect the environment, we prioritize the purchase of environmentally-friendly products (green procurement activities) and the use of suppliers who implement environmental conservation measures in their manufacturing processes.

III. Requests to Business Partners (detailed regulations)

1. Corporate Governance

(1) Establishment of CSR promotion system

Suppliers shall be required to comply with laws and regulations, follow social norms, meet the expectations of society, and strive for the realization of a sustainable society with due consideration not to cause negative impacts on society and the environment. While disseminating this philosophy to their employees, they must carry out practical activities.

For this purpose, they need to establish a system to implement risk management for ESG (Environment, Social and Governance) related to CSR and to run a PDCA cycle (Plan, Do, Check, Act).

(2) Establishment of internal controls

For the establishment of an organizational structure for healthy corporate management, business partners need to internally prepare their management structures and systems to secure the effectiveness and efficiency of doing business as a business partner, the reliability of financial reports, the compliance to laws and regulations related to business activities, and the maintenance of properties.

(3) Establishment of business continuity planning (BCP) system

Business partners need to organize a system for the continuity or early recovery of important operations and businesses when a disaster (natural disaster, great fire, terrorist attack, etc.) occurs.

(4) Establishment of a whistle-blower system

Business partners need to have a system in which an employee who finds any compliance issue, including the violation of laws and regulations and fraud in overall business operations of his/her company, or that any suspected act of such was carried out, or an employee him/herself who has suffered infringement of human rights or labor rights, can directly report to and consult with a special department or external office. In such cases, the confidentiality of secrets shall be strictly observed, and such employees shall never be subjected to disadvantageous treatment.

(5) Dispatch of CSR-related information inside and outside the company

Business partners need to properly dispatch financial and non-financial information internally and externally, in order to meet the demands of society and stakeholders (interested parties) for transparency and accountability regarding their activities.

2. Human Rights

(1) Basic attitude toward human rights

Business partners shall support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in (or contribute to) human rights abuses.

(2) Respect for human rights and the prohibition of discrimination

Business partners shall be responsible for making their own company decisions and conducting business operations with respect for human rights and without discrimination based on race, nationality, sex, sexual orientation, age, family line, religion, nation, or immigration status, etc. Nor shall business partners discriminate against children, aged people, handicapped people, indigenous people, poor people or HIV/AIDS infected people, etc.

(3) Avoidance of complicity in (or contribution to) human rights abuses

Business partners shall carefully consider that their company's decision making, business operations and products and services are never complicit in (or contribute to) human rights abuses of consumers and a community's people.

(4) Respect and consideration for the life and culture of the local community and indigenous people

For the business partners that carry out business operations in regions where indigenous or minority peoples live, it is an important issue to respect their original culture and history and consider the rights of indigenous people by observing not only local laws and regulations but also international standards. In addition, it is essential to conduct responsible business operations in consideration of the affected community regardless of the issues of indigenous people, for the maintenance of operation rights and the acquisition of permission and authorization.

3. Labor

(1) Basic attitude toward labor practices

Business partners shall be required to understand the principles of labor demonstrated in international models and apply them to the basic rules of workplace as a universal sense of values.

Major international frameworks and models related to labor:

Universal Declaration of Human Rights, ILO Core Labor Standards, The Ten Principles of the UN Global Compact, The UN Guiding Principles for Business and Human Rights, OECD Guidelines for Multinational Enterprises, UK Modern Slavery Act, etc.

(2) Prohibition of discrimination in the workplace

During recruitment, business partners must not discriminate against anyone for any reasons other than for reasonable elements such as the competence and aptitude of the person. These reasons include race, nationality, sex, sexual orientation, age, family line, religion, nation, immigration status, and existence of a handicap, etc.

(3) Provision of equal opportunities to employees regarding human resources development and career advancement, etc.

Business partners shall provide opportunities for promotion and obtaining training equally without damaging fairness on grounds such as race, nationality, sex, sexual orientation, age, family line, religion, nation, immigration status, existence of a handicap, marital status, physical conditions, etc.

(4) Prohibition of inhumane treatment

Business partners shall respect the human rights of employees and prohibit inhumane treatment such as abuse, corporal punishment, harassment, etc.

(5) Payment of fair wages

Business partners shall observe the legal minimum wage in the country and the region in which they operate, conclude appropriate collective agreements on overtime work, etc. and apply extra wages and payment methods fairly.

(6) Fair application of working hours, time off, and paid time off, etc.

Business partners must observe the legal working hours or those agreed on in advance. They shall manage the working hours of employees properly and provide the rights to acquire paid time off, in addition to holidays at least one day a week.

(7) Prohibition of forced labor

Business partners shall not force anyone to work against the person's will or allow any labor with restrictions on the freedom to leave a job. They shall not compel any labor using unfair constraining means, nor force overtime work.

In addition, they shall not confiscate workers' identity documents or collect any deposits unreasonably.

(8) Prohibition of child labor

Business partners shall not employ children younger than the legal working age in the country and the region. They shall not allow any labor to spoil the health, safety and morals of children.

(9) Respect for the religious traditions and customs of the country of operation

Business partners shall respect traditions and common practices of the country of operation, as well as the religious traditions and practices of the employees, and consider how not to hinder such traditions and practices by providing equal work regulations.

(10) Recognition of and respect for freedom of association and the right to collective bargaining

Business partners shall respect the freedom for employees to associate without receiving any retaliation, threat or harassment, to join the labor union and to conduct a protest movement, and provide opportunities to talk between labor and management.

(11) Proper management of employee safety and health

Business partners shall understand the risks of accidents and chemical substances, noise and odors harmful to the human body that may occur at work, and take proper safety measures (including legal inspections, protection measures, danger markings, handling management of chemical substances, measures for dangerous work, designation of protective equipment, etc.) They shall also take measures considering the mental health of employees.

4. Environment

(1) Basic attitude toward environmental initiatives

Business partners shall be required to establish a system to recognize and solve the environmental issues in their business processes. They shall be responsible for identifying and managing the factors having an impact on the environment.

Major international frameworks and models related to environment:

Rio Declaration on Environment and Development, The Ten Principles of the UN Global Compact, ISO14001, Paris Agreement, Basel Convention

Major laws and regulations related to environment:

Japan: Environment Basic Act, Chemical Substance Control Law, Industrial Safety and Health Act, Water Pollution Control Law, Water Resources Development Promotion Law, Law Relating to the Prevention of Marine Pollution and Maritime Disaster, River Law, Waste Management and Public Cleansing Law, Basic Act for Establishing a Sound Material-Cycle Society, Various Laws for Waste & Recycling

USA: TSCA

EU: REACH (Registration, Evaluation, Authorization and Restriction of Chemicals)

Korea: Toxic Chemicals Control Act, Occupational Safety and Health Act

China: Measures on the Environmental Management of New Chemical Substance

Taiwan: Occupational Safety and Health Act

- (2) Management of chemical substances indicated in law and regulations, etc., in production processes, products, and services

Business partners shall not only control the chemical substances used in their products, but also understand the amount of handling chemical substances and report to an administrative body.

- (3) Control and reduction of waste water, sludge and air emissions

Business partners shall set a voluntary target to reduce the size of its environmental load at the same or higher level as that designated by laws and regulations. In addition, they shall work on preventing the occurrence of pollution, monitoring and controlling waste water, sludge and air emissions, and reducing the amount of outflow.

- (4) Sustainable and efficient utilization of resources (energy, water, raw materials, etc.)

Business partners shall set voluntary targets to enforce saving resources and energy and effectively utilize resources and energy continuously.

- (5) Reduction of GHG (greenhouse gases)

Business partners shall set voluntary reduction targets for greenhouse gases including carbon dioxide, methane and fluorocarbons as a measure against climate change, and work on reduction.

- (6) Identification, management, reduction and the responsible disposal or recycle of waste

Business partners shall set voluntary reduction targets for wastes and work on reduction.

- (7) Initiatives related to biodiversity

Business partners shall consider the direct and indirect impacts on the ecosystem caused by its business, and work on the maintenance of biodiversity and sustainable usage.

5. Fair Corporate Activities

- (1) Basic attitude toward fair business practices

Business partners shall be required to conduct fair activities in business processes to create products and services (anti-corruption, responsible political involvement, fair competition, exclusion of relationships with anti-social forces or groups).

Major international frameworks and models related to fair corporate activities:

The Ten Principles of the UN Global Compact, OECD Guidelines for Multinational Enterprises, United Nations Convention against Corruption

Major laws and regulations related to fair corporate activities:

Competition law of each country: Antitrust Law (Japan), Antitrust Law (USA), European Union Competition Law (EU)

- (2) Establishment of appropriate relationships with local governments and public officials in and outside the countries where business activities are conducted

Business partners shall manage the reception of public officials for the prevention of corruption to maintain a healthy relationship between companies and public officials.

- (3) Prevention of the giving and receiving of improper advantages with customers and trade partners, etc., in sales and purchasing activities, etc.

Business partners shall maintain healthy relationships with customers.

- (4) Prevention of competition law violations in sales activities, etc.

Business partners shall prevent unfair trade practices including collusion, cartels and the abuse of superior bargaining positions.

- (5) Rejection of relationships with antisocial forces/organizations

Business partners shall exclude the relationships with gangsters and fixers of stockholders' meetings.

- (6) Prevention of the unauthorized use of a third party's intellectual property and of illegal reproduction of copyrighted works

Business partners shall respect intellectual property rights including patent rights, copyrights and trademark rights.

- (7) Services for responding to complaints from outside the company and for consultations

Business partners shall have a system where a person concerned with their business or a consumer who finds important risk information related to transactions with his/her own company can directly report to or consult with a special department or external contact office. In such cases, the confidentiality of secrets shall be strictly maintained and the reporting person shall never receive disadvantageous treatment.

- (8) Prohibition of insider trading

Business partners shall prevent people concerned in the listed company from buying and selling stocks of the said company by using company information not yet officially announced.

(9) Prohibition of acts with conflicting interest

Acts to harm company profits and derive personal benefit in situations with conflicting interest between the employee and a company shall be prohibited.

6. Quality and Safety

(1) Basic attitude toward product and service quality and safety

Business partners shall be required to secure the quality and safety of the products and services provided through their business operations and take appropriate measures for customers and consumers when an accident occurs.

Major international frameworks and models related to quality and safety:
ISO9001, IEC/ISO Guide 51, EU New Approach Directives, HACCP

Major laws and regulations related to quality and safety:

Product Liability Law, Consumer Product Safety Act, Electrical Appliance and Material Safety Act, Gas Business Act, Liquefied Petroleum Gas Act, Pharmaceutical Affairs Law, Radio Law, Food Sanitation Act, JAS Law, Waterworks Law, Quality Labeling Act, Quality Assurance Act, Road Vehicles Act, Building Standards Act, Act against Unjustifiable Premiums and Misleading Representations, etc.

(2) Ensuring product and service quality and safety

Business partners shall secure the quality and safety of products and services they supply to the market

[Utilization of each company's own quality management system and certification by third party organization (S mark, SG mark, ST mark, JIS mark, JAS mark, etc.)]

(3) Appropriate response to product and service accidents and the circulation of defective goods

Business partners shall develop systems including the disclosure of information, reporting to a competent office, product recall, and safety measures for suppliers, etc.

7. Information Security

(1) Basic attitude toward information security

Business partners shall be responsible for properly managing and protecting information obtained through business operations and take protective measures against threats on computers and networks.

Major related laws and regulations:

Penal Code, Basic Act on Cybersecurity, Act on the Protection of Personal Information, Act on Prohibition of Unauthorized Computer Access, Act on Electronic Signature, etc.

(2) Defense against attacks on computer networks

Business partners shall take protective measures against the threat on computer networks and manage how not to damage their own companies and other companies.

(3) Protection of personal information and privacy

Business partners shall properly manage and protect the personal information of customers, third parties and employees.

(4) Prevention of misuse of confidential information

Business partners shall properly manage and protect the confidential information received from customers or third parties.

8. Supply Chain

(1) Basic attitude toward the supply chain

Business partners shall be required to fulfill their social responsibilities in their business processes to create products and services. It is desirable to establish the CSR procurement policy and to make it known inside and outside the company in order to implement CSR procurement not only on their own but also throughout their supply chain.

Therefore, they are required to enact the provisions stated in each item of the SAQ known to their own suppliers and delivery sources and practice penetration of their observance.

Major laws and regulations related to supply chain:

EU RoHS directive, REACH (Registration, Evaluation, Authorization and Restriction of Chemicals), UK Modern Slavery Act, California Transparency in Supply Chains Act

(2) Use of raw materials not involved in conflict or crime (initiatives against conflict minerals)

Purchase and usage of gold (Au), tantalum (Ta), tungsten (W) and tin (Sn), which are conflict minerals involved in inhuman acts by local armed groups in the People's Republic of the Congo and its surrounding countries shall be prohibited, and investigation and confirmation shall be performed on the suppliers.

Major related laws and regulations: Dodd-Franc Act

9. Harmonious coexistence with local communities

- (1) Initiatives to reduce damage to the health, safety, and sanitation of local communities and residents

Business partners shall promote initiatives to eliminate damages on the safety and health of local communities and residents caused by the production process and product and service operations.

- (2) Initiatives with contribute to the local community and residents and collaborate towards sustainable development

Practical examples:

Job creation and skill development, the right of priority to purchase local products and services, the development of suppliers, etc.