

# Promoting Social Responsibility in the Supply Chain

The Shinko Group sees our suppliers as invaluable contributors, enabling us to add value to the products we provide to our customers. Shinko, together with its suppliers and the supply chain as a whole, promotes: procurement activities that take into account protection of the global environment; compliance; respect for human rights, labor, health and safety; assurance of safety and quality of products and services; maintenance and promotion of information security; and fair trade and corporate ethics.

## Shinko Procurement Policy

We strive to build long-term relationships of trust with our suppliers, acting as good business partners that enhance each other's capabilities for mutual prosperity and productive coexistence together. With regard to the procurement of goods, materials, software, services and the like, we develop our procurement activities in accordance with the Shinko Procurement Policy drawn up by us.

### Shinko Procurement Policy (Excerpt)

1. Coexistence with suppliers
2. Fair trade (fair, transparent, proper evaluation and selection)
3. Compliance with laws and social norms
4. Protection of the global environment

## CSR-Conscious Procurement Activities

### ◆ Procurement Guidelines

In line with growing recognition of the importance of corporate social responsibility, Shinko has established Procurement Guidelines based on the Shinko Way and our Procurement Policy, to promote corporate social responsibility in our own business operations as well as throughout the supply chain. We follow these guidelines ourselves and ask suppliers to follow them as well, to promote procurement in line with societal responsibility.

In addition, we comply with the Responsible Business Alliance (RBA) Code of Conduct and promote understanding, compliance with, and spread of the RBA Code of Conduct among suppliers.

### Procurement Guidelines

1. Protection of the global environment
  - Promote the procurement of materials that have minimal environmental impact.
  - Promote thorough management procedures for chemical substances.
2. Compliance
  - Comply with laws and regulations in Japan and overseas, as well as social norms.
3. Respect for human rights, labor, health and safety
  - Respect the human rights of each individual.
  - Do not commit unfair discrimination or acts that infringe human rights.
  - Implement a pleasant working environment for the health and safety of employees.
  - Do not use child labor or forced labor.
4. Assurance of safety and quality of products and services
  - Assure the safety and quality of products and services.
5. Maintenance and promotion of information security
  - Provide appropriate protection for our own information and information systems and those of third parties.
6. Fair trade and corporate ethics
  - (1) Fair trade
    - Respect free, fair and transparent competition and do not conduct transactions through unfair means.
  - (2) Protection of confidential information
    - Manage the confidential information of the Company and third parties, as well as personal information, in an appropriate fashion and in accordance with laws, regulations, and rules.
  - (3) Protection of intellectual property
    - Understand that intellectual property is a valuable management asset, and respect the intellectual property of other companies while protecting the rights of our own.
  - (4) Prohibition of bribes
    - Do not bribe public officials or use a business position to commit acts of bribery, extortion, or embezzlement.

## ◆ Sharing Our Procurement Guidelines —“To Our Suppliers”—

To disseminate our Procurement Guidelines in our supply chain, we provide on our procurement website a document entitled “To our suppliers” that contains the items we wish to promote. In addition, we ask suppliers, including those located overseas, to understand and cooperate with us in a written request to honor the procurement guidelines.

### “To Our Suppliers” (Excerpt)

1. **Green procurement**
2. **Business continuity planning**
3. **Excluding antisocial forces**
4. **Conflict minerals**
5. **Corporate social responsibility**

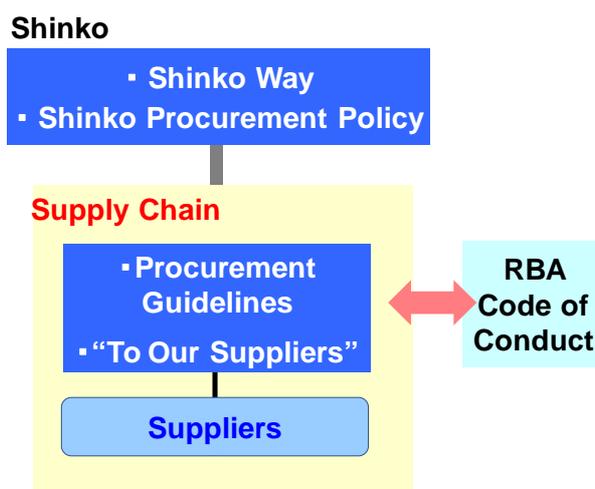
## ◆ Dialogue with Suppliers

Shinko has sent questionnaire surveys about corporate social responsibility conforming to the RBA Code of Conduct to our main suppliers every year. The questionnaire asks about each supplier’s compliance with the RBA Code of Conduct and their operation of management systems in the areas of labor, health and safety, the environment, and ethics. In FY2017 we sent a questionnaire to suppliers as usual, including those outside Japan. We have conducted these questionnaire surveys from FY2013 and have confirmed on an ongoing basis the progress made by suppliers.

We have also sent these questionnaire surveys to all suppliers to whom we contract some processes within our plants every year and have conducted on-site inspections of work sites twice a year based on the surveys. We confirmed that there were no issues in terms of the RBA Code of Conduct and the relevant laws and regulations during the on-site inspections in FY2017.

Going forward, we will continue striving to promote social responsibility throughout the supply chain through various dialogues with suppliers, including monitoring based on questionnaire surveys, interviews, and on-site inspections.

## Supply Chain CSR Promotion System



## Addressing Conflict Minerals

Shinko strives to avoid procurement of minerals produced in the Democratic Republic of Congo and adjoining countries that are closely connected to human rights infringements and labor problems and that could become a source of funds for armed groups. These minerals are tantalum, tin, gold, and tungsten.

When dealing with this matter, we first identify the applicable suppliers and purchased goods. Then, using the survey form Conflict Mineral Reporting Template (CMRT) established by the Responsible Minerals Initiative (RMI), we check and survey the procurement route and perform risk confirmation and evaluation for the applicable minerals, all the way back to the upper reaches of the supply chain. Based on the outcome of the above, we take initiatives on an annual basis to avoid the risk of procuring conflict minerals.

Specifically, by means of this survey, we request on an ongoing basis that the applicable suppliers procure 100% of their metals and minerals from smelting operators certified as Conflict-Free Smelters (CFSs) by third parties such as auditing companies, going all the way back to the upper reaches of the supply chain. In this way, we aim to achieve procurement route transparency for the applicable minerals and avoid the procurement of minerals that constitute a source of funding for armed groups. We confirmed that there were no issues in the FY2017 survey.

## **Business Continuity Management**

The strengthening of business continuity management throughout the supply chain is essential to maintain a stable supply of products and services needed by customers even during contingencies such as large-scale disasters.

Shinko has sent questionnaire surveys about business continuity management to our main suppliers of raw materials and components every year.

The survey confirms each supplier's status of development of their business continuity plans (BCPs), the establishment of recovery time objectives, the inventory status of products, and problems with manufacturing sites and access to raw materials in the event of a contingency as well as their establishment of backup systems. We then ask suppliers to cooperate in strengthening their business continuity management by enhancing their BCPs and decentralizing sites.

In addition, as our own initiatives, we make sure to maintain several suppliers for primary raw materials and components to reduce procurement risks.

## **Green Procurement**

As a member of the Fujitsu Group we promote green procurement—which takes into consideration the protection of the global environment—throughout the supply chain, including our suppliers. We do this by using designs and careful selection of materials that take into account energy-saving from the product development stage.

### **◆ Establishment of Environmental Management Systems (EMS)**

We ask our principle suppliers to establish environmental management systems (EMS) based on third party certification including ISO 14001, so that they will engage continuously in initiatives to reduce their environmental impact.

### **◆ Managing Chemical Substances in Products**

We ask suppliers to establish chemical substance management systems (CMS), to ascertain the chemical substances contained in products and ensure compliance with laws and regulations. As a specific initiative, we periodically conduct CMS audits of raw material suppliers to strengthen the management of chemical substances contained in products in the supply chain.

### **◆ Promoting Cuts in CO<sub>2</sub> Emissions with Suppliers**

As part of our activities within the Fujitsu Group, we respond to climate change caused by global warming by asking our suppliers to take initiatives continuously to cut CO<sub>2</sub> emissions.

During Stage 8 of the Environmental Protection Program (FY2016–FY2018), we made a new request to suppliers for calling on their suppliers (secondary suppliers from Shinko's point of view) to reduce CO<sub>2</sub> emissions.

In FY2017, we used an environmental survey shared by the Fujitsu Group to verify the status of activities at our 105 principal suppliers. The results showed that about 11% of our suppliers ask 168 secondary suppliers to reduce CO<sub>2</sub> emissions, confirming an increase of 20 suppliers from the previous year. We analyzed suppliers' replies, provided them with feedback on activity trends as a reference for future activities, and asked that they step up their own activities and expand initiatives to their suppliers.

Going forward, we will continue making efforts to promote reductions in CO<sub>2</sub> emissions throughout the supply chain.

## **Compliance**

### **◆ Supplier Compliance Hotline**

Shinko has established a Supplier Compliance Hotline for whistle blowing in the event our employee has committed, or is suspected of having committed, an act in procurement operations that violates compliance.

In addition, we prohibit unfair treatment of the whistle blower and the supplier for their actions.

\*Supplier Compliance Hotline (Japanese only)

<https://www.shinko.co.jp/procurement/complianceline.html>

### **◆ Training Procurement Personnel**

Shinko provides education and training opportunities for personnel in the Procurement Division to ensure that they understand well the Shinko Way, the Shinko Procurement Policy, the Procurement Guidelines, the Subcontract Act, and other laws relevant to procurement such as the Worker Dispatching Act. We also provide training on matters such as anti-bribery to promote understanding of laws and regulations and the acquisition of pertinent knowledge as part of our ongoing efforts to ensure compliance.