

# **NGK Group's Supply-Chain CSR Guideline**

June, 2016 (Version 4.0)

**NGK INSULATORS, LTD.**

CSR Office  
Purchasing Dept.

## Introduction

**“NGK products and technologies must create new value and contribute to the quality of life.”**

With this Corporate Philosophy, NGK has been consistently striving to create new products and services of value to society through our business activities, contributing to society’s sustainable development, as our most fundamental objective with respect to corporate social responsibility (CSR).

Beginning in 2009, we have started improving management of NGK to the level of so-called CSR management through annual reviews of whether our activities are a suitable response to what today’s society demands from the viewpoints of “creation of new value”, “environment” and “compliance”.

The background to these activities lies in the fact that standardized products and services matching with customers’ needs are required throughout the entire Group regardless of location of production. Also required is the implementation of this philosophy across the entire supply chain through procurement of raw materials, manufacturing, processing, and supply of products. Needless to say, a company cannot continue its existence without the trust and support of society. At the same time, we think that a corporation cannot fulfill its social responsibilities without the support of its suppliers.

Therefore, our suppliers’ understanding of the necessity of forward-looking CSR activities would be appreciated for mutual sustainable development.

Based on the above mentioned background, in 2011 we issued the “NGK Group’s Supply-Chain CSR Guideline,” and launched its implementation throughout the NGK Group, both in Japan and around the world.

In recent years, there have been changes to the social situations surrounding CSR, and the environment involving corporations. Therefore, we have taken this opportunity to partially amend the “NGK Group’s Supply-Chain CSR Guideline,” with the objective of further clarifying our position on CSR procurement. This guideline explains the contents of the NGK Group’s CSR activities, the NGK Group Guidelines for Corporate Behavior, and our Basic Purchasing Policy, as well as the “NGK Group’s Supply-Chain CSR Guideline.”

We would like to make a sincere request to all our suppliers to understand the content of this guideline, and to implement this in their own internal activities. We also ask all our suppliers for the similar understanding and implementation of activities to expand to their suppliers.

## Contents

I. CSR Activities at NGK .....	4
II. NGK Group Guidelines for Corporate Behavior.....	6
III. NGK Group's Basic Purchasing Policy .....	8
IV. NGK Group's Supply-Chain CSR Guideline .....	9

## I. CSR Activities at NGK

### **Corporate Philosophy**

NGK products and technologies must create new value and contribute to the quality of life

#### **Our Approach to CSR**

NGK leverages proprietary technology to deliver products worldwide that are essential to social infrastructure and that contribute to environmental conservation. To contribute to society in a manner that embodies our corporate philosophy, we are committed to offering products and services that help create a better social environment and bring new value to society. In doing so, we are working together with our customers, employees and business partners to fulfill our social responsibility as a company in every respect, an act essential to meeting the public's expectations and earning its trust.

To ensure that this approach is shared throughout the Group, NGK has formulated the NGK Group Guidelines for Corporate Behavior. The Group also strives to create a company capable of garnering greater levels of trust from stakeholders through its daily corporate activities. With publication of our CSR Report in 2009, we drafted eight actions for promoting CSR that will serve as the basis for reviewing our CSR activities each year.

Through these actions, the NGK Group seeks to contribute to society's sustainable development. We hope that all of our suppliers will support the objectives of the NGK Group's CSR philosophy, and comply with them as well.

We also ask for our suppliers' cooperation with answering any questionnaires we may have distributed to them in order to confirm their compliance with the NGK Group's CSR philosophy.

#### **Details in Promoting CSR**

##### **1) Provision of products that contribute to a better social environment**

- Development and provision of products and services that help to preserve the natural environment.
- Development and provision of products and services that embody safety and reliability
- Realization of higher quality products and services

##### **2) Disclosure of corporate information**

- Enhancement of corporate information disclosure
- Consistent improvement of internal controls relating to financial reporting

##### **3) Thorough enforcement of compliance; risk management**

- Thorough promulgation of the NGK Group Guidelines for Corporate Behavior through education.
- Reinforcement of the risk management system
- Respect and protection of intellectual property rights
- Creation and consistent improvement of a framework for information security
- Strict adherence to the Anti-Monopoly Act, Subcontracting Act, and other laws and regulations pertaining to business transactions
- Strict adherence to laws and regulations relating to export management

- 4) Respect of humanity and assurance of comfortable working environment**
  - Maintenance and consistent improvement of safe and comfortable working environments
  - Development of human capital and recruiting of human resources across the Group
  - Utilization of diverse human resources
  - Support for better balance between work and home life / childrearing
- 5) Implementation of fair, free and transparent transactions**
  - Fair and honest evaluation of procurement partners, and extensive resource diversification
  - Promotion of CSR procurement
- 6) Preservation of global environment**
  - Prevention of global warming
  - Adoption of environmentally friendly production processes
  - Promotion of resource recycling
  - Strengthening of global environmental management
- 7) Coordination with local communities and promotion of contribution to the society**
  - Provision of scholarships and living assistance to foreign students
  - Cooperation with local communities, labor unions, and NPOs in social contribution activities
  - Support for volunteer activities by employees
- 8) Communication with stakeholders**
  - Communication with customers and procurement partners
  - Interaction with local communities through plant tours and open house events etc.
  - CSR Talk Live (Discussions on implementing CSR with every employee class)

## II. NGK Group Guidelines for Corporate Behavior

At NGK, our hope as a good corporate citizen is to continue contributing to society's well-being both at home and abroad.

Therefore, we have developed guidelines for all employees of the NGK Group to comply with laws and corporate ethics, and have set up the company structure so that such guidelines can be followed.

### **NGK Group Guidelines for Corporate Behavior**

#### **1. Realization of Corporate Philosophy**

##### **(1) Provision of Products that Contribute to Better Social Environment**

From a long-term global perspective, we will commit ourselves to create new value by providing products and services that protect the global environment and realize safety and security in the society.

We will gain trust from our customers and society by seeking quality and safety.

#### **2. How to Engage in Business Activities**

##### **(2) Disclosure of Corporate Information**

We will release, in an accurate and timely manner, any information sought by the public; including information on our management, finance, products and services to improve transparency in management and to gain society's trust in the NGK group companies.

##### **(3) Thorough Enforcement of Compliance; Risk Management**

We will abide by the laws and rules of each country and area and will enforce our compliance thoroughly, respecting international arrangements that are applicable to us.

We will develop human resources who are sincere and have a high ethical standards. In addition, through our efforts to build an internal control system and implement risk management, we will protect our corporate assets and credit, as well as rights of third parties.

##### **(4) Respect of Humanity and Assurance of Comfortable Working Environment**

We will hire and treat our people in a proper and fair manner and will provide a safe and pleasant working environment in which our people can work comfortably without sacrificing their family life.

We will make available the place and opportunities that can be challenged by people with versatile talent and will support the development of human resources through acquisition of knowledge and expertise.

We will prevent any bullying, discrimination, harassment or other acts that violate human rights and, if there is any violation, we will take appropriate actions in an expeditious manner.

##### **(5) Implementation of Fair, Free and Transparent Transactions**

As a good and equal partner, we will implement fair, free and transparent transactions in search of co-prosperity with our business partners.

In addition, we will promote our commitment to discharge corporate responsibility for the society throughout the supply chain of the NGK group companies.

#### **3. As a Member of Society**

##### **(6) Preservation of Global Environment**

We will contribute to the preservation of the global environment by committing ourselves to take the lead in reducing environmental burdens at every location and in every process that is involved in our business activities.

We will cooperate in efforts with local communities to preserve the environment and will also actively support our employees' effort for such purposes.

**(7) Coordination with Local Communities and Promotion of Contribution to the Society**

We will actively commit ourselves to the contribution of society, satisfying the needs of the local communities with our interest in social tasks required by the countries and local communities, with our objective to become a corporate citizen that can be trusted by the local communities.

**(8) Communications with Stakeholders**

Through communications with all of our stakeholders, such as our customers, business partners, shareholders, employees and members of the local communities, we will expand their understanding of NGK group companies and will review corporate activities based on comments forwarded to us and will use them in our effort to accomplish our social responsibilities.

### III. NGK Group's Basic Purchasing Policy

The NGK Group aims to implement fair, free, and transparent transactions based on compliance with laws and ordinances and social norms.

We strive for openness and fairness for corporations seeking to start business with us, regardless of their location in the world, and to maintain fair and honest evaluation and extensive resource diversification during this engagement.

We aim to select the optimum suppliers from numerous companies, having evaluated their quality, prices, and delivery schedules, and also giving consideration to whether they satisfy the "CSR Procurement" standards the NGK Group promotes.

#### 1. **Open and Fair**

- Open, fair and honest procurement
- Pursuit of competition principles and profitability

#### 2. **Partnership**

- Mutual prosperity based on mutual trust with suppliers

#### 3. **Relationship with Society**

- Compliance with laws
- Protection of the natural environment

#### IV. NGK Group's Supply-Chain CSR Guideline

The “NGK Group’s Supply-Chain CSR Guideline” complies with the three principles of our Basic Purchasing Policy, and summarizes the requests we make for the activities of our suppliers.

The NGK Group asks that all our suppliers undertake the following activities in their internal affairs. Specifically, we ask that all our suppliers agree to comply with the “NGK Group’s Supply-Chain CSR Guideline,” while also requesting their suppliers to undertake similar activities.

#### [Supply-Chain CSR Guideline]

##### ■ Open & Fair

#### 1. Open, fair and honest procurement

##### 1-1 “Prevent corruption”

We will not give unlawful donations, payment, prices, or financial or non-financial benefits or other gifts to any stakeholders for the purposes of unfair profit, or the acquisition or maintenance of preferential treatment.

##### 1-2 “Respect and protect intellectual property rights”

We will protect the intellectual property rights belonging to our company or under our company’s jurisdiction, while also refraining from unlawfully obtaining or using the intellectual property of a third party or infringing upon their intellectual property rights.

##### 1-3 “Comply with competition laws”

We will comply with the competition laws of each country and region, and refrain from unjust transactions such as private monopolization, unreasonable restraint of trade, and abuse of superior bargaining position.

##### 1-4 “Comply with export control laws”

We will conduct the appropriate export procedure and control for technologies and items with restrictions by the law and ordinances of each country and region.

##### 1-5 “Responsible resource/material procurement”

For raw materials that may cause social problems such as human right infringements and poverty (e.g. conflict minerals: the four minerals of tin, tantalum, tungsten and gold obtained in the Democratic Republic of the Congo and surrounding nations, and minerals that are the source of funds for armed forces in the same areas), we will conduct procurement activities with consideration to the influence by the items’ use on the local community, and implement measures to avoid use of any items if any concern exists.

#### 2. Pursuit of competition principles and profitability

##### 2-1 “Pursuit of competition principles and profitability”

Based on the market’s competition principles for material procurement, we will continually strive to provide items of optimum quality, at appropriate prices, with the shortest possible delivery time, and with long-term stability.

##### ■ Partnership

#### 3. Mutual prosperity based on mutual trust with suppliers

##### 3-1 “Disclose information to stakeholders”

We will disclose any useful information to stakeholders concerning management, treasury, environmental preservation, social contribution etc., at appropriate times and in

appropriate methods, while also striving to maintain and develop mutual understanding and trust with stakeholders through open and truthful communication.

3-2 “Information security”

We will install defensive measures against computer network threats, and monitor to ensure damage is not done to our own company and others.

Any personal information from customers, third parties, or employees, or sensitive information from customers or third parties, must be obtained in a legitimate manner, used appropriately, and managed and stored securely.

3-3 “Contribute to the community”

As good corporate citizens, we will actively and continuously conduct activities to contribute to the local communities in which our places of business are located, and to the global society.

■ **Relationship with Society**

**4. Compliance with laws**

4-1 “Compliance with laws and ordinances”

We will comply with the laws and ordinances of each nation and region. We will establish and operate the necessary policies, frameworks, codes of conduct and education to thoroughly promulgate compliance throughout the entire company.

4-2 “Respect for basic human rights and abolish discrimination”

We will respect people’s basic human rights, and will not discriminate due to race, nationality, belief system, gender or disability. We will provide equal opportunities and fair treatment.

4-3 “Prohibit forced labor”

We will ensure that all labor is performed at the employee’s free will and that employees are able to resign freely, while also refraining from forced labor.

4-4 “Prohibit child labor”

We will not employ children below the legal minimum working age of the country or region.

4-5 “Wages”

We will comply with national or regional laws and ordinances concerning wages such as minimum wage amount, overtime, payroll deductions, and piece work payments.

4-6 “Working hours”

We will comply with national or regional laws and ordinances concerning the determining of employees’ working hours, holidays, annual leave, etc.

4-7 “Safety and hygiene”

We will secure a safe and healthy work environment for employees to work in, while also striving to prevent accidents and fire.

4-8 “Dialogs/discussions with employees”

We will ensure that employees can communicate via dialogs or discussions with management, without feeling concerned about retaliation, threats, or persecution.

4-9 “Elimination of anti-social forces”

We will eliminate relations with anti-social forces and groups that threaten the social order and safety.

**5. Protection of the natural environment**

5-1 “Compliance with laws and ordinances”

We will comply with national or regional laws and ordinances concerning the environment.

We will construct a company-wide environmental management system, and strive to continuously operate and improve it.

5-3 “Reduce greenhouse gas emissions”

We will monitor greenhouse gas emissions that result from business activities, and promote activities to reduce them.

5-4 “Conserve resources, and reduce waste”

We will dispose of waste items appropriately, while also striving to control the amount of waste created, promote recycling, and utilize materials effectively.

5-5 “Management of chemical substances”

We will appropriately manage chemical substances used in business activities, reduce their amount and strive to prevent contamination of the air, water or soil.

We will conduct steadfast management of the chemical substances contained in products.

5-6 “Efforts in biodiversity conservation”

We will make efforts to conserve biodiversity.

5-7 “Efforts with regard to water resources”

We will make efforts to develop risk management of water resources and efficient use of water at each manufacturing site.

■ **Request concerning agreement with the NGK Group’s Supply-Chain CSR Guideline**

We ask that, upon reading the “NGK Group’s Supply-Chain CSR Guideline,” you answer the following questions.

Question -1 Did you understand the main meaning of the “NGK Group’s Supply-Chain CSR Guideline”?

- 1. Yes
- 2. Partially
- 3. No

If the answer is not “Yes”, please specify which parts you did not understand, and the reason for this.

.....

.....

Question -2 Do you agree to comply with the “NGK Group’s Supply-Chain CSR Guideline”?

- 1. Yes
- 2. I agree to comply with part of it
- 3. No

If the answer is not “Yes”, please specify which parts you did not understand, and the reason for this.

.....

.....

■ **Person responsible for this response**

Company \_\_\_\_\_

Department \_\_\_\_\_

Position \_\_\_\_\_

Name \_\_\_\_\_

E-mail address \_\_\_\_\_

Please write your e-mail address again for confirmation

E-mail address \_\_\_\_\_

Responses to the above “Request concerning agreement” will be used by both the NGK INSULATORS, LTD. and other NGK Group companies\*. The “NGK Group’s Supply-Chain CSR Guideline” is distributed to NGK Group’s suppliers for their response. The objective of the responses is to confirm awareness of the guideline and suppliers’ agreement with it, as well as to gain an understanding of the points with which suppliers do not agree.

The personal information you provide with the above response (name, contact details etc) will only be used for the above stated objective. If you do not approve of the content being requested, please contact us in writing to let us know.

We very much appreciate you taking time from your busy schedule to respond, and ask for your understanding and cooperation.

Managing body in charge of the shared use of responses: NGK INSULATORS, LTD., Purchasing Department

\* Specific group company names can be found at the following page of the NGK’s website.  
<http://www.ngk.co.jp/info/outline/group.html>