

Commentary on the “Seiko Group Procurement Guidelines”

September 2023 First Edition



SEIKO

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Preamble (Introduction)

Based on our corporate philosophy of creating “A future filled with smiles all over the world” and of being “A company that is trusted by society,” the Seiko Group is committed to fulfilling its social responsibilities by always taking a customer-oriented approach, providing high-quality products and services, addressing multiple social issues, contributing to the realization of a sustainable society, and constantly seeking to increase our corporate value.

Based on this philosophy, our Group believes that by working with our valued suppliers to address ESG issues throughout the supply chain, we can build long-term trust relationships and contribute to the realization of a sustainable society that operates in harmony with local communities.

Thus far, we have formulated the “Seiko Group Procurement Policy” as action guidelines for sustainable procurement and the “Seiko Group Procurement Guidelines” as a document to supplement our procurement policy, and have been working on sustainable procurement together with our suppliers.

However, there are a wide range of challenges surrounding procurement activities, and corporate responsibilities in procurement activities are further broadened by increasing public interest as well as the trend in many countries, particularly in Europe, towards mandatory and legislated due diligence (processes that companies must conduct to identify, prevent, and mitigate the actual and potential negative impacts of their operations, supply chains, and other business relationships, as well as to hold companies accountable for how they deal with these negative impacts). The Seiko Group has prepared the “Commentary on the Seiko Group Procurement Guidelines” to further promote sustainable procurement initiatives with suppliers.

Note that the laws, international norms, and other information cited in this commentary are current as of September 2023, so please check the latest information when referring to laws, regulations, and so on.

Targets of this commentary

This commentary is intended for all companies and organizations, regardless of their brands, that are involved with supply chains for individual products and services handled by the Seiko Group (suppliers of materials, parts, finished products, etc., subcontractors, service providers, human resource providers (including contractors and temporary personnel agencies), etc., hereinafter collectively referred to as “suppliers”). In addition, the content of this commentary is widely available not only to suppliers but also to other stakeholders.

Purpose of this commentary

The Seiko Group has prepared this commentary for the following four purposes.

- ① To introduce the Seiko Group’s policies on social issues (human rights, environmental issues, etc.) and sustainable procurement initiatives to suppliers and explain the details of the “Seiko Group Procurement Guidelines” to deepen their understanding of the Group’s policies and initiatives.
- ② To share our expectations with regard to suppliers and ask for their cooperation with the Group’s initiatives.
- ③ To provide suppliers with information such as international trends related to sustainable procurement and issues in its implementation, which will lead to concrete implementation of sustainable procurement by suppliers.
- ④ To provide suppliers with an opportunity to work on solving social issues by sharing the background of the demand for sustainable procurement and the significance of corporate efforts to solve social issues.

We hope you will find this commentary useful in your initiatives to solve social issues, including the implementation of sustainable procurement.

September 2023

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Explanatory Notes

Names of laws

- Chemical Substances Control Act: Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Act No. 117 of 1973)
- Minimum Wage Act: Minimum Wage Act (Act No. 137 of 1959)
- Energy Conservation Act: Act on Rationalizing Energy Use and Shifting to Non-fossil Energy (Act No. 49 of 1979)
- Disability Discrimination Elimination Act: Act for Eliminating Discrimination against Persons with Disabilities (Act No. 65 of 2013)
- Fire Service Act: Fire Service Act (Act No. 186 of 1948)
- Air Pollution Control Act: Air Pollution Control Act (Act No. 97 of 1968)
- Poisonous and Deleterious Substances Control Act: Poisonous and Deleterious Substances Control Act (Act No. 303 of 1950)
- Waste Disposal Act: Act on Waste Management and Public Cleansing (Act No. 137 of 1970)
- Industrial Safety and Health Act: Industrial Safety and Health Act (Act No. 57 of 1972)

Acronyms and abbreviations

- CDP: Carbon Disclosure Project
- ESG: Environment, Social, and Governance
- US GINA law: Genetic Information Non-discrimination Act of 2008
- GHG: Greenhouse Gas
- GRI: Global Reporting Initiative
- IIRC: International Integrated Reporting Council
- IFRS: International Financial Reporting Standards
- ILO: International Labour Organization
- ISSB: International Sustainability Standards Board
- JEITA: Japan Electronics and Information Technology Industries Association
- ISO: International Organization for Standardization
- OECD: Organisation for Economic Co-operation and Development
- PRTR system: Pollutant Release and Transfer Register
- RBA: Responsible Business Alliance
- REACH: Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH Regulation: EU Regulation on the Registration, Evaluation, Authorization, and Restriction of Chemicals)
- RoHS: Restriction of Hazardous Substances (RoHS Directive: EU directive Restriction of the Use of Certain Hazardous Substances)
- RMI: Responsible Minerals Initiative
- SAQ: Self Assessment Questionnaire
- SASB: Sustainability Accounting Standards Board
- SDGs: Sustainable Development Goals
- TCFD: Task Force on Climate-related Financial Disclosures (Taskforce on Climate-related Financial Disclosures)
- TIFD: Taskforce on Inequality-related Financial Disclosures (Taskforce on Inequality-related Financial Disclosures)
- TISFD: Taskforce on Inequality and Social-related Financial Disclosures (Taskforce on Inequality and Social-related Financial Disclosures)
- TNFD: Taskforce on Nature-related Financial Disclosures (Taskforce on Nature-related Financial Disclosures)
- TSFD: Taskforce on Social-related Financial Disclosures (Taskforce on Social-related Financial Disclosures)
- UNICEF: United Nations Children's Fund
- WHO: World Health Organization
- WMO: World Meteorological Organization
- WRI: World Resources Institute
- WWF: World Wide Fund for Nature

1. Responsibility of business in solving social issues

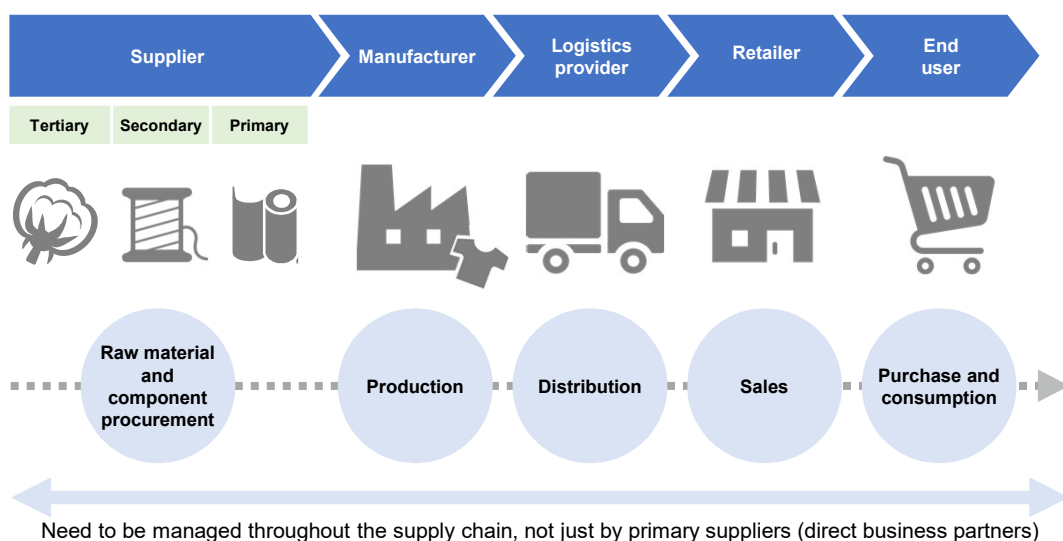
While economic development is driven by globalization, the world faces many challenges, including escalating inequality and poverty, worsening environmental problems such as climate change, and the outbreak of conflicts. To solve these challenges and achieve a sustainable society, the United Nations adopted the SDGs in 2015 [1]. The SDGs pledge to “leave no one behind,” and call for the commitment not only of developing countries but also of developed countries to achieve these goals, and for businesses to play a role as key actors in the process [2].

In addition to international trends such as the SDGs and growing public interest around the world, in recent years, in many countries, particularly in Europe, there has been a growing movement to require companies to engage in responsible business conduct to address social issues, and to make such actions mandatory and legislated.

In solving social issues, businesses are required to address not only adverse human rights impacts through their own activities but also human rights impacts that are directly linked to their operations, products, or services by their business relationships through business relationships such as supply chains.

To promote sustainable business activities while fulfilling our corporate responsibilities, the Seiko Group will work together with our suppliers to solve social issues, and as a part of this, we will practice sustainable procurement.

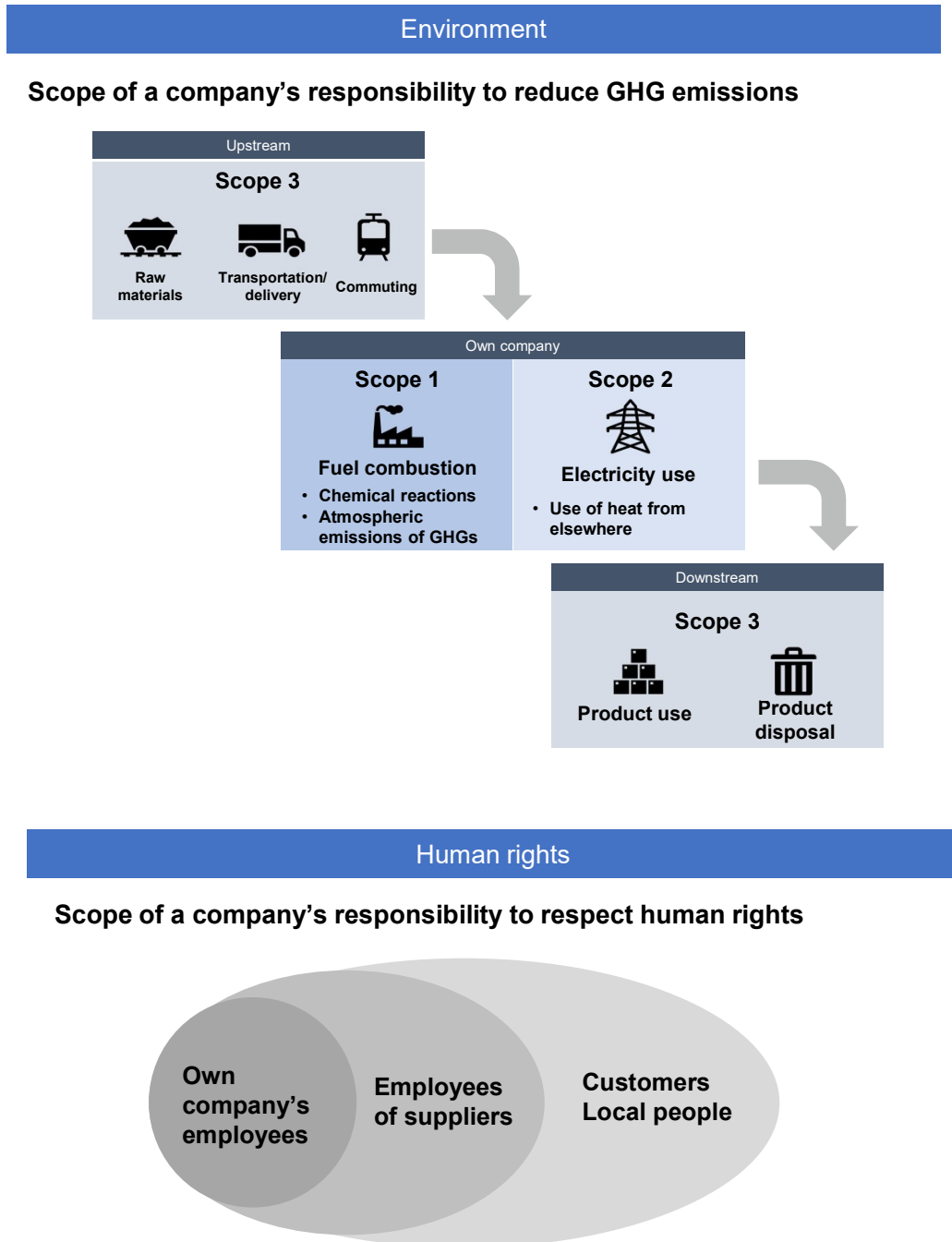
Figure 1: Supply chain image and flow of goods



2. Trends in international norms and rules on sustainable procurement

International norms and related rules for sustainable procurement are being developed and strengthened around the world. The demand for companies to respond to this trend is growing, and legislation is also being discussed in Japan, particularly from the perspective of consideration for human rights.

Figure 2: Scope of environmental and human rights issues that companies must consider



(1) Request for international norms on sustainable procurement

① The Ten Principles of the UN Global Compact ^[3]

The United Nations Global Compact is the world's largest sustainability initiative, in which the United Nations and private companies and organizations (regardless of industry type) work together to build a healthy global society. It defines four areas (human rights, labor, environment, and anti-corruption) and ten principles that sustainable business activities should address, based on declarations and conventions adopted and agreed internationally.

Figure 3: The Ten Principles of the UN Global Compact

Human rights =	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights
	Principle 2	Businesses should make sure that they are not complicit in human rights abuses
Labor ⚙️	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
	Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor
	Principle 5	Businesses should uphold the effective abolition of child labor
	Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation
Environment 🌊	Principle 7	Businesses should support a precautionary approach to environmental challenges
	Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility
	Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies
Anti-corruption ⚖️	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery

Source: Prepared based on Global Compact Network Japan, "Explanation of the Ten Principles of the UN Global Compact" ^[4]

② ISO 20400 Sustainable procurement – Guidance ^[5]

The ISO 20400 "Sustainable procurement – Guidance" specifies a list of social issues that require attention when conducting sustainable procurement and actual operational processes.

Based on the core subjects in ISO 26000, which provides guidance on corporate social responsibility, guidelines are provided for companies to consider in sustainable procurement from the perspective of procurement activities in the following seven subjects: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

For operational processes, the key points are organized at the practical level, from a top management commitment to setting priorities, measuring and improving performance, and enabling grievance mechanisms, to integrating sustainable procurement into existing processes and so on.

③ **OECD Guidelines for Multinational Enterprises** ^[6]

The “Guidelines for Multinational Enterprises” issued by the OECD call for due diligence in the supply chain regarding social issues.

In 2018, the “OECD Due Diligence Guidance for Responsible Business Conduct” ^[7] was published to provide a practical explanation for conducting due diligence, specifically explaining the due diligence recommended by the “Guidelines for Multinational Enterprises.”

Note that the “Guidelines for Multinational Enterprises” were revised in 2023 for the first time in about 12 years, with new requirements to conduct due diligence downstream in the supply chain, expectations for business conduct consistent with international goals on climate change and biodiversity, and due diligence in the digital sector.

④ **The Responsible Business Alliance (RBA) Code of Conduct** ^[8]

“The Responsible Business Alliance (RBA) Code of Conduct” was developed for the electronics industry or industries in which electronics are a major component and their supply chains, but in reality, it is referenced in a wide range of industries (such as automotive and retail).

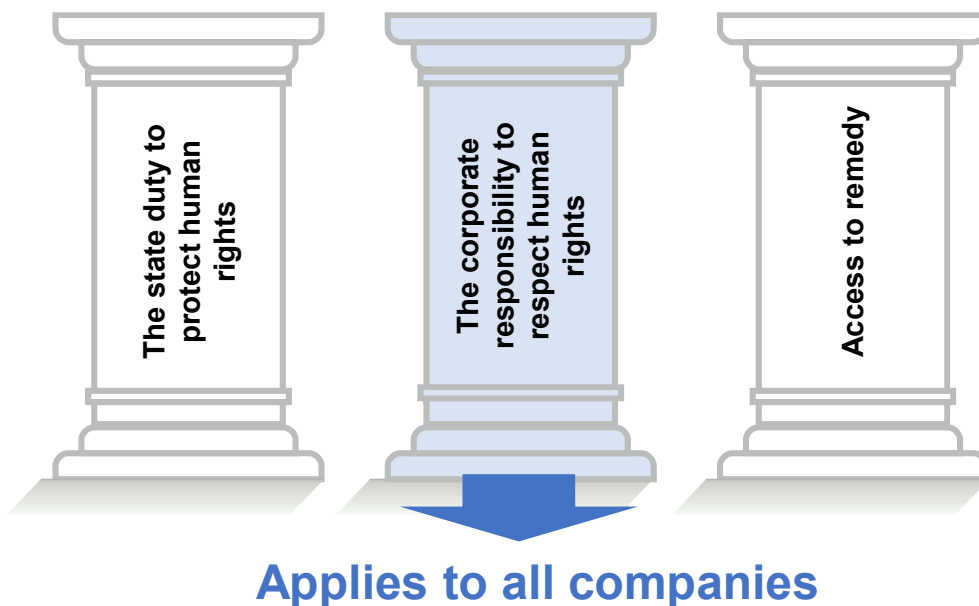
“The Responsible Business Alliance (RBA) Code of Conduct” is an exhaustive set of standards for safety in the work environment, respectful and dignified treatment of workers, environmental responsibility in business activities, and ethical business conduct. It is divided into five sections: “Labor,” “Health and Safety,” “Environment,” “Ethics,” and “Management Systems.” The requirements for organizational governance, labor, and health and safety are more detailed than “The Ten Principles of the UN Global Compact.”

While ① to ④ above are international norms related to sustainable procurement in general, another example of international norms specifically addressing initiatives on human rights issues in business is the “United Nations Guiding Principles on Business and Human Rights (UNGPs).”

⑤ United Nations Guiding Principles on Business and Human Rights (UNGPs) ^[9]

Human rights issues affecting business have become increasingly apparent with the globalization of business activities. In these circumstances, the “Guiding Principles on Business and Human Rights” (the “Guiding Principles”) were approved by the UN Human Rights Council in 2011. The “Guiding Principles” are designed to encourage initiatives by states and businesses to protect and respect human rights, regardless of their size, industry type, location, ownership, or organizational structure, and are based on three pillars: (a) the state duty to protect human rights, (b) the corporate responsibility to respect human rights, and (c) access to remedy. In particular, they call for conducting human rights due diligence to assess and address the negative impacts of business activities on the human rights of stakeholders. Human rights due diligence requires all companies, regardless of their position in the supply chain and regardless of their nationality, industry type, or size, to assess and address negative impacts on human rights not only of their own company or group companies, but also indirect negative impacts on human rights through their supply chains and other business relationships.

Figure 4: The Three Pillars of the United Nations Guiding Principles on Business and Human Rights



(2) Introduction of regulations related to sustainable procurement in various countries and regions

Laws and regulations making it mandatory to conduct and disclose human rights and environmental due diligence throughout the supply chain have been introduced, mainly in Western countries, and demands for sustainable procurement are increasing. Specifically, these include the UK Modern Slavery Act (enacted in 2015) [10], the French Corporate Duty of Vigilance for Parent and Instructing Companies (enacted in 2017) [11], the Dutch Child Labour Due Diligence Law (enacted in 2019) [12], the German Act on Corporate Due Diligence in Supply Chains (enacted in 2021) [13], and the EU Directive on Corporate Sustainability Reporting (enacted in 2023).

The EU is considering (as of September 2023) the Corporate Sustainability Due Diligence Directive (CSDDD) [14], which will mandate human rights and environmental due diligence throughout the supply chain.

In addition, the US Uyghur Forced Labor Prevention Act (enacted in 2021) [15] prohibits the importation of all products related to the Xinjiang Uyghur Autonomous Region unless certain conditions are met, including proof of the absence of forced labor (clear and convincing evidence that the subject product was not produced through forced labor).

Even if a company is not directly covered by these laws and regulations, it may be required to take actions based on these regulations for supply chain management at its business partners, for example, if its business partners are covered by these laws and regulations.

Figure 5: Regulations related to sustainable procurement in various countries and regions

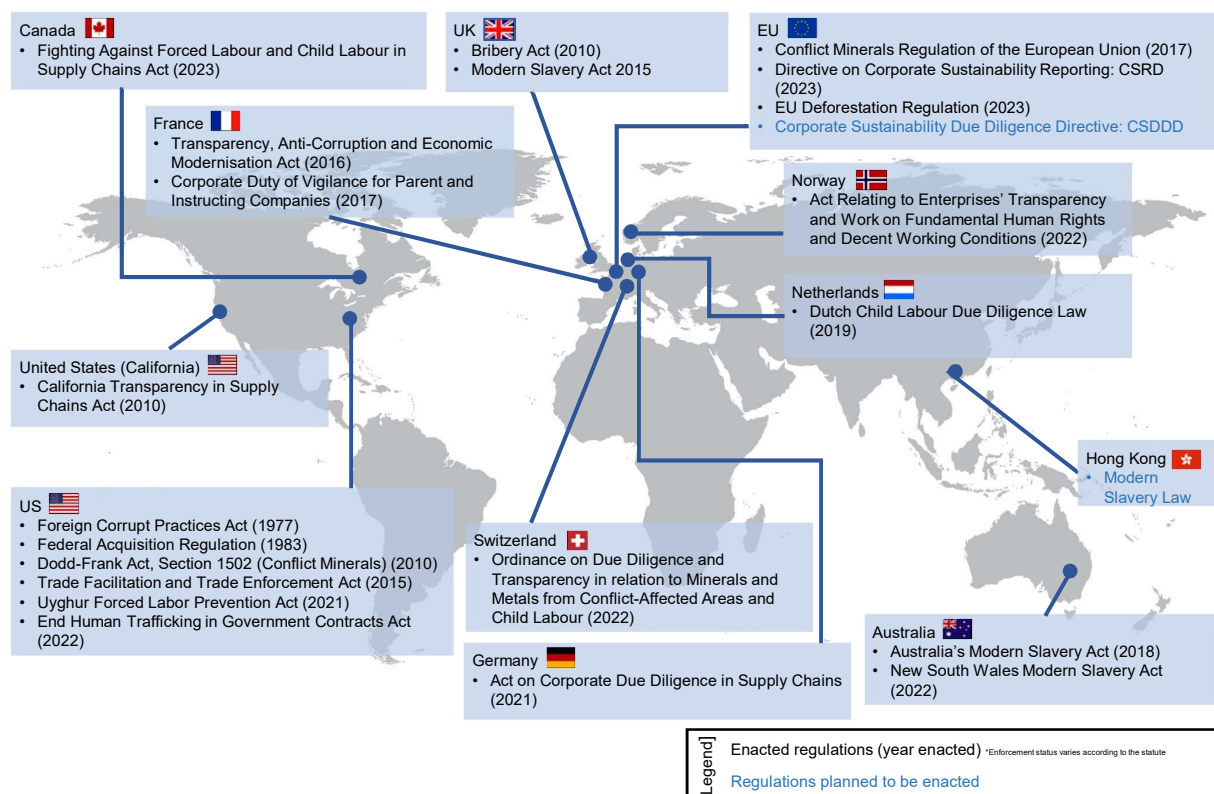


Figure 6: Overview of key regulations related to sustainable procurement

United Kingdom ^[10] 		France ^[11] 	
Name of law	Modern Slavery Law	Name of law	Corporate Duty of Vigilance for Parent and Instructing Companies
Year enacted	2015	Year enacted	2017
Target companies	Companies with global net sales of £36 million (about 5 billion yen) or more operating in the UK	Target companies	Companies with headquarters in France that meet requirements for a certain number of employees
Duty details	Requires review of human rights risks in global supply chains and annual publication of a slavery and human trafficking statement	Duty details	Making it mandatory to conduct human rights due diligence to identify and avoid risks of human rights abuses
Sanctions/ Penalties	Failure to comply with reporting obligations may result in an “enforceable order” from the UK High Court, with unlimited penalties for non-compliance	Sanctions/ Penalties	Compulsory enforcement orders; liability for civil damages

Netherlands ^[12] 		Germany ^[13] 	
Name of law	Child Labor Due Diligence Law	Name of law	Act on Corporate Due Diligence in Supply Chains
Year enacted	2019	Year enacted	2021
Target companies	Companies that provide products and services to the country's market at least twice a year	Target companies	Companies with a principal administrative department, head office, or location in Germany (including foreign companies) that meet requirements for a certain number of employees
Duty details	Mandatory identification, prevention, and assessment of child labor issues in the supply chain	Duty details	Making it mandatory to conduct human rights and environmental due diligence to identify and avoid human rights and environment risks
Sanctions/ Penalties	Fines based on net sales, and in the case of serious breaches of duty, imprisonment or fines for directors of companies	Sanctions/ Penalties	Fines for intentional or negligent violations, prohibition of participation in public procurement

EU ^[14] 		United States ^[15] 	
Name of law	Corporate Sustainability Due Diligence Directive: CSDDD	Name of law	Uyghur Forced Labor Prevention Act
Year enacted	Being formulated (as of September 2023)	Year enacted	2021
Target companies	Companies that meet certain conditions (annual net sales, average number of employees per year) (also targets non-European companies)	Target companies	Companies importing products related to Xinjiang Uyghur Autonomous Region to the US.
Duty details	Making it mandatory to conduct human rights and environmental due diligence to identify and avoid human rights and environment risks	Duty details	Prohibits imports unless certain conditions are met, such as proof of the absence of forced labor
Sanctions/ Penalties	Fines based on net sales, civil liability for damages caused by breach of duty	Sanctions/ Penalties	Seizure and confiscation of imported goods in violation of the Act

*Amendments to the UK Modern Slavery Act are under consideration as of September 2023 ^[16].

Sources: Prepared based on websites of the respective countries ^{[10][11][12][13][14][15]}, “Supply Chain and Human Rights” Policy and Examples of Application and Responses to Companies (Revised 8th Edition) ^[17], etc.

(3) Discussion of regulations related to sustainable procurement in Japan

In recent years, discussions have been underway on legislation related to sustainable procurement in Japan focusing on addressing human rights issues. In 2020, the Japanese government formulated Japan's National Action Plan on Business and Human Rights, in which the government expressed its expectations for human rights due diligence for companies ^[18].

In addition, in 2022, "Japan's Guidelines on Respecting Human Rights in Responsible Supply Chains" ^[19] were developed with the aim of further promoting human rights initiatives by companies. In April 2023, "Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains" ^[20] was also published, which provides more concrete and practical information on respect for human rights initiatives, mainly for those in charge of business affairs.

In addition, in April 2023, the government decided on a policy of striving to ensure respect for human rights in companies bidding for public procurement ^[21]. Prospective bidders/contractors for public procurement are required to respect human rights in accordance with "Japan's Guidelines on Respecting Human Rights in Responsible Supply Chains."

On the other hand, since "Japan's National Action Plan on Business and Human Rights" and "Japan's Guidelines on Respecting Human Rights in Responsible Supply Chains" are not legally binding, various stakeholders, including foreign countries and human rights NGOs, mainly in Western countries, have called for the establishment of legally binding human rights due diligence norms ^[22].

3. Expanding ESG investment and financing (sustainable finance)

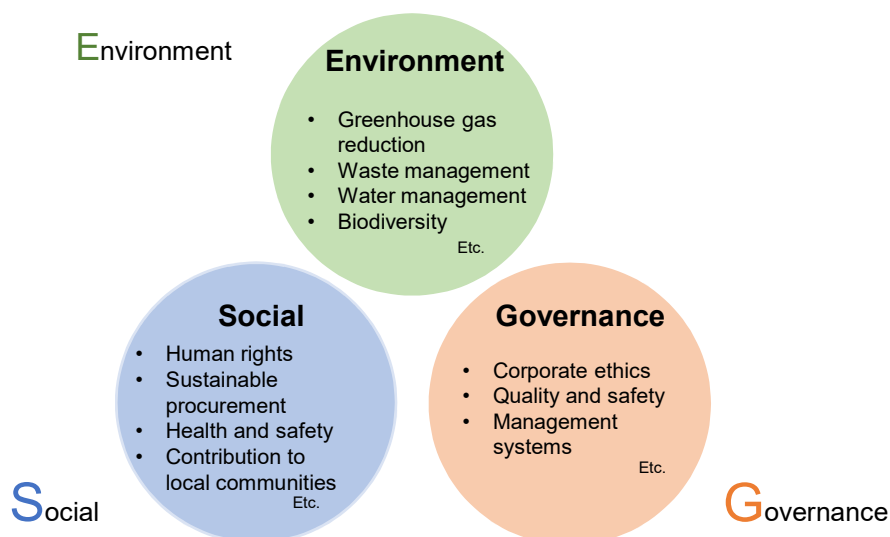
In addition to financial information, non-financial information related to ESG has become increasingly important from a financial perspective. This is because investors are placing more importance on corporate social responsibility while managing risk. As well as the value that can be ascertained with conventional financial information such as net sales and profits, investment and lending destinations are being assessed in terms of whether their business activities will grow over the medium to long term from an ESG perspective and lead to social sustainability.

In addition, progress is also being made in developing non-financial reporting frameworks. Typical examples are the recommendations on climate-related financial disclosures by TCFD in 2017 [23] and the recommendations on nature-related financial disclosures by TNFD in 2023 [24]. In addition, the development of a framework for information disclosure related to respect for human rights (*) is being considered.

On the other hand, comprehensive non-financial reporting frameworks for companies had been developed by several organizations, including the GRI, SASB, and IIRC, and were in a conflicting situation. To remedy this situation, in June 2023, ISSB, part of the IFRS Foundation, published the ISSB Standards as an international standard for sustainability-related information disclosure [25]. The Standards consist of IFRS S1, which establishes general requirements for disclosure items in sustainability-related financial information, and IFRS S2, which establishes specific climate-related disclosure items. IFRS S2 has been prepared following the TCFD framework.

(*) Information disclosure related to respect for human rights will be considered by the task force integrating the TIFD and TSFD (TISFD) (as of September 2023) [26]

Figure 7: Examples of ESG Issues



4. Significance of sustainable procurement practices and initiatives to solve social issues

Following international norms and practicing sustainable procurement has major significance for both suppliers and our Group. Sustainable procurement practices not only enable a company to fulfill its social responsibilities but are also linked to the company's own risk management, including preventing the occurrence of issues such as human rights abuses and destruction of the environment in the supply chain, early detection and responses, and compliance with the laws and regulations of the relevant countries. In addition, it is also useful from the perspective of creating business opportunities by enhancing the attractiveness of the company, strengthening relationships with customers, improving the company's reputation as an investment and loan destination, and so on.

Furthermore, in addition to sustainable procurement practices, corporate efforts to solve social issues will enhance the trust of trading partners and other stakeholders and lead to an increase in corporate value in the long term.

Request for understanding and cooperation with the Seiko Group’s sustainable procurement

1. Overview of the Seiko Group’s approach to sustainability and various policies

The Seiko Group has established the “Seiko Group’s Sustainability Policy” on the basis of the SEIKO Group Purpose, “As a company trusted by society, we will constantly pursue innovation, inspiring people everywhere, and creating a future full of smiles,” and Corporate Philosophy, “A Company that is Trusted by Society.”

In the “Seiko Group’s Sustainability Policy,” we have defined “WITH” (W: Well-being – A Better Life; I: Inclusion – For All People; T: Trust – Certainty and Trust; H: Harmony – With the Earth) as the directions we aim to take to solve social issues, and we are committed to sustainability activities with the aim of achieving sustainable corporate and social growth.

In addition, the Seiko Group has identified 13 materialities that we should address based on the “Seiko Group’s Sustainability Policy,” and we have established key actions for each materiality.

Figure 8: Seiko Group Materialities (Material Issues)



Furthermore, as action guidelines for addressing the “Seiko Group’s Sustainability Policy” and the materialities, we have established the “Seiko Group Human Rights Policy,” the “Seiko Group Environmental Policy,” and the “Seiko Group Procurement Policy” related to procurement. Please refer to the supplementary materials for details.

2. Details of the “Seiko Group Procurement Guidelines”

One of the materialities to be addressed by the Seiko Group is to “promote responsible procurement and supply chains,” the aim of which is to conduct sustainable supply chain management that addresses social issues such as human rights and the environment, and in November 2022, the “Seiko Group Procurement Guidelines” were formulated as a supplement to the “Seiko Group Procurement Policy.”

The Guidelines are based on “The Responsible Business Alliance (RBA) Code of Conduct (version 7.0)” and have been developed in consideration of the Seiko Group’s business environment and materialities, while referring to various standards. They consist of seven sections: (1) Labor, (2) Health and Safety, (3) Environment, (4) Ethics, (5) Quality and Safety, (6) Information Security, and (7) Management Systems.

In addition to understanding the purpose of the Guidelines and taking initiatives in their own companies, we ask our suppliers to ensure that the Guidelines are understood and disseminated in the suppliers’ supply chains.

3. The Seiko Group’s initiatives for sustainable procurement

With reference to international norms such as “The Ten Principles of the UN Global Compact,” ISO 20400 “Sustainable procurement – Guidance,” “United Nations Guiding Principles on Business and Human Rights,” and “The Responsible Business Alliance (RBA) Code of Conduct,” the Seiko Group will continue to implement sustainable procurement through the following initiatives.

(1) Informing suppliers of procurement policies/guidelines and requesting submission of written consent

Since cooperation with suppliers is essential to the practice of sustainable procurement, particularly regarding procurement, we inform all suppliers of the “Seiko Group Procurement Policy” and the “Seiko Group Procurement Guidelines” and request submission of written consent.

(2) Identifying significant suppliers and high human rights risk suppliers

The Seiko Group has established criteria for significant suppliers at each Group company in terms of (1) supply of critical raw materials and parts, (2) difficulty of substitution, and (3) size of transaction amount, and suppliers that meet these criteria are designated as “significant suppliers” for the purpose of sustainable procurement. In addition, suppliers who handle high-risk raw materials from a human rights perspective, as identified based on the opinions of outside experts, are also defined as “high human rights risk suppliers.”

Going forward, significant suppliers and high human rights risk suppliers will be regularly reviewed.

(3) Investigations of suppliers

We conduct investigations of suppliers to confirm their condition of conformity with the “Seiko Group Procurement Guidelines.” Specifically, we will conduct SAQ investigations to ascertain the actual status of labor, health and safety, environment, ethics, management systems, and other issues related to the Seiko Group’s business. The scope of these SAQ investigations will be gradually expanded from the significant suppliers and high human rights risk suppliers identified in (2). In the future, we will also consider conducting on-site inspection visits and investigations of tier-n suppliers.

(4) Providing corrective actions based on results of investigations of suppliers

If the results of an investigation described in (3) above reveal that the supplier’s response is insufficient, or if environmental issues or human rights abuses in the supply chain come to light, we will request corrective actions from the perspective of preventing or mitigating negative impacts on human rights, the environment, and other issues.

If we determine that the situation has not improved despite ongoing requests for corrective actions, the Seiko Group will consider reviewing the continuation of transactions.

4. Expectations of suppliers and requests for cooperation in sustainable procurement

(1) Expectations of suppliers

The Seiko Group requests that suppliers comply with each requirement of the “Seiko Group Procurement Policy” and the “Seiko Group Procurement Guidelines.”

The Group also expects its suppliers to address social issues by practicing sustainable procurement not only themselves but also in their supply chains.

(2) Requests for cooperation with the Seiko Group’s sustainable procurement

The Seiko Group hopes to practice sustainable procurement together with its suppliers through dialogue. For this reason, we may request that suppliers take various actions, including the following. We will appreciate your cooperation.

- Providing information in identifying significant suppliers and high human rights risk suppliers
- Responding to SAQ investigations
- Accepting on-site inspection visits
- Coordinating with tier-n suppliers in investigations
- Engaging in dialogue with stakeholders
- Reporting on the status of responses to requests for improvement based on the results of investigations
- Other items necessary to confirm the status of compliance with the “Seiko Group Procurement Guidelines”

Chapter 3

Commentary on the “Seiko Group Procurement Guidelines”

In this chapter, from among the items of the “Seiko Group Procurement Guidelines,” we extract items that contain particularly technical terms, items that take into consideration the business environment and materialities of the Seiko Group, and items for which suppliers are required to implement specific practices to realize sustainable procurement, and provide supplementary explanations. Please refer to this chapter in conjunction with the “Seiko Group Procurement Guidelines.”

This chapter was developed based on the JEITA “Responsible Business Conduct Guidelines (ver. 1.1)”^[1] and with reference to various documents.

(1) Labor

In addition to “The Responsible Business Alliance (RBA) Code of Conduct,” the human rights of workers are also key items in the “The Ten Principles of the UN Global Compact” and ISO 20400 “Sustainable procurement – Guidance.” Other international human rights standards that should be referenced include the “Universal Declaration of Human Rights” and “International Covenants on Human Rights” adopted by the UN General Assembly, and the ILO “Core Labor Standards.”

① Freely chosen employment

[Background]

There are 50 million victims of modern-day slavery worldwide and 28 million victims of forced labor by companies (FY2021)^[2]. Freedom from forced labor is a fundamental human right linked to the right to freedom of choice of employment. Work should be commensurate with personal expectations and skills and done in a human environment that is rewarding to work in.

[Definition of Terms]

Forced labor is (involuntary) labor performed by a person under a threat such as punishment and against the person’s free will. Elements of forced labor include the following.

- Exploitation of vulnerabilities (Example: Employment contracts for foreign migrant workers are not in their native language)
- Deception (Example: Employment and working conditions are not explained correctly, or are replaced during the recruitment process)
- Isolation (Example: Working in a place where access or communication from the outside is difficult)

- Threatening and frightening (Example: Punishment for making workplace complaints, or demanding a fine when a worker gives notice to resign)
- Retention of wages (Example: Late payment of wages, or the employer forces employees to deposit and save part of their wages)
- Debt bondage (Example: Workers borrow money to pay high recruitment fees)
- Excessive overtime (Example: Forcing employees to work more overtime than designated by law or labor–management agreement)
- Prohibition of movement (Example: Restricted movement without a reason such as health and safety or information security, or the dormitory is constantly monitored by surveillance cameras)
- Physical and mental abuse (Example: Violence, shouting, sexual harassment)
- Retention of original identification (Example: Passport, etc., is held by the employer)

Slave labor is defined by the US Department of State as a term that encompasses modern slavery, including forced labor and human trafficking for sexual exploitation. The UK Modern Slavery Act defines it as a condition in which a vulnerable person is unfairly exploited under forced labor.

Debt bondage is a situation in which a worker (sometimes with their family) is forced to work for an employer to pay off their own debts or inherited debts. This includes situations where workers incur debts to pay high recruitment fees and cannot leave their jobs until the debts are repaid.

Indentured servitude is a form of labor in which the worker works in a subordinate position to the employer for a fixed period of time according to a contract. Once widespread as the labor force on plantation farms and elsewhere, it is now illegal in many countries.

Exploitative is the use of a superior position to engage in unfair treatment, and **exploitative prison labor** refers to a situation in which prisoners are made to work and not paid fair wages.

② Child labor and youth labor

[Background]

Even today, around 160 million children are at work worldwide. Among them, 79 million children, or roughly half, are engaged in dangerous work. In addition, the number of children in child labor, which had been declining from 2000 to 2016, has been increasing due to the COVID-19 pandemic. In sub-Saharan Africa, child labor has increased by 16.6 million children over the past four years, which corresponds to one in four children ^[3]. This form of exploitation not only violates the rights of the child, but also undermines economic growth and impedes equal development.

[Definition of Terms]

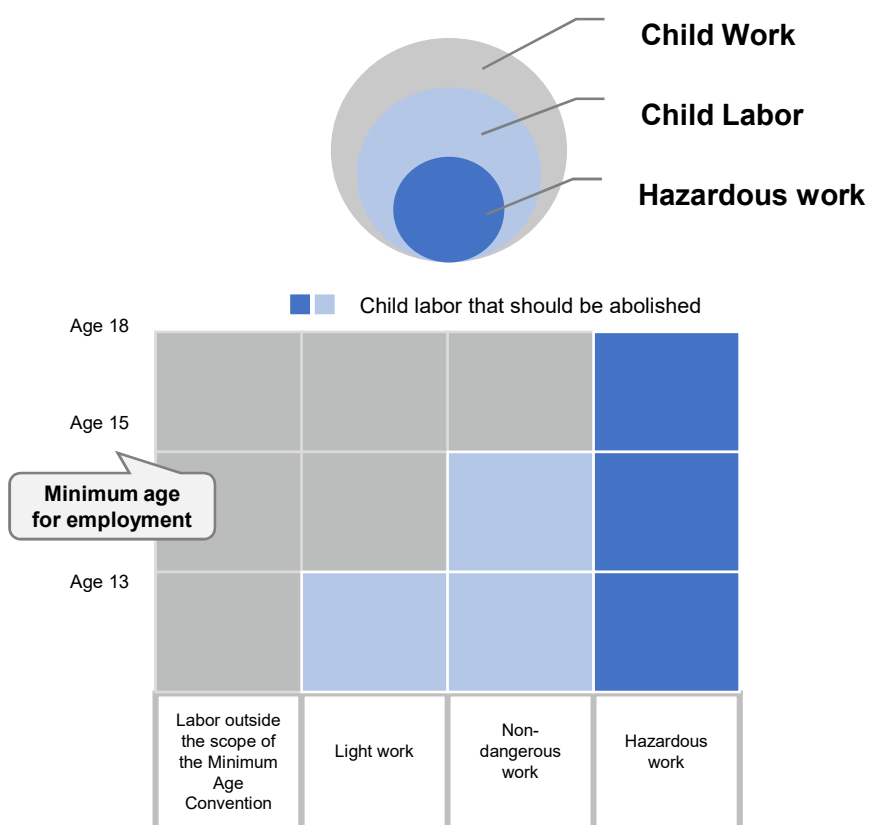
A **child** is defined as a person under the age of 15, under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is highest.

Child labor is defined as any activity or labor that, by its nature or performance, harms the intellectual, physical, social, or moral development of young people, makes it impossible for them to attend school, forces them to drop out of school, or forces them to balance work and study, thereby undermining their educational opportunities and healthy development.

In particular, the following tasks are considered to be “the worst forms of child labor” [4].

- Work that exposes children to physical, psychological, or sexual abuse
- Work performed in a mine, underwater, at dangerous heights, or in confined spaces
- Work involving the use of dangerous machinery, equipment, and tools, or manual handling or transportation of heavy objects
- Work performed in an unhealthy environment (for example, exposing children to hazardous substances, factors, or processes, or to temperatures, noise levels, or vibrations that are hazardous to children’s health)
- Work under particularly difficult conditions, such as long hours, night work, or work in which children are unreasonably restricted to the employer’s premises

Figure 9: Scope of child labor



Source: Prepared based on UNICEF/ILO, “Child Labour: Global estimates 2020, trends and the road forward” [3], etc.

③ Working hours

[Background]

Overwork by workers has been clearly linked to lower productivity, increased turnover, and increased injury and illness. In addition to complying with the laws and regulations of the relevant country, it is essential to properly grant working hours, days off, and breaks with reference to international norms and industry standards.

④ Wages and benefits

[Background]

Employers are required to pay at least the minimum wage specified in the relevant country. Internationally, other than the legal minimum wage, it is hoped that a “living wage,” which is the wage necessary to maintain a minimum standard of living, will be considered as a voluntary initiative by companies and other organizations.

[Definition of Terms]

Minimum wage is the lowest wage stipulated by wage-related laws and regulations in the country of location. This must be paid to workers at an appropriate time without delay in accordance with the laws of the country where the workers are located. In Japan, as with other labor-related laws and regulations, technical intern trainees are subject to the Minimum Wage Act and therefore must be paid at least the minimum wage. It must be noted that payment of a salary below the minimum wage is not acceptable, even if technical intern trainees have agreed to a salary below the minimum wage.

[Background]

Psychological abuse, such as sexual harassment and verbal abuse, can become serious when it goes unnoticed by others in the vicinity.

[Definition of Terms]

Harassment is any form of pestering or bullying that makes the recipient uncomfortable. Examples include sexual harassment, sexual abuse, corporal punishment, mental and physical oppression, verbal abuse, and non-provision of basic physical comfort equipment (chairs, personal protective equipment, etc.). What is known as sexual harassment, power harassment, maternity harassment, and so on all fall under harassment.

There are a wide variety of factors that can lead to **discrimination**, with particular attention to the following aspects.

- **Race, color**
Discrimination on the basis of race, color, descent, or national or ethnic origin. Ethnic minorities, indigenous peoples, and tribal peoples may be targeted.
- **Age**
This refers to stereotypes, prejudice, and discrimination based on age.
- **Sex**
This refers to discrimination on the basis of biological characteristics, functions, or social differences between men and women. This includes discrimination on the basis of sexual orientation, gender identity and gender expression, pregnancy, and marital status.
- **National extraction**
This refers to discrimination on the basis of ethnicity or national origin, place of birth, or family lineage. National minorities, linguistic minorities, naturalized citizens, and descendants of foreign immigrants may be targeted.
- **Social origin**
This refers to discrimination on the basis of social class, socio-occupational type, or caste.
- **Disability**
This refers to discrimination on the basis of physical disability, intellectual disability, mental disability, or other disabilities. The Disability Discrimination Elimination Act prohibits unfair discriminatory treatment of persons with disabilities and requires the provision of reasonable accommodation.
- **Religion**
This refers to discrimination on the basis of being a believer of a certain religion or due to expressing religious beliefs. This includes discriminatory treatment of atheists.
- **Political views**
This refers to discrimination on the basis of political party affiliation, policy views, political or socio-political stance, civic activities, and so on.
- **Union membership**
This refers to discrimination on the basis of membership in a trade union or other organization.

- **Veteran status**

US law defines “covered veteran status” as meaning a veteran and provides for employment promotion, consideration, and protection. It is believed that discrimination can be caused by disabilities due to life in military service (PTSD: post-traumatic stress disorder), or communication difficulties with other workers due to being treated as a killer ^[5].

- **Genetic information**

The US GINA law ^[6] defines genetic information as the result of a genetic diagnosis. This is cited as an element of discrimination because discrimination may be based on genetic information such as the potential risk of developing a disease.

⑦ Freedom of association

[Background]

For freedom of association to be respected, there must be no interference with trade unions by companies and the right to collective bargaining must be recognized. Examples of interference with a trade union by a company include situations where forming or joining a trade union is mandated by the company or where union representatives are appointed. Another example of a situation where the right to collective bargaining has not been recognized is where there is no opportunity to discuss working conditions and other issues with the company.

[Definition of Terms]

Regarding **collective bargaining**, to develop effective collective bargaining, ILO Convention No. 98 ^[7] requires companies to recognize representative organizations of workers for the purpose of collective bargaining, to promote voluntary negotiations between employers and workers, and to include provisions for dispute settlement in collective agreements. The following specific examples of business conduct are encouraged.

- Providing necessary facilities for formulating effective collective agreements
- Enabling representatives duly delegated by workers to negotiate with management representatives empowered to make decisions on bargaining matters
- Not threatening or suggesting retribution for the purpose of unduly influencing negotiations or hindering the exercise of the right to organize
- Providing information necessary for meaningful negotiations
- Providing information about operations and responding constructively when requested by the government

⑧ Activities of diverse human resources

[Background]

Among the directions of “WITH” (W: Well-being – A Better Life; I: Inclusion – For All People; T: Trust – Certainty and Trust; H: Harmony – With the Earth) established in the “Seiko Group’s Sustainability Policy,” the Seiko Group has announced “contribute to greater job satisfaction and active participation by diverse individuals” as the materiality related to “W: Well-being.”

With the advance of economic globalization and the decreasing birthrate and aging population, activities of diverse human resources are important to increase corporate value. With the active participation of diverse human resources regardless of gender, ethnicity, nationality, age, or disability, risk management capabilities will be strengthened, innovation creation will be promoted, and even the acquisition of global human resources will be enhanced ^[8].

The Seiko Group considers human resource development to be a pillar of its growth strategy and is working to improve engagement and promote diversity by training and hiring diverse human resources and setting targets for their active participation.

(3) Environment

The responsibility for environmental consideration means placing the highest priority on ensuring the health and safety not only of workers but also of people in related communities and promoting measures to minimize adverse effects on the community, environment, and natural resources.

① Environmental permits and reports

[Background]

In the case of Japan, regulations requiring the establishment of managers with certain qualifications as specified by law include the Waste Disposal Act (specially controlled industrial waste managers), the Energy Conservation Act (energy managers in plants that use a certain level of energy), and the Air Pollution Control Act (pollution prevention managers at plants that emit chemical substances, dust, or smoke). In addition, depending on the chemical substances used in business operations, there is an obligation to appoint a person responsible for the management of poisonous and deleterious substances, specified chemical substances, hazardous substances, and so on. Depending on the nature of the business and the location of the plant, government permits and approvals may be required for environmental impact assessments, facilities handling hazardous materials, and so on.

In countries other than Japan, it is necessary to comply with the environmental laws and regulations in the relevant country.

[Background]

Global waste matter is estimated to be 2.24 billion tons as of 2020, and is projected to increase by 73% from current levels by 2050 [9]. The burden on the environment of mass-production, mass-consumption, and mass-disposal is enormous, and the ecological footprint, which represents the area required to reproduce and clean up resources, indicates that natural resources equivalent to 1.75 times those of the Earth are needed to support the world’s human life [10].

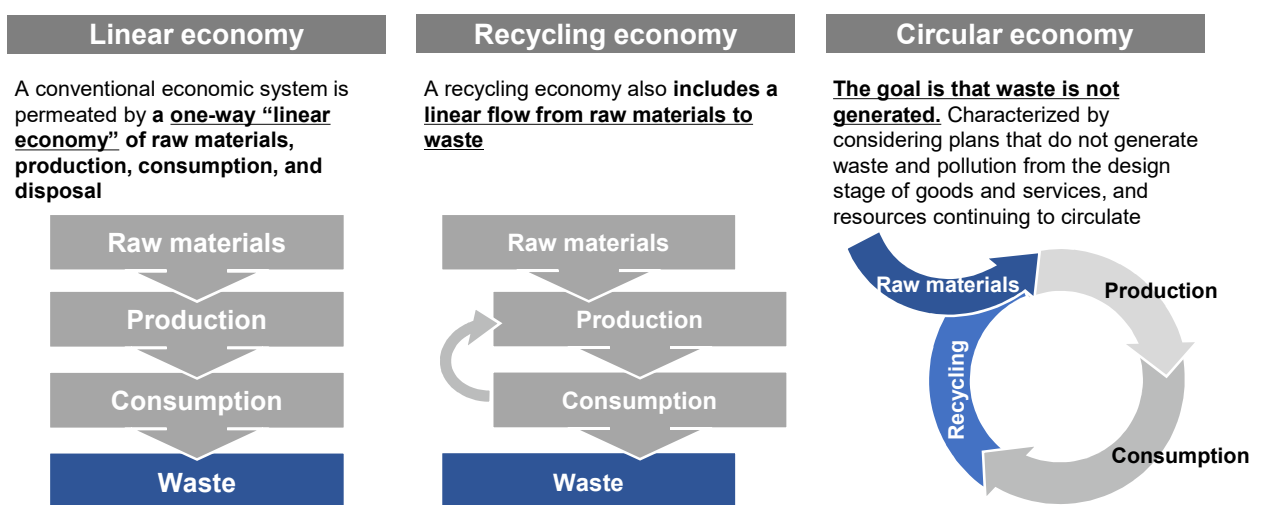
In disposing of materials, we must not only comply with the laws and regulations where our business operations are located but also take measures to minimize the amount of waste so as not to waste natural resources. Natural resources include water, fossil fuels, minerals, and old-growth forests and virgin forest products.

Effective measures to reduce resource use include stopping using resources (Refuse), reducing the quantity of resources used (Reduce), making use of reusable items (Reuse), repairing broken items (Repair), and recycling resources (Recycle). On the other hand, it is important to note that these initiatives also ultimately lead to the generation of waste.

From the perspective of pollution prevention and waste reduction, there is a need to shift to a “circular economy” in which goods and services are designed on the premise that they do not generate waste.

The Japanese government formulated the “Circular Economy Vision 2020” in May 2020 and the “Green Growth Strategy” in December 2020 and is promoting a shift to a more recycling-oriented business model and improving the resource efficiency of business activities.

Figure 10: Differences between linear, recycling, and circular economies



③ Hazardous substances ⑥ Materials restrictions

[Background]

There are several related laws and regulations in Japan regarding the restriction of hazardous substances and chemical materials that require compliance, for example, the Industrial Safety and Health Act, the Chemical Substances Control Act, the Poisonous and Deleterious Substances Act, the Fire Service Act, and the PRTR system. In countries other than Japan, responses based on the regulations of the relevant country are also necessary.

In addition, the laws and regulations of the countries to which products are exported must be observed with regard to substances contained in the products. For example, when exporting to the EU, the relevant laws and regulations include the REACH Regulation on the registration, evaluation, authorization, and restriction of chemicals and the RoHS Directive on the restriction of materials contained in electrical and electronic equipment.

It should be noted that liability also arises for substances that are added to, mixed with, or adhered to a product during the manufacturing process and, in the case of the final product, for components that are incorporated into the product.

⑤ Air emissions

[Background]

Air pollution is considered to be one of the greatest environmental risks to health. As of 2019, it has been estimated that 99% of the world's people live in areas that do not achieve the WHO global air quality guidelines levels, and approximately 4.2 million people have died prematurely due to air pollution ^[11]. In addition, air pollution is also a factor in other environmental issues such as acid rain, anthropogenic eutrophication (increased concentrations of fertilizers in water due to human activities such as sewage, agriculture, and industrial effluents), and climate change. In Japan, the Air Pollution Control Act was enacted in response to worsening air pollution during the period of rapid economic growth. The Air Pollution Control Act establishes emission regulations for various substances, including volatile organic compounds (VOCs) and aerosols.

Regarding ozone-depleting substances, in the mid-1970s, it was pointed out that chlorofluorocarbons (CFCs), which were widely used in air conditioners, refrigerators, and aerosol cans at the time, could be a factor in the depletion of the ozone layer. This led to international discussions and the adoption of the Vienna Convention in 1985 and the Montreal Protocol in 1987. The Montreal Protocol regulates the production and consumption of ozone-depleting substances such as CFCs worldwide ^[12].

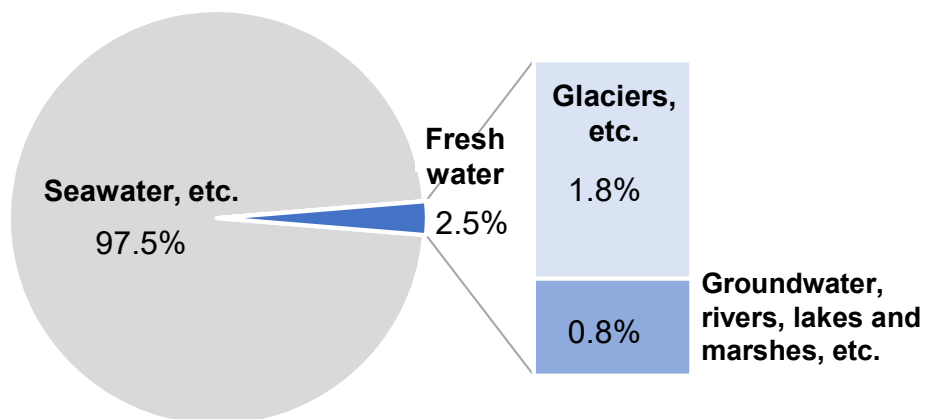
[Background]

Water resources are limited: about 98% of the water on Earth is seawater, and only about 2% is fresh water. Furthermore, the majority of fresh water is found in places such as the Antarctic and Arctic icebergs, and the amount of fresh water found in groundwater, rivers, and lakes and marshes accounts for only about 0.8% of the Earth’s total water. Since much of this is groundwater, less than 0.01% of water is readily available to terrestrial organisms, including humans [13]. In addition, the effects of global population growth, climate change, and environmental pollution are exacerbating water-related problems such as water scarcity, droughts, floods, and water pollution and quality deterioration. Conflicts and migrations have also arisen as a result of these issues. In particular, water scarcity is a growing problem around the world, and according to the WMO, 5 billion people worldwide, or one in two people, will be in a state of water scarcity by 2050 [14].

A typical indicator of water scarcity is “water stress” published by the WRI. This is a measure of the quantity of water intake as a percentage of available water supplies (surface and groundwater), and it has been reported that 17 countries, which make up a quarter of the world’s population as of 2019, face extremely high water stress, with rates reaching about 80% [15].

Water is an important resource for corporate business activities, and at the same time, companies are increasingly responsible for its use and discharge management.

Figure 11: Amount of water on Earth



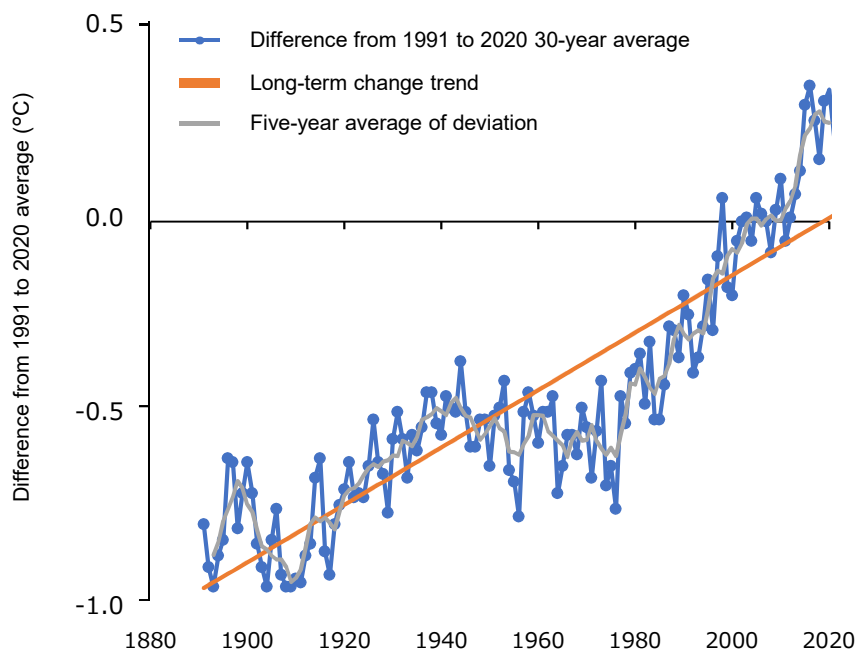
Source: Amount of water on Earth/Prepared by the Water Resources Department of the Ministry of Land, Infrastructure, Transport and Tourism (Source: World Water Resources at the Beginning of 21st Century, UNESCO, 2003, *₁ Does not include groundwater from Antarctica. *₂ Rounded off to one decimal place.) [13]

⑧ Energy consumption and greenhouse gas emissions

[Background]

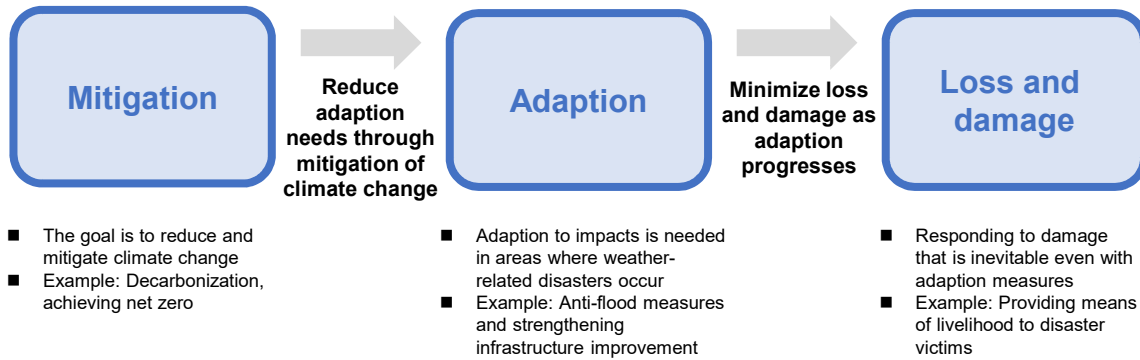
Climate change due to global warming, including higher average temperatures and more extreme weather, is having a direct impact on people's lives. Climate change issues have been discussed internationally at the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP), and the Paris Agreement, the successor to the Kyoto Protocol, was adopted at COP21 in 2015. The Paris Agreement calls for reductions in greenhouse gases globally, including in developing countries, with all countries participating, including major emitters. While the Paris Agreement specified the goal of "holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels," COP26, held in 2021, agreed on the Glasgow Climate Pact, which specified that it "resolves to pursue efforts to limit the temperature increase to 1.5 °C," and the international community is expected to work toward this "1.5 °C target" [16]. Also, at COP27, held in 2022, in addition to the climate change mitigation initiatives represented by greenhouse gas emission reductions that have been discussed so far, to cope with impacts of climate change that are unavoidable even if mitigation is conducted, the importance of adaptation to deal with these impacts and to avoid or reduce damage, and of addressing loss and damage that cannot be avoided through mitigation or adaptation, were also discussed [17]. "Loss and damage" refers to destructive impacts that have already occurred or will occur as a result of climate change.

Figure 12: Global temperature changes



Source: Prepared from Japan Meteorological Agency, "Global Average Annual Temperature" [18]

Figure 13: Types of climate change countermeasures

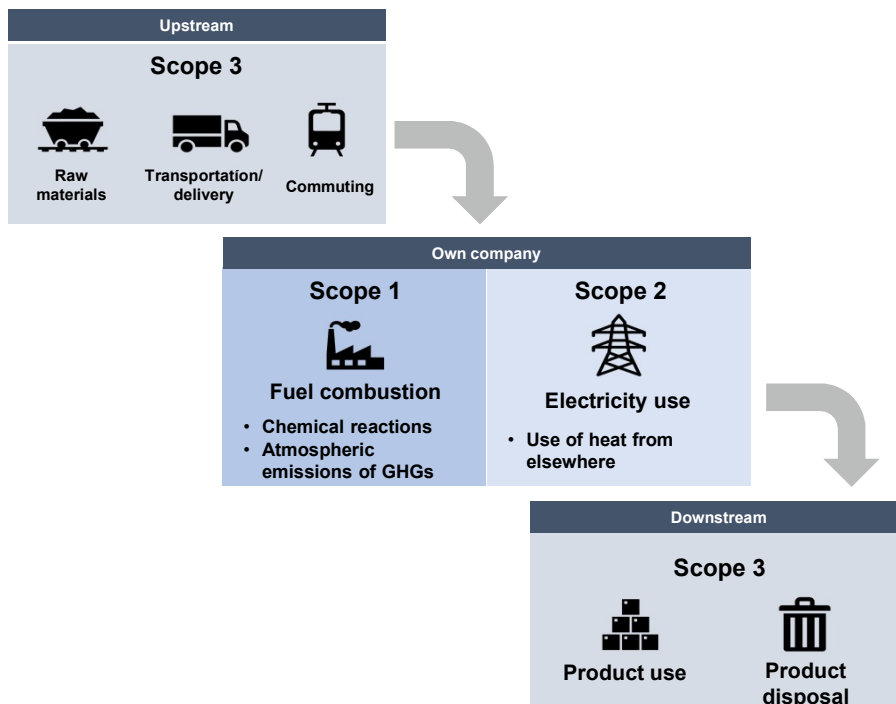


[Definition of Terms]

There are many types of **greenhouse gases**, but in particular, this refers to the six substance groups specified in the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆).

Scope 1 is a company's own direct emissions of greenhouse gases, and **Scope 2** is indirect emissions from the use of electricity, heat, and steam supplied by other companies. Under the GHG Protocol, the international standard for calculating and reporting greenhouse gas emissions, companies are expected to understand and disclose information on their supply chain emissions, including Scope 1, Scope 2, and Scope 3 (indirect emissions other than Scope 1 and Scope 2 (emissions by other companies related to the company's activities)) [19].

Figure 14: Scope of a company's responsibility to reduce GHG emissions



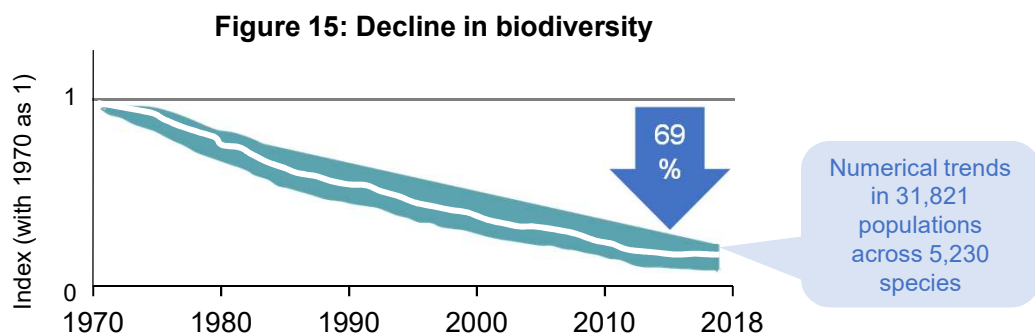
⑨ Biodiversity

[Background]

Among the directions of “WITH” (W: Well-being – A Better Life; I: Inclusion – For All People; T: Trust – Certainty and Trust; H: Harmony – With the Earth) established in the “Seiko Group’s Sustainability Policy,” the Seiko Group has announced “coexist and harmonize with nature” including biodiversity as the materiality related to “H: Harmony.”

Biodiversity refers to the existence of a wide variety of organisms on Earth, including genetic diversity (having different genes in the same species), species diversity (various species of living organisms ranging from plants and animals to microbes such as bacteria), and ecosystem diversity (having different natural environments such as forests, areas between foothills and arable land, rivers, and wetlands) [20]. Biodiversity has been seriously reduced since industrialization due to various impacts resulting from human activities such as overfishing and overhunting, habitat loss, alien species, and climate change, and the world as it stands is already considered beyond the planetary boundary (the limit at which irreparable change is assumed to be caused to natural resources upon which humans depend) [21]. For recovery to a safe range, initiatives are necessary not only to prevent the loss of biodiversity but also to enrich it. To recover biodiversity and so on, the SDGs have set the protection of the richness of life below water and life on land as Goal 14 and Goal 15, respectively. Biodiversity is essential to human life, including food and animal feed, medicine, energy, and fibers, and also plays an important role in maintaining ecological balance by regulating climate, purifying fresh water, pollination, and soil regeneration.

In 2022, the Kunming-Montreal Global Biodiversity Framework, a new global biodiversity goal, was adopted at the Fifteenth Meeting of the Conference of the Parties to the Convention on Biological Diversity (CBD-COP 15), and the 2030 mission was decided as “take urgent action to halt and reverse biodiversity loss to put nature on a path to recovery” towards the 2050 vision to “coexist and harmonize with nature.” To achieve the 2030 mission, 23 targets were set, including the conservation of at least 30% of terrestrial and marine areas by 2030 (the 30 by 30 target), minimizing the impacts of climate change on biodiversity through nature-based solutions and other measures, and promoting biodiversity impact assessment and information disclosure in businesses [22].



Source: Prepared based on WWF, “Living Planet Report 2022” [23]

(4) Ethics

The Seiko Group aims to fulfill its corporate social responsibility in cooperation with suppliers. To accomplish this, we must first comply with the laws and regulations of the countries and regions in which we operate, as well as those in Japan. In addition, initiatives to solve social issues are expected to go beyond the scope of laws and regulations.

In this section, we will particularly explain “⑦ Responsible sourcing of minerals,” which we expect suppliers to implement specifically to realize sustainable procurement, and “⑨ Respect for local cultures and customs at domestic and overseas bases and contributing to the community,” which was formulated in consideration of the business environment and materiality of the SEIKO Group.

⑦ Responsible sourcing of minerals

[Background]

From a sustainability and ESG perspective, “responsible minerals procurement” refers to striving to avoid the use of minerals that contribute to human rights abuses (minerals that may fund armed groups involved in civil wars and conflicts that cause serious human rights abuses) [24]. Conducting supply chain due diligence is crucial to achieving responsible minerals procurement.

The “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” (“OECD Conflict Minerals Due Diligence Guidance”) [25] specifically states the following five steps.

Figure 16: Steps to conduct due diligence for responsible minerals procurement



Source: Prepared from OECD, “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” [25]

In conducting due diligence on conflict minerals, in addition to referring to the “OECD Conflict Minerals Due Diligence Guidance,” it is also useful to use the Conflict Minerals Reporting Template for reporting and the smelter reference list published by the RMI ^[26], a subsidiary of the RBA.

Related laws and regulations include Section 1502 of the Dodd-Frank Wall Street Reform & Consumer Protection Act in the United States and the EU Conflict Minerals Regulation of the European Union. The four minerals tin, tantalum, tungsten, and gold (3TG) have been designated as conflict minerals, particularly in terms of human rights abuses, but international trends should be kept in mind as perspectives to be considered and target minerals may be expanded in the future. In fact, the RMI has also published a questionnaire template for cobalt and mica, and the RMI and various mineral industry associations have jointly published the “Joint Due Diligence Standard for Copper, Lead, Nickel, and Zinc” ^[27].

⑨ Respect for local cultures and customs at domestic and overseas bases and contributing to the community

[Background]

Among the directions of “WITH” (W: Well-being – A Better Life; I: Inclusion – For All People; T: Trust – Certainty and Trust; H: Harmony – With the Earth) established in the “Seiko Group’s Sustainability Policy,” the Seiko Group has announced “contribute to local communities” as the materiality related to “I: Inclusion.”

Environmental and human rights issues in the supply chain are not limited to issues within a company and its supply chain, but also involve the rights of diverse stakeholders, including business partners and local people. For this reason, when conducting business activities, companies are expected to consider the rights of diverse stakeholders, respect local culture and customs, and engage in activities rooted in local communities to revitalize society.

The Seiko Group works with local people and communities to promote events that contribute to society.

(7) Management systems

Management systems are mechanisms for continuous improvement through the Plan-Do-Check-Action (PDCA) cycle with respect to the observance of policies, implementation systems, corrective actions, and stakeholder engagement. The Seiko Group is also working on sustainable procurement together with suppliers based on management systems.

Among the requirements in (7) Management systems, “⑨ Audits and assessments” is practiced as “(3) Investigations of suppliers” in “3. The Seiko Group’s initiatives for sustainable procurement” in Chapter 2 of this commentary and “⑩ Corrective action process” is practiced as “(4) Providing corrective actions based on results of investigations of suppliers,” and we ask each supplier for their cooperation.

In this section, in addition to the initiatives established in “4. Expectations of suppliers and requests for cooperation in sustainable procurement” including the above, we will particularly explain “⑧ Worker feedback and participation in grievance process,” which we expect suppliers to implement in concrete ways to realize sustainable procurement.

⑧ Worker feedback and participation in grievance process

[Background]

To achieve sustainable procurement, in addition to conducting due diligence, it is essential to establish a grievance mechanism to receive workers’ reports and provide a remedy to victims, and address issues on an ongoing basis. If it is difficult to establish one in-house, one option is to use a collective grievance mechanism involving several companies. When it comes to handling a grievance, engagement and dialogue with the complainant and other workers are fundamental. For a grievance mechanism to function effectively, it is also useful to promote understanding toward workers who may be complainants, conduct awareness investigations to confirm their understanding, and participate in continuous improvement by proposing advice from stakeholders and experts. Information disclosure regarding reporting is also important to increase transparency and gain credibility for the mechanism.

Although this section describes a grievance mechanism for accepting reports from workers, it is also useful to make use of a grievance mechanism and accept reports from a wide range of stakeholders as part of the “⑩ Corrective actions process.”

[Definition of Terms]

A grievance mechanism is a mechanism that allows workers to report environmental or human rights issues when they become apparent, or when potential issues are suspected, and encourages correction. To ensure its effectiveness, the grievance mechanism must be widely known to workers, and the procedures for handling grievances must be clear. In addition, from the standpoint of user protection, it must be possible to report grievances anonymously. In grievances, it is important that complainants are not treated disadvantageously and that complaints are resolved through dialogue with workers.

Examples of contact points for receiving grievances include suggestion boxes, telephone calls, emails, website posting, reporting apps, or a reporting contact at an outsourced external organization. A collective grievance mechanism is a mechanism operated by an industry group or other organization that allows multiple companies to participate. As well as Japanese, these contact points should be widely available in English and other languages of the countries where the parties concerned are located so that a wide range of grievances from workers can be received.

Specific details of issues in sustainable procurement practices and examples of responses (Q&A)

1. Q&A on various requirements of the “Seiko Group Procurement Guidelines”

(1) Labor

① Freely chosen employment

Q1

Our company does not engage in forced or slave labor, and we do not believe there is any risk of such labor. Are there any risks that require attention?

A1

The concepts of forced labor and slave labor are wide-ranging, as described in the “Definition of Terms” in Chapter 3 of this commentary, “(1) Labor ① Freely chosen employment.” Without being limited to within a company, the risk of forced labor and slave labor exists everywhere, including issues in supply chains, and companies are required to act responsibly, including in their supply chains. If your company or supply chain is found to be involved in forced labor or slave labor, your suppliers may also be criticized for being complicit in human rights abuses, and you may be subject to trade restrictions.

References, p. 52

Q2

Our suppliers employ foreign migrant workers. From the perspective of forced labor, are there any issues that require attention in the hiring of foreign migrant workers?

A2

Foreign migrant workers may be in a socially vulnerable position due to differences in language, culture, and customs, so special attention is necessary to ensure that this does not lead to forced labor. For example, this requires providing foreign migrant workers with an employment contract (including terms and conditions of employment) in a language the workers understand, such as their native language, before leaving their home country, and, in principle, not changing the employment conditions after the fact.

It is also important to check whether recruitment fees are being collected by a recruitment agency or its contractors, whether workers’ identity documents, passports, work permits or other entry permits are being taken away and freedom of movement is being restricted, whether there are excessively long working hours or non-payment of overtime wages, and so on.

References, p. 52

Q3

Our company employs technical intern trainees, and we are not aware of any particular issues. Are there any risks that require attention when hiring technical intern trainees?

A3

The Technical Intern Training Program was created with the aim of transferring skills, technology, or knowledge to developing countries, etc., and for cooperation in human resource development for economic development in developing countries, etc. Countries that have concluded a bilateral arrangement (memorandum of cooperation) with the Japanese government (*) are the main sending countries. Trainees who come to Japan under this program are called technical intern trainees.

(*) India, Indonesia, Uzbekistan, Cambodia, Sri Lanka, Thailand, Pakistan, Bangladesh, the Philippines, Bhutan, Vietnam, Myanmar, Mongolia, and Laos (as of September 2023) ^[1]

As mentioned above, this program is intended to develop in harmony with the international community, but in reality, it has been pointed out that there is a risk of human rights abuses, and it is necessary to bear this in mind.

In the Trafficking in Persons Report ^[2] issued by the US Department of State, the existence of forced labor that misuses the Technical Intern Training Program is mentioned. Specifically, the report points out the reality of excessive fees collected by recruitment agencies, the retention of trainees' personal documents (passports, etc.) by employers, and other institutional issues that prevent trainees from changing employers or industries on their own. The Immigration Services Agency and the Ministry of Health, Labour and Welfare have also issued warnings on cases of human rights abuses, including harassment such as verbal abuse and assault by work colleagues, and dismissal and disadvantageous treatment on the grounds of pregnancy and childbirth ^{[3] [4]}.

Regarding the Technical Intern Training Program, the Immigration Services Agency, and the Ministry of Health, Labour and Welfare have published Operational Guidelines ^[5] that outline the program, the necessary procedures, and the prohibitions for protecting technical interns. In addition, the Ministry of Health, Labour and Welfare and the Immigration Services Agency also publish information on their websites ^{[3] [4]} such as alerts to actual cases arising from the operation of the Technical Intern Training Program.

References, p. 52

Q4

Some technical intern trainees who work for our company have paid a recruitment fee to a recruitment agency. What are the risks associated with recruitment fees? Also, what should we do if it becomes clear that a recruitment fee has been paid?

A4

If fees are collected by a recruitment agency or their contractors, there is a risk that technical intern trainees will become heavily indebted and in a state of debt labor, leading to forced labor or slave labor. The Seiko Group Procurement Guidelines prohibit requiring workers to pay recruitment fees and other employment-related fees, and stipulate that if a worker is found to have paid expenses related to such employment, the costs must be refunded to the worker. For this reason, we request that you urge the recruitment agencies that have collected such fees from your suppliers to refund the fees to the workers.

② Child labor and youth labor

Q5

It was discovered that children are working at our overseas supplier's factory. Does our company have responsibility for all cases where children are working, as cases that fall under child labor?

A5

When children are working, there is a potential risk of child labor. If it falls under the category of child labor, the supplier may be criticized for being complicit in human rights abuses and may be subject to trade restrictions.

In child labor, "child" means a person under the age of 15, under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is highest (minimum age for employment). Child labor refers to activities or labor that are detrimental to a person's intellectual, physical, social, or moral development, make it impossible for them to attend school, force them to drop out of school, or force them to balance work and study, thereby undermining their educational opportunities and healthy development.

A child's voluntary help with household chores, the family business, or earning pocket money outside school classes while attending school is called child work and may be recognized as distinct from child labor ^[6].

Suppliers must confirm that children are over the minimum age for employment, that they are not prevented from receiving an education, and, in the case of children under 18 years of age, that they are not subject to hazardous work.

References, p. 52

Q6

It was discovered that child labor is being carried out by our overseas supplier. How should we handle this case? Also, would it be a problem if child labor is discovered at a supplier that we do not do business with directly?

A6

If child labor is found, support/a remedy must be provided to the children subjected to it. The expectation is then to urge the company where child labor is carried out to correct this practice. The same handling is required even if there are no direct transactions.

However, in cases where there is no direct business relationship with the supplier and it is difficult to urge them specifically, it is also effective to collaborate with influential suppliers who have direct business relationships with them, human rights NGOs, etc., as a method of responsible business conduct.

Q7

Students are working at our overseas supplier. We have confirmed that it does not fall under the category of child labor. Is there anything else in particular that requires attention at the time of hiring?

A7

Student workers must be appropriately managed through proper maintenance of labor records, partnerships with educational institutions, protection of student worker rights, and so on. Appropriate assistance and training must also be provided.

③ Working hours

Q8

It was discovered that long working hours are being carried out by our supplier. In this case, what risks are anticipated, and what action should be taken?

A8

Continuous long working hours run the risk of violating the laws and regulations on working hours in the relevant country. There is also a risk of forced labor if workers are required to work illegally long hours under threat of penalties, dismissal, or payment of wages below minimum standards. It is important to understand the actual situation and urge correction through dialogue with the supplier.

References, p. 52

④ Wages and benefits

Q9

It has come to our attention that non-payment of overtime to workers has arisen at our supplier. In this case, what risks are anticipated, and what action should be taken?

A9

Non-payment of overtime runs the risk of violating the laws and regulations on wages in the relevant country. In addition, if non-payment of overtime continues, it may constitute a refusal to pay wages, and there is a risk of forced labor. It is important to understand the actual situation and urge correction through dialogue with the supplier.

References, p. 52

⑤ Humane treatment ⑥ Non-discrimination/Non-harassment

Q10

An employee of our company consulted us about harassment within the company. What kind of conduct constitutes harassment, and what actions should we take as a company?

A10

Harassment refers to acts such as pestering or bullying that the recipient of the act finds offensive. Generally, it does not depend on whether or not the perpetrator is conscious of it. Because it is a broad concept, it is necessary to carefully determine whether or not something constitutes harassment based on international norms and the laws and regulations of the relevant country.

When a harassment consultation is received, it is important to confirm the facts quickly and accurately while protecting the privacy of both the person seeking the consultation and the perpetrator. It is then necessary to take appropriate action with respect to the person seeking the consultation and the perpetrator, as well as to take measures to eliminate the background and factors behind the harassment. It is also important to make sure that the person will not be treated unfavorably because of having made a consultation and so on.

In order to take the actions described above, it is necessary to clarify, publicize, and raise awareness of policies on harassment, as well as to establish a point of contact for those who have been harassed to discuss the damage and a system for actions when consultations are accepted.

References, p. 52

Q11

At our company, the average wage of female employees is relatively lower than that of male employees. Does this constitute discrimination?

A11

Discrimination cannot be determined solely from the fact that female employees are paid less on average than male employees. However, if female employees are paid less than male employees despite performing work of the same value, this may constitute discrimination. The principle of equal remuneration for work of equal value must be respected from the perspective of eliminating discrimination in employment and the workplace.

Although this question addresses the wage difference between male and female employees, it is important to respect the principle of equal remuneration for work of equal value because unfair treatment for reasons unrelated to labor, and not limited to gender, may constitute discrimination. Factors that can lead to discrimination not related to labor include race, color, age, gender (including gender, sexual orientation, gender identity and expression, pregnancy, marital status), national extraction, social origin, disability, religion, political views, union membership, veteran status, and genetic information.

References, p. 52

⑦ Freedom of association

Q12

If a company has a trade union, can we assume that freedom of association is guaranteed?

A12

Even if a company has a trade union, freedom of association may not be guaranteed. Specifically, this applies when there is interference from the company to the union or when the right to collective bargaining has not been approved. Examples of interference by a company include situations where union formation or participation is mandated by the company or where union representatives are appointed. Another example of a situation where the right to collective bargaining has not been recognized is where there is no opportunity to discuss working conditions and other issues with the company.

References, p. 52

(3) Environment

① Environmental permits and reports

Q13

We strive to comply with environmental laws and regulations and are unaware of any environmental problems caused by our company. Is there anything in particular that requires attention when addressing environmental issues, including the supply chain?

A13

There are a wide range of environmental issues surrounding companies, and it cannot be assumed that compliance with environmental laws and regulations alone does not cause environmental problems. In addition, environmental laws and regulations themselves vary according to the country or region, and additional actions may be required due to tightening regulations. Therefore, it is important to conduct due diligence on environmental issues, including supply chains, to understand and respond to risks.

With regard to due diligence on environmental issues, the Ministry of the Environment has published “Introduction to Environmental Due Diligence in the Value Chain: Referring to OECD Guidance”^[7].

References, p. 53

② Pollution prevention and resource reduction ④ Solid waste

Q14

Our company is committed to recycling resources. Is it safe to assume that recycling efforts are sufficient to reduce resource use?

A14

Recycling resources (Recycle) is an effective means of reducing resource use. In addition to recycling, stopping using resources (Refuse), reducing the quantity of resources used (Reduce), making use of reusable items (Reuse), and repairing broken items (Repair) are also effective. On the other hand, it is important to note that these initiatives also ultimately lead to the generation of waste.

From the perspective of ultimately reducing the generation of waste, it is conceivable to change the design of goods and services to a circular design that does not generate waste from the design stage and consider the circulation of resources.

The Japanese government has formulated the “Circular Economy Vision 2020” and the “Green Growth Strategy” and is promoting a shift to a more recycling-oriented business model and improving the resource efficiency of business activities.

References, p. 53

⑦ Water management

Q15

Our company is thinking about taking on water resource management. Where should we start, and how should we take this on?

A15

In managing water resources, it is important to first understand the social issues related to water, then investigate and assess the status of water use by the company and its supply chain (for example, the quantity of water intake and consumption by source, water discharge by destination, and the situation of water intake, water consumption, and water discharge in water-stressed areas, etc.) to identify issues that the company should address.

The use of water by companies is also included in the information disclosure items on water resources established by the GRI ^[8].

To understand the status of your company's initiatives regarding water resources, it is also useful to conduct a company assessment using the "CDP Water Security" ^[9] global information disclosure framework. CDP Water Security allows companies to assess their initiatives to address social issues related to water from multiple perspectives by completing questionnaires.

References, p. 53

⑧ Energy consumption and greenhouse gas emissions

Q16

Our company is planning to establish greenhouse gas reduction targets. Are there any criteria to guide the development of reduction targets?

A16

The Japanese government has declared its goal of becoming carbon neutral, which means reducing overall greenhouse gas emissions to zero by the year 2050. "Reducing overall emissions to zero" means to subtract absorption through afforestation, forest management, etc., from emissions of carbon dioxide and other greenhouse gases, thus effectively reducing the total to zero ^[10]. It has also pledged to reduce greenhouse gas emissions by 46% in FY2030 compared to FY2013 and to continue its challenge to reach levels as high as 50% ^[11]. It is also important for companies to work to achieve national reduction targets.

The Ministry of the Environment has established a decarbonization portal to organize guidelines for reducing greenhouse gas emissions and to disseminate information that will help companies implement their decarbonization initiatives. In addition, the Ministry of Economy, Trade and Industry provides comprehensive information on support measures to help small and medium-sized enterprises address carbon neutrality.

References, p. 53

Q17

Is it correct to assume that the responsibility for greenhouse gas emission reduction targets is limited to direct emissions of greenhouse gases by our own company?

A17

The “Seiko Group Procurement Guidelines” set greenhouse gas emission reduction targets for direct emissions of greenhouse gases by the Group (Scope 1) as well as indirect emissions of greenhouse gases from the use of electricity, heat, and steam supplied by other companies (Scope 2), and require tracking, documentation, and comparison with greenhouse gas emission reduction targets to be published externally.

Under the GHG Protocol, the international standard for calculating and reporting greenhouse gas emissions, companies are also expected to understand and disclose information on their supply chain emissions, including Scope 1, Scope 2, and Scope 3 (indirect emissions other than Scope 1 and Scope 2 (emissions by other companies related to the company’s activities)) as a responsibility of the company ^[12].

The Ministry of the Environment and the Ministry of Economy, Trade and Industry have published “Basic Guidelines on Accounting for Companies’ Greenhouse Gas Emissions Throughout the Supply Chain” ^[13], which introduces the basic concept and calculation method for calculating supply chain emissions and should be referred to when managing supply chain emissions.

References, p. 53

⑨ Biodiversity

Q18

We have no idea what biodiversity issues need to be considered in our company’s business activities. Where should we start, and how should we take this on?

A18

For initiatives addressing biodiversity issues, it is important to first understand the social issues related to biodiversity, then investigate and assess the impact of the company and its supply chain companies on biodiversity and identify issues that the company should address.

When investigating the impact of your company on biodiversity, it is important to understand whether or not your company has operations in areas of high biodiversity value, such as protected biodiversity areas, and whether or not your activities significantly impact biodiversity (for example, infrastructure construction, environmental pollution, habitat conversion, etc.). The WWF, an international environmental NGO, has published the “Biodiversity Risk Filter” ^[14] as a tool to determine biodiversity issues and priorities in enterprises.

In addition, recommendations on nature-related financial disclosures, such as TNFD, have been developed, which makes it increasingly important for companies to understand the risks posed to biodiversity from the perspective of ESG investment and financing.

References, p. 53

2. Q&A on High Human Rights Risk Products

(1) High human rights risk products

Q19 What are high human rights risk products?

A19 High human rights risk products are products with high risk from a human rights perspective. The Seiko Group identifies high human rights risk products from among the products it handles, referring to the US Department of Labor's list of goods produced by child labor or forced labor in violation of international standards ^[15] and other references.

References, p. 53

(2) Responsible minerals procurement

Q20 Our products use minerals such as tin, tantalum, tungsten, gold, and other minerals that may fall under conflict minerals. What requires attention when procuring these minerals? Are there any minerals other than conflict minerals that require attention?

A20 For conflict minerals, conducting due diligence and its disclosure are required by law based on the risk of complicity in human rights abuses and other violations. For this reason, due diligence on conflict minerals should be conducted using the "OECD Conflict Minerals Due Diligence Guidance" ^[16] and the Conflict Minerals Reporting Template for reporting and the smelter reference list published by the RMI ^[17], a subsidiary of the RBA. The Seiko Group has also formulated the "Seiko Group Responsible Minerals Procurement Policy" and will conduct responsible minerals procurement, including conflict minerals.

The minerals tin, tantalum, tungsten, and gold (3TG) are targeted as conflict minerals mainly from the perspective of human rights abuses, but it should be noted that the perspectives to be considered (such as environmental destruction in mining areas) and the targets may be expanded. In particular, cobalt and mica, copper, lead, nickel and zinc, etc., are being discussed internationally for conducting due diligence in terms of responsible minerals procurement ^[18].

References, p. 53

3. Practical Q&A on sustainable procurement practices

(1) Methods of initiatives for sustainable procurement

Q21 How and in what way should we start our sustainable procurement initiatives?

A21 The SEIKO Group is committed to the following sustainable procurement practices: a. Clarifying accountability; b. Developing procurement policies and guidelines; c. Dissemination of policies; d. Understanding and identifying suppliers; e. Supplier assessment; f. Supplier engagement; and g. Information disclosure. These are all included in the requirements of the “Seiko Group Procurement Guidelines.” First, for sustainable procurement initiatives on a company-wide basis, it is important to establish a system to promote sustainable procurement under the commitment of management (a. Clarifying accountability) and to develop company policies for sustainable procurement (b. Developing procurement policies and guidelines).

Figure 17: The Seiko Group’s sustainable procurement initiatives

a	Clarifying accountability	<ul style="list-style-type: none"> • Commitment of top management • Establishing a system to promote sustainable procurement
b	Developing procurement policies and guidelines	<ul style="list-style-type: none"> • Developing procurement policies and procurement guidelines
c	Dissemination of policies	<ul style="list-style-type: none"> • Conducting procurement policy briefings and preparing supplemental material • Confirming supplier agreement to procurement policy and procurement guidelines
d	Understanding and identifying suppliers	<ul style="list-style-type: none"> • Understanding suppliers • Identifying significant suppliers
e	Supplier assessment	<ul style="list-style-type: none"> • Conducting sustainable procurement assessments using SAQ and other methods
f	Supplier engagement	<ul style="list-style-type: none"> • Providing education and training opportunities • Establishing a grievance mechanism
g	Information disclosure	<ul style="list-style-type: none"> • Disclosing supplier lists and supplier assessment results

Q22

How can small and medium-sized enterprises address sustainable procurement?

A22

It is possible for small and medium-sized enterprises to address sustainable procurement, and it must be addressed regardless of the size of the company. Developing initiatives under the leadership of management will lead to a change in awareness across the company, including among employees, which thus enables more effective initiatives.

In terms of respect for human rights, in April 2023, the Ministry of Economy, Trade and Industry published the “Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains” ^[19], for which the target readers are small and medium-sized enterprises and other companies that have never conducted human rights due diligence before, as a reference for sustainable procurement. It is also a useful reference for sustainable procurement practices.

In addition, when a company’s internal resources are limited, it is also useful to actively utilize outside resources.

References, p. 53

(2) b. Developing procurement policies and guidelines

Q23

We are considering developing a policy on sustainable procurement. Is it acceptable to complete the policy text in-house from drafting to finalization?

A23

There is no problem in preparing the document in-house, but if there is no in-house expert, it is advisable to have it reviewed by an outside expert at some stage. In particular, from a human rights perspective, the “Guiding Principles on Business and Human Rights” published by the United Nations specify “informed by relevant internal and/or external expertise” as one of the conditions for an appropriate human rights policy ^[20].

Q24

Since our company is just starting to embark on sustainable procurement, should we wait to disclose our policy until we have made progress in our initiatives?

A24

A policy is a declaration of how your company is committed to sustainable procurement. For this reason, it is desirable to disclose it as early as possible as the company’s own commitment, including initiatives that the company plans to address in the future.

(3) c. Dissemination of policies

Q25

What steps can be taken to ensure suppliers comply with procurement policies and guidelines?

A25

It is important to arrange briefing sessions and other events to inform suppliers of policies and to explain the purpose and content of policies in detail. Provisions of relevant clauses in contracts and the signing of agreements are also useful for confirming supplier commitments.

(4) d. Understanding and identifying suppliers

Q26

When implementing sustainable procurement in our company, if we understand the suppliers our own company deals with directly, is that sufficient?

A26

Sustainable procurement practices require an understanding of the entire supply chain, not just the suppliers we work with directly. For suppliers where there is no direct business relationship and it is difficult to urge them specifically, it is also effective to collaborate with influential suppliers who have direct business relationships with them, human rights NGOs, etc.

(5) e. Supplier assessment

Q27

How can we assess the actual risk situation at a supplier?

A27

To understand supplier risks, first ask suppliers to self-evaluate and strengthen their initiatives through SAQ investigations, together with conducting on-site inspection visits to suppliers where risks are of particular concern.

Q28

We have discovered that there are business partners in our supply chain that are suspected of human rights abuses. How should we handle this?

A28

For business partners suspected of human rights abuses, you are expected to carefully confirm the existence and actual status of human rights abuses, and if there is a risk of human rights abuses, to urge them to correct this situation. To end the relationships immediately without working to use leverage can lead to a state of neglecting human rights abuses. For this reason, rather than thinking of ending these relationships from the outset, it is necessary to increase your influence on the business partner in various ways and work toward correction.

(6) f. Supplier engagement

Q29

How should we develop a grievance mechanism?

A29

A grievance mechanism plays an important role in helping companies identify risks associated with social issues at an early stage by widely accepting comments from stakeholders, as well as enabling them to provide correction and remedy measures in the event of actual infringement.

To effectively build and operate a grievance mechanism, it is necessary to (1) conduct due diligence, (2) review response policies, (3) clarify who is responsible for handling grievances, (4) collaborate with suppliers, (5) collaborate with stakeholders, and (6) assess the progress of responses.

If it is difficult to establish a grievance mechanism in-house, one option is to use a collective grievance mechanism involving several companies.

(7) g. Information disclosure

Q30

Should we also disclose information related to d. Understanding and identifying suppliers and e. Supplier assessment regarding our suppliers? If information should be disclosed, what should be disclosed?

A30

In disclosing information, in addition to disclosing the company's own policies and initiatives, it is desirable to disclose how the company actually understands and identifies suppliers, as well as what supplier assessments were conducted and the results. Failure to make such disclosures may be regarded by the international community and others as equivalent to not conducting such initiatives.

Specific information disclosure includes: for d. Understanding and identifying suppliers, publication of supplier lists; for e. Supplier assessment, publication of SAQ investigation questions and assessment results based on the investigation, and publication of corrective actions to address issues identified in the investigation.

On the other hand, if there is a reasonable reason for not disclosing information, such as when the information is a corporate secret, it is important to disclose this reason and to make efforts to disclose information to the extent possible.

Chapter 4: List of References (1 of 2)

1. Q&A on each requirement of the Procurement Guidelines

(1) Labor

No	Title of Material	Issuer
Q1	ILO Helpdesk for Business: Q&As on business and forced labour ^[21]	ILO
Q2	Guidelines on Improvement of Working Environment for Migrant Workers in Supply Chains (1st ed.) ^[22]	Business and Human Rights Lawyers Network Japan, Lawyers Network for Foreign Workers, Lawyers' Network for Foreign Technical Interns
	Guidelines on Improvement of Working Environment for Migrant Workers in Supply Chains ^[23]	Business and Human Rights Lawyers Network Japan, Lawyers Network for Foreign Workers, Lawyers' Network for Foreign Technical Interns (Cooperation: Global Compact Network Japan)
Q3	Regarding Technical Intern Training ^[3]	Ministry of Health, Labour and Welfare
	Regarding Technical Intern Training ^[4]	Immigration Services Agency
	Technical Intern Training Program Operational Guidelines ^[5]	Immigration Services Agency and Ministry of Health, Labour and Welfare
Q5	ILO Helpdesk for Business: Q&As on business and child labour ^[24]	ILO
Q8	ILO Helpdesk: Q&As on business and working time ^[25]	ILO
	Initiatives to Reduce Long Working Hours ^[26]	Ministry of Health, Labour and Welfare
Q9	ILO Helpdesk: Q&As on business, wages, and benefits ^[27]	ILO
Q10	Eliminating Violence and Harassment in the World of Work ^[28]	ILO
	For the Prevention of Harassment in the Workplace (Sexual Harassment; Harassment Related to Pregnancy, Childbirth, Childcare Leave, etc.; Power Harassment) ^[29]	Ministry of Health, Labour and Welfare
Q11	ILO Helpdesk: Q&As on business, discrimination, and equality ^[30]	ILO
	Special Page on Equal Pay for Equal Work ^[31]	Ministry of Health, Labour and Welfare
Q12	ILO Helpdesk: Q&As on business and freedom of association ^[32]	ILO

Chapter 4: List of References (2 of 2)

(3) Environment

No	Title of Material	Issuer
Q13	Introduction to Environmental Due Diligence in the Value Chain ^[7]	Ministry of the Environment
Q14	Circular design ^[33]	Ellen MacArthur Foundation
Q15	Guidance for companies ^[9]	CDP
Q16	Guidelines for Reducing Emissions ^[34]	Ministry of the Environment
	Decarbonization Portal ^[35]	Ministry of the Environment
	Measures to Support Carbon Neutrality in Small and Medium-Sized Enterprises ^[36]	Ministry of Economy, Trade and Industry and Ministry of the Environment
Q17	Basic Guidelines on Accounting for Companies' Greenhouse Gas Emissions Throughout the Supply Chain (ver. 2.5) ^[13]	Ministry of the Environment and Ministry of Economy, Trade and Industry
Q18	Biodiversity Risk Filter ^[14]	WWF

2. Q&A on High Human Rights Risk Products

(1) High human rights risk products

No	Title of Material	Issuer
Q19	List of Goods Produced by Child Labor or Forced Labor ^[15]	US Department of Labor

(2) Responsible minerals procurement

No	Title of Material	Issuer
Q20	Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition (provisional translation) ^[16]	OECD
	Joint Due Diligence Standard for Copper, Lead, Nickel and Zinc ^[18]	The Copper Mark

3. Practical Q&A on sustainable procurement practices

(1) Methods of initiatives for sustainable procurement

No	Title of Material	Issuer
Q22	Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains ^[19]	Ministry of Economy, Trade and Industry

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Supplementary Materials

Seiko Group Human Rights Policy

The Seiko Group will fulfill its responsibility to respect fundamental human rights in order to create “a future filled with smiles all over the world,” as stated in our Group Purpose, and to realize our Corporate Philosophy of being “a company that is trusted by society.”

1. Positioning

This policy is intended to demonstrate the Group’s commitment to human rights based on our Group Purpose and Corporate Philosophy.

2. Responsibility to respect human rights

The Seiko Group is committed to respecting human rights. We will make every effort to ensure that our business activities do not infringe on the rights of others, and if we discover any negative impact from our business, we will immediately take steps to correct that situation. If we find that our suppliers or business partners have caused any infringement of human rights, we will use the full influence of our Group in order to rectify the situation.

3. Scope of application

This policy shall apply to all officers and employees of the Seiko Group (all directors, regular employees, and contract employees).

Furthermore, the Group will promote respect for human rights throughout its business ecosystem by urging all business partners and suppliers to adopt similar policies.

4. Respect for and compliance with norms and laws

The Seiko Group supports international norms on human rights, including the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the ILO Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the UN Global Compact.

We have established our in-house policy based on the United Nations Guiding Principles on Business and Human Rights, and we will promote respect for human rights. The Seiko Group will comply with the relevant laws and regulations in each country and region where we conduct business activities. Wherever there is a conflict between internationally recognized human rights and the laws and regulations of a particular country or region, we will pursue ways to ensure that international human rights principles are respected.

Seiko Group Human Rights Policy (continued)

5. Human rights due diligence

The Seiko Group will establish and continuously implement a human rights due diligence system.

This includes identifying, preventing, and mitigating any negative impacts on human rights that are related to our business activities, as well as taking corrective measures and disclosing our human rights initiatives to third parties.

6. Correction and remedy

If it becomes clear that the Seiko Group has caused or contributed to negative impacts on human rights, we will work to correct or remedy such impacts through appropriate measures.

In addition, if negative impacts are caused by our suppliers or business partners, we will actively work with them to improve the situation and to ensure that they respect human rights going forward.

7. Information disclosure

The Seiko Group will report on the progress of our efforts to promote respect for human rights on our Website and in other public media.

8. Education

The Seiko Group will ensure that this commitment is reflected in all relevant policies, guidelines, and other necessary procedures throughout the Group, and will strive to see it firmly established throughout all Group business activities. We will also continue to provide appropriate education and training to all officers and employees.

9. Dialogue and discussion with stakeholders

Under this policy, the Seiko Group will collaborate with third-party organizations having expertise in human rights to enact a series of initiatives, and will engage in sincere dialogue and consultations with relevant stakeholders.

Established on May 10, 2022

Seiko Group Corporation

Chairman & Group CEO, CCO

Shinji Hattori

Seiko Group Environmental Policy

The Seiko Group recognizes that the preservation of the global environment is one of the most important issues in the world today. We will constantly strive to help realize a sustainable society that will benefit everyone.

1. We are committed to a wide range of environmentally responsible activities, and we will continue to make unceasing efforts to improve our environmental performance, thereby providing increased value for all our stakeholders.
2. We not only comply with all relevant laws and regulations, but also go far beyond legal compliance in our efforts to reduce environmental risks and prevent pollution.
3. Being acutely aware of the part we have to play in mitigating climate change, we are working hard to reduce greenhouse gas emissions.
4. Because we recognize the limits of our precious natural resources, we are increasing our efforts to reuse and recycle every resource possible.
5. We are also working to preserve biodiversity, recognizing that our business activities inevitably affect surrounding ecosystems, and that we also benefit from the health and diversity of those systems.
6. We rigorously ensure proper management of all chemical substances used in production as well as any that are contained in our finished products.
7. We consider the environment throughout the entire life cycle of our products. We are proud that our products and services actively contribute to environmental conservation.
8. We are working to raise everyone's environmental awareness so that all of us can work together to protect and nurture our natural environment.
9. We promote the active disclosure of information and promote communication with society.
10. In order to derive maximum benefits from these policies, we establish clear environmental targets and strategies to attain them. Then we steadily improve our efforts by constantly re-examining both our targets and our progress towards achieving them.

Seiko Group Procurement Policy

The Seiko Group will fulfill its social responsibilities by contributing to the realization of a sustainable society through the implementation of our corporate philosophy – creating “A future filled with smiles all over the world” and of being “A company that is trusted by society.” To this end, the Group has established three key aims for its procurement policy: (1) Coexistence and co-prosperity with business partners; (2) Promoting procurement activities with proper consideration for the environment, society, and corporate governance; and (3) Fair and impartial selection of business partners. The Group will expand its procurement activities globally based on these three policy aims, which are described in greater detail below.

1. Coexistence and co-prosperity with business partners

The Seiko Group and its business partners aim to build a relationship of mutual trust over the long term. It is our goal to continue to prosper together by helping each other.

2. Promoting procurement activities with proper consideration for the environment, society, and corporate governance

We will respect global social norms and work together with our business partners to promote responsible procurement activities that involve proper consideration for the environment, society, and corporate governance.

We will promote procurement activities that take into consideration the following factors (among others):

1. Compliance with laws, regulations, and social norms
2. Respect for human rights
3. Protection of occupational safety and health
4. Promotion of global environmental conservation
5. Promotion of business continuity planning (BCP)
6. Prohibition of bribes (including illegal gifts, payments, and benefits) to any stakeholder

3. Fair and impartial assessment of business partners

We respect “fair, transparent, and free competition,” which is a fundamental rule of a freely competitive society, and we assess our business partners based on the following criteria:

1. The partner must be active in environmental, social, and corporate governance initiatives
2. The partner must be highly trusted as a company (Stable business conditions, appropriate risk management system, etc.)
3. The partner must have technological capabilities that can contribute to Seiko Group products
4. The quality, price, and delivery times of the items procured must be at appropriate levels

We will conduct comprehensive assessments based on these and other criteria.

We aim to improve the value of our entire supply chain by conducting business in accordance with this Seiko Group Procurement Policy.

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