

Daio Group Sustainable Procurement Guidelines **Based on the Sustainable Development Goals (SDGs)**

Our Basic Approach towards Procurement

We, the Daio Group, conduct our procurement activities based on the following approaches.

- 1. We comply with laws and regulations, social norms and internal rules, respect the cultures and customs of the countries where our suppliers are located, and fulfill our corporate social responsibility by giving due consideration to human rights, environmental conservation and preservation, safety and health, and contributions to local communities in our supply chain in order to realize a sustainable society.**
- 2. We build good partnerships with our suppliers, conduct fair and equitable transactions, and work to mutually improve and develop quality and technical capabilities.**
- 3. We cooperate with our suppliers to formulate a business continuity plan (BCP) and monitor and promote its implementation, aiming to secure a stable supply system.**

Our Supplier Selection Policy

In conducting transactions, we aim to preferentially adopt the products and services of companies that meet more of the following conditions. We would like to ask our suppliers to fully understand the purpose of this policy and work to meet of the conditions as many as possible.

The following conditions are divided into the categories consisting of <Mandatory requirements>, <Requests>, and <Recommendations> with which we expect to our suppliers to comply according our priority. Our suppliers are expected to refer such categorized conditions.

<Mandatory requirements>: Items that we require that our suppliers strictly observe in order to avoid an occurrence of any risk of violating any applicable laws and regulations and/or any serious impact on transactions with the Daio Group.

<Requests>: Items that we request that our suppliers observe in order to avoid any risks (except for those as set forth in “Mandatory requirements” above) of adversely affecting their employees and/or transactions with the Daio Group.

<Recommendations>: Items that we recommend that our suppliers make reasonable efforts to satisfy.

- 1. Suppliers shall comply with laws and regulations, and establish corporate governance and information security systems.**

<Mandatory requirements>

- 1) Thoroughly comply with laws and regulations, social norms and internal rules, respect the laws of each country and region and various international norms, and conduct corporate activities in consideration of culture and customs, etc.
- 2) Recognize that the intellectual property of suppliers and clients is their important corporate asset, strive to preserve the rights of such property, and refrain from engaging in its unauthorized use.

- 3) Appropriately manage and protect all personal information and confidential information obtained from suppliers and clients, third parties and their own employees.

<Requests>

- 4) Work to prevent an occurrences of any misconducts and establish a system for its early detection and response.
- 5) Establish a whistle-blowing contact point to prevent and detect risks at an early stage, and design a system to ensure that whistle-blowers will not suffer any disadvantage.

<Recommendations>

When initiating transactions with the Daio Group, provide us with the documents such as management policies, financial results and/or other documents that certify or evidence soundness of the supplier's business management, for the purpose of conducting continuous and smooth dealings, regardless of whether or not there is any legal requirements under applicable laws or regulations.

2. Suppliers shall ensure that the basic human rights of employees are respected, and that corporate activities are conducted in a manner that recognizes the diversity and personality of each and every employee.

<Mandatory requirements>

- 1) Respect the human rights of employees and prohibit all forms of inhumane treatment and harassment.
- 2) Do not force employees to work against their own will by means of assault, intimidation, confinement, or other unreasonable ways that restrain their mental, physical, or behavioral freedom.
- 3) Do not employ children who are under the minimum working age. In addition, ensure the physical and mental health of those under 18 years of age, and prevent them from engaging in dangerous work.
- 4) Respect the diversity and personality of each and every employee, and prohibit discrimination based on race, creed, nationality, educational background, age, gender, sexual orientation, gender identity and other factors.

3. Suppliers shall place emphasis on conservation and preservation of the global environment and biodiversity, resource and energy saving, and proper management of chemical substances.

<Mandatory requirements>

- 1) Appropriately manage chemical substances specified by applicable laws and regulations of each country in manufacturing processes and materials used in the supplier's products.

<Requirements>

- 2) Contribute to the conservation and preservation of the global environment and the formation of a sustainable, recycling-oriented society by reducing emissions of greenhouse gases, air pollutants, and water pollutants, and by implementing other measures.
- 3) Conduct business activities that are biodiversity-friendly.
- 4) Strive to conserve resources, appropriately manage waste, and promote recycling. In addition, promote energy saving and use energy effectively.

4. Suppliers shall ensure a safe and healthy workplace and make efforts to create an environment where employees can work energetically.

<Mandatory requirements>

- 1) Appropriately manage the suppliers' employees to comply with applicable laws and regulations regarding working hours, days off, and paid vacation days.
- 2) Pay wages at or above the minimum amount stipulated by laws and regulations, and do not engage in unfair wage reductions or non-payment of overtime premium pay.
- 3) Respect the right to form a labor union as a means of realizing the right to collective bargaining between the suppliers' employees and their management.

<Requirements>

- 4) Always place the highest priority on physical and psychological safety in the workplace, and create an environment where each and every employee can work energetically.
- 5) Keep track of the status of occupational accidents and occupational diseases and take appropriate countermeasures.
- 6) Improve and maintain workplace environments so that employees are not exposed to harmful organisms, chemical substances, noise, or odors.

5. Suppliers shall implement fair and equitable transactions with their own suppliers and clients, and eliminate inappropriate profit sharing.

<Mandatory requirements>

- 1) Do not engage in acts that result in economic disadvantage to suppliers and clients by interfering with the exercise of free and independent judgment through the abuse of dominant bargaining position.
- 2) Do not engage in corruption, bribery, or illegal political contributions, or giving, receiving or extorting inappropriate benefits.

<Requests>

- 3) Strive to provide suppliers and clients with fair and equitable opportunities for competition.

<Recommendations>

- 4) Comply with the company's rules and regulations or that of their suppliers and clients regarding gifts, entertainment, etc., and ensure that they do not exceed what is socially acceptable.

6. Suppliers shall strive to provide high-quality, safe, and competitive products, prices, and services, improve technical capabilities, and promote green procurement.

<Mandatory requirements>

- 1) Stably and continuously provide high-quality, safe, and competitive products, prices, and services that meet applicable requirements and required specifications.
- 2) Thoroughly manage the processes from order receipt to delivery and handover of the products, and ensure that the designated deadlines and/or construction periods are met.

<Requirements>

- 3) Provide training for employees to acquire specialized knowledge and skills, and work to continuously improve technical capabilities.

<Recommendations>

- 4) Preferentially procure products and services from companies that are actively working to reduce their environmental impact and are environmentally conscious.

7. Suppliers are expected to contribute to local communities and develop together with them.

<Recommendations>

- 1) Support community-based social contribution activities such as sporting events, cultural activities, and volunteer activities, and make efforts to contribute to the rich development of communities.
- 2) Encourage employees to actively participate in social contribution activities and to raise their awareness as members of the society.

8. Suppliers shall ensure that a BCP is in place and that measures are taken to make sure supply will not be interrupted in the event that unforeseen disasters, epidemics, conflicts, terrorism, supply and demand trends, etc. affect the stability of supply for themselves and their suppliers.

<Requests>

- 1) Implement disaster mitigation measures for production facilities and buildings, and ensure that recovery measures are in place in the event of damage.
- 2) Secure alternative means of procurement to prevent suspension of company production activities due to the suspension of supply of products or services from suppliers that may occur as a result of shortages of raw materials, materials or personnel.

<Recommendations>

- 3) Formulate a basic policy on business continuity plan ("BCP") based on the supplier's management philosophy and vision.
- 4) Conduct surveys to grasp the latest trends and other information, and periodically disseminate to all employees and review the BCP.
- 5) Request suppliers to formulate a BCP, and establish a system to evaluate the status of its implementation.
- 6) Always identify foreseeable risks and strive to rectify them in cooperation with related parties.

End

Daio Paper Corporation
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