

CSR Procurement Guidelines

Procurement Division

Kawasaki Heavy Industries, Ltd.

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I. Introduction

Our social commitment in the Kawasaki Group is expressed in the words, "Kawasaki, working as one for the good of the planet." As we see it, the most important tasks we face are to achieve the mission of the Group by addressing the needs of society surely and precisely, and to work together with all our stakeholders to build a brighter future.

The Kawasaki Group mission includes not only enhancing people's lives through our products and services but also fulfilling our responsibilities to all our stakeholders deliberately in every aspect of our operations. Doing this will of course mean ensuring sound and transparent business practices, and in addition taking a systematic approach to heightening our sensitivity to the changing needs of our evolving society.

Meanwhile, globalization is progressing rapidly not only in business activities but in social issues as well. In this context, attention to CSR initiatives and the responsibilities that corporations should fulfill has been growing ever larger.

Under these circumstances, we have created the *CSR Procurement Guidelines* to serve our business partners as a reference for CSR activities. Our purpose is to make the mutual understanding between us and our business partners even more unshakable, and to promote CSR throughout the entire supply chain.

We intend to engage in close and direct communication with our business partners in light of the intent of these guidelines and, with full mutual acceptability, to promote still further CSR activities. Therefore we will look forward to receiving your understanding and your cooperation.

We also request that our business partners expand the use of these guidelines to their own suppliers, and to seek the widespread penetration of CSR activities throughout the supply chain. It is our hope that, in this way, you will join Kawasaki in fulfilling the corporation's social responsibility.

Procurement Division
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II. Kawasaki's Basic Policies for Material Procurement

Kawasaki is working in accordance with the Basic Policies for Material Procurement to expand procurement activities.

Basic Policies for Material Procurement

KHI will conduct procurement activities in accordance with the KHI Group Mission Statement, which embodies the management principles for the Kawasaki Group.

• Fair and Impartial Procurement

We will provide broad and impartial opportunities for our business partners, and will make selections with integrity and good faith after conducting comprehensive and fair evaluations of quality, price, delivery schedule, technological development capabilities, and other such factors.

• Relationships with Business Partners

We seek to realize optimal quality, cost and delivery schedule together with stable procurement by taking a long-term perspective to build relationships of trust with business partners with the aim of mutual enhancement of competitiveness and prosperity.

• Compliance

We will observe related statutes and regulations as well as social norms. We will place information gained through procurements under appropriate controls, and will take thoroughgoing measures to protect confidential information and prevent leaks.

• Consideration for human rights, labor and occupational safety and health

We will advance procurement activities that have consideration for human rights, the work environment and occupational safety and health.

• Harmony with the global environment through green procurement

We will advance procurement that has consideration for the global environment with respect to the materials used in products.

A Request to Our Business Partners

KHI business activities are based on our relationships with our business partners.

Our pursuit of KHI business activities also involves engagement in the following matters, and we therefore request that our business partners implement similar measures.

1. Compliance

We ask that business partners comply with laws and regulations applicable to their business field and observe social norms. We further ask that they place appropriate controls on information obtained through procurements, and that they take thoroughgoing measures to protect confidential information and prevent leaks.

2. Consideration for Human rights, Labor and Occupational Safety and Health

We ask that business partners and other cooperating parties exercise consideration for employees' human rights, work environment and occupational safety and health.

3. Ensure Quality and Safety

We ask for the supply of materials that have the high quality and safety that satisfy the quality and safety standards required by KHI.

4. To Strengthen Competitiveness

In order to develop technologies and products that are competitive, and given that issues and objectives have already been shared, we ask for information on provisions of new materials, technologies, manufacturing methods and other such information, as well as for active suggestions regarding VE and other cost reduction.

5. To Realize Stable Supply

We ask for risk management systems and production structures capable of securing and supplying materials in a stable and timely manner.

6. Information Disclosure

We ask that information that should be announced to the public (for instance, regarding an impact on the environment or the community) be disclosed in a timely manner.

7. Consideration for the Global Environment

In addition to observing environment-related regulations, we ask that you select and supply materials with a low environmental load.

8. Harmonious Coexistence with Society

We ask that you take measures for harmonious coexistence with the international community and local communities.

III. A Request to Our Business Partners (Detailed Rules)

A corporation must fulfill its social responsibility by complying with laws and ordinances and by showing consideration for human rights and other such concerns.

We ask that our business partners also engage in planning, implementation, and improvement of initiatives in light of item "1. Compliance," which prescribes observation of laws and ordinances, and item "2. Consideration for Human Rights, Labor, and Occupational Safety and Health," which deals with employees.

1. Compliance

(1) Thoroughgoing Measures for Compliance Throughout Corporate Activities

Observe the laws and ordinances of the countries and regions where business activities are being conducted and respect international norms of behavior to the greatest possible extent.

(2) Achievement of Fair and Impartial Competition

Proceed in accordance with the competition laws in each country and region, recognize the importance of free competition in the market and refrain from behavior that limits or obstructs fair and impartial competition.

(3) Appropriate Export-Import Control

In addition to creating systems for appropriate export-import control, engage in export-import procedures in accordance with the laws, regulations, and other practices of each country and region.

(4) Prevention of Relationships with Anti-Social Forces

Represent and warrant that you are not an organized crime group, a member of an organized crime group, a non-regular member of an organized crime group, a party affiliated with an organized crime group, or other such anti-social force (hereafter referred to as anti-social forces), that you were not an anti-social force, that you do not use violence, force, threatening language, or fraudulent means to make improper demands, and that you do not have a relationship of any kind with anti-social forces.

(5) Strict Control of Confidential Information

Engage in stringent measures regarding technology, products, pricing, and other such information obtained through transactions, personal information regarding business partners, and other confidential information, providing appropriate controls, strict retention, and prevention of leaks. In addition, refrain from improper acquisition and disclosure of such information.

(6) Prevent Infringement of Intellectual Property, Etc.

Take care not to improperly acquire or wrongfully use patent rights, utility model rights, design rights, trademark rights, copyrights, and other such intellectual property or technical information (hereafter referred to as intellectual property and related information) belonging to third parties, and do not engage in any infringement of intellectual property and related information.

(7) Build Fair and Impartial Relationships

Engage in no improper payoffs, exchanges of money, or provision of money to customers or procurement sources, and instead build fair and impartial relationships with them.

2. Consideration for Human Rights, Labor, and Occupational Safety and Health

(1) Compliance with Labor-Related Laws and Ordinances

Comply with the labor-related laws and ordinances in the countries and regions where corporate activities take place, pay the greatest possible respect to international norms of behavior, and engage in thoroughgoing occupational safety and health management.

(2) Respect for Human Rights

Do not engage in any improper assignment of work, discrimination, harassment, or any other such conduct by reason of race, ethnicity, nationality, religion, age, gender, occupation, or other matters involving human rights that should be protected.

(3) Prohibition of Forced Labor and Child Labor

Represent and warrant that labor should never be forced by anyone else, but rather should be engaged in voluntarily of the person's own will, and that child labor by persons not of working age is forbidden and will be eradicated.

(4) Working Hours and Wages

Comply with the laws and ordinances of the countries and regions where corporate activities take place regarding employee working hours and wages.

(5) Thoroughgoing Measures for Occupational Safety and Health

Establish disaster prevention standards as a business establishment, exert the utmost disaster prevention effort for employees, and engage in thoroughgoing work safety management.

In addition, take steps to engage in conscientious occupational health management, to include employee health management.

We consider that it is Kawasaki's responsibility to provide our customers with a stable supply of safe, high-quality products and services.

In order to fulfill this responsibility, we consider it essential to have the cooperation of our business partners, and we therefore ask our business partners to take active measures in light of this purpose with regard to the following items "3. Ensure Quality and Safety," "4. To Strengthen Competitiveness," and "5. To Realize Stable Supply."

3. Ensure Quality and Safety

(1) Ensure Quality

In addition to assuring the reliability and safety of products and services, provide the level of quality that satisfies Kawasaki's requirement.

(2) Creation, Maintenance, and Improvement of Quality Control Systems

Take steps to create, maintain, and improve optimal quality control systems in order to maintain and assure the quality of products and services.

(3) Responsibility for Third Parties

Do not cause any hazard, harm, or damage to the lives, bodies, property, and so on of any third parties, excluding Kawasaki and our business partners.

4. To Strengthen Competitiveness

(1) Develop Competitiveness and Create Added Value

Develop and provide technology, products, and services that are competitive and have high added value.

(2) Provide Information on New Materials, New Technologies, New Manufacturing Methods, Etc.

Strive for innovation in technical development and production technology, and actively provide information on new materials, new technologies, new manufacturing methods, and so on.

(3) Promote Cost Reduction

Use value engineering (VE) and other such means to actively promote cost reductions.

5. To Realize Stable Supply

(1) Stable Supply

Build production systems and crisis management systems capable of stably securing and providing materials.

(2) Observe Delivery Schedule

Take thoroughgoing measures to manage day-to-day progress and observe delivery schedules.

Kawasaki considers that the awareness of corporate social responsibility in the countries and regions where corporate activities take place, and the implementation of necessary measures for harmonious coexistence with the earth, society, regions, and peoples, lead to the creation, maintenance, and development of relationships of trust with our stakeholders.

In order to achieve the creation of relationships of trust with stakeholders, and other such matters, we consider it necessary to engage in joint measures with business partners. To that end, we ask that active measures be taken on the following items "6. Information Disclosure," "7. Consideration for the Global Environment," and "8. Harmonious Coexistence with Society."

6. Information Disclosure

(1) Information Disclosure to Stakeholders

Provide and disclose to stakeholders accurate information regarding management policy, finances, business activities, social contributions, environmental protection activities, and other such socially useful information in a timely manner. In addition to assuring corporate transparency, work to build, maintain, and develop relationships of trust with stakeholders.

7. Consideration for the Global Environment

(1) Comply with Environment-Related Laws, Ordinances, and Regulations

Comply with the Basic Environment Law, local government ordinances, and other such laws and ordinances, as well as RoHS directives*1, REACH regulations*2, and other such environment-related regulations in the regions where corporate activities take place.

*1 RoHS: Restrictions on Hazardous Substances

European Union directives restricting the use of specified hazardous substances in electrical and electronic equipment.

*2 REACH: Registration, Evaluation, Authorization and Restriction of Chemicals

Regulations that require corporations to prove the safety of chemical substances used within the European Union.

(2) Build Environmental Management Systems

Take steps to build, maintain, and improve environmental management systems in product development and production.

(3) Reduce and Eliminate Environmental Substances of Concern

Take steps not to use prohibited chemical substances (asbestos, benzene, arsenic, etc.), prohibited heavy metals (lead, mercury, cadmium, hexavalent chromium, etc.), and other such hazardous substances, and continue to implement corporate activities that show concern for the environment.

(4) Pollution Prevention and Environmental Protection

Institute the measures required for prevention of air pollution, water pollution, soil pollution, noise, vibration, ground subsidence, offensive odors, and other such pollution that accompanies manufacturing, and for environmental protection.

(5) Efficient Use of Resources

In addition to dealing appropriately with industrial wastes discharged during corporate activities in accordance with the laws governing various types of recycling, actively engage in efficient use of resources, recycling, and other such activities.

(6) Contribute to Global Environmental Protection

We are aware that support for global environmental protection is an important element in evaluating the value of a corporation. At the same time, we are implementing measures to reduce CO₂, methane, chlorofluorocarbons, and other such greenhouse gases, as well as to cut back on the use of packing materials, and are contributing to measures for global environmental protection.

8. Harmonious Coexistence with Society

(1) Social Contribution

Engage voluntarily and actively in social activities and corporate activities contributing to the sustainable development of the international community and regional communities.

CSR Activities Penetrate the Entire Supply Chain

Our business partners expand the use of these guidelines to their own suppliers, as well, and seek the widespread penetration of CSR activities throughout the supply chain.

==End==

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