

Sanden Group “Supplier Fundamental Principles”

Feb 1st, 2024
Sanden Corporation

1. Preface: Good Corporate Citizenship and Harmony with Society.

Sanden Group, including our domestic and overseas subsidiaries, the Employees' Code of Conduct is enacted in accordance with our Corporate Philosophy in order to put compliance into practice and govern all operational activities globally.

Sanden Group and our suppliers are members of the international and local communities, and in our activities in the supply chain, our actions must remain in harmony with society. We must also be steadfast in fulfilling our role as good corporate citizens, working together with local communities in meeting our corporate responsibilities to society. Sanden Group's business activities have followed "harmony with society" and "good corporate citizen" as the first principles in its corporate philosophy.

Sanden Group will grow together with our suppliers as business partners who provide our customers with the best possible products, systems and services on the basis of fair and transparent relationships. This “Sanden Group Supplier Fundamental Principles” stipulates the principles (code of conduct) required for all suppliers, its employees, agents and subcontractors (hereinafter referred to collectively as “Supplier”) to fulfill the "corporate social responsibility" philosophy in all dealings with Sanden Group.

Sanden Group requests all the Suppliers to comply with the “Sanden Group Supplier Fundamental Principles” and would like to thank you for your commitment.

2. Respect for human rights

• Prohibition of forced labor

Suppliers are absolutely prohibited to use or benefit from slavery, servitude, forced or compulsory labor, or human trafficking labor under any and all circumstances. Suppliers are prohibited from conducting physical punishment, confinement, threats of violence or other form of abuse or harassment in the management and discipline of its workforce. The Suppliers and their subcontractors must not employ labor with exorbitantly low wages or non-payment of wages.

• Prohibition of child labor

Suppliers are absolutely prohibited to use child labor as this is harmful or dangerous to their mental, physical, social and ethical development, and also unfairly interferes with their school education.

• Appropriate working hours

Suppliers must ensure its employees work in compliance with all related labor laws and regulations of the country, and abide by the mandatory industry standard stipulating the number of working days and/or working hours. If the industry standard differs with the country laws, the Suppliers are to comply with the country laws.

• Appropriate Compensation

Suppliers shall pay the employee wages and other remuneration as specified in employment contracts, collective agreements, and related laws and regulations.

• Prohibition of discrimination

Suppliers shall comply with the related laws and regulations which prohibit discrimination in recruitment and employment practices based on diversity (race, color, religion, sex, age, physical ability, nationality, or etc.)

- **Freedom of Association**

Business partners must respect the rights of workers (including the right to collective bargaining and freedom of association) established under international conventions and the laws and regulations of each country and region.

3. Environmental protection

In order to maintain the sustainable development of society, Suppliers shall implement the 4Rs (Reuse, Reduce, Reuse, Recycle) of all resources, and achieve sustainable resource management by using resources effectively and reducing waste. In addition, Suppliers shall take responsibility for their own business activities in consideration of the environment and comply with all environmental laws and regulations of the relevant countries. To pass on sustainable resource management to the next generation, it is necessary to promote renewable energy, reduce the GHG emissions, water quality, air environment, soil quality management, and noise prevention for preventing global warming. As part of our efforts to protect biodiversity*, we need to be aware of the impact our business activities have on the ecosystem and contribute to the realization of a sustainable society. Suppliers must comply with related laws and regulations in respect of land, forest and water rights and must not participate in illegal forced eviction.

**Biodiversity includes plant protection and animal welfare*

4. Corporate Ethics

Suppliers shall conduct their corporate activities based on free and fair competition.

- **Compliance with related laws and regulations**

Suppliers must comply with related laws and regulations.

- **Quality and Safety of the products and services**

Quality and Safety of the products and services offered by the Suppliers shall meet the quality and safety criteria of the related laws and regulations. Suppliers must meet the quality requirements of Sanden Group when conducting business with Sanden Group or on behalf of Sanden Group.

- **Prohibition of improper convenience**

Suppliers must not, directly or through an intermediary, provide or promise any personal or inappropriate convenience for the purpose of keeping or acquiring the business from a third party. Suppliers are not to receive any convenience in return for preferential treatment to third parties.

- **Prohibition of corruption**

Suppliers shall not be in any activities that could be suspected of collusion with politics or administration to build the safety of civil society and shall not be engaged in illegal activities such as bribery or money laundering. Suppliers shall not give or treatment, gift, money, or other benefits to customers, suppliers, or other business partners for the purpose of obtaining or maintaining unfair profits or preferential treatment.

- **Prohibition of the use of conflict minerals**

Business partners must ensure that they are not using minerals that fund extensions or conflict-affected armed groups that cause serious human rights abuses.

- **Management and protection of information**

Suppliers shall properly obtain, use, disclose, manage, and protect the personal and confidential information of customers, third parties, and their own employees. And shall comply with the Personal Information Protection Law, Unfair Competition Prevention Law, and insider trading regulations.

Suppliers shall build and operate a mechanism to ensure information security in order to prevent the occurrence of confidential information leakage or to minimize the damage if it occurs.

- **Intellectual property protection**

Suppliers shall protect their own intellectual property and respect the intellectual property of others.

- **Import and export transaction management**

Suppliers shall follow appropriate import/export procedures and controls when importing or exporting technology or goods that are regulated by the laws and regulations of each country or region.

- **Prohibition of conflict of interest**

Suppliers shall not engage in any act that is against their company's interest to seek the interest of individuals, customers, business partners, or third parties.

- **Rights of Indigenous peoples**

Suppliers shall comply with the laws of the countries and regions where they conduct business activities and should make an effort to consider the human right and culture of indigenous peoples according to international regulations such as "the United Nations Declaration on the Rights of Indigenous Peoples", "Convention on Indigenous and Tribal Peoples in the Independent States (ILO No. 169)", "Free, Prior, and Informed Consent".

- **Financial responsibility**

Suppliers must maintain adequate and accurate internal records, including financial records, related to Supplier's contract with Sanden Group. Falsification of records is prohibited. Records should be retained and disposed of in accordance with all applicable laws and regulations.

- **Binding requirement towards suppliers to pass on standards along the supply chain**

Sanden Group expects that the requirements and standards towards suppliers are passed along the supply chain.

- **Whistleblowing**

All Business Partners, their employees and affected parties are encouraged to notify about violations, specifically illegal business practices or potential human rights violations. Business partners are to set up whistleblower systems of their own. Sanden may be notified by email or phone.

- **Use of security authority**

Suppliers shall ensure, if they engage the administrative authorities having public security power or private security company, etc. (collectively "security authority") to protect the business project for the purpose to avoid the immediate and imminent danger, that the security authority got sufficient instruction and oversight to avoid torture, cruel, inhumane, or degrading treatment, damages to life or limb of individual and the impairment of workers.

5. Safety and Health

Suppliers shall place top priority on ensuring the operational safety and health of all employees. In addition, the facilities must be provided and maintained in accordance with the standards set by the regulations and related laws and regulations.

6. Community involvement and contribution

Suppliers shall respect regional customs and cultures around the world and shall contribute to the social and cultural development of the communities

7. Demonstration of Compliance and Audit and termination of Master Sales and Purchase Agreement

In order to ensure that Suppliers and their subcontractors are in compliance with Sanden Group Supplier Principles and other rules, Sanden Group and its customer (applicable if Sanden Group agrees that its customer has the right of validation) may conduct on-site inspections at the facilities of the Suppliers and their subcontractors. Suppliers shall cooperate fully with the inspections.

Sanden Group has the right to cancel in whole or in part the Master Sales and Purchase Agreement if the Suppliers are not in compliance with the fundamental principles and fail to comply with the fundamental principles within a reasonable period of time after having been required to do so in writing.

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