

OMRON Group
CSR Procurement Guideline

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Contents

1. Introduction	P.3
2. The OMRON Principles	P.4
3. Purchasing Policy	P.6
4. Supplier Code of Conduct	P.7
5. Request to Suppliers	P.15

1. Introduction

Environment surrounding corporate activities is diversifying and drastically changing with globalization of corporate activities in recent years. In the meantime, the entire society has been showing greater concern for corporate engagement regarding CSR (Corporate Social Responsibility), by means as strict criticism of frequent corporate scandals and insincere corporate acts.

On the basis of the philosophy “Working for the benefit of society”, we, OMRON Group are aiming to “The company should be recognized the existence and expected people from all over the world”, and we have been continued our corporate activities with sustainable growth together with society in mind.

“CSR Practice Policies” or “ CSR Practice Guidelines” was created and shared recognition internally through the process, and OMRON declared its support for and signed up to the United Nations Global Compact, which are universally accepted principles in the areas of “Human rights, Labor standards, The environment, and Anti-corruption.” in 2008.

To realize the company philosophy on corporate activities, we are required to make an effort as a whole supply chain as well as OMRON.

OMRON group has shown suppliers “Purchasing Policy” or “Request to Suppliers” including in important matters from the point of CSR.

However, taking into drastic environment change mentioned in the beginning, we have recognized that we need to specifically indicate to suppliers our stance of CSR on supply chain, and we created new “OMRON Group CSR Procurement Guideline” this time.

We kindly request all of our suppliers to understand the items contained in “Supplier Code of Conduct” and “Request to suppliers” and to further cooperate with us throughout to supplier’s supplier chain.

We are planning to carry out a self-assessment survey and visit suppliers in order to evaluate their own engagement status for CSR item described in this guideline.

OMRON Group would make efforts with suppliers for establishing sustainable society. Please be kindly understanding and cooperating with us.

OMRON Corporation
Global Manufacturing Innovation Headquarters, Purchasing Process Innovation Center
Corporate Social Responsibility Department

2. The OMRON Principles

Our Mission

To improve lives and contribute to a better society

Our Values

- **Innovation Driven by Social Needs**
Be a pioneer in creating inspired solutions for the future.
- **Challenging Ourselves**
Pursue new challenges with passion and courage.
- **Respect for All**
Act with integrity and encourage everyone's potential.

Omron Principles Revised , May 2015

● **Our Mission** **To improve lives and contribute to a better society**

Our Mission summarizes the meaning of 'Business should create value for society through its key practices' (taken from the words of our founder, Kazuma Tateishi, saying, "A company is most valuable when it contributes to society beyond the simple pursuit of profits").

This summary offers more concise terms that are easier for our employees to identify with.
Our Mission

• Our value to the world and our mission is to continue to contribute to a sustainable society, resolving social issues through our business.

• Fully answering the expectations of society leads directly to sustained company growth, ongoing personal growth, and better living standards for all.

• We pursue the creation of a society in which all people can live more comfortable lives.

● Our Values

■ Innovation Driven by Social Needs

Be a pioneer in creating inspired solutions for the future.

Innovation Driven by Social Needs creates a better society by discovering emerging needs.

We give value to society through products and services that anticipate and resolve social issues.

Innovation Driven by Social Needs leads to new unprecedented products and drives us to find new approaches and attitudes in our work.

We look at existing products and make them easier for customers to use.

We continue to develop our foresight, our sense for latent social needs, and the creativity to push those needs to the surface.

■ Challenging Ourselves

Pursue new challenges with passion and courage.

Challenging Ourselves serves as the driving force behind our delivering new value, unprecedented solutions, and active change.

Continue to challenge ourselves to develop unprecedented products and services that lead to a variety of new possibilities. This ties directly to our value of Innovation Driven by Social Needs.

The more fearless we are in taking on difficult issues, the greater the joy we experience when we succeed. This results in an upward cycle of confidence. Through our failures and successes, we grow together and build an even stronger company.

■ Respect for All

Act with integrity and encourage everyone's potential.

Respect for All is more than a basic respect for diversity, personality, and individuality.

Respect for All is the core value underlying all our activities in pursuit of living lives and performing jobs of purpose and promise.

We act with integrity, creating stronger relationships of trust with individuals and society.

This goes to the core of our existence as a company.

We believe in the unlimited potential that is possible when our people express their talents and individuality, working with respect for others and maximizing our strengths together.

3. Purchasing Policies

OMRON group fulfills social responsibility by promoting comprehensive global CSR procurements including environment as well as compliance with laws and regulations. We also realize valuable products and services and aim for improving customer satisfactions by always procuring best "Items and Services" in whole QCDS (Quality, Cost, Delivery and Service)

To realize it, we established a group purchasing policy which consists of "Basic Policy" "Management Policy" and "Supplier Code of Conduct" when implementing purchasing activity.

We will realize CSR procurement through supply chain by integrally innovating with suppliers.

● Basic policies

■ OPEN : Our procurement is based on "open" policy and the principles of free competition.

Provided they share the same philosophy, we are willing to provide any suppliers, regardless of nationality, company size, previous business relationship or lack thereof, and any other status with an opportunity to join us based on the principles of free competition. Positive and excellent suggestions and presentations are welcome.

■ FAIR : We place importance on partnership based on fairness and equality.

In procuring component materials and services, we will select suppliers in a fair manner by not only taking into consideration product quality, price, delivery period, environmental conservation, technologies and healthy business management, but also by adding such items are compliance with laws, ordinances, and social standard.

■ GLOBAL : We seek good international partners

From an international perspective, we will procure outstanding materials, parts and services from sources all over the world, in the optimal regions.

● Management policies

■ ECOLOGY : We carry out procurement activities that contribute to reducing adverse impact on the global environment.

We will actively use materials and parts that do not contain hazardous chemical substances, and promote "green" procurement that contributes to reducing and adverse impact on the environment.

■ COMPLIANCE : We strictly comply with laws, ordinance, and social standards by maintaining a high level of morality.

We will strictly observe laws, ordinances and social standards related to procurement and purchasing, and build partnerships with our suppliers. Moreover, we will appropriately manage and protect suppliers' confidential and personal information which we had obtained through our purchasing and procurement activities.

4 . Supplier Code of Conduct

● Concept of Supplier Code of Conduct

We summarize that we would like Participants to implement specific actions and activities on the basis of OMRON Group's CSR Practice Guidelines in this Code of Conduct.

We refer to the following standards for our guideline.

- "OMRON Group CSR Practice Guidelines"
- EICC "Electronic Industry Code of Conduct"
- JEITA Japan Electronics and Information Technology Industries Association
"Supply Chain CSR Promotion Guidebook"
- JAPIA Japan Auto Parts Industries Association
"CSR Guidebook"

● Supplier Code of Conduct

1. Labor

1) Free Chosen Employment

- Forced, restrained (including restrained due to debt bonding), or indentured labor, involuntary prison labor, slavery and trafficking of persons shall not to be used. This includes transporting, harboring, recruiting, transferring or receiving vulnerable persons by means of threat, force, coercion, abduction or fraud for the purpose of exploitation.
- All worker must be voluntary and workers shall be free to leave work at any time or terminate their employment.
- Workers must not be required to surrender any government-issued identification, passport, work permits as a condition of employment.
- Excessive fees are unacceptable and all fees charged to workers must be disclosed.

2) Prohibition of Child Labor

- Child labor is not to be used in any works. The term "child" refers to any person under the age of 15 (14 where the law of the country permits), or under the age for completing compulsory education, or under the minimum age for employment in the county, whichever is greatest.
- The use of legitimate workplace apprenticeship programs, which comply with all laws and regulations, is supported.
- Workers under the age of 18 shall not perform operations that are likely to jeopardize the health of safety of young workers.

3) Working Hours

- Workweeks are not to exceed the maximum set by local law.
- Workers shall be allowed at least one day off per seven-day week.

4) Wages and Benefits

- Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits.
- In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates.
- Deductions from wages as disciplinary measure shall not be permitted.
- The contents on which workers are being paid is to be provided in a timely manner via pay stub or similar documentation.

5) Human Treatment

- There is to be no harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment.
- Disciplinary policies and procedures in support of these requirements shall be clearly defined and communicated to workers.

6) Prohibition of Discrimination

- Participants should be committed to a workforce free of harassment and unlawful discrimination.
- Participants shall not engage in discrimination based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as promotions rewards, and access to training.
- Workers or potential employees should not be subjected to medical test that could be used in a discriminatory way.

7) Freedom of Association

- The rights of workers to associate freely, join or not join labor unions, seek representation, and join workers' councils in accordance with local laws shall be respected.
- Workers shall be able to openly communicate and share grievances with management regarding working conditions and management practices without fear of reprisal, intimidation or harassment.

2. Health and Safety

1) Occupational Safety

- Workers exposure to potential safety hazards (e.g. electrical and other energy sources, fire, vehicle and fall hazards) are not be controlled through proper design, engineering and administrative controls, preventative maintenance and safe work procedures (including lockout/tag out), and ongoing safety training.
- Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate, well-maintained, personal protective equipment.
- Workers shall not be disciplined for raising safety concerns.

2) Emergency Preparedness

- Potential emergency situations and events are to be identified and assessed.
- To minimize its impact, the following emergency measures shall be prepared. E.g. Emergency reporting, employee notification and evacuation procedures, workers training and drills, appropriate fire detections and suppression equipment, adequate exit facilities and recovery plans.

3) Occupational Injury and Illness

- Procedures and systems are to be in place to prevent, manage, track and report occupational injury and illness including the following provisions to: encourage worker reporting; classify and record injury and illness cases; provide necessary medical treatment; investigate cases and implement corrective actions to eliminate their causes; and facilitate return of workers to work.

4) Industrial Hygiene

- Workers exposure to chemical, biological and physical agents it to be identified, evaluated and controlled.
- Engineering or administrative controls must be used to control overexposures.
- When hazards cannot be adequately controlled by such means, worker health is to be protected by appropriate personal protective equipment programs.

5) Physically Demanding Work

- Workers exposure to the hazards of physically demanding tasks, including manual material handling and heavy or repetitive lifting, prolonged standing and highly repetitive or forceful assembly tasks is to be identified, evaluated and controlled.

6) Machine Safeguarding

- Production and other machinery shall be evaluated for safety hazards.
- Physical guards, interlocks and barriers are to be provided and properly maintained where machinery presents an injury hazard to workers.

7) Sanitation, Food, and Housing

■ Workers are to be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities.

■ Workers dormitories provided by the employers or a labor agent are to be maintained to be clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, adequate heat and ventilation, and reasonable personal space along with reasonable entry and exit privileges.

8) Healthcare for employees

■ Participants should provide appropriate health management for all worker.

Appropriate health management serves to prevent and detect employees' illness early by providing medical checkups at least according to the legal standard.

Prevention of health problems due to overwork and care for mental health also need to be considered adequately.

3. Environmental

1) Environmental Permits and Reporting

■ All required environmental permits (e.g. discharge monitoring), approvals and registrations are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed.

2) Pollution Prevention and Resource Reduction

■ Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

3) Hazardous Substances

■ Chemicals and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, use, recycling or reuse and disposal.

4) Wastewater and Solid Waste

■ Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be characterized, monitored, controlled and treated as required prior to discharge or disposal.

5) Air Emissions

■ Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge.

6) Product Content Restrictions

- Participants are to adhere to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances, including labeling for recycling and disposal.

4. Ethics

1) Business Integrity

- The highest standards of integrity are to be upheld in all business interactions.
- All bribery, corruption, extortion and embezzlement (covering promising, offering, giving or accepting any bribes) shall be prohibited.
- All business dealings should be transparently performed and accurately reflected on business books and records.
- Monitoring and enforcement procedures shall be implemented to ensure compliance with anti-corruption laws.

2) No Improper Advantage

- Bribes or other means of obtaining undue or improper advantage are not to be offered or accepted.

3) Disclosure of Information

- Information regarding business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and preventing industry practices.
- Falsification of records or misrepresentation of conditions or practices in the supply chain are unacceptable.

4) Intellectual Property

- Intellectual Property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights.

5) Fair Business, Advertising and Competition

- Standards of fair business, advertising and competition are to be upheld.

6) Prohibition of abusing a superior position

- Participants should not create any disadvantage for their suppliers by abusing a superior position. Abusing a superior position refers to an act of unilaterally determining or changing trading conditions with suppliers, or imposing unreasonable claims or obligations on suppliers by taking advantage of one's superior position as a purchaser or outsourcer. In countries with legislation relating to abuse of a superior position, such legislation shall be observed.

7) Responsible Sourcing of Minerals

- Participants shall have a policy to reasonably assure that the tantalum, tin, tungsten and gold in the products they manufacture does not directly finance or benefit armed groups that are perpetrators of serious human rights abuses in the Democratic Republic of the Congo or an adjoining county.
- Participants shall exercise due diligence on the source and chain of custody of these minerals and make their due diligence measures available to customers upon customer request.

8) Protection of Privacy

- Participants are to commit to protecting the reasonable privacy expectations of personal information of everyone they do business with, including suppliers, customers, consumers and employees.
- Participants are to comply with privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted, and shared.

9) Prevention of the leakage of customer and third-party confidential information

- Confidential information from customers and third parties should be control and protected properly. Confidential information generally means information disclosed in writing or similar manner (including electromagnetically or optically recorded data information) that is agreed to be handled as confidential, or which is orally disclosed after or upon declaring its confidentiality.

10) Defense against threats to computer networks

- Participants should take appropriate defensive measures against the networks in order not to cause any damage to their own or other companies. Threats to computer networks refer to, for example, computer viruses, computer worms, spyware, and similar forms of malicious software.

11) Proper control of export procedures

- Participants should streamline a clear control system and to follow proper export procedures regarding the exports of technologies and goods, as governed by applicable laws and regulations. Technologies and goods restricted by applicable laws and regulations include parts, products, technologies, facilities, and software of which exports are restricted by an international treaty, agreement, or regulations (such as the Wassenaar Arrangement) and/or domestic laws. Exporting may require specific procedures such as acquiring permission from competent government authorities.

12) Protection of Identity and Prohibition of retaliation

- Programs that ensure the confidentiality and protection of supplier and employee whistleblower are to be maintained.
- Participants should have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

5. Product Safety

1) Securing product safety

- In performing design work for a product, a sufficient level of product safety must be secured, and in selling the product, consideration as its manufacturer must be given to product liability.
- Regarding product safety, consideration must also be given not only to compliance, but also to levels of safety normally required of the product. Securing product safety includes the management of traceability (e.g., history of materials, parts, process) and prompts responses for problem solving.

2) Providing appropriate information on products and services

- Participants must show necessary information appropriately not only compliance but also customer's point of view for the content or handling procedures of products.
- Participants must establish and operate a system of collection and transmission of defect report.

6. Business Continuity Plan

1) Creation of Business Continuity Plan

- Participants must create Business Continuity Plan (BCP) in accordance with disaster, accident in order to recover early.
- Strategic management including operation and review of BCP must be implemented. (Business Continuity Management)

7. Management

1) Company Commitment

- A corporate social and environmental responsibility policy statements affirming Participant's commitment to compliance and continual improvement, endorsed by executive management.

2) Management Accountability and Responsibility

- The Participant clearly identify company representative(s) responsible for ensuring implementation of the management systems and associated programs.
- Senior management reviews the status of the management system on a regular basis.

3) Legal and Customer Requirements

- A process to identify, monitor and understand applicable laws, regulations and customer requirements, including the requirements of this Code.

4) Risk Assessment and Risk Management

- A process to identify risks relating to business activities should be kept.
- Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to control the identified risks and ensure regulatory compliance.

5) Improvement Objectives

- Written performance objectives, targets and implementation plans to improve the Participant's social and environmental performance, including a periodic assessment of Participant's performance in achieving those objectives.

6) Training

- Programs for training managers and workers to implement Participant's policies, procedures and improvement objectives and to meet applicable legal and regulatory requirements.

7) Communication

- A process for communicating clear and accurate information about Participant's policies, practices, expectations and performance to workers, suppliers and customers.

8) Worker Feedback and Participation

- Ongoing processes to assess employees' understanding of and obtain feedback on practices and conditions covered by this Code and to foster continuous improvement.

9) Audits and Assessments

- Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customers contractual requirements related to social and environmental responsibility.

10) Corrective Action Process

- A process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews.

11) Documentation and Records

- Creation and maintenance of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.

12) Supplier Responsibility

- A process to communicate Code requirements to suppliers and to monitor supplier compliance to the Code.

5. Request to Suppliers

Supplier's corporation is indispensable to fulfill corporate social responsibility in order to produce more reliable products for customers.

We would like suppliers to comply the above "Supplier Code of Conduct".

Furthermore, to enhance both skill and establish good relationship, I would like you to support the followings.

(1) Compliance with laws, regulations, and social norms

We ask you to comply with applicable laws, regulations, and social norms of the country and area in which you are conducting your business activities.

- Applicable laws, regulations and social norms
 1. Compliance with laws and regulations
 2. Prohibition of child labor and forced labor
 3. Prohibition of unfair dealing s such as bribery
 4. Prohibition of discrimination in recruitment and employment
 5. Development of a good labor environment

(2) Assurance of the best quality

We request that you develop, maintain and improve your quality assurance system so as to allow a stable supply of parts and materials satisfying the OMRON Group's quality requirements.

(3) Best pricing for parts and materials

We request that you supply parts and materials at competitive prices and promote the continuous reduction of prices.

(4) Stable supply of parts and materials

We request that you establish a part supply system in line with the OMRON Group's innovations for a reliable supply of parts and materials.

(5) Consideration of the environment

In order to supply products covered by environmental certification to customers, it is essential that our suppliers develop environmental conservation systems in conformity with ISO14001, and understand and reduce the use of hazardous chemical substances the may be contained in parts and materials supplied to us.

We request that you conduct activities in compliance with the OMRON Group's "Green Procurement Standard."

(6) Technical capabilities

We request that you further enhance your technical capabilities so that you are able to proactively make technical propositions and recommendations to us from the first stage of product development by utilizing your technical experts and know-how.

(7) Request for non-use of conflict minerals

We request that your companies avoid the use of conflict minerals (tin, tantalum, tungsten, or gold) mined in the Democratic Republic of Congo and its neighboring countries as raw materials for your products.

(8) Sound business operation

We request that you promote sound and reliable operation of the company for establishing continuous business relations as a good partner with us. To this purpose, we would like to ask you to disclose information on your business and financial conditions.

(9) Thorough information management

We ask you to take appropriate measures to manage and protect classified information and individual information to which you have access through business activities with the OMRON Group.