GREEN PROCUREMENT GUIDELINES

Ver.3.3 May 1, 2017

Daitron Co., Ltd.

Our Environmental Policy

Environmental Philosophy

Based on the recognition that creating a people-friendly and earth-friendly environment is one of our top priority issues, we will contribute to global environment protection by reducing environmental burdens through development, production, and sales of every product and related service.

Environmental Policy

Based on the above Environmental Philosophy, we will promote, and continuously improve environmental management system activities in accordance with the Action Guidelines shown below to reduce environmental impacts of our business operations ranging from design, manufacture, and sales of products to related services and achieve harmony with the global environment.

Action Guidelines

1) Environmental friendliness and protection
   To eliminate environmental pollutants and reduce environmental burdens, we will promote environment-friendly design, manufacture, and sales of products as well as green procurement.
   For effective use of precious resources, we will promote energy saving and recycling, and reduce wastes.
2) Independent environmental activities
   To promote environmental activities, we will establish, regularly review, and revise as necessary, our own environmental objectives.
3) Compliance with environmental laws and regulations
   In promoting environmental activities, we will comply with any applicable environmental laws and regulations and other requirements agreed on by the Company.
4) Promotion of educational activities
   For improved environmental awareness and activities, we will take measures to make the Environmental Policy well recognized by all employees including education and training.
5) Efforts at controlling chemical substances in products
   We will promote establishment of a system for controlling chemical substances in products throughout the supply chains.
6) Information Disclosure
   The Environmental Policy will be open to the public.

Compliance and Corporate Ethics

We established the Compliance Committee to formulate basic compliance policies and manuals that provide for the codes of ethics focusing on compliance with external relevant laws and regulations as well as internal rules of the Company. With this system implemented we are strengthening internal governance and promoting compliance activities for sound and smooth operation of the whole Group.

Risk Management

We regard risk management as a matter of extremely high priority in business administration and have established the Risk Management Committee, which is designed to work together with the Compliance Committee for the purpose of improved corporate value and reliability. Their mission is to prevent diverse possible risks that could seriously affect our business administration, to quickly and properly cope with each

situation so that it would not damage the stakeholders' interests, and consequently to conserve management resources. Under this system administrators in charge of carrying out these activities are designated from each section, who are required to report promptly on the occurrence of any important issue concerning risk management.

Timely Disclosure and Information Management

We have created the Information Disclosure Committee for securing timely and appropriate disclosure of important corporate information while keeping it true, complete and accurate, which system has made possible a fair and quick decision on when and what information should be disclosed. We also have set up the information security rules and personal information protection rules for thoroughgoing information management.

Our Basic Attitude toward Internal Control System

The Company has established and is managing its internal control system for the purpose of sounder and more effective business management under the Basic Policy on Corporate Governance recognizing the following issues as first priorities:

1) Forming of an organization/corporate culture helpful to prevent scandals and comply with laws and regulations as well as maintenance of its effectiveness.
2) Implementation of a system to identify and assess reasonably and manage properly foreseeable risks in business management.
3) Forming of an organization/corporate culture helpful to secure reliability of financial reporting and disclosed information and maintain the effectiveness thereof.

1. Objective

We work on green procurement actively as part of its promotion of global environment protection activities. Through these efforts of promoting green procurement and offering customers environmentally-friendly products and goods, we are aiming to contribute to global environment protection based on a recycling society.

2. Scope

This guideline applies to products purchased by us for selling products to customers.

Purchase of Goods

We will procure products for sale, components, packing materials and paper tubes to be used for transportation and protection, preferentially from suppliers working on environmentally-friendly activities including ISO14001 third-party certification.

3. Green Procurement Standards

3-1 Request for Establishment of Environment Management System (EMS)

Suppliers will be requested to establish an EMS, preferably, a system certified by a third-party organization such as ISO14001, in principle.
Suppliers that have not established any will be requested to establish your own EMS.

1. Third-party certified EMS such as ISO14001 or ISO14005 compliant or others. (Including Eco Action 21, Eco Stage and KES, which is Japanese major EMS?)
2. Supplier's own EMS.

3-2 Request for Establishment of Management System for Chemical Substances Contained in Products

Suppliers will be required to establish a management system for chemical substances contained in products ("CMS").

If you already have a management system such as ISO 9001 and/or ISO 14001 or similar, you may capitalize on it to establish a management system for chemical substances contained in products, at the discretion of the relevant controlling organization. A new management system may be established, but it is recommended that an existing one, if any, be used.

Below are parts of the requirements for establishing a CMS, for your reference.

The requirements may be changed as necessary. Please make necessary changes and renewals according to the industrial requirements.

Table 3 Examples of Requirements in CMS

1	Policy	Clarifying CMS policies by corporate or business representative
2	Definition of Management Criteria.	Clarifying management procedures and criteria for requirements from laws, industry standards or customers.
3	Definition of Scope of Management.	Clarifying products, processes, constructional elements and chemical substances to be managed.
4	Establishment of Objectives & Planning for Implemented Process	Setting objectives and reviewing implemented process.
5	Definition of Organizational System, Responsibilities and Authority	Clarifying responsibilities and roles in each division related to the management.
6	Design and Development	Taking into account compliance with the defined requirements at design and development stage.
7	Acquisition and Verification of Information of Chemical Substances in Products	Constructing information acquisition scheme and acquiring information of chemical substance contained in delivered items.
8	Purchase Management	Conveying requirements to suppliers.
9	Acceptance Verification	Implementing conformity check of delivered items with one's defined criteria when receiving delivered items
10	Process Management	Clarifying processes in which composition of Chemical_ substances vary and controlling properly. Also implementing distinction control and prevention of contamination.
11	Shipping Verification	Implementing conformity check of shipping products With one's defined criteria or standards.
12	Traceability	Constructing traceability scheme of products and Delivered items.
13	Change Control	Clarifying procedures in case that composition of chemical substances is likely to be influenced, such as changes of design,
14	Non-conformity Response	Clarifying procedures when unconformable products come out
15	Training	Clarifying education contents
16	Management of Documentation and Records	Implementing documentation of management procedures or instructions, and controlling appropriately.
17	Communication (Provision of Information)	Constructing information sharing system.
18	Performance(State of Implementation) Evaluation and Improvement	Evaluating CMS implementation status, and improving performance.
19	Management Review (Correction by Management)	Reviewing and correcting problems by top management

Reference Example 2.

Management items in CMS by JAMP (Joint Article Management Promotion-consortium) recommended.

Representation of the management policy of chemical substances in products.

Top managers of the management of chemical substances in products shall determine the management policy of chemical substances in products for the organization and shall address implementation of the effectual management of chemical substances in products.

1. Defining the management criteria of chemical substances in products

   The organization shall determine and document the management criteria of chemical substances in products.

2. Target and implementation plan

   The organization shall set the target for management of chemical substances in products. The organization shall draw up, implement and sustain the implementation plan to achieve the target. The organization shall review the target and the implementation plan whenever needed.

3. Defining responsibility and authority

   The organization shall determine responsibilities and authorities to implement management of chemical substances in products effectively.

4. Management of chemical substances at design and development.

   For the purpose of producing products which can fulfill the management criteria of chemical substances in products in the stage of design and development, the organization shall define clearly and document the management criteria of chemical substances in products at the respective stage of purchasing, manufacturing and delivery in accordance with products and the type of business operation.

5. Collection and verification of information of chemical substances in products

   The organization shall present the management criteria of chemical substances in products for purchasing (hereinafter referred to as “the purchase management criteria”) to suppliers, and collect necessary information of chemical substances in products. The organization shall verify if information of chemical substances in the purchased products satisfies the purchase management criteria and record the result accordingly.

   The organization shall complete collection and verification of the information of chemical substances in products in accordance with the purchase management criteria before start of manufacturing.

6. Verification of the management status of chemical substances in products at suppliers

   When the organization selects the supplier, the organization shall verify and record the management status of chemical substances in products at the supplier. In case that the organization continues business with the supplier, for the purpose of fulfilling the management criteria of chemical substances in products, the organization shall verify and record the supplier’s management status of chemical substances in products again whenever necessary. The organization shall define the actions against the outcome of the supplier’s management status prior to verification.

7. Management of chemical substances in products at receiving

   The organization shall verify purchased products upon receiving if they fulfil the purchase management criteria of the organization and record accordingly.

8. Management of chemical substances in products for the manufacturing process in general

   The organization shall manage the manufacturing processes in accordance with the management criteria of chemical substances in products for manufacturing processes and record the result accordingly.

9. Prevention of contamination by incorrect use or admixture

   The organization shall implement the preventive measures against contamination by incorrect use or

admixture of declarable chemical substances under the management criteria of chemical substances in products.

10. Management at delivery

    Before the organization delivers products, the organization shall verify products if they satisfy the management criteria of chemical substances in products for delivery and record the result accordingly. At receiving or at the manufacturing process, the organization shall verify again to ensure that all predetermined check items are completely confirmed. The organization shall also manage to prevent contamination by any incorrect shipment or mixed-up in the product warehouse.

11. Verification of the management status of chemical substances in products at outsourcing

    In case that the organization outsources some processes such as product design and development or manufacturing to another organization, the organization shall verify the management status of chemical substances in products at the outsourcing organization to ensure that the management criteria of chemical substances in products can be complied and shall record the result accordingly.

12. Traceability

    The organization shall assure traceability of the information of chemical substances in products by appropriate manners in order to grasp, utilize, disclose and transfer the information of chemical substances in products swiftly.

13. Exchange of information with the customer

    The organization shall clearly define and implement the effective method of exchanging information with the customer for the following matters, and record details of such information exchange.

14. Change management

    The organization shall extract changeable elements which may affect declarable chemical substances under the management criteria of chemical substances in products. When any change arises, before the actual change is taken place, the organization shall effectually confirm a change to be made to the information of chemical substances in products and verify if the management criteria of chemical substances in products can still be fulfilled. The organization shall document the procedures of change management and record the result of change.

15. Response to occurrence of nonconformity

    The organization shall develop and document the method of in-house contacts, the method of contacting suppliers, outsourcing organizations and customers as well as the temporary corrective actions, in order to correspond to any nonconformity arising relating to chemical substances in products. After the temporary measure is taken, the organization shall investigate and identify the cause, determine and implement the necessary countermeasures to prevent recurrence of nonconformity. The organization shall take the preventive measures to avoid any occurrence of nonconformity. The organization shall record the responses taken at nonconformity.

16. Education and training

    The organization shall develop the contents of each management and operation module that are necessary to train and educate for management of chemical substances in products. The organization shall identify works and personnel to be engaged in management of chemical substances in products, and conduct the necessary training and education, and record accordingly.

17. Management of document and record

    The organization shall manage the documents including “the procedures of documentation” and the records as required in the action items of the Guidelines as well as the procedures and the records which are determined by the organization as necessary.

18. Evaluation and improvement of implementation status

    The organization shall evaluate the management status of chemical substances in products periodically at a predetermined frequency. The organization shall implement corrective actions to matters which require correction. The organization shall record the result of evaluation and the corrective actions and report it to top managers of the management of chemical substances in

products. The top management in chemical substances in products shall review the result of evaluation and the corrective actions.

3-3 Environment Management Substances

Our supplies will be requested to conform to our customers' control standards for the products, goods, and packing materials sold by us.
The relevant control standards will be sent to you as soon as we obtain them.
Please contact our representative if they are not sent.

(1) Substances designated as to be controlled or restricted by customers of Daitron Co., Ltd.
(2) Chemical substances prohibited by relevant foreign or domestic laws and regulations including the REACH, the RoHS Directive, the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., the Labor and Sanitation Act, and the Poisonous Material Control Act.
(3) Please use packing materials that you have confirmed do not contain any prohibited substances.

4. Requests for Environmental protection

4-1 Request for Cooperation in and Evaluation of Suppliers' Environment Management System

In selecting new and existing suppliers, we will evaluate suppliers' efforts in environmental protection and green procurement activities, and compliance status with environmental laws and regulations, in addition to their quality, price, delivery, and services.

1. Purpose
   Based on the confirmation result of the presence or absence of a manufacturer's system for controlling information on chemical substances contained in products procured by Daitron Co., Ltd. as well as the appropriateness of their source (secondary and tertiary supply chains) control, suppliers may be requested to make necessary corrections.

2. Subject
   Existing and new suppliers from whom Daitron Co., Ltd. procure products.

3. Implementation of Investigation
   Suppliers will be requested to answer internal audit sheets designated by customers or an industry-standard internal audit sheet sent to you. In case the confirmation by an audit sheet is judged insufficient and where necessary, suppliers may be visited by us for further confirmation.

4. Evaluation of Investigation Result
   In case the evaluation result in the evaluation sheet does not meet the standards, such suppliers will be requested for improvement.
   In case there is any finding in the answers in the evaluation sheet which may cause material trouble, our relevant departments may discuss whether our direction will work, and whether to continue or discontinue business.

Table 4 Evaluation Standards in Internal Audit Sheet

Above standard	Continue or start business
Below standard	1. Confirm the result of correction directions and examine the possibility of continuing business.
	2. In case there is a possibility of a flow of nonconforming products or a material flow, our relevant departments will discuss the possibility of discontinuing business.

4-2 Request for Change Control Report

1. In case of any change in 4M (Man, Machine, Material, and Method) in the process of manufacturing products procured by us, Suppliers will be requested to send us the description of such change by six (6) months prior, in principle.

2. If you have your own form for notification of such changes, please use such form. If not, please notify us of the following items:

   (1) In case of catalogue product:
   Information on production stoppage - model, timing, existence or non-existence of replacement
   Information on change - model, timing, part to be changed, shape, price/delivery, change in contained ingredients.

   (2) In case of contract manufacture:
   Items to be changed may have special control requirements of customers. If control items are unclear, please contact our representative.

   (3) Evaluation of Risks Associated with Change
   Suppliers will be requested to define the change-points in the process to be brought about by such change, and assess the effects of such changes on the product quality and the environment.

   (4) Confirmation of customer's approval
   After making the application, suppliers will be requested to implement the change after obtaining the relevant customer’s approval.

   (5) Suppliers may be requested to cooperate in applying for a change using an application form designated by the customer.

4-3 Request for Traceability Control

1. Control of manufacture records for shipped products
   Suppliers will be requested to control the manufacture records for shipped products so that the process history (manufacture number, manufacture date, delivery date, manufacture site, workers, chemical ingredients contained in the delivered components, lot number, etc.) will be identified from the order number.
2. Retention of records
   Suppliers will be requested to retain and control the shipping and manufacture records for at least ten years to allow retrospective reports.

4-4 Request for Establishment of Business Continuity Plan System (BCP)

Suppliers will be requested to establish a business continuity plan (BCP *1) as a risk management system so that business will be continued in an unexpected emergency.

*1: "BCP" means a system prepared strategically at normal times not to discontinue principal operations in an unexpected emergency, and in the event that operations should be discontinued, recover important functions within the target recovery time and minimize the risks associated with discontinuing operations.

4-5 Requests for Response to On-site Inspection

Suppliers may be requested to cooperate in on-site inspections at the manufacture site for the relevant products at a customer's or our request.

5. Request to Obtain Most Recent Version and Update Guidelines

Suppliers will be requested to update these Green Procurement Guidelines.
The most recent version is available at: http://www.daitron.co.jp/csr/index.html

Revision Record

May 1, 2006	Edition 1	Created. RoHS
March1, 2010	Edition 2	Changed specified chemical substances （REACH）
	Edition 2.1	Change of contact
	Edition 2.2	Change of contact
	Edition 2.3	Change of contact
February 1, 2014	Edition 3	Change of our CSR policy.
April 3, 2017	Edition 3.2	Daito Electron Becomes Daitron.
May 1, 2017	Edition 3.3	Change of our CSR policy.

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