

Supplier Sustainability Guidelines

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Futaba Industrial Co., Ltd.**

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I. Introduction

Futaba Industrial Co., Ltd. and its group companies in Japan and overseas (hereinafter referred to as the “Futaba Group”) has continued to improve its “technological development capability” and “Monozukuri capability” since its foundation as a “group that challenges and grows.” In 2015, we formulated and published “Supplier CSR Guidelines” to newly define the social responsibilities that companies should address, and have been promoting business activities together with suppliers from a CSR perspective.

In recent years, the environment surrounding companies has been changing dramatically with the accelerating pace of global climate change, the increasing complexity of human rights issues associated with globalization, and the rapid advancement of digital technology. These changes have created new social issues, and international efforts to solve them, including the SDGs proposed by the United Nations, are gaining momentum, while countries and regions are becoming more stringent in their legal requirements for the environment and human rights. The active contribution of companies to the realization of a sustainable society has become an essential element that forms the basis of the company’s survival.

The Futaba Group has been continuously engaged in environmentally friendly manufacturing and social contribution activities, and in light of this global trend, we will be working on more strategic and comprehensive “sustainability management” in the future.

In addition, the Futaba Group will cooperate with our stakeholders and contribute to solving social issues by providing the following three values in order to realize our “Purpose”: “Producing environmentally friendly products, we will help create a comfortable society for all people.”

- i) “The Environment” Exhaust system components that reduce the burden on the natural environment
- ii) “Safety” Body and interior parts that protect people from danger and provide peace of mind
- iii) “Quality of life” Products and services that enhance the quality of life (“agleaf”, new businesses, etc.)

We will promote procurement activities while respecting these ideas.

We would like to ask our suppliers to understand the purpose of these guidelines, to implement them at their own premises, and to spread them throughout their supply chains, so that we can work together to build a sustainable society of the future.

Chief of Purchasing Center,
Futaba Industrial Co., Ltd.



II. Futaba Industrial's Basic Purchasing Policy

The Purchasing Division of Futaba Industrial is committed to the following three points as the basic purchasing policy in order to provide products, services, and values that satisfy our valued customers.

1. Open, fair and optimal procurement

- In selecting suppliers, we will clarify expectations regarding initiatives on safety, quality, delivery period, cost, technology, SE capabilities, SDGs activities, and information security, and properly evaluate the results of achieving these expectations.
- We are always open to new sales, and in addition to quality, cost, technology, and delivery period, we judge management conditions, antisocial behavior, and environmental initiatives comprehensively and fairly.

2. Strategic procurement viewed from a global/SDGs perspective

- We will create a competitive procurement base in each region of the world in order to contribute to our customers' optimal Monozukuri and to respond to new technologies and manufacturing methods.
- We are able to conduct strategic procurement operations on a regional basis by making each base self-supporting, and contribute to local communities by actively utilizing local suppliers.
- We will improve our human resource development system and develop human resources who can work globally.

3. Continuous transactions based on mutual trust

- We aim for mutual prosperity through two-way communication and support based on mutual cooperation on the premise of long-term transactions for the future.
- We will strengthen rationalization activities from a medium-term perspective to ensure that the FUTABA Group (= FUTABA + suppliers as a whole) has competitive cost capabilities.
- The FUTABA Group will promote digitalization to improve operational efficiency and optimize procurement.

III. Supplier Sustainability Guidelines

The Futaba Group hopes to contribute to the creation of a sustainable society by providing products, services, and value. In order to continue to be a company trusted by our stakeholders, we would like to ask our suppliers to work with us on the following items to strengthen our competitiveness throughout the supply chain.

(1) Sharing management approach

We would like to share our commitment to the following points with our suppliers.

- Building a workplace that respects humanity
 - We respect the personality and individuality of our employees and strive to build a workplace where each and every employee can work with vitality, while promoting human resource development.
- Management from a long-term stable perspective
 - We will always manage our business from a long-term perspective, aiming for growth and development together.
- Monozukuri with a focus on the actual thing on the spot
 - In Monozukuri, we thoroughly observe the site, identify the essence, and quickly make a decision and execute things as a team.
- Restless improvement
 - Without being satisfied with the status quo, we will improve our abilities and skills, and promote initiatives for continuous improvement.
- Interactive communication
 - We aim for mutual prosperity through open and frank interactive communication.

(2) Customer satisfaction (safety and security, quality, cost reduction, and technological improvement)

We are committed to building strong partnerships with our suppliers and continuing to earn the trust and satisfaction of our customers globally at optimal prices on a long-term and stable basis.

- Providing products and services that meet customer needs
 - We develop and provide socially useful products based on our understanding of customer needs.
- Providing appropriate information on products and services
 - We provide appropriate information on products and services to our customers.
- Ensuring safety and security of products and services
 - We will create a workplace environment in which employees can perform their duties with peace of mind, based on the idea that “safety takes precedence over everything else.” We produce and provide products and services that comply with the safety laws and regulations set forth in each country and region.
- Ensuring quality of products and services
 - We will build and operate a company-wide system to ensure quality based on the idea that downstream processes are our customers.
- Production and delivery
 - We produce “what you need, when you need it, and in the quantities you need.” To this end, we will take flexible and reliable actions at each stage of production preparation, production, and delivery.
- Rationalization and cost reduction
 - We will strive to provide low-priced products and services by realizing cost competitiveness through constant rationalization and cost reduction activities.
- Improvement of technical capabilities
 - Technology is becoming increasingly important in three fields: the environment, safety and security, and comfortable and affluent lifestyle. We will strive to improve our ability to accurately understand the needs of our customers together with requirements from a society and global environment in the future, to be the first to realize proposals for solutions of issues, and to realize them at a low cost so that as many customers as possible can enjoy new technologies.

(3) Compliance

We will comply with the laws and regulations of each country and region, respect the spirit of the law, and strive to act with social common sense.

- Compliance with laws and regulations and respect for the spirit of the law
 - We will ensure compliance with the laws and regulations of each country and region, respect local cultures, develop compliance systems, audit systems, etc., and conduct training.
 - We will establish an effective reporting and consultation service for the prevention and early detection of violations of laws, regulations, and human rights, and will promptly investigate and respond to such violations and take measures to protect whistleblowers.

- Management and protection of confidential information
 - We will obtain personal and confidential information of customers, suppliers, third parties, and our own employees in a legitimate manner, as well as strictly manage, use and protect such information to the appropriate extent.

- Protection of intellectual property
 - We will protect intellectual property owned by or belonging to us, and will not illegally obtain or use intellectual property of third parties or infringe on their rights.

- Compliance with competition laws
 - We will comply with the competition laws of each country and region, and will not engage in private monopolization, unfair restraint of trade (cartels, bid rigging, etc.), unfair trade practices, abuse of a dominant position, insider trading, etc.

- Export transaction control
 - As for export of technologies and goods regulated by the laws and regulations of each country and region, we will follow appropriate export procedures and controls in accordance with export transaction control laws and regulations.

- Prevention of corruption
 - We will make political contributions and donations in accordance with the laws and regulations of each country and region, and strive to build transparent and fair relationships with political organizations and government agencies.
 - We will not provide entertainment, gifts, or give or receive money to or from our business partners for the purpose of obtaining or maintaining unfair advantage or preferential treatment.
 - We will not engage in fictitious, false, or otherwise misleading transactions, and we will conduct all transactions based on fair and reasonable judgments, and properly record and maintain accounting books and other relevant information.
 - We will not engage in any activities that pursue the improper interests of individuals, related parties, suppliers, or third parties against the interests of the company (conflict of interest activities).

- Break off relations with antisocial forces
 - We will take a firm stance against antisocial forces (organized crime groups such as organized crime syndicates) that threaten the order and safety of civil society, and eliminate all relationships with such forces in any form.

- Responsible sourcing of resources and raw materials
 - We will conduct procurement activities considering the impact on local communities as a result of the use of raw materials (*conflict minerals, *extended minerals, natural rubber, etc.) that may cause social problems such as human rights and the environment and, if there is any concern, we will take measures to avoid their use.
 - We will request cooperation in the submission of documents and other materials regularly and as needed.

*Conflict mineral: Also called conflict ore; Target mineral: 3TG (tantalum, tin, tungsten, gold)

*Extended mineral: Also called extended target mineral; Target mineral: Minerals other than 3TG such as cobalt, mica, copper, natural graphite, nickel, and lithium

(4) Respect for people (human rights and labor)

We will strive to correctly understand and implement the Futaba Group Human Rights Policy.

- In accordance with international norms on human rights, we will take the “UN Guiding Principles on Business and Human Rights” as a framework for implementation and comply with the laws and regulations of each country and region in which we operate business.
 - In order to fulfill our responsibility to respect human rights, we will establish and continuously implement a human rights due diligence mechanism to identify, prevent, and mitigate the negative impacts on human rights during corporate activities.
 - If our business activities directly cause negative impacts on human rights, or if indirect impacts through our suppliers or other related parties are found, we will take appropriate measures to correct and remedy them.
 - We will strive to confirm the progress and regularly disclose information on our efforts to respect human rights.
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- Prohibition of discrimination, and respect and acceptance of diversity
 - In all aspects of employment, including application, hiring, promotion, transfer, compensation, right to have education, job assignments, wages, benefits, discipline, termination, and resignation, we do not discriminate on the basis of race, ethnic or national origin, age, gender, creed, religion, sexual orientation, gender identity, disability, marital or child status, pregnancy, or any other reason.
 - We will promote initiatives, regarding Diversity Equity & Inclusion (DEI) as an important part of our corporate growth.

- **Prohibition of harassment**
 - We do not tolerate any form of harassment, including abuse of authority, sexual harassment, pregnancy discrimination, emotional abuse, peer pressure, or any conduct that offends personal dignity.
 - We will establish an environment and mechanism to facilitate employee reporting of harassment, and will immediately investigate any such reports or complaints.

- **Prohibition of child labor**
 - We do not accept child labor that deprives children of educational opportunities and forces them to work at an early age that impedes their development.
 - The minimum age for employment shall be 15 years old, the minimum age for employment under the applicable laws and regulations of each country or region, or the age at which compulsory education ends, whichever is the highest.
 - Vocational training and apprenticeships are allowed only to the extent permitted by the applicable laws and regulations of each country.

- **Prohibition of illegal migrant labor and forced labor**
 - We guarantee that all work is voluntary and that employees are free to leave their jobs, and we do not tolerate forced labor of any kind through violence, threats, debt, etc., or any form of modern-day slavery, including human trafficking.
 - Employees are not required to surrender their passports, official identification cards or work permits as a condition of employment.
 - We do not charge employees any fees that would be considered unreasonable under international norms, such as recruitment fees.

- **Wages**
 - We will comply with the laws and regulations of each country and region regarding minimum wages, overtime work, wage deductions, piece-rate wages, and other benefits.

- **Working hours**
 - We will comply with the laws and regulations of each country and region in determining working hours (including overtime), granting vacations and annual paid leave, and other matters for employees.

- **Communication and consultation with employees**
 - We will engage in good faith communication and consultation with employee representatives or employees.

- **Human resource development**
 - We provide education appropriate for each level and job function to support the acquisition of necessary knowledge, techniques, and skills, and develop human resources capable of finding problems and taking action to solve them on their own.

- Safe and healthy working environment
 - We place the highest priority on ensuring safety and health on the job so that everyone can work with peace of mind, and support the prevention of accidents and disasters and the promotion of employees' health.

(5) The environment

We will continue our activities in consideration of the global environment for growth in harmony with the environment.

- Environmental management
 - We will establish an environmental management system that aims to achieve sustainable coexistence between people and nature, and to continuously improve it, observe environment-related laws and regulations of each country and region, and work on improvement of environmental performance.
- Contribution to a carbon-neutral society and reduction of greenhouse gas emissions
 - In order to contribute to the creation of a carbon-neutral society, we will make efforts to identify and reduce greenhouse gas emissions throughout the entire life cycle and promote the effective use of energy through energy conservation and the use of renewable energy.
 - Aiming at realization of a carbon-neutral society, we will make the best effort to understand the details of problematic processes and materials, and work with our suppliers to formulate and promote reduction measures throughout the supply chain.
- Prevention of environmental pollution of air, water, soil, etc.
 - We will comply with the laws and regulations of each country and region concerning the prevention of pollution of air, water, soil, etc., and will prevent environmental pollution by continuously monitoring and reducing the emission of pollutants.
 - We will conduct environmental impact assessments on a regular basis, taking into account the water environment characteristics of each region, and strive to reduce the burden on the water environment through optimization of water consumption and appropriate wastewater management
- Resource conservation and waste reduction
 - We will work to reduce the use of resources by energy-saving equipment, optimization of product yields, process design and setup, and packaging materials.
 - We will comply with the laws and regulations of each country and region concerning the proper disposal and recycling of waste, and contribute to the realization of a circular economy through the effective use of resources.

- Management of chemical substances
 - We will safely manage chemical substances that may pollute the environment. Our products do not contain any chemical substances prohibited by the laws and regulations of the countries and regions concerned.
 - We do not use prohibited chemical substances in our manufacturing processes and, for chemical substances designated by the laws and regulations of each country or region, we monitor the amount of emissions and report the result to the government in accordance with the relevant laws and regulations.
- Establishment of a society in harmony with nature
 - Based on the recognition of the importance of biodiversity and the creation of a society in harmony with nature, we will strive to conduct our production, procurement and other business activities by taking into consideration the symbiosis between people and nature.

(6) Contribution to society

We will continue to contribute to society in order to coexist with society.

- Contribution to the community
 - Aiming to coexist in harmony with society, we will pay attention to social issues in each region and participate in and contribute to the growth and enrichment of the community in cooperation with the local community.
 - We will cooperate in regional development through sponsorship of industrial promotion, education, culture, sports promotion, disaster relief, and NPO cooperation, and promote volunteer activities and social participation by employees.

(7) Risk management

We will strive to prevent risks before they occur, and respond promptly and appropriately when they do occur.

- Risk management system
 - We will analyze risks in our business activities including information security (cyber-attacks, confidentiality leaks, etc.), and establish and operate a company-wide management system.
- Structure of Business Continuity Plan (BCP)
 - We will formulate and implement a Business Continuity Plan to minimize the risk of disasters such as earthquakes, floods, and fires, as well as accidents, facility shutdowns, and supply disruptions, and to enable early recovery.

(8) Information disclosure

We will continue to disclose corporate information in a fair and proactive manner.

- Information disclosure to stakeholders
 - We will disclose information on our financial condition, business performance, and business activities to our stakeholders in a timely and appropriate manner, and strive to maintain and develop mutual understanding and trust with them through open and fair communication.

(9) Request to suppliers

- We would like to ask our suppliers to understand the purpose of these guidelines and to implement the same initiatives as the Futaba Group.
- We would like to ask our suppliers to disseminate their own sustainability policies and guidelines to their suppliers so that initiatives for sustainability are thoroughly recognized throughout the supply chain.
- In the process of penetration and dissemination, please be aware of the entire supply chain and continue to follow up and take corrective actions as necessary.
- Conduct periodic self-evaluations and business partner evaluations, and continue to implement initiatives for improvement. Please share information on evaluation results and initiatives with the Futaba Group.