

Sangetsu Group CSR Guidelines for Business Partners

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Sangetsu Group

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I Introduction

Since stakeholders surrounding companies recently have had growing interest in CSR (Corporate Social Responsibility), not only the CSR activities of the respective company, but also the CSR activities of the whole supply chain become the key issue.

Under such circumstances, the Group recognizes that further cooperation and collaboration with business partners are essential to build better relationships with stakeholders. We believe that the enhancement and promotion of the CSR activities by both us and our business partners lead to the improvement and sustainable growth of the corporate value of the whole supply chain.

"Sangetsu Group CSR Basic Policy," "ESG/CSR Policies," and "Sangetsu Group CSR Procurement Policy" are disclosed on our website to stakeholders, for the promotion of the CSR activities.

In addition to these policies, we newly formulated "Sangetsu Group CSR Guidelines for Business Partners" to stipulate our requests to business partners, to aim for the promotion of the CSR activities of the whole supply chain and sustainable growth.

We appreciate your cooperation in the basic policy of Sangetsu Group, your full understanding of the contents of "Sangetsu Group CSR Guidelines for Business Partners," and your effort for the continuous approach and further improvement based on the guidelines.

In addition, your cooperation in requesting your business partners likewise to comply with "Sangetsu Group CSR Guidelines for Business Partners" or similar standards, and the promotion of such compliance are greatly appreciated.

*Please kindly understand that these guidelines don't necessarily cover all of our requests to business partners, because the guidelines are appropriately reviewed and revised in response to the request of the international community which changes with the times.

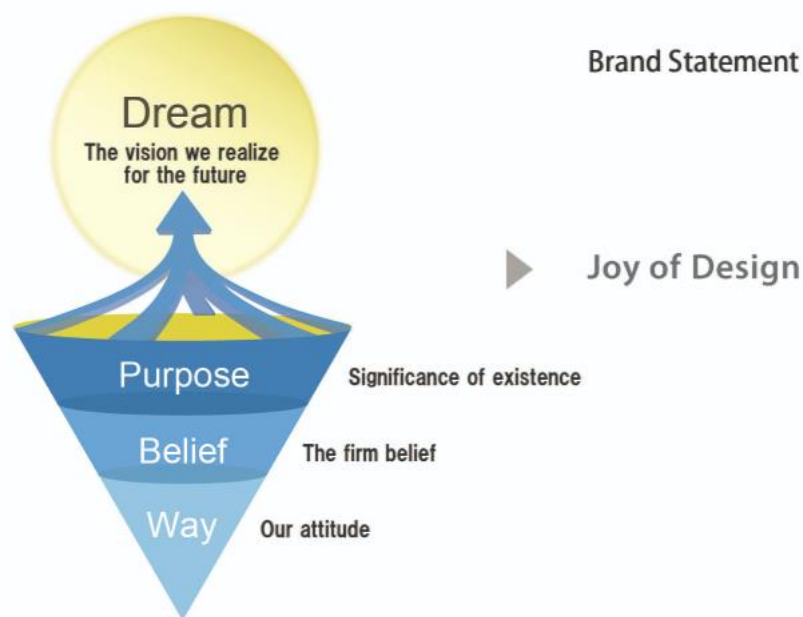
II Sangetsu Group Structure

Company Name	Overview
Sangetsu Corporation	Planning, development, and sales of interior decorating products Planning, design, and construction supervision of facilities, office spaces, and other
Sungreen Co., Ltd.	Trading company specializing in exterior products
Fairtone Co., Ltd.	Interior installation and finishing Overall interior construction
Sangetsu Vosne Corporation	Planning and sales of interior design materials
Sangetsu Okinawa Corporation	Sales of Sangetsu products and interior design materials in Okinawa
CREANATE Inc.	Manufacture and sales of wallcoverings Sales of interior related products
HEKISOU Co., Ltd.	Design and construction of interior finishing
Kurosukikaku, Corporation	Delivery and management of interior related products
Koroseal Interior Products, LLC	Manufacture and sales of wallcoverings in North America
Metro Acquisition 2004, Inc.	Manufacture and sales of wallcovering materials in Canada
Goodrich Global Pte., Ltd.	Sales of interior design materials in Southeast Asia
Goodrich Global Sdn. Bhd.	Sales of interior design materials in Malaysia
Sangetsu Goodrich (Thailand) Co., Ltd.	Sales of interior design materials in Thailand
Sangetsu Goodrich Vietnam Co., Ltd.	Sales of interior design materials in Vietnam
Goodrich Global Limited	Sales of interior design materials in Hong Kong, China
Sangetsu Goodrich China Co., Ltd.	Sales of interior design materials in China

III Corporate Philosophy System of Sangetsu Group

▼ Sangetsu Group Corporate Philosophy

The Sangetsu Group will create social value by solving social issues through the Space Creation which is the core of our business. The Sangetsu Group defined the Purpose as the corporate why we exist and the Dream as a vision we realize for the future. And the Belief is the corporate belief, the Way is the attitude of the employees.



▼ Sangetsu Group Corporate Ethics Charter (Sangetsu Group CSR Basic Policy)

A company is a public entity acting within society that seeks to earn profit through sound business activities and offers returns to support vigorous development and society as a whole. With this understanding, the Sangetsu Group works to enrich living environments and contribute to society by providing products and services of value.

The Group will uphold the following five principles as it pursues its business activities regardless of location, while demonstrating respect for basic human rights; complying with the letter and spirit of all laws, regulations and international rules; and taking action to realize sustainable development on its own initiative, guided by its social conscience.

1. To Remain a Trusted Company

We will enhance the brand value of the Sangetsu Group and earn customer satisfaction and trust by developing and providing creative, high-quality designs for comfortable and rich living spaces, and products and services, with due consideration for safety and the protection of personal information and customer data.

2. To Fulfill Our Corporate Social Responsibility

We will communicate with various sectors in society, including customers, business partners, shareholders and investors, residents of local communities, and employees, and disclose corporate information in an appropriate and fair manner.

Also, we will engage in activities that benefit society as an upstanding corporate citizen.

Furthermore, we will comply with laws, regulations and other rules, engage in fair, transparent and free competition, conduct business appropriately, and maintain sound and normal relations with political representatives and governments. At the same time, we will avoid any involvement with anti-social forces or groups that pose a threat to the order, safety or security of civil society.

3. To Provide a Lively Workplace for Employees

We will respect the diversity, personality and individuality of employees. Also, we will properly manage a personnel system that allows each employee to demonstrate their abilities and play a lead role in corporate management while securing a safe, healthy and pleasant working environment.

4. To Protect the Global Environment

We will be proactive and lead the way with the awareness that efforts to address global environmental issues constitute an essential element of the existence and activities of any company.

5. To Earn Society's Trust and Support

The Sangetsu Group's top management will lead by example, fully aware of its responsibility to realize the spirit of this charter and ensure that it is thoroughly understood company-wide. It will also constantly monitor feedback from both inside and outside the company to establish an effective corporate system and ensure thorough compliance.

In the event of a violation of this charter, the executive manager will demonstrate personal responsibility in the eyes of the company and the public for taking the initiative in resolving issues and will endeavor to determine their cause and prevent recurrence. The executive manager will also fulfill the duties of promptly disclosing accurate information to the public and of accountability, clarifying the authority and responsibility with regard to the issue, while implementing rigorous measures including those related to the executive office.

IV Sangetsu Group CSR Procurement Policy

1. Fair and Equal Treatment

- (1) We sincerely conduct business activities with all business partners on a basis of equality and fairness at all times, regardless of location, in accordance with the relevant laws, regulations, and contracts.
- (2) Any business activities which are unreasonably disadvantageous to business partners through the abuse of a superior bargaining position is prohibited, and we provide all business partners with the opportunity of just and fair competition.
- (3) Regarding the selection of business partners, we consider their approach to global environmental conservation, the respect of human rights of employees of business partners, labor related activities, as well as the quality, price, delivery timing, technological capability, strength in proposals, supply capability, stability of management, etc., in the short, medium and long term. If any misconducts are confirmed and are not rectified in a certain period, appropriate actions including termination of transaction will be taken.
- (4) Our directors and employees do not receive any benefit or convenience regarding duties of procurement, etc.

2. Observance of Laws, Regulations, and Ethics

- (1) We comply with the relevant laws and regulations concerning procurement transactions.
- (2) Business partners' confidential information acquired in the course of procurement transactions is kept secret, on the basis of contracts.
- (3) Regarding the procurement transactions, we prohibit transactions which violate the rights of third parties (e.g., intellectual property rights, etc.).

3. Responsibility to Society

- (1) We strive to improve the quality of products and services and ensure safety through sincere communication with all business partners based on mutual understanding and a relationship of trust.
- (2) Regarding the selection and purchasing of procured products concerning our business activities, we conduct our activities to fulfill our corporate social responsibility, including the conservation of resources and the environment, respect of human rights, consideration for safety, reduction of overtime to reduce excessive labor, realization of salary treatment above the minimum wage that ensure adequate standard of living, securing a safe, healthy and pleasant working environment, etc., on the basis of CSR procurement (including green procurement), to realize a sustainable society. Therefore, we also request our business partners to cooperate in such policy, in accordance with "Sangetsu Group CSR Guidelines for Business Partners."

V Requests to Business Partners

We would like to contribute to making society and the environment much better through our business activities with awareness of social responsibility. To realize this target, the understanding and cooperation of business partners which provide us with products and services directly or indirectly are essential.

We hereby formulated "Sangetsu Group CSR Guidelines for Business Partners," as the stipulation of our requests to business partners, for our continuous growth and that of business partners by fulfilling our social responsibility together. We appreciate your effort in a proactive approach to the CSR activities and the promotion of such activities, based on the guidelines.

In addition, your cooperation in requesting your business partners likewise to address issues in the guidelines is greatly appreciated.

VI Sangetsu Group CSR Guidelines for Business Partners

A. Compliance with laws and societal norms, and engagement in fair and just corporate activities

■ Business partners shall engage in free competition that is just and transparent, and comply with respective rules and societal norms that include the laws and regulations of countries and regions where business partners conduct business activities.

B. Promotion of sound business operations

■ We provide all business partners with the opportunity of sustainable, just, and fair competition, regardless of location, without any business activities which are unreasonably disadvantageous through the abuse of a superior bargaining position. Therefore, business partners shall sincerely conduct business activities on a basis of equality and fairness at all times, in accordance with the relevant laws, regulations, and contracts.

C. Provision of excellent products and services

■ We strive to improve the quality of products and services and ensure safety through sincere communication with all business partners based on mutual understanding and a relationship of trust. Therefore, business partners shall provide us with products and services in consideration of the approach to global environmental conservation, respect of human rights and labor condition of employees of business partners, as well as quality, price, delivery timing, technological capability, strength in proposals, supply capability, stability of management, etc.

D. Consideration of the global environment

■ We consider not only the mitigation of environmental impacts caused by our business activities, but also the conservation of the global environment. In addition, the basic principle of the selection of procured products concerning our business activities is green procurement, and the judgment is made in full consideration of the mitigation of environmental impacts (e.g., reduction of carbon dioxide emissions, energy saving, recycling, etc.). Therefore, business partners shall understand this policy, and strive to be environmentally friendly (e.g., reduction of carbon dioxide emissions, avoidance of the use, emission, and disposal of material which affects the environment, green procurement of raw materials, reduction of waste, recycling, energy/resources saving, proper management and reduction of water withdrawal/discharge, and minimization of the impact on biodiversity, etc.), in all steps of product development, production, distribution, installation, use, and disposal (including draining).

Also, business partners shall cooperate in aggregating numerical values for calculation of Scope 3, which is a social requirement.

■ We will strive to reduce environmental impact throughout the supply chain. Through close communication with our business partners, we share our environmental policy and mutually implement measures to strengthen our efforts throughout the supply chain.

Business partners shall understand this policy, and handle this issue in the same way.

E. Active promotion of social contributions and exclusion of anti-social forces

- We are engaged in various social contribution activities through our business activities. Thus, business partners shall proactively promote such activities to contribute to the realization and development of a better society.
- We will avoid any involvement with anti-social forces or groups that pose a threat to the order, safety, or security of civil society. Business partners shall understand this policy, and handle this issue in the same way.

F. Consideration of human rights and occupational health and safety

- We respect and champion major international standards for human rights and labor, including the Universal Declaration of Human Rights, and the ILO Core Labour Standards, etc., respect human rights of each human being, and prohibit unfair discriminatory treatment with regard to working conditions and mutual behavior on the basis of gender, age, nationality, race, ethnicity, creed, religion, social status, physical disability, gender identity, and sexual orientation, etc. Business partners shall understand this policy, and handle this issue in the same way.
- We prohibit the use of a workforce from involuntary labor and forced labor. In addition, we prohibit child labor (a child means a person who is under the highest age among 15 years of age (the minimum working age specified by the treaty/recommendation of ILO), the age of finishing compulsory education, or the minimum age for employment, in the applicable region) or labor trafficking, etc. Business partners shall understand this policy, and handle this issue in the same way.
- We respect and champion the basic labor rights of workers, such as, freedom of association, the right to organize and collective bargaining, etc., and do not violate such rights. In addition, we eliminate any forced labor and child labor. Business partners shall understand this policy, and handle this issue in the same way.
- Regarding employees' employment conditions and safety and health standards, including wage and working conditions, we comply with the laws and regulations of countries and regions where we conduct business activities. In addition to compliance to such laws and regulations, we engage in activities to fulfill our corporate responsibility such as reduction of overtime to reduce excessive labor, realization of salary treatment above the minimum wage that ensure adequate standard of living, securing a safe, healthy and pleasant working environment, etc. Business partners shall understand this policy, and handle this issue in the same way.
- Regarding the procurement of resources and raw materials from new and existing business partners, we promote procurement activities in consideration of impacts on social problems concerning human rights and the environment, etc. Therefore, if business partners recognize any concern which may be a factor that causes social problems, such as conflict minerals*, etc., the policy regarding avoidance of the use of conflict minerals shall be implemented.

* The issue of conflict minerals is a problem in which the trade of certain minerals (tin, tantalum, tungsten, gold, or their derivatives) originating in the Democratic Republic of the Congo (DRC) and adjoining countries is alleged to be funding armed groups which are involved in serious violations of human rights.

G. Disclosure of information and promotion of communication

■ We fully comply with the Corporate Governance Code, and actively disclose the valuable information regarding the management, finance, global environmental conservation, and social contributions, etc., to all stakeholders accurately and timely. Business partners shall understand this policy, and handle this issue in the same way as far as possible.

H. Confidentiality and information security

■ We respect the privacy of every person, strictly manage the secret information acquired in the course of business activities with business partners, and make utmost efforts to maintain it. Business partners shall handle this issue in the same way. In addition, business partners shall take defensive measures against threats to the computer network, and control it to prevent damage to themselves and their business partners.

I. Check and monitoring of compliance

■ Regarding your business activities, if we deem it necessary in accordance with the degree of risk concerning sustainability, we will carry out the questionnaire survey for confirmation and monitoring, the door-to-door survey, and make an evaluation, with regard to the compliance status of these guidelines for business partners as necessary. Your cooperation and understanding are greatly appreciated.

Reference: These guidelines are formulated based on the reference to the following standards. If you need more detailed information, please refer to these standards.

The United Nations Global Compact/Global Compact Network Japan

<https://www.unglobalcompact.org/>

<https://www.ungcjin.org/index.html>

OECD Guidelines for Multinational Enterprises

https://www.mofa.go.jp/ecm/oecd/page22e_000946.html

G4 Guidelines by the Global Reporting Initiative (GRI)

<https://www.globalreporting.org/Pages/resource-library.aspx?resSearchMode=resSearchModeText&resSearchText=G4&resCatText=Reporting+Framework&resLangText=Japanese>

ISO26000/ISO14001/ISO9001

<https://www.jsa.or.jp/en/>

International Labour Organization (ILO): International Labour Standards

<https://www.ilo.org/about-ilo>

Universal Declaration of Human Rights

https://www.mofa.go.jp/policy/human/univers_dec.html

The UN Guiding Principles on Business and Human Rights

https://www.mofa.go.jp/policy/human/univers_dec.html

UK Modern Slavery Act

<https://www.legislation.gov.uk/ukpga/2015/30/contents>

ILO Core Labour Standards

<https://www.ilo.org/about-ilo>

Paris Agreement

<https://www.mofa.go.jp/mofaj/files/000197313.pdf>

Basel Convention

<https://www.mofa.go.jp/policy/environment/convention/basel.html>

United Nations Convention against Corruption

<https://www.mofa.go.jp/mofaj/gaiko/soshiki/huhai/index.html>

Revision history

October 2017 Issue of version 1

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