

Daigas Group Procurement Guidelines for Suppliers

Below are key points particularly concerning necessary efforts to achieve social sustainability, as stipulated in the Daigas Group Procurement Policy for Suppliers. We expect Suppliers to refer to these guidelines in providing us with Products and Services in line with the Daigas Group Procurement Policy for Suppliers.

1. Compliance

(1) Comply with the laws and ordinances, their spirit, social norms, corporate ethics rules in each country or region where Suppliers conduct business activities.

<Supplementary to (1)>

In addition to various laws and ordinances, we recommend that Suppliers comply with international standards concerning human rights and labor, health and safety, the environment, ethics, etc., such as the Ten Principles of the UN Global Compact.* Osaka Gas is a member of the UN Global Compact and has incorporated the philosophy behind the Ten Principles into the Daigas Group Code of Conduct.

**Ten Principles of the UN Global Compact <Human Rights>*

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2. make sure that they are not complicit in human rights abuses.

<Labor>

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4. the elimination of all forms of forced and compulsory labor;

Principle 5. the effective abolition of child labor; and

Principle 6. the elimination of discrimination in respect of employment and occupation.

<Environment>

Principle 7. Businesses should support a precautionary approach to environmental challenges;

Principle 8. undertake initiatives to promote greater environmental responsibility; and

Principle 9. encourage the development and diffusion of environmentally friendly technologies.

<Anti-Corruption>

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

6. Respect for Human Rights

- (1) Respect human rights according to international human rights standards, including the UN Guiding Principles on Business and Human Rights and the Universal Declaration of Human Rights.
- (2) Ensure that no one either suffers harassment, corporal punishment, physical or mental coercion, verbal abuse, or inhumane treatment, or is under threat of such treatment.
- (3) Promote in-house efforts to respect human rights and build widespread awareness of human rights.

<Supplementary to (1)>

Guiding Principles on Business and Human Rights:

The Guiding Principles on Business and Human Rights, unanimously endorsed by the UN Human Rights Council in 2011, has three pillars: the state duty to protect human rights; the corporate responsibility to respect human rights; and access to remedy. The principles recommend that companies implement necessary measures to prevent human rights abuses within their organizations and in their supply chains, giving some examples of ways of doing so.

Universal Declaration of Human Rights:

The Universal Declaration of Human Rights was proclaimed by the UN General Assembly in 1948 as a “common standard of achievement for all peoples and all nations,” to protect and ensure human rights and freedom. The declaration covers the civil, political, economic, social and cultural rights of all people in all countries.

7. Fair Working Conditions

A) Prohibition of forced labor

- (1) Do not use forced labor, debt bondage, slave labor, or involuntary prison labor.
- (2) Do not require workers to place their publicly issued IDs, passports, or work permits into Suppliers' custody.

B) Prohibition of child labor

- (1) Do not employ persons below the age of 15.
- (2) If local laws set the minimum working age or the age at which compulsory education ends at a higher age than 15, do not employ persons below that age.
- (3) Do not assign dangerous duties to workers below the age of 18, so that their safety and health are ensured.

C) Workers from abroad and migrant workers

- (1) If Suppliers employ workers from abroad or migrant workers, Suppliers should employ or hire only legally qualified workers.

- (2) In employing workers from abroad (including technical intern trainees) or migrant workers, Suppliers should comply with the immigration and labor laws.
 - (3) Do not collect security money, deposits, etc. from workers from abroad (including technical intern trainees) or migrant workers themselves, or those related to them before employing them.
- D) Prohibition of discrimination
- (1) Do not discriminate against anyone in terms of recruitment, evaluation or treatment on the basis of race, color, nationality, gender, personal relationships, religion, national origin, social origin, political opinion, age, disability, or other reasons unrelated to the performance of duties.
- E) Respect for the rights of workers
- (1) To respect the rights of workers, enter into written employment contracts with them, and specify working conditions in the contracts.
 - (2) Since communication between management and workers on working conditions helps preserve the working environment, respect the rights of workers to voluntarily organize unions or other organizations and operate them in accordance with local laws, or to join such organizations.
- F) Appropriate rates of pay
- (1) Clearly inform workers of conditions concerning pay and the details of pay in written contracts.
 - (2) Pay at least the equivalent of the minimum wage provided for by local laws or ordinances and pay for overtime work in accordance with laws and ordinances, as well as the worker's contract. In addition, when the minimum wage provided for by local laws or ordinances is revised, inform workers of the revision.
 - (3) When hiring outsourced or temporary workers, ensure that they will be paid at least the equivalent of the minimum wage provided for by local laws or ordinances.
 - (4) To the extent possible, pay workers a sufficient amount to allow them to sustain the essentials for quality of life.
- G) Working hours
- (1) Comply with applicable local laws and ordinances regarding working hours and days off.

<Supplement to A: Forced labor>

It should basically be ensured that employees can voluntarily provide and engage in labor. It is important that employees be able to choose their occupations of their own free will. Neither restrict the rights and freedoms of employees nor make them provide labor in a coercive or controlling manner.

<Supplement to B: Child labor>

In emerging countries, many children below 14 years of age work. Even in countries with a cultural background where parents are prepared to have their children work, all children have the right to receive education. Therefore, denying them opportunities for education constitutes an infringement of their future and human rights.

<Supplement to D: Prohibition of discrimination>

“Personal relationships” here denote human relationships that are not directly related to work, including a person’s marital status and sexual orientation. In addition, “national origin” and “social origin” denote nationality and social status, respectively.

8. Safe and Healthy Working Environment

- (1) Implement necessary measures to reduce work-related risks to health and safety.
- (2) Provide workers with necessary personal protective equipment at Suppliers’ expense, as well as regular education and training on how to use it.
- (3) Ensure the safety of the use, operation, etc. of machinery and equipment.
- (4) Ensure the health and safety of workers in need of special consideration, including young workers and pregnant workers.
- (5) To ensure the safety of workers, regularly check the safety of structures such as buildings and manufacturing plants, and install and inspect disaster management equipment.
- (6) To ensure the safety of workers, always keep evacuation routes usable, and conduct regular evacuation drills so that emergency measures can be taken in the event of a fire or natural disaster.
- (7) Maintain healthy and safe environments in the corporate facilities, including dormitories if Suppliers own them.

<Supplement to (2): Personal protective equipment>

“Personal protective equipment” denotes equipment for maintaining and protecting the health and safety of workers, including masks, gloves and helmets. Suppliers must provide necessary personal protective equipment.

9. Contribution to Environmental Conservation

- (1) Comply with local environmental laws and ordinances, and prevent air, water, and soil pollution.
- (2) Take action against climate change and reduce greenhouse gas emissions, including CO₂ emissions.
- (3) Pay due consideration to the conservation of water resources and reduce water consumption.

- (4) Ensure that Suppliers' business is considerate of the biodiversity conservation.
- (5) Continuously measure and assess resource use and waste generation and reduce environmental burdens.
- (6) Comply with all relevant legal regulations, including regulations on recycling and waste disposal, bans or regulations on the use of specified substances, and legal regulations on indications.
- (7) Identify chemical substances that may cause environmental pollution, and manage them appropriately so that they are safely handled, transported, stored, used, recycled, reused, and disposed of.

<Supplement to (6): Specified substances>

"Specified substances" denote chemical substances whose harmful impacts on the human body have been confirmed and whose adverse impacts on the environment are expected in the event that they are discharged due to accidents, etc. When handling or using specified substances, managers must be appointed to manage them in full consideration of safety, and prevent damage to the health of employees or environmental destruction.

10. Ethical Corporate Management

- (1) Prohibit any kind of misconduct, including corruption, extortion, embezzlement and bribery. In the event that such a case arises relating to suppliers, immediately cancel the contract, etc. and take legal action as necessary.
- (2) Ensure that no gifts or entertainment are offered or received for the purpose of obtaining inappropriate profits, including bribes.
- (3) Set standards for fair business practices and fair competition.
- (4) If the products of Suppliers contain so-called conflict minerals (tantalum, tin, tungsten, or gold), make efforts to ensure that their use will not help directly or indirectly fund or benefit armed groups who have committed serious human rights abuses in the Democratic Republic of Congo or its neighboring countries.
- (5) In marketing, provide a sufficient amount of information and neither provide false information nor withhold necessary information so that consumers can make correct decisions. In addition, appropriately disclose information on the social and environmental impacts of the products, services, and corporate activities of Suppliers.
- (6) Never engage in transactions with antisocial groups or organizations.

<Supplement to (1) to (3)>

Some emerging countries have not yet established relevant laws or ordinances, and countries that have long been under military administration may not be familiar even with the concepts of

norms and ethics. When conducting business activities in such countries, government officials or the like may ask Suppliers to offer bribes.

However, the Bribery Act 2010, enacted in the UK in 2010, applies not only to British companies but also to overseas companies and individuals engaged in business in the country. Therefore, if Suppliers commit bribery or are bribed, such Suppliers will be punished strictly. News about Suppliers' involvement in bribery would seriously affect the reputation of Suppliers and prevent them from continuing its business activities. Similar laws have been established or are being discussed in the U.S. and China too, requiring companies to ensure fair business practices and competition.

<Supplement to (4): Conflict minerals, etc.>

Armed groups are involved in the mining process of conflict minerals (tantalum, tin, tungsten and gold), and in some cases, some of the trading volume goes to armed groups. There has been growing concern that business activities using these minerals may indirectly contribute to human rights violations (looting, violence, etc.), environmental destruction, and corruption by armed groups.

The Todd Frank Wall Street Reform and Consumer Protection Act, which came into effect in the U.S. in July 2010, requires U.S.-listed companies to report on the use of minerals procured from the region. The act also applies to Japanese companies listed on U.S. stock exchanges.

In recent years, in addition to the four types of conflict minerals, the EU and other countries have been monitoring deals in cobalt and silver, requiring companies to pursue "responsible mineral procurement" more widely.