

KDDI

Guidelines for CSR in Supply Chain

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Second Edition

KDDI Corporation

Corporate Procurement Division

Introduction

As a comprehensive telecommunications carrier responsible for social infrastructure, KDDI acknowledges its duty to fulfill social responsibilities to a higher standard. Based on the understanding that a collective endeavor of KDDI and the entire supply chain is necessary to fulfill this duty, KDDI has published the KDDI CSR Procurement Policy.

Aimed at ensuring customer satisfaction with our services and the sustainable growth of the enterprise and society, the KDDI CSR Procurement Policy is intended to provide guidelines for our business partners in order to extend our CSR efforts to the entire supply chain.

KDDI is aiming to further improve our CSR procurement process through a reinforced partnership structure based on our partners' understanding and acceptance of the KDDI CSR Procurement Policy.

To promote our CSR in supply chain with our partners, KDDI formulated the KDDI Guidelines for CSR in Supply Chain.

We ask for our partners' understanding and acceptance of the contents of the Guidelines as well as your continuing cooperation in the promotion of CSR.

<Composition of the Guidelines>

1. KDDI CSR Procurement Policy
2. KDDI Guidelines for CSR in Supply Chain (Explanation of CSR items)
The Guidelines were created with reference to the Supply-Chain CSR Deployment Guidebook established by Japan Electronics and Information Technology Industries Association (JEITA) in August 2006.

KDDI CSR Procurement Policy

KDDI focuses on quality, price, delivery time, stable supply, and ecological and societal friendliness in our procurement activities. These are key factors considered in the sourcing process.

1. Co-existence and Co-prosperity with Business Partners

Based on the idea that all our suppliers are our business partners, KDDI aims for mutual prosperity and continuity by solving problems in the supply chain as a whole and building long-term relationships of trust.

2. Consideration of Global Environment

KDDI promotes eco-friendly procurements by reducing costs through the elimination of wasteful resources and energy in the whole supply chain.

3. Fair and Equitable Trade

KDDI complies with all domestic and international laws and regulations applicable for procurement activities and seeks fair trade on even ground with suppliers in order to provide opportunities of fair and free competition to all suppliers.

4. Considerations for Human Rights and Labor Environment

KDDI respects human rights and promotes procurement activities aiming to improve labor environments and to ensure safety and sanitation.

5. Fair Management of Information

KDDI complies with confidentiality obligations for confidential and personal information that we obtain through procurement activities.

6. Ensuring Quality and Safety

KDDI aims to provide valuable products and services making our efforts with our partners to improve and maintain the quality and safety.

7. Co-existence with Society

As a good corporate citizen, KDDI exists harmoniously with the community and contribute to the realization of a sustainable society with our partners.

KDDI Supply Chain CSR Promotion Guidelines (Explanation of CSR Items)

Table of Contents

I. Human Rights and Labor	1
1. Prohibit forced labor	
2. Prohibit inhumane treatment and infringements of human rights	
3. Prohibit child labor	
4. Prohibit discrimination	
5. Decent pay wages	
6. Manage working hours	
7. Respect rights to freedom of association	
8. Approach to conflict minerals	
II. Workplace Safety and Hygiene	4
1. Apply safety measures for equipment and instruments	
2. Promote safe activities in workplace	
3. Promote hygiene in workplace	
4. Apply appropriate measures for occupational injuries and illnesses	
5. Properly manage disasters and accidents	
6. Consider physical workload	
7. Promote safety and hygiene in all company facilities	
8. Promote health maintenance programs for employees	
III. Environment	7
1. Control chemical substances contained in products	
2. Control chemical substances in manufacturing process	
3. Establish and apply environmental management system	
4. Minimize environmental pollution (water, sludge, air)	
5. Obtain environmental permits and administrative approvals	
6. Promote saving of resource and energy by reusing, reducing, and recycling (3R)	
7. Promote greenhouse gas reduction	
8. Promote waste reduction	
9. Disclose information on environmental preservation activities	
10. Conserve biodiversity	
11. Provide environmental education for employees	
IV. Fair Trade and Ethics	11
1. Prohibit corruption and bribery	

2.	Prohibit abuse of dominant bargaining position	
3.	Prohibit offering and receiving of inappropriate profit and advantage	
4.	Prohibit anti-competitive conduct	
5.	Provide accurate information on products and services	
6.	Respect intellectual property	
7.	Use appropriate export procedures	
8.	Disclose appropriate company information	
9.	Prevent and detect injustice promptly	
V.	Product Quality and Safety	15
1.	Ensure product safety	
2.	Establish and apply quality management system	
VI.	Information Security	16
1.	Defend computer network threats	
2.	Prevent leakage of personal information	
3.	Prevent the leakage of customer's and third-party confidential information	
VII.	Social contribution.....	18
1.	Contribute to society and community	

I. Human Rights and Labor

(I-1) Prohibit forced labor

Suppliers shall respect all employees' own free will, and not to practice forced labor.

"Forced labor" means all labor that is not based on the employees' own free will.

Forced labor, for example, refers to the following:

Forced labor imposed against the employees' own free will, indebted labor where the freedom of separation from employment is restricted to pay debts, slave labor as a result of human trafficking, or inhumane inmate labor under grueling conditions.

Deprivation of the right to leave their job and acts of obligating a deposit of ID, passport, or work permit to the employer are also forms of forced labor.

(I-2) Prohibit inhumane treatment and infringements of human rights

Suppliers shall respect human rights of employees and prohibit harsh and inhumane treatment such as maltreatment and/or harassment.

"Inhumane treatment" includes to maltreatment, physical punishment, sexual harassment, and power harassment (i.e. verbal abuse and acts of oppression).

(I-3) Prohibit child labor

Suppliers shall not employ children who are under the minimum labor age and not to assign such jobs that impair children's development.

"Child labor" refers to the employment of children under the minimum labor age as set forth in ILO (International Labor Organization) conventions and recommendations and neglecting care of young laborers.

For example, in Japan, employment of any person under 15 years old and a violation of any law or regulation for care of young laborers constitute a prohibited child labor. Examples of provisions protecting young workers from labor that may damage their health, safety, or morals include the restriction on nighttime labor and dangerous activities. At overseas sites, employment of persons under the minimum labor age which is statutory in that country or region and violations of protection obligations will constitute child labor.

In a country or region without its own statutory labor age, any act against the minimum labor age specified in ILO conventions and recommendations shall fall under child labor. (Basic rule for minimum labor age is 15, in accordance with ILO Convention No. 138)

(I-4) Prohibit discrimination

Suppliers shall prohibit discrimination during the process of job offering and hiring, and seek to realize the equal work opportunity and fairness of treatment.

“Discrimination” refers to differentiating opportunities or treatment concerning recruitment, promotion, remuneration, and training participation based on reasons other than the individual’s skills, competence, achievements, and other rational elements.

Discrimination factors include, for example, race, ethnicity, nationality, place of origin, color of skin, age, gender, sexual orientation, disability, religion, political standing, union participation, and marital status.

Cases where the equal opportunity or fairness of treatment is diminished by health or pregnancy checks are also deemed acts of discriminations.

(I-5) Decent pay wages

Suppliers shall pay the legal minimum wage or more, and not practice unfair wage deduction.

“Minimum wage” means the minimum wage as set forth in wage-related laws and regulations in the country or region. In the guidelines, “minimum wage” shall include the payment of overtime compensation, statutory benefits, and other compensations.

“Unfair wage deduction” refers to a reduction of wage against any labor-related law or regulation.

(I-6) Manage working hours

Suppliers shall properly manage employee’s working hours/holidays/vacations to observe the legal ceiling.

“Proper Management” refers to the following acts:

- Ensuring that the specified number of annual working days does not exceed the legal ceiling
- Ensuring that the weekly working time, including overtime work hours but excluding emergencies, does not exceed the legal ceiling
- Providing employees with at least one nonworking day per week
- Providing the right to take vacations leave on an annual basis as specified in the law

(I-7) Respect the rights to freedom of association

Suppliers shall respect the rights to freedom of association of employees, as a means of employer-employee consultation, in order to settle working conditions such as a wage level.

“Respecting the employees’ right to organize” means to heed the freedom to associate without any reprisal, threat, or harassment, the freedom to join a labor union according to statutes, the freedom to protest, and the freedom to participate in workers’ councils.

(I-8) Approach to conflict minerals

Suppliers shall disclose the specific use of conflict minerals, such as those mined in the Democratic Republic of the Congo and other conflict regions, in products.

“Conflict minerals” specifically refer to tantalum, tin, gold, tungsten, and other minerals specified by the U.S. Secretary of State.

Part of the minerals produced in conflict areas, including the Democratic Republic of the Congo, is said to be fomenting conflict by providing funds for armed groups engaged in inhumane acts or human rights infringements.

Amid such circumstances, the Dodd-Frank Act, a financial reform legislation passed in the U.S. in July 2010, obligates listed American companies to disclose the usage of conflict minerals produced in conflict areas in their products.

II. Workplace Safety and Hygiene

(II-1) Apply safety measures for equipment and instruments

Suppliers shall apply appropriate safety measures for equipment and instruments used in their company.

“Appropriate safety measures” refer to controls for preventing accidents and health hazards that may occur on the job, which includes, but not limited to, the following:

Adoption of safety mechanisms, such as fail-safe, fool-proof, and interlock features, installation of safety systems and protective barriers, and periodic inspection and maintenance of equipment and machinery.

(II-2) Promote safe activities in workplace

Suppliers shall evaluate their own safety risks and ensure safety in their workplaces with appropriate designs, techniques, and control methods.

“Risks to safety in the workplace” refer to potential risks of accidents and health hazards that may occur on the job, such as electricity or other energy, fire, vehicle-related dangers, slippery floors or tripping hazards, and falling objects.

“Appropriate designs, techniques, and control methods” include, for example, monitoring of dangerous locations using sensors, shut-off by locking the source of drive power supplied to equipment and machinery (lock-out), placement of signs indicating the prohibition against operating energy shut-off systems during power source shut-off (tag-out), and provision of protective goggles, safety helmets and gloves, and other protective gear.

(II-3) Promote hygiene in workplace

Suppliers shall be aware of the conditions in their workplaces related to biological and chemical harm, noise, and odor, which are harmful to health, and take appropriate measures.

“Harmful chemical substances” include soot and smoke, fume, mist, dust, poisonous materials, radiation, and other substances that induce chronic diseases (e.g. Lead, asbestos). Severe levels of noise or odor are also factors harmful to the human body and are also considered to be subject in this clause.

“Appropriate measures” refer to, for example, identification and examination of direct contact opportunities with harmful chemical substances, establishment and application of control standards, and provision of appropriate education and protective gear to employees.

(II-4) Apply appropriate measures for occupational injuries and illnesses

Suppliers shall be aware of the situation of occupational injuries and illnesses in their workplaces, and take appropriate measures.

“Appropriate measures” refer to systems and measures that enable the promotion of reporting by employees, classification and recordkeeping of injuries and illnesses, provision of necessary treatment, investigation of injuries and illnesses, implementation of corrective action to eliminate the root cause, and facilitation of employees’ return to work. (Including subscription to industrial accident insurance)
This undertaking includes the required administrative procedures according to law.

(II-5) Properly manage disasters and accidents

Suppliers shall prepare emergency measures for possible disasters and accidents and inform people in the workplace in order to protect human lives.

“Emergency measures” refer to, for example, reporting in the case of emergency, notifying employees, defining evacuation methods, setting up evacuation facilities, storing emergency medical supplies, installing fire detector and fire control facilities, ensuring tools of external communication, and preparing a recovery plan.

Ways of notifying personnel in the workplace include providing emergency response training to employees (including emergency drills) and keeping/posting emergency procedures in places where they are easily accessible within the

workplace.

(II-6) Consider physical workload

Suppliers shall define physically heavy workload, and control it appropriately to prevent injury and illness.

“Physically heavy workload” includes not only manual hard labor including lifting and transportation of heavy load, but also long periods of repetitive or continuous tasks, such as assembly and data entry.

“Appropriate control” includes periodical breaks, providing work tools, and labor division or cooperation among multiple workers.

(II-7) Promote safety and hygiene in all company facilities

Suppliers shall maintain appropriate safety and hygiene at welfare facilities for all employees provided by the company (e.g., dormitory, canteen, restroom.)

“Welfare facilities for all employees” refer to facilities provided to employees at work, including restrooms, water fountains, locker rooms, and canteens, and facilities provided to employees outside of work, such as dormitories.

As examples of ensuring safety and hygiene, employee facilities should be kept clean and hygienic. Safe drinking water, fire control, ventilation, temperature regulation, emergency evacuation routes (exits), and safe storage of personal belongings should be also provided.

(II-8) Promote health maintenance programs for employees

Suppliers shall provide appropriate health maintenance programs for all employees.

“Appropriate health maintenance” means at least the provision of health checks based on statutory standards for preventive purposes and for early discovery of employees’ medical problems. Suppliers must also take due care to prevent health hazards and provide mental healthcare when overtime labor is utilized.

III. Environment

(III-1) Control chemical substances contained in products

Suppliers shall control chemical substances contained in all products as defined by laws and regulations.

“Control of chemical substances contained in products” means to avoid the usage of banned chemical substances in products and, in addition, to comply with the required labeling obligations and perform the required tests and assessments.

(III-2) Control chemical substances in manufacturing process

Suppliers shall control chemical substances used in manufacturing processes as defined by local laws and regulations.

“Control of chemical substances in the manufacturing process” means to control chemical substances that should not be contained in products as well as to work on reducing the amount of chemical substances discharged while tracking the amount of such discharge and making necessary reports to administrative agencies.

(III-3) Establish and apply an environmental management system

Suppliers shall establish and implement an environmental management system.

“Environmental management system” refers to a general management structure for promoting environmental activities and includes the organizational structure, planned activities, role divisions, practices, procedures, processes, and management resources. Environmental activities here mean to formulate an environmental policy and implement, complete, revise, and maintain measures according to that policy; it is a continuous improvement process cycling the PDCA model for environmental conservation.

A typical environmental management system is based on ISO 14001, for which third-party certification is available.

(III-4) Minimize environmental pollution (water, sludge, air)

Suppliers shall be in compliance with local laws and regulations of drainage, sludge and air emissions and to reduce such environmental pollution by voluntary standards as needed.

“Voluntary standards” indicate targets for the reduction of environmental burden at a higher level than the legal requirement. In addition to preventing pollution, activities for further improvement include, for example, improving the methods for monitoring, regulating, and/or treating drainage, sludge and/or air emissions t, and reducing the amounts of the above.

(III-5) Obtain environmental permits and administrative approvals

Suppliers shall comply with local laws and regulations and obtain, if necessary, environmental permits and/or administrative approvals and submit necessary reports to the government.

In Japan, manufacturers are mandated to have qualified managers as specified in the respective laws: i.e. Specially Controlled Industrial Waste Manager based on the Waste Management and Public Cleansing Act, Energy Manager at factories that use energy over a certain level based on the Act on the Rational Use of Energy, and Pollution Prevention Manager at factories that emit chemicals, dust, and/or smoke based on the Air Pollution Control Act.

Depending on the chemical substances used in their facilities, manufacturers are also obligated to have managers for poison management such as specific chemical substance management, and hazardous material management depending on the chemicals used for business.

In some cases, administrative permits and/or approval may be necessary for environmental impact assessment or hazardous material handling facilities depending on the type of business and/or factory location.

(III-6) Promote resource and energy saving by reusing, reducing, and recycling (3R)

Suppliers shall define a voluntary goal of natural resources and energy saving, and implement continuous activities for efficient usage.

“Resource saving” means to seek effective use of resources. Ways to achieve this include reducing the amount of materials in manufacturing products, reducing waste, and promoting the use of recycled resources and parts.

“Energy saving” means to streamline and rationalize the use of heat and electrical energy. Saving energy contributes to an effective use of oil, natural gas, coal, coke, and other fuel sources.

3R stands for reduce, reuse, and recycle.

(III-7) Promote green-house gas reduction

Suppliers shall define voluntary goals for green-house gas reduction and implement continuous activities for further reduction.

“Green-house gas” here refers to the group of six target substances covered in the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, HFCs, PFCs, and SF6.

Continuous reduction efforts may include setting voluntary reduction goals for these six types of green-house gases, and formulating and implementing an emission reduction plan.

(III-8) Promote waste reduction

Suppliers shall define voluntary goals for final waste reduction and implement continuous activities for further reduction.

“Final waste” means waste that needs to be landfilled or incinerated.

Continuous reduction efforts may include setting voluntary reduction goals for final waste, and formulating and implementing a waste reduction plan.

(III-9) Disclose environmental preservation activities

Suppliers shall disclose outcomes of environmental activities appropriately.

“Outcomes of environmental activities” refer to the results of measures taken for environmental conservation, emissions to air, water, and soil, amount of resources used, and amount of waste, as well as harmful impacts on the environment caused by a business site.

To periodically summarize the results, suppliers shall establish an organization with a manager that conducts environmental conservation activities and continuously keep records of control targets for environmental conservation activities, progress of target attainment, and other key environment-related information.

Possible methods of disclosure include publication of environmental reports and reporting to stakeholders as necessary.

(III-10) Conserve biodiversity

Suppliers shall promote measures for the conservation of biodiversity and sustainable use.

In the Basic Act on Biodiversity, “conservation of biodiversity” aims to contribute to the conservation of the global environment through preserving rich biodiversity and realizing a “society that co-exists with nature” where people can enjoy its blessings in the future by a comprehensively promoting measures for the conservation of biodiversity and sustainable use in a planned manner.

(III-11) Provide environmental education for employees

Suppliers shall provide appropriate environmental education to employees.

“Environmental education” means education and learning about environmental conservation aimed at building a sustainable society and provided at workplace to deepen the understanding of the connection between environment and society, and economy and culture, as well as about environmental conservation. (Act on Enhancing Motivation on Environmental Conservation and Promoting of Environmental Education)

For the realization of a sustainable society, suppliers shall stage to implement a variety of environmental education and educational activities to employees to nurture enhanced environmental awareness.

IV. Fair Trading

(IV-1) Prohibit corruption and bribery

Suppliers must maintain a sound and normal relationship with political bodies and government administrations, without resorting to bribery and/or making illegal political donations.

“Bribery” means a provision of money, entertainment, gift, or any other benefits or accommodation/favor made to a public official or the like (hereinafter collectively referred to as “public officials”) with the expectation of some business-related return, such as permits, approvals, acquisition or maintenance of business, and non-public information.

Bribery also includes the act of providing entertainment or gift to public officials beyond social conventions even if business-related returns are not sought for.

“Illegal political donations” refer to, for example, providing political donation for some kind of business-related return, such as permits and approvals, acquisition or maintenance of business, and non-public information, or providing political donations without going through the proper procedures.

(IV-2) Prohibit abuse of dominant bargaining position

Suppliers shall not create a disadvantage for their suppliers by abuse of dominant bargaining position.

“Abuse of dominant bargaining position” means to use the dominant position of a purchaser or contractee to decide or change the terms of transactions with a supplier unilaterally or impose unreasonable demands or obligations.

Procurement transactions should be made in good faith, fairly and justly, based on contracts, and should not involve abuse of dominant bargaining positions. In countries with laws and/or regulations against abuse of dominant bargaining position, suppliers shall comply with such provisions. (An example is the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors in Japan.)

(IV-3) Prohibit offer and receipt of inappropriate profit and advantage

Suppliers shall not offer and/or receive inappropriate benefits to/from stakeholders.

“Inappropriate benefit offers/receipts” refer to the following:

- Providing to or receiving from customers gifts and prizes (including cash prizes) beyond the statutory scope, or acts of bribery such as providing or receiving money or entertainment beyond the scope of social conventions
- Acts of providing inappropriate benefits to anti-social forces, which adversely affect social order and/or sound activities (e.g. criminal organizations, terrorists)
- Insider trading, which involves purchasing and selling stocks of a certain company based on non-disclosed critical information regarding the business of a customer

(IV-4) Prohibit anti-competitive conduct

Suppliers must not impede fair, transparent, and free competition.

“Impediment to competition” mean having agreements among industry peers regarding product and service prices, quantity, and/or sales territory (i.e. Cartel behavior) or having agreements with other bidders regarding the winning bidder and/or winning bid (bid rigging).

Obtaining or using other company’s trade secrets illegally, or labeling other company’s products falsely or in a way that misleads customers, are acts of unfair competition.

(IV-5) Provide accurate information on products and services

Suppliers shall provide accurate information on their products and services to customers.

“Accurate information” means, for example, the following:

- Specifications, quality, and how to use of a product or service are accurate.
- Information on substances contained in components and parts used in products is accurate.
- Descriptions on product or service in catalogs and advertisements do not contain false demonstrations, expressions that mislead customers, or slander or infringement of rights of other companies or individual.

(IV-6) Respect intellectual property

Suppliers shall not infringe upon intellectual property rights.

“Intellectual property rights” (IPR) refers to patent, utility model right, design right, trademark, copyright, trade secret, etc.

Suppliers shall conduct thorough preliminary research of third-party intellectual properties when developing, producing, distributing, or providing products or services. Unless there is due cause, using third-party intellectual property without permission constitutes an infringement of intellectual property rights.

Illegal duplication of computer software and other copyrighted materials also falls under an infringement of intellectual property rights.

Acquiring or using third-party trade secrets by illegal means likewise constitutes an infringement of intellectual property rights.

(IV-7) Use appropriate export procedures

Suppliers shall consolidate a definitive export control system and execute proper procedures, regarding exports of technologies and goods defined by laws and regulations.

“Technologies and goods regulated by law” refer to parts, products, technologies, equipment, software, etc. whose export is regulated by law based on international agreements (e.g. Wassenaar Arrangement).

Some exports may need special procedures, such as permission by the regulatory agency.

(IV-8) Disclose appropriate company information

Suppliers shall positively disclose company information for stakeholders, regardless of legal obligation.

Information to be disclosed to stakeholders include details of business activities, financial standing, business performance, and risk information (e.g. Damage from large-scale disaster, adverse impact on environment and/or society, discovery of gross violation of law).

In addition to disclosing significant risk information as it arises, communicating such information to customers is also an example of appropriate information provision.

(IV-9) Prevent and detect injustice promptly

Suppliers shall perform activities to prevent improper acts, and consolidate a system to discover and respond to improper acts at an early stage.

“Activities to prevent improper acts” mean to create an open workplace climate in addition to provide education and training to employees.

“System to discover and respond to improper acts at an early stage” refers to the following as examples:

Establishing an internal/external contact for reporting illegal acts in order for the business manager to facilitate early discovery of illegal acts; Protecting the secrets of the reporter and providing appropriate protection; and Promptly responding to illegal acts and providing response results as feedback to the reporter as needed.

V. Product Quality and Safety

(V-1) Ensure product safety

Suppliers shall comply with safety standards as defined by laws and regulations of each country for products, when they develop/design them on their own responsibility.

Suppliers shall design their products in such ways that ensure sufficient product safety and distribute them with the consideration of their responsibilities as a manufacturer. For product safety, suppliers should not only comply with laws and regulations but also consider safety that products should normally have.

Japanese laws related to product safety include the Electrical Appliances and Materials Safety Act, Consumer Product Safety Act, and Household Goods Quality Labeling Act. Safety standards are provided in detailed regulations of laws and in JIS. Examples of overseas safety standards are UL, BSI, and CSA.

“Ensuring product safety” includes management of traceability (history of materials, parts, processes, etc.) and quick responses to resolve issues.

(V-2) Establish and apply quality management system

Suppliers shall establish and apply a quality management system.

“Quality management system” refers to a general management system for promoting quality assurance activities and includes the organizational structure, planned activities, role divisions, practices, procedures, processes, and management resources. Quality assurance activities here mean to formulate a quality policy and implement, complete, revise, and maintain measures according to that policy; it is a continuous improvement process cycling the PDCA model for quality assurance.

Typical quality management systems standards include the ISO 9000 family, ISO/TS 16949, and ISO13485.

VI. Information Security

(VI-1) Defend computer network threats

Suppliers shall take defensive measures against computer network threats and prevent damage to the company and others.

“Computer network threats” refer to, for example, computer viruses, computer worms, and spyware.

If a computer connected to the Internet is infected by a computer virus, customer data and confidential information saved in that computer may leak or that computer may attack another company’s computers, which may lead to serious consequences, including stagnation of business operations or loss of credibility. Therefore, it is important to undertake measures against computer network threats so as to protect the company and external entities from adverse effects.

(VI-2) Prevent leakage of personal information

Suppliers shall properly control and protect employees’, customers’ and third parties’ personal information.

“Personal information” means information on an existing individual whose name, date of birth, and other description contained in such information can identify the specific individual. (Including information that can identify a specific individual by easily collating with other information)

“Proper control” refers to the establishment and operation of a general management system for personal information and includes the formulation of rules and policy that should be followed by employees, development of a plan according to such rules and policy, implementation of measures, audits, and revisions.

“Proper protection” means preventing unauthorized parties from obtaining, using, disclosing, or divulging personal information through illegal or otherwise wrongful means.

(VI-3) Prevent leakage of customer's and third-party confidential information

Suppliers shall properly control and protect confidential information they receive from customers and third parties.

"Confidential information," in general, refers to information disclosed via documentation agreed to as being confidential (including electromagnetically or optically recorded data information) and information disclosed verbally upon having been informed that the information is confidential.

"Proper control" refers to the establishment and operation of a general management system for confidential information and includes the formulation of rules and policy that should be followed by employees, development of a plan according to such rules and policy, implementation of measures, audits, and revisions.

"Proper protection" means preventing unauthorized parties from obtaining, using, disclosing, or divulging confidential information through illegal or otherwise wrongful means.

VII. Social contribution

(VII-1) Contribute to society and community

Suppliers shall voluntarily conduct activities that contribute to the development of the international and local communities.

“Activities that contribute to the development of the international and local communities” mean community support activities using the company’s management resources and usually refer to the following:

- Social contributions using the company’s line of business and technologies
- Non-monetary social contributions using company facilities and personnel
- Social contributions by monetary donations

Specifically, as examples, such activities can be:

Coordinated disaster relief efforts with the community, employee volunteering, NPO/NGP support, donations, provision and introduction of various information.

Suppliers shall define the scope of feasible activities and actively engage in social contributions.

[Revision History]

Version	Date	Description
First edition	March 3, 2016	Established the KDDI Guidelines for CSR in Supply Chain
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