

Noritz America	Control Number	ANB18000	Page Number	1/9
Internal Criteria	CSR Procurement Guidelines			

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Noritz Group CSR Procurement Guidelines

July 2014

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Noritz Corporation

Noritz America	ANB18000	CSR Procurement Guidelines	2/9
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## Introduction

In the past, Noritz's focus has been on creating a comfortable life through providing hot water. While this focus will continue, we must take "comfort" to a new level through consideration of the global environment. Today, "comfort" encompasses the realization of an economically as well as environmentally sound society in which there is an efficient and effective use of limited fossil fuels and recyclable energies.

Recognizing what society requires and what society expects, as we understand through our two-way communication with stakeholders, we are undertaking business activities which harmonize "the pursuit of economic value through business strategies," the promotion of social values that contribute to solving social issues," and "pursuit of Noritz identity." By doing so, we strive to bring smiles and enthusiasms to all our stakeholders, which is our mission "The Simple comforts of Life."

In December 2012, Noritz Corporation signed off on the ten principles of the United Nations "Global Compact." The four fields and ten principles of the Global Compact promote activities based on corporate philosophy and the building of a global framework in order to achieve sustainable growth for both our society and our company.

We recognize the volatility and changes in the global supply chain environment, especially in recent years. As we keep abreast of the changes, our procurement activities must effectively support the social responsibility of our company.

Accordingly, with the publication of the "Noritz CSR Report," we have formed the "Noritz Group CSR Procurement Guidelines" as a guideline for CSR activities.

Please refer to these guidelines and further promote our CSR procurement activities to benefit all our customers.

Head of Product Headquarters,  
Managing Executive Officer  
Masanori Higashiuchi

Noritz America	ANB18000	CSR Procurement Guidelines	3/9
----------------	----------	----------------------------	-----

“Noritz Group CSR Procurement Guidelines” Table of Contents

I. Noritz Group approach to CSR

II. Objectives of the Noritz Group CSR procurement guidelines

III. Range of application

IV. Noritz Group CSR procurement guidelines

1. Respect for human rights .....6

1) Respect for human rights

2) Prohibition on sexual harassment and other types of harassments

2. Improving customer satisfaction.....6

1) Ensuring the safety and quality of the products

2) Approach to the customers

3. Corporate activities based on the observation of legislation and corporate ethics.....6

1) Observation of legislation and corporate ethics

2) Prohibition of forced labor and child labor

3) Conformance with trading rules

4) Increased information management

5) Increased information security

6) Respect for intellectual property rights

7) Prohibition of pursuing personal profit

4. Fair and transparent trading.....7

1) Conformance with agreed contractual terms

2) Respect for free and fair competition

3) Fair procurement

4) Entertainment and the giving or receiving of gifts

5. Environmental sustainability and global society .....8

1) Approach to preserving the global environment

2) Approach to procurement with a low environmental impact

3) Prohibition of using conflict minerals

6. Establishment of the work environment.....8

Noritz America	ANB18000	CSR Procurement Guidelines	4/9
----------------	----------	----------------------------	-----

1) Focus on safety, hygiene, and health management

2) Focus on an energetic and vibrant workplace

I. Noritz Group approach to CSR

[The needs of our society]

In order to respond to the needs of our society, we support the following activities:

- Promoting procurement practices that consider the impact on our environment
- Promoting fair and transparent procurement practices
- Promoting procurement practices that respect human rights

[What we value]

Recognizing what society requires and what society expects, as we understand through our two-way communication with stakeholders, we are undertaking business activities which harmonize “the pursuit of economic value through business strategies,” the promotion of social values that contribute to solving social issues,” and “pursuit of Noritz identity.” By doing so, we strive to bring smiles and enthusiasms to all our stakeholders, which is our mission “The Simple comforts of Life.”

- Sensitivity to all members of the supply chain.
- Success based on “WIN-WIN” relationships with all members of the supply chain.

Mission Statement	
<b>Mission</b>	<b>The Simple Comforts of Life</b>
	We set our highest priority on quality, and provide the products and service by staying one step ahead.
<b>Value</b>	We act on justice, fairness, and transparency.
	We develop ourselves with our employees, and contribute to the society.
	We keep changing, challenging, and creating with our passion.
<b>Vision</b>	<b>The Noritz Group – Globally Competitive by 2020</b>

We are not only promoting our “Mission”, “Value” and “Vision” in procurement, but we are also promoting the creation of added value and the Noritz way throughout the supply chain.

Noritz America	ANB18000	CSR Procurement Guidelines	5/9
----------------	----------	----------------------------	-----

## II. Objectives of the Noritz Group CSR procurement guidelines

In the course of managing our business and fulfilling our corporate social responsibilities, these Guidelines provide the basis for fair and transparent corporate procurement activities that promote products that will result in high customer satisfaction.

## III. Applications

While these guidelines are focused on the Noritz Group procurement department, they also apply to all departments related to trading partners and distribution companies such as the manufacturing department, production control department, development design department, production technology department, and quality assurance department.

Noritz America	ANB18000	CSR Procurement Guidelines	6/9
----------------	----------	----------------------------	-----

#### IV. Noritz Group CSR procurement guidelines

<Our approach and our requests for our customers>

##### 1. Respect for human rights

We act with the self-awareness of having the utmost respect for the human rights of all people.

###### 1) Respect for human rights

In every aspect of our business activities, we place the highest priority on respecting and protecting the human rights of all members inside and outside of our company.

Furthermore, we do not discriminate or violate human rights on the basis of race, nationality, gender, etc.

###### 2) Prohibition of sexual harassment and other forms of harassments, including bullying

We will work to ensure the maintenance of a harassment-free workplace, in which employees treat each other with mutual respect.

Our supplier partners perform corporate activities in a way that ensure they respect all people and do not violate human rights.

##### 2. Improving the satisfaction of our customers

In order to ensure reliability, we make sure that the products we create support the lifestyles of our customers and promote an approach that improves design quality, production quality, operation quality, and CS-response quality.

###### 1) Ensuring product safety and quality

In order to deliver safe and high quality products, mainly in the design and production stages, and improve quality, we are promoting activities on a daily basis to use various standards, indexes, and control methods.

###### 2) Approach to customers

We actively respond to the customer comments that are received daily by our contact center; based on those customer comments, we improve products and services, prevent defects in advance, improve quality, and address safety issues.

Our supplier partners establish a quality assurance structure in order to satisfy our requested quality review, and maintain a parts provision structure to enable their stable supply.

##### 3. Corporate activities based on the compliance with laws, regulations, and corporate ethics

We shall observe all related laws in each country and region, and conduct all corporate activities based on respect for social morals and with sound judgment.

###### 1) Observation of laws and corporate ethics

Noritz America	ANB18000	CSR Procurement Guidelines	7/9
----------------	----------	----------------------------	-----

In regard to complying with laws and corporate ethics, we carry out our corporate activities with integrity.

- 2) Prohibition of forced labor and child labor  
We do not allow forced labor and child labor.
- 3) Compliance with trade laws and regulations  
We comply with trade laws and regulations that support safety and stability of our global society.
- 4) Focus on information management  
The company's confidential information is an important corporate asset and we handle it with care.

Furthermore, we appropriately manage and protect personally identifiable information.

- 5) Focus on information security  
When handling the company's confidential information, we manage it in accordance with corporate rules and ensure security of information to prevent leakage and other data breaches.
- 6) Respect for intellectual property rights  
We fully respect the intellectual property rights of others and do not use them in inappropriate manners.

Further, we ensure that intellectual property rights owned by our company are used effectively and are protected from inappropriate use by other parties.

- 7) Prohibition of the pursuit of personal profit  
The profit of the Noritz Group is ultimately the source of the individual profit, and we do not partake in activities that reduce the profit of the company in exchange for individual gains.

To our supplier partners, please observe the related laws of the various countries and regions, and carry out corporate activities in compliance with social norms and accepted ethical standards.

#### 4. Fair and transparent trading

We promote just, fair, and transparent systems of procurement, and build relationships that will allow us to grow together with our supplier partners.

- 1) Compliance with agreed contract terms  
When negotiating or executing agreements, we comply with corporate policies to ensure that every transaction is handled in a fair and just manner.
- 2) Respect for fair and free competition

Noritz America	ANB18000	CSR Procurement Guidelines	8/9
----------------	----------	----------------------------	-----

We respect fair and free competition, and do not engage in inappropriate or unfair transactions.

3) Fair procurement

When procuring parts etc., we select supplier partners according to reasonable standards and engage in trading relationships as equal partners without abusing a position of superiority.

4) Entertainment, and the giving and receiving of gifts

We do not engage in entertainment or the giving or receiving of gifts that exceed the range of social norms in relation to our supplier partners.

To our supplier partners, please conduct corporate activities in a way that will enable you to build continuous and sound relationships of trust.

5. Global environmental sustainability and society

We will contribute to the global environmental sustainability and positively promote social contribution activities through business activities.

1) Approach to preserving the global environment

We develop technologies and products for a sustainable society, and through providing these to our society, we contribute to the preservation of the global environment.

2) Approach to procurement with a low environmental impact

We contribute to the reduction of harmful substances by managing the names of chemicals used and the amounts included, and thus contribute to the preservation of the global environment.

3) Prohibition on using conflict minerals

We seek the procurement where which doesn't use conflict minerals produced in the Democratic Republic of Congo and/or surrounding countries that fund armed insurgents and activities associated with human rights violations in conflict areas.

To our supplier partners, please support the preservation of the global environment and contribute to our society through compliant corporate activities in parts provisions. .

6. Establishment of the work environment

1) Focus on safety, hygiene, and health management

In order for our employees to remain in a safe and hygienic workplace, and stay healthy, we perform periodic checks of the workplace environment and create a structure for improvement.

2) Focus on energetic and vibrant workplace



Noritz America	ANB18000	CSR Procurement Guidelines	9/9
----------------	----------	----------------------------	-----

In order to enable smooth communication in the workplace, we pay attention to the mental and physical health of all members to create an energetic and vibrant workplace.

To our suppliers partners, please carry out corporate activities while striving to maintain and improve a safe and healthy workplace environment.

Please address all inquiries related to these guidelines to the following contact.

Noritz Japan International Department

The responsible division for this guideline is HR Dept.

Date: January 8, 2015

Approved by: Officers

Proposed by: L. Chen