

# PIOLAX

*Pioneer of elasticity*

## CSR Report 2021



Use **change**  
as leverage

Piolax will evolve without fear of change  
for the future of manufacturing

**PIOLAX**  
PIOLAX, INC.

## 【Editorial Policy】

This CSR report is created to help stakeholders deepen their understanding of CSR activities conducted by the Piolax Group toward the sustainable society.

The Piolax Group hopes to expand the circle of communication with more stakeholders through this report.

### ■Reportable organization

PIOLAX, INC. and the Piolax Group (In case an article does not cover the whole Piolax Group, its applicable scope is referred to.)

### ■Period covered

April 1, 2020 to March 31, 2021

\* For activities outside the period covered, the year and month are listed.

\* Some photos are taken outside the period covered.

### ■Reference guideline

This CSR report is created in accordance with the core level of the GRI standards.

### ■Time of issuance

Japanese version: November 2021

\* Previous version in November 2020

### ■Contact regarding this report

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#### Disclaimer

This report includes forward-looking statements of the Piolax Group such as plans, forecasts, strategies, and performance which are based on currently available information. We would appreciate understanding of readers.

## Message from the President

### **Piolax broadly contributes to industry and society as a pioneer in creating elasticity.**

Originally founded as “Kato Hatsujo Seisakusyo” in 1933, Piolax is marking its 88<sup>th</sup> anniversary this year. Our business started with the production of precision metal springs for the automobile and telecommunication industries and has expanded to the development and manufacture of plastic fasteners. We outperform our competitors in that we can develop and manufacture springs made of both metal and plastic and have made the most of this strength to pioneer new business.

Setting forth the corporate philosophy, “Pioneer in creating elasticity”, we are actively pursuing the potential of “elasticity” mainly in the automobile industry, as well as in the medical device business, consumer products and other fields.

We are determined to continue to broadly contribute to society and industry through creation of innovative products by studying “elasticity” as a science.



Yukihiro Shimazu  
President

#### < Response to the Spread of COVID-19 >

The year 2020 saw the whole world endangered by an unprecedented crisis triggered by the COVID-19 pandemic. Piolax organized the “COVID-19 Control Committee” to take countermeasures against the pandemic. Putting the highest priority on the health and safety of our employees, we concentrated our energies on preventing the spread of infection by minimizing the number of business trips in Japan and abroad, introducing remote work, and organizing online meetings. Throughout the year with uncertainties, we experienced a very hard time in operating our business. In response to these environmental changes, however, we promoted work style reform such as the establishment of a remote work system and endeavored to reform the corporate structure by streamlining business operations and reducing fixed costs.

#### < Efforts toward ESG Management >

In today's world, many problems, such as climate change, environmental pollution, and human rights, have become more serious, and companies are required to actively address these social issues. We have been promoting ESG management to realize a sustainable society. In FY2020, we formed the groundwork for activities toward our ESG management promotion. As an example of our efforts, we have established the "Piolax Group Basic Policy on Human Rights and Labor", which clearly states that we respect the human rights of all people involved in Piolax. Furthermore, through our efforts to promote diversity within the company, we were awarded the highest rank of "Eruboshi (L Star)", which is the excellent company certification system under the Act on the Promotion of Female Participation and Career Advancement in the Workplace. In order to accelerate ESG management, we announced our ESG vision toward FY2030 "Piolax ESG Vision

2030" as well as our efforts for FY2021 to realize this vision and KPIs (see ESG Activity Targets on page 13). By declaring these targets internally and externally, we are determined to achieve them with our stakeholders including employees.

Through the ESG activities, we are striving to achieve SDGs (Sustainable Development Goals). The corporate credo "Sincerity, Cooperation, and Contribution" reflects our management spirit of sincerely dedicating ourselves to everything and sparing no effort in providing cooperation to customers and society. I feel this spirit is highly compatible with SDGs that aim for a sustainable society. We are determined to promote our activities to contribute to realizing a sustainable society.

#### < Medium-Term Management Plan >

This year, we announced the medium-term management plan for fiscal years 2021 to 2023. Based on our vision "Piolax broadly contributes to industry and society as a pioneer in creating elasticity", we have developed five basic policies and five management strategies. The automobile industry, which is our major business field, is facing a once-in-a-century transformation, and the shift to EVs for decarbonization is accelerating. We believe that there is a risk that orders for existing products will decrease or cease due to the shift to EVs. Thus, our medium-term management plan includes measures to keep up with the shift, such as the development and sales expansion of new products for EVs and pursuit of new businesses. The promotion of ESG management also includes efforts toward carbon neutrality and measures to promote diversity. I believe that our continuous growth as a company will also contribute to the development of a sustainable society.

### Piolax medium-term management policy for FY2021 to 2023

#### Vision

**As a pioneer creating elasticity, widely contribute to industries and society.**

#### Basic Policies

1. Reform existing businesses.
2. Take on the challenge of new/next-generation businesses.
3. Strengthen the management foundation.
4. Actively invest for the future.
5. Promote ESG-based management.

#### Management Strategies

1. Product and customer strategy
2. Business strategy
3. Regional strategy
4. Growth investment strategy
5. Management capital strategy

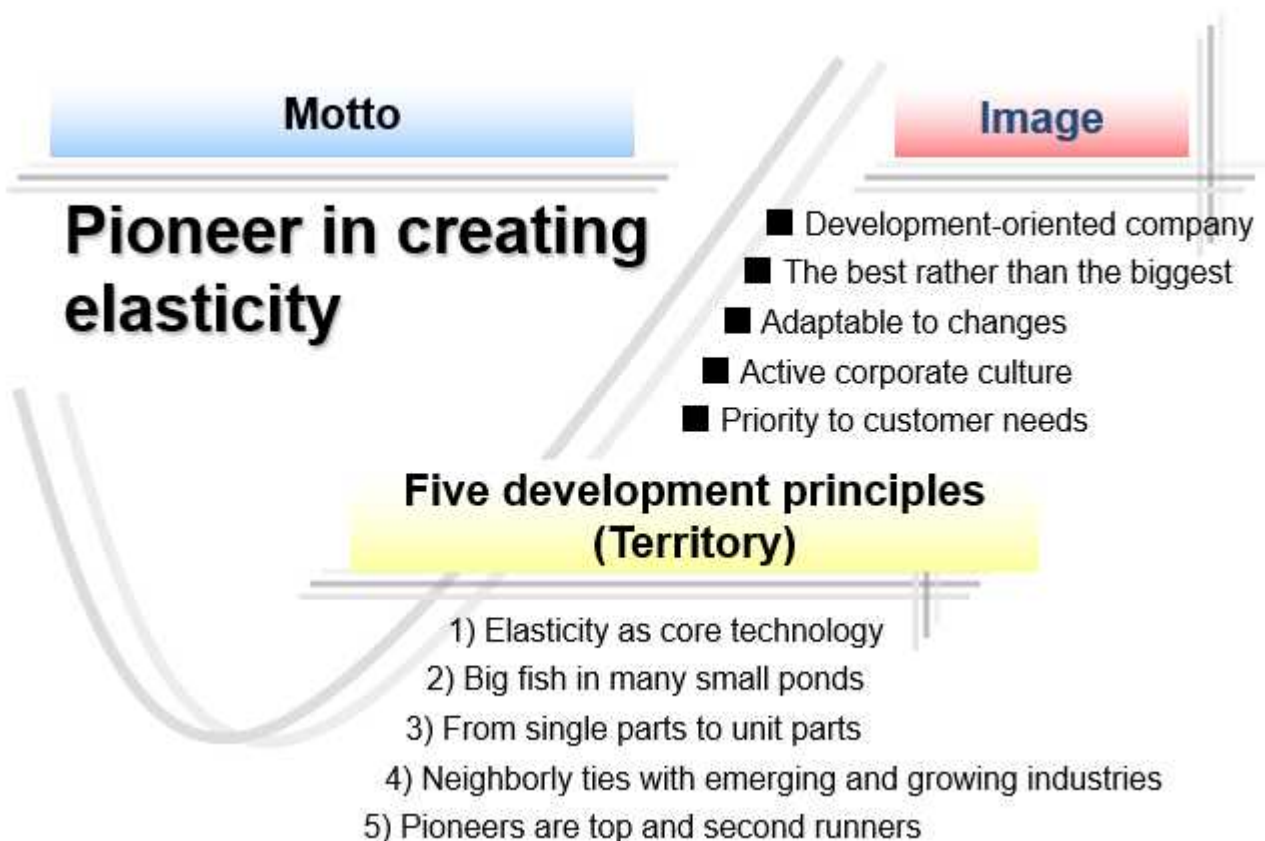
We sincerely consider how we can contribute to society as a company, and all employees will continue to take on new challenges. We earnestly hope your continued support.

# Company Credo

**“Sincerity, Cooperation,  
and Contribution”**

## Company Philosophy

Piolax will continue new challenges always looking ahead to the changes in the times as a development-oriented company using “elasticity” as core technology.



**【History】**

Combining **metal** and **plastic**, Piolax has expanded its possibilities and entered into **new businesses**.

- 1933 Start "Kato Hatsujo Seisakusyo" at Honjo Kikukawa, Tokyo.
- 1936 Move to Iwai-cho, Hodogaya-ku, Yokohama
- 1937 Start business with Ford Japan
- 1939 Established as "Kato Hatsujo K.K."
- 1957 Build Yokohama Plant at Kariba-cho, Hodogaya-ku, Yokohama
- 1969 Start production of plastic fasteners
- 1970 Build Moka Plant (Tochigi Prefecture)
- 1988 Start local production in the U.S.
- 1995 Change the company name to "PIOLAX, INC."
- 1995-1996 Establish bases in the U.K. and Korea
- 1998 Listed on the 2<sup>nd</sup> section of the Tokyo Stock Exchange (TSE)  
Build Fuji Plant (Shizuoka Prefecture)
- 1999 Spin off medical device business into a separate company
- 2000 Establish a base in Thailand
- 2003 Establish a base in China (Dongguan)
- 2004 Listed on the 1<sup>st</sup> section of the TSE
- 2009-2012 Establish bases in India, Mexico, Indonesia, and China (Wuhan)
- 2017 Sign a cooperation agreement with ARaymond (France)
- 2019 Establish a base in China (Shanghai)
- 2021 Make the Shanghai base into a controlling company in China (Dongguan and Wuhan as its subsidiaries)



Initial establishment  
(Hodogaya-ku, Yokohama)

1933 Start from manufacturing **metal springs**

1972 Make a full-scale entry into **plastic fastener business**

1990s Expand business of fuel system parts

1995 Enter into medical device business

2000s Expand business of open & close mechanism parts

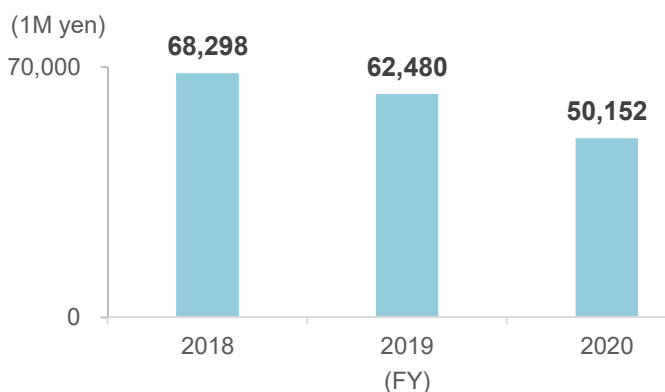
2010s Enter into EV business

**Piolax celebrated its 88<sup>th</sup> anniversary  
in October 2021**

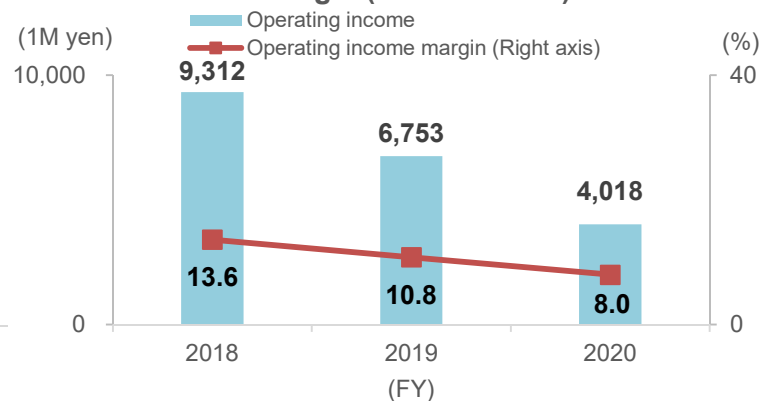
## 【Company Information】 (As of March 31, 2021)

<b>Company name</b>	PIOLAX, INC.
<b>Establishment</b>	September 1939
<b>Description of business</b>	Manufacturing and sales of coil springs, flat springs, wire forms, metal and plastic fasteners, and unit mechanism parts
<b>Capital</b>	2,960.97 million yen
<b>Sales</b>	50,152 million yen (Consolidated) (FY2020 ended in March 2021)
<b>No. of employees</b>	2,952 people (Consolidated)
<b>Head office</b>	51 Iwai-cho, Hodogaya-ku, Yokohama, Kanagawa 240-0023, Japan
<b>Major customers</b>	Nissan Motor Co., Ltd., Honda Motor Co., Ltd., Mazda Motor Corporation, Toyota Motor Corporation, Subaru Corporation, Mitsubishi Motors Corporation, Suzuki Motor Corporation, Daihatsu Motor Co., Ltd., Isuzu Motors Limited, Jatco Ltd., Yazaki Parts Co., Ltd., Nissan Shatai Co., Ltd., Hitachi Astemo, Ltd., Aichi Machine Industry Co., Ltd., Mitsubishi Fuso Bus Manufacturing Co., Ltd., UD Trucks Corporation, TOTO Ltd., General Motors Company, Ford Motor Company, Hyundai Motor Company
<b>Member organization</b>	Japan Auto Parts Industries Association Japan Spring Manufacturers Association
<b>Listed exchange</b>	1 <sup>st</sup> section of the Tokyo Stock Exchange (Securities code: 5988)
<b>No. of shares outstanding</b>	39,254,100 shares
<b>No. of shareholders</b>	6,012 people

Sales (Consolidated)



Operating income & Operating income margin (Consolidated)



## 【Piolax Group Network】

Piolax Group has developed the network of products, technologies and manufacturing in Asia, North America and Europe targeting the global market. Its worldwide network supports overseas local production of Japanese car makers and responds to the needs of many overseas car makers.

### 1. Bases in overseas countries

- ① PIOLAX CORPORATION, Sales and Design Office (Michigan, U.S.)
- ② PIOLAX CORPORATION, Head Office and Plant (Georgia, U.S.)
- ③ PIOLAX MEXICANA S.A. de C.V. (Nuevo Leon, Mexico)
- ④ PIOLAX CO., LTD. (Incheon Metropolitan City, Korea)
- ⑤ DONGGUAN PIOLAX CO., LTD. (Dongguan, China)
- ⑥ WUHAN PIOLAX CO., LTD. (Wuhan, China)
- ⑦ PIOLAX (CHINA) CO., LTD., Head Office and Shanghai Branch (Shanghai, China)
- ⑧ PIOLAX (CHINA) CO., LTD., Tianjin Sales Office (Tianjin, China)
- ⑨ PIOLAX (CHINA) CO., LTD., Guangzhou Branch (Guangzhou, China)
- ⑩ PIOLAX (THAILAND) LTD. (Rayong, Thailand)
- ⑪ PT. PIOLAX INDONESIA (West Java, Indonesia)
- ⑫ PIOLAX LTD. (Lancashire, U.K.)
- ⑬ PIOLAX INDIA PRIVATE LTD. (Andhra Pradesh, India)
- ⑭ PIOLAX INDIA PRIVATE LTD. (Haryana, India)

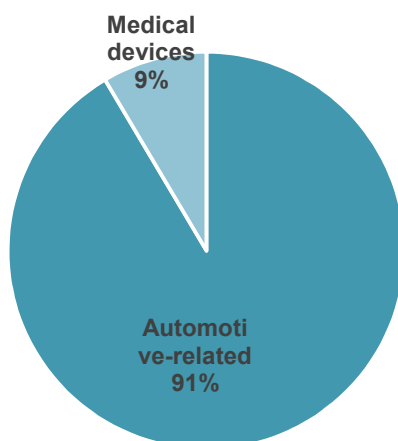
### 2. Bases in Japan

- Head Office (Yokohama, Kanagawa)
- Yokohama Technical Center / Yokohama Branch (Same as above)
- Moka Plant and Moka Branch (Tochigi)
- Fuji Plant and Fuji Branch (Shizuoka)
- Nagoya Branch (Aichi)
- Nishi-Nihon Branch (Hiroshima)
- Shonan Center (Kanagawa)
- Nishi-Nihon Center (Fukuoka)

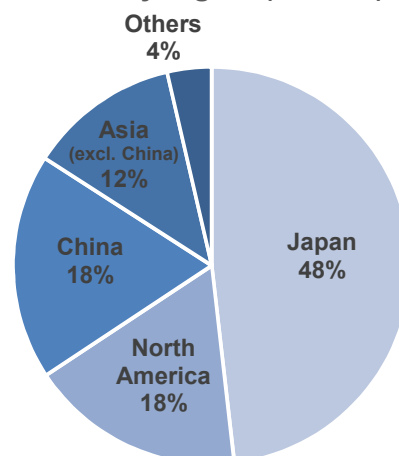
### 3. Subsidiaries in Japan

- PIOLAX H.F.S. INC. (Gunma)
- P.M.T. INC. (Tochigi)
- P.N.S. INC. (Tochigi)
- PIOLAX KYUSHU CO., LTD. (Fukuoka)
- PIOLAX MEDICAL DEVICES, INC. (Yokohama, Kanagawa)
- KHK SALES CO., LTD. (Same as above)
- PIOLAX BUSINESS SERVICE CO., LTD. (Same as above)

Sales by business area (FY2020)



Sales by region (FY2020)



## 【Business Area】

### 1. Automotive-related business

Automotive-related business is a Piolax's core field earning about 90% of its sales.

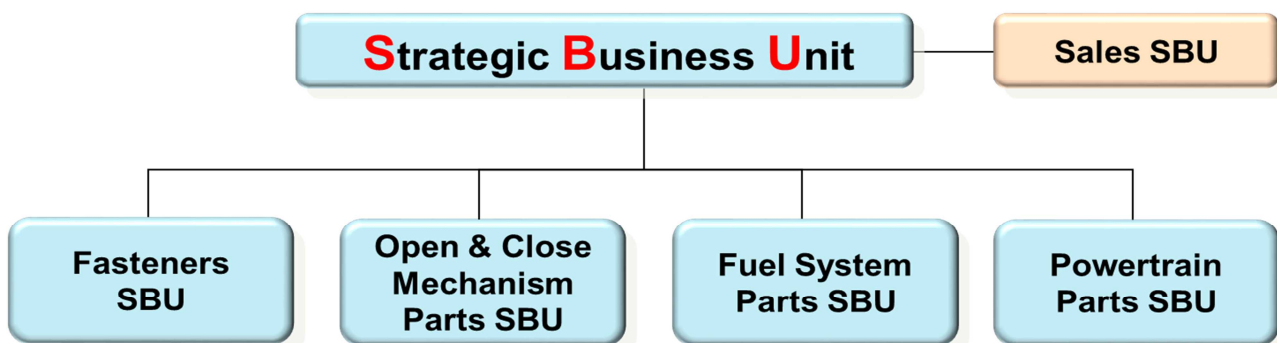
Piolax's strength is to be able to develop and manufacture both “metal” and “plastic” products focusing on elasticity of materials. With the strength, Piolax has been providing products satisfying various customer needs, and that has led to its development to date.

#### 1) SBU system

Automotive-related parts which Piolax produces are fasteners, open and close mechanism parts, fuel system parts and powertrain parts, and the SBU (Strategic Business Unit) system is being introduced by product category.

Taking advantage of the SBU system, Piolax quickly responds to changes in the product markets and promotes integrated operation from development and manufacturing to sales and quality assurance by each Product SBU.

#### Piolax SBU system



Each Product SBU consists of divisions of marketing, development, production and quality assurance and formulates and executes its own strategies to flexibly respond to needs of the markets and customers.

## 2) Lineup of automotive parts

### Powertrain parts



Retainer assemblies, snap rings, etc. used in the transmission and other powertrain mechanism.

### Open & close mechanism parts



Air dampers, latches, etc. used in the opening and closing mechanism of the glove box

### EV-related parts

Battery-related

Cover terminal



Parts for battery and motor

### Clamps



Hose clamps to fasten a pipe and a rubber hose to prevent their separation or leakage.

### Harness parts



Band clips, taping clips, etc. to bundle wires and harnesses running in a vehicle like blood vessels and fix them to a vehicle panel.

### Fasteners

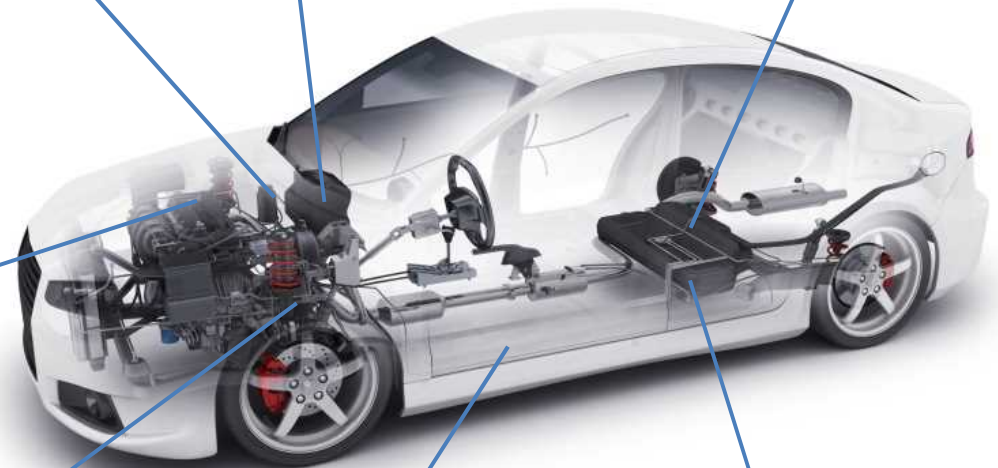


Metal and plastic fasteners like trim clips to fix interior and exterior parts and pipes to a vehicle.

### Fuel system parts



Valves, connectors, and filters which are used to safely store and supply fuel.



## 2. Medical device business

Piolax Medical Devices, which is one of our subsidiaries, is developing medical device business by combining its original technologies with our elasticity technologies accumulated through the development and manufacture of automotive parts as basic technologies.

In the past, surgical operations using scalpels were mainly performed, but they entailed various problems such as physical burdens on patients, bleeding, and long-term hospitalization. "Interventional treatment" pursued by Piolax Medical Devices refers to treatment that is conducted by inserting necessary devices and instruments into blood vessels or body of the patient through holes or small incisions in the skin or by means of an endoscope without greatly damaging the body of the patient. It is a "human-friendly medical practice" that provides minimally invasive treatment with reduced physical burdens compared to surgical treatment and enables patients to return to society early.

### Applications that Piolax Medical Devices aims for

\* QOL : Quality of Life

#### Social needs

Improve patients' QOL\*

Respond to aging society

Shorten length of hospital stay

Reduce medical cost

#### Key words

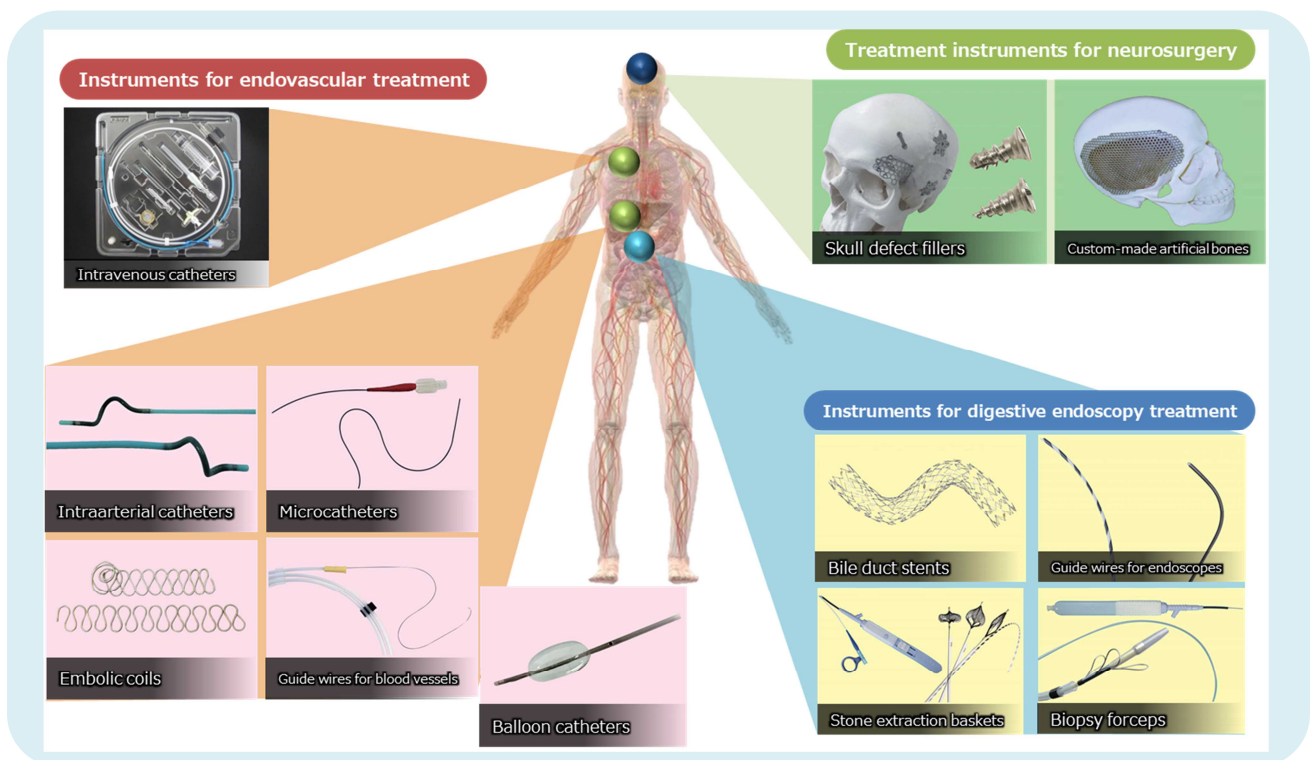
Intervention (Minimally invasive treatment)

#### Technologies

Application of elasticity

Precision processing

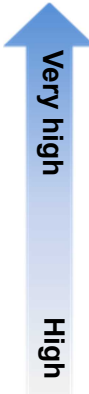
Hydrophilic treatment



**[Identification of Materiality]**

From two viewpoints, the Piolax Group and its stakeholders, we organized issues to be addressed. For this, we used a “materiality matrix” to clarify the importance and positions of the issues.

**<Materiality of the Piolax Group>**

 Very high  <
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Our process to extract issues is as follows. From this time, “Compliance” and “Governance” are added.

**Step 1: Extraction of social issues**

Referring to 34 aspects of the triple bottom line (environmental, social, and economic aspects) reflected in the GRI Standard, we extracted social issues surrounding the Piolax Group, as well as social issues that stakeholders attach importance to or that they attach importance to when evaluating this Group.

**Step 2: Prioritization**

The issues extracted in Step 1 were prioritized based on:

- (1) The following three items for stakeholders' expectations:
  - GRI requirements, customer requirements, and general (shareholders, customers, employees, local communities, etc.) requirements;
- (2) The following three items for the importance of the Piolax Group:
  - Policies within the Group: President's (Group) policies, a code of conduct, environmental policies, etc.
  - In-house activities: council (sales, production, quality, design and administration) activities, company-wide environmental activities, etc.
  - Legal requirements: environment, employment stability, political measures, TSE regulations, etc.

**Step 3: Validation**













The appropriateness of the issues identified in Step 2 was examined based on the medium-term management plan and management strategy of the Piolax Group and approved by the

Management Meeting. The identified key issues are incorporated into the business plan of each department and linked to its respective activities.

## [ESG Vision and FY2021 Goals]

Piolax has established its ESG Vision for FY2030 as “Piolax ESG Vision 2030.” Based on this, we have set goals for FY2021 and are working to achieve them.

## Piolax ESG Activity Targets 2021

	Materiality: Major Related SDGs Issues	Piolax ESG Vision 2030	Key Activities	KPI (For items without fiscal year description, targets for FY2021)
E	<b>Energy</b> Emissions to the atmosphere <b>Waste</b>    	<b>Corporate activities aimed at a decarbonized society and a recycling-oriented society</b>	Thorough efforts to conserve energy	<b>Scope 2: Indirect energy consumption (Electric)</b> Reduce total energy consumption FY22: -3% (from FY19) Reduce energy consumption per basic unit (production volume or sales) FY22: -3% (from FY19) Greenhouse gas: reducing CO2 emissions FY22: -10% (from FY19)
			Efforts to reduce waste	Reduce waste FY22: -6% (from FY19)
			Effective use of resources	Improve recycling rate 90% (from FY19) Increase the use rate of FSC-certified cardboard boxes for delivery FY22: 50% (from FY19)
S	<b>Employment</b> Occupational health & safety Diversity & equal opportunity    	<b>Creating a vibrant workplace where employees can work with peace of mind</b>	Health & safety initiatives	Improve the work environment Overtime work -50% (from FY19) Establish telecommuting rules Zero industrial accident 0 accident
			Respect for human rights	Efforts to address human rights issues (Harassment prevention) Education on Piolax Human Rights Policy Education on harassment prevention (including LGBT)
			Promote flexible and diverse work styles	Support for balancing work and life events (childbirth, childcare, and nursing care) Rate of female employees taking childcare leave 100% Number of male employees taking childcare leave 1 or more employees
				<b>Diversity and equal opportunity</b> Rate of female managers 3.0% or more Rate of female new graduate hires 20% or more Rate of employees with disabilities 2.3% or more
G	<b>Compliance</b>  	<b>Enhancing fair and equitable businesses and trust relationships</b>	Improve CSR procurement	Establish CSR-related policies Confirm suppliers' CSR compliance status Respond to conflict minerals problems (Survey collection rate) 90% or more
	<b>Governance</b>  	<b>Stable organizational management by strengthening governance</b>	Strengthen corporate governance	Comply with the Corporate Governance Code Compliance with the revised CG Code Enhance the compliance system In-house training Increase stakeholder engagement Timely disclosure
			Reinforce risk management system	Strengthen information security Introduction of new system/Email training Set up a system for disaster measures (Develop a BCP including measures against infectious diseases) BCP training

## [Stakeholder Engagement]

In order to meet the needs and expectations of a wide variety of stakeholders, Piolax emphasizes “dialogue with stakeholders” to build trust.

We identify issues through the dialogue and reflect these in our targeting and activities in an effort to raise our corporate value.

Major stakeholders	Piolax's responsibilities/issues	Main dialogue/means
<b>Customers</b>	Providing safe, secure and reliable products through improved partnerships	<ul style="list-style-type: none"> <li>- Development, manufacturing, and sales of high-quality, safe products</li> <li>- Development of next-generation products</li> <li>- Development of environmentally friendly products</li> </ul>
<b>Employees</b>	Creating an environment where employees can show their ability and individuality	<ul style="list-style-type: none"> <li>- Human resource development / personnel evaluation</li> <li>- Promotion of diversity</li> <li>- Labor-management council</li> <li>- Safety and health</li> <li>- Whistle-blowing system</li> <li>- Stress check</li> </ul>
<b>Suppliers</b>	Conducting fair and equitable transactions and building relationships of trust	<ul style="list-style-type: none"> <li>- Purchasing policy explanation meeting</li> <li>- Commendation system</li> </ul>
<b>Shareholders and investors</b>	Increasing corporate value and appropriately disclosing information	<ul style="list-style-type: none"> <li>- Shareholders' meetings</li> <li>- Financial results briefings</li> <li>- Small meetings for institutional investors</li> <li>- A variety of interviews for news</li> </ul>
<b>Local communities</b>	Contributing to the development of local communities	<ul style="list-style-type: none"> <li>- Local volunteer activities</li> <li>- Plant tours for local elementary school students</li> <li>- Participation in industry associations</li> <li>- Company information sessions for students, and acceptance of internship students</li> </ul>

## [Other Activities]

### Design and Development

As a development-proposal type company with high creativity and reliable technology, Piolax performs design and development activities in Yokohama Technical Center as a main center and in its overseas sites in the U.S., the U.K, South Korea, China, Thailand and India, and has established a system enabling customer needs to be understood and transformed into a drawing.

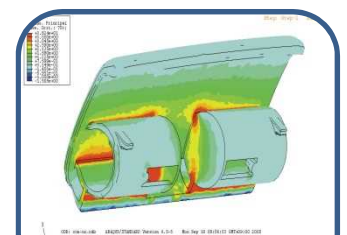
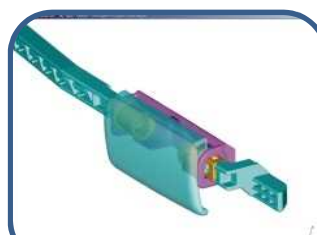
Yokohama Technical Center, serving as a global center for design and development, has sales, development, and purchasing departments on the same floor to provide an environment achieving seamless cooperation between departments, and is promoting “synchronization” and “homogenization” of development capabilities on a global level. Product testing equipment is located in three business sites: Moka Plant, Fuji Plant, and Head Office, and a structure where optimal quality evaluation can be conducted is achieved.



Concept study meeting



Drawing review



Layout study and structure analysis by digital mock-up



Environmental evaluation of products & Mounting endurance test

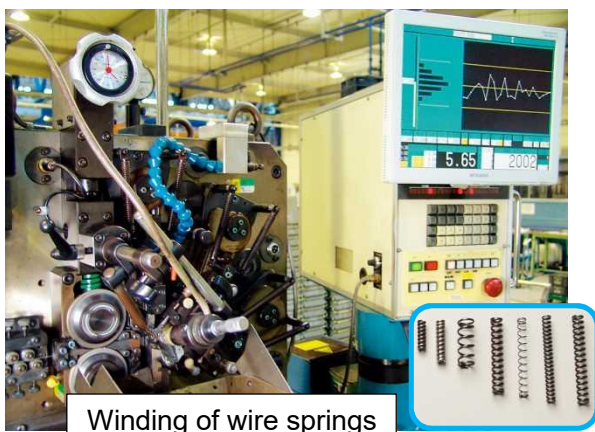


SOC evaluation of materials

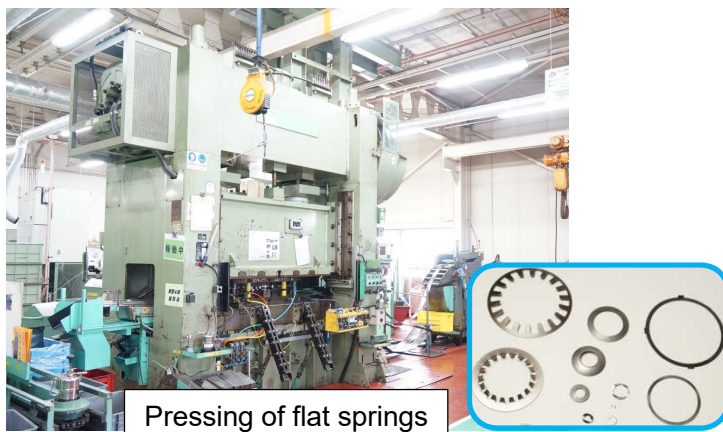
## Production Engineering

Aiming to build the manufacturing engineering capabilities suitable for a development-proposal type company and to achieve global homogenization, we have located our main manufacturing lines for fasteners and open-close mechanism parts in Moka Plant and those for fuel system parts and powertrain parts in Fuji Plant. We are making efforts to eliminate loss through continuous improvement, and to improve global productivity and develop new manufacturing methods.

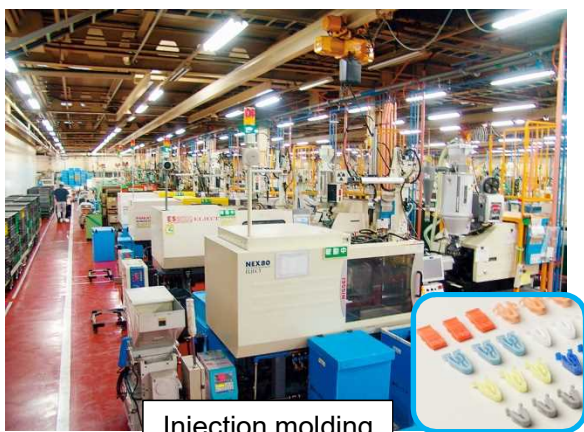
### Our processes



Winding of wire springs



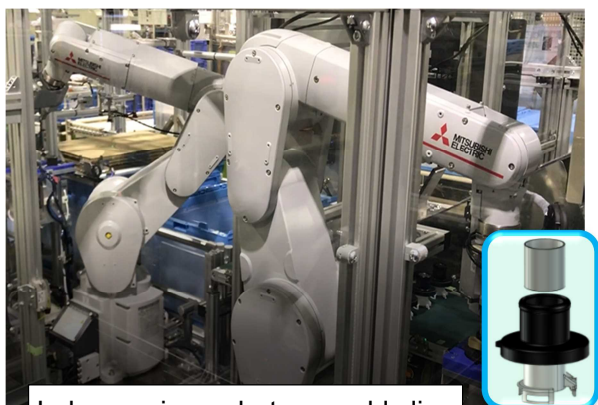
Pressing of flat springs



Injection molding



Cell production line



Labor saving: robot assembly line



Automation: flexible assembly line

## [Corporate Governance]

### <Basic Concepts>

Piolax understands that corporate governance is a fundamental framework for corporate management to comply with laws and regulations, observe ethics, and ensure transparency, in terms of its relationship with a variety of stakeholders including shareholders, customers, employees, and suppliers. Recognizing that enhancement of our corporate governance as a top priority, we are taking action.

#### (1) Securing shareholders' rights and equity

In order to practically secure shareholders' rights, we will comply with laws and regulations, and establish an environment where all shareholders can appropriately exercise their rights, with due consideration also to non-Japanese and minority shareholders.

#### (2) Appropriate collaboration with stakeholders other than shareholders

Piolax considers its corporate value as being more than just financial value, and as a sum of financial value and social value closely connected to the financial value. We will implement appropriate collaboration based on our visions for each categories of stakeholders such as employees, customers, suppliers, creditors, and communities. The Piolax's board members and employees regard compliance as a top priority and respect all stakeholders' rights and positions and will exercise leadership to accomplish a corporate culture where collaboration with all stakeholders is achieved.

#### (3) Appropriate information disclosure and ensuring transparency

In order to voluntarily provide a clear explanation of financial information, as well as non-financial information such as business strategies/challenges, risks, and governance, the top management themselves will make efforts in providing information that is well-balanced, easy to understand, and very useful.

#### (4) Responsibilities of Board of Directors

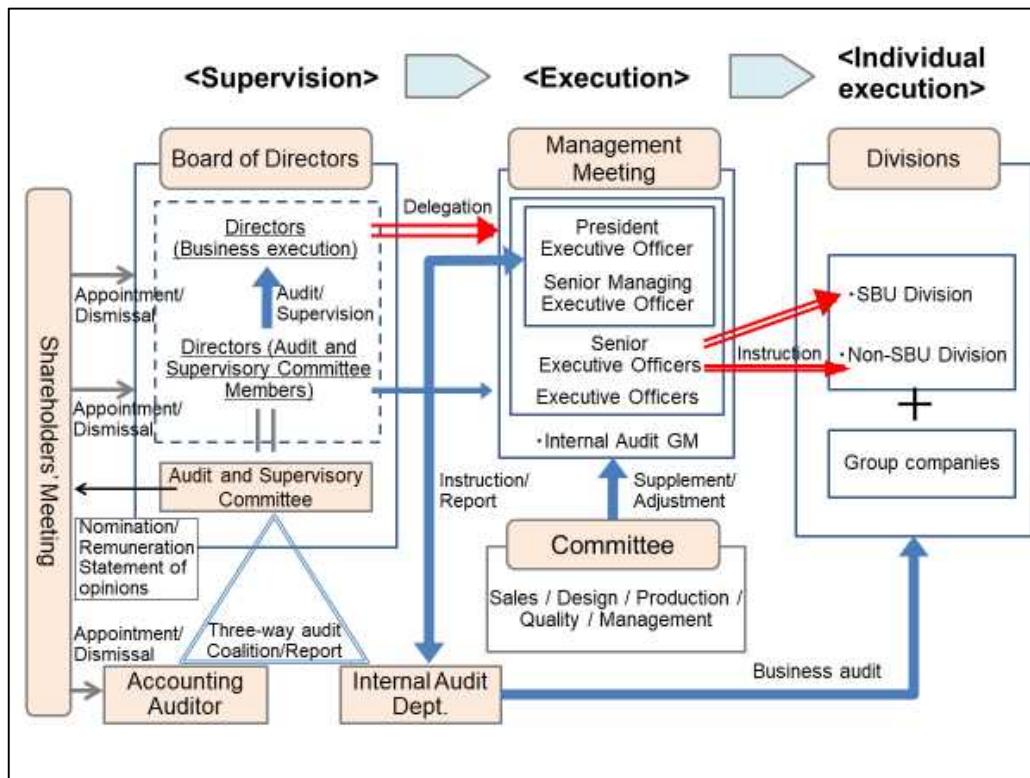
Based on its fiduciary responsibility and accountability to the shareholders, the Board of Directors will adequately fulfill its roles and responsibilities such as planning and executing important corporate strategies and establishing internal control and risk management systems, in order to ensure Piolax's continued growth, enhance its medium- to long-term corporate value, and improve its earning power, capital efficiency and so on.

#### (5) Conversations with shareholders

The top management, including the President, will engage in a variety of investor and shareholder relations activities to promote constructive and purposeful conversations with the shareholders in order to ensure Piolax's continued growth and to enhance its medium- to long term corporate value.

### <Corporate Governance System>

Piolax has adopted the existing system, believing that its continued growth and the enhancement of its medium- to long-term corporate value will be ensured by strengthening the audit and supervisory function for the Board of Directors and by setting up a monitoring board. According to the resolution of the 100th annual shareholders' meeting held on June 28, 2016, Piolax has transitioned from a company with a Board of Company Auditors to that with an Audit and Supervisory Committee.



- The Board of Directors is chaired by the President and consists of nine Directors (among them, three are Outside Directors) . It is the highest organization that makes decisions about important business objectives, business strategies, etc.
- The Audit and Supervisory Committee is chaired by the chairperson of this committee and consists of three Directors who are Audit and Supervisory Committee Members (one full-time and two part-time Audit and Supervisory Committee Members). Using the internal control system, this committee conducts audit for the performance of the duties of Directors and for the overall performance of duties of management of group companies.
- The Nominating and Compensation Advisory Committee is chaired by the Senior Managing Director and consists of five Directors, the majority of which are Outside Directors. It was set up as a voluntary advisory body for the Board of Directors with a view to fairly determining the selection/removal of Directors and remuneration they receive.

The Management Meeting is chaired by the Senior Managing Director and consists of Representative Executive Officers and Senior Executive Officers. They are held to make decisions necessary for the execution of specific operations, based on the management policies defined by the Board of Directors.

- Piolax has selected Ernst & Young ShinNihon LLC as an accounting auditor and established an environment where a fair and impartial audit is conducted.

### <Implementation of Measures Taken for Corporate Governance>

At Piolax, a regular board meeting is held once a month to determine basic management policies and important matters and to supervise the execution of duties by Directors. An executive officer system is adopted, and part of the Board of Directors' authority to execute the duties is delegated to the Management Meeting in order to accelerate the company's decision-making process. Managerial information is shared between the Board of Directors and the Management Meeting to thoroughly implement the operation policies and to establish a system that increases the sensitivity to management risk.

### <Internal Control System>

While maintaining the "Basic Policy on Internal Control System" and "Basic Policy for Internal Control System concerning Financial Reporting", Piolax is continuing the activities for the Group's internal control system, including establishing and operating the system and evaluating its effectiveness every year, under the internal control structure headed by the President, in order to achieve sound, efficient, and fair corporate control.

Specifically, we have established "company-wide internal control", "internal control for business processes", "internal control for accounts settlement and financial reporting" and "internal control for IT" as part of our internal control system, and we have prepared the checklists, job assignment tables, business process descriptions, business flow charts, risk control matrices, etc. for each of these controls, and conducted evaluation.

Link: [Corporate Governance Report](#)

Link: [Basic Policy on Internal Control System, Basic Policy for Internal Control System concerning Financial Reporting](#)

### < Corporate Governance Education >

Piolax conducted internal training for all personnel in managerial positions under the theme of "roles and support functions of internal audit". We will strive for sound and continuous growth as a company by recognizing anew how internal audit functions and what awareness employees must have when they work.

## [Risk Management]

We at Piolax are striving to prevent any potential risk in the business activities. We are also striving to minimize the impact of a risk on the business and company if it occurs.

### <Information Security System>

Piolax has formulated the “Guidelines for Prevention of Confidential Information Outflow” and has taken drastic and effective measures against the risk of leakage of confidential information, striving to protect information assets. Based on these guidelines, we are performing activities to improve and enhance our confidential information management system including information security, and to ensure the proper management of corporate information. As a response to cyberattacks that have become more sophisticated and complex in recent years, we are providing in-house education and email attack training on a global basis.

### <Business Continuity>

In order to quickly grasp the extent of damage and recover as early as possible if a large-scale disaster occurs, Piolax has formulated a BCP (Business Continuity Plan), developed a safety confirmation system and emergency contact network, and deployed stockpiles.

We organized the COVID-19 Control Committee in 2020 to continuously share information about the infectious disease in the entire group. At the same time, we are promoting thorough handwashing, gargling, wearing of masks, temperature checks, disinfection and droplet precautions, and the development of operations and manuals in preparation for infected personnel.



### <Disaster Measures>

For preparation for disasters, all employees carry a business card-sized “Disaster Response Manual” containing emergency action guidelines.



## [Compliance]

The Piolax Group has set up the “Compliance Committee” chaired by the President as an organization to administer overall compliance practices. This committee is establishing a structure to promote compliance management that complies with laws and regulations, the articles of incorporation, and Piolax’s management policies.

### <Piolax Code of Conduct>

With its corporate identity of being a “pioneer in creating elasticity”, the Piolax Group is committed to achieving management that can broadly contribute to industry and society in the automotive and medical fields. For operating business activities, the Group has established a basic code of conduct so that all board members and employees act with high ethical standards as a business person with good sense. In addition to this, it is trying to increase their compliance awareness by providing periodic education.

Link: [Piolax Code of Conduct](#)

### <Elimination of Antisocial Forces>

The Piolax Group will take a resolute stance against unreasonable demands by any antisocial forces and will have no relationship with them. The relevant departments gather information about antisocial forces in cooperation with external professional organizations and disseminate the information throughout the company by training, etc.

### <Initiatives for Conflict Minerals Regulations>

Human rights protection and labor issues upstream of the supply chain are urgent issues for companies. The Piolax Group is working with its suppliers to investigate these issues, recognizing the importance of responsible procurement of minerals.

### <Whistle-blowing System>

Piolax has set up whistle-blowing contact points to obtain information about compliance. An employee who discovers a compliance problem can report it directly to the contact department. Such a report can also be provided anonymously through a whistle-blowing contact point operated by a third party to ensure whistle-blower protection.

**[Environmental Report]****<Piolax Global Environmental Policy>**

The Piolax Group has updated the Global Environmental Policy. The new Environmental Policy declares initiatives for SDGs, as well as energy conservation, compliance with environmental laws and regulations, and environmental protection in all business fields including the medical device business. This policy aims to minimize the impact of corporate activities on the global environment.

**Basic Policy**

Through our business activities of developing, manufacturing, and selling of our products based on our core technology of “elasticity”, Piolax Group will pursue the realization of a “sustainable society” in which the environment, society, and economy are well balanced.

**Slogan**

We aim for more balance and harmony with the environment.

**Action Guideline**

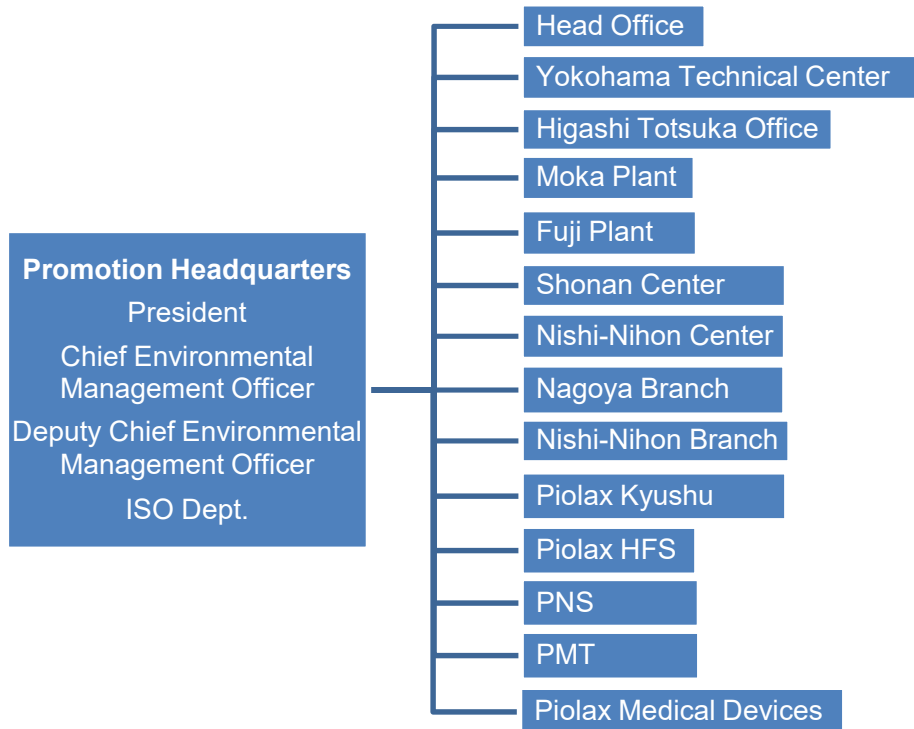
All Piolax Group will work on environmental protection and prevention of environmental pollution in all business areas while continuously improving our management systems and environmental performance.

**<Major Actions>**

- ① Promote environmental improvement activities in line with the President's policy.
- ② Contribute to Sustainable Development Goals (SDGs).
- ③ Make efficient use of energy and effective use of sustainable resources.
- ④ Practice 3R activities (Reduce, Reuse, and Recycle) for the recycling-oriented society.
- ⑤ Comply with environmental laws and regulations and customer requirements.
- ⑥ Engage in environmental social contribution activities.

### <Piolax Environmental Promotion System>

A promotion headquarters having a site's environmental manager and secretariat is organized at each Piolax business site and its domestic subsidiaries to operate the ISO14001: 2015 environmental management system. Piolax Medical Devices joined this system in FY2020.



### <International Certification of Global Environmental Management>

Piolax obtained the international certification of ISO14001 in April 2002, and now six sites in Japan and seven sites overseas get certified for ISO14001: 2015. We will promote our activities to increase the number of certified sites systematically.

#### <Sites which get certified for ISO14001>

Japan	Head Office	Moka Plant	Fuji Plant
	Yokohama Technical Center	Shonan Center	Nishi-Nihon Center

Overseas	PIOLAX CORPORATION (U.S.)	PIOLAX LTD. (U.K.)	PIOLAX CO., LTD. (Korea)
	PIOLAX (THAILAND) LTD.	DONGGUAN PIOLAX CO., LTD.	
	PT. PIOLAX INDONESIA	WUHAN PIOLAX CO., LTD.	

### <Compliance with Environmental Laws and Regulations>

In the past three years, the Piolax Group has not violated any laws or regulations, paid any fines or penalties, or violated any spills relating to a significant environmental impact. No environmental complaint against us has been filed with a court.

PCB (high concentration: 4.16 kg) used in the ballasts of the former Yokohama Technical Center is stored in accordance with the Law Concerning Special Measures Against PCB Waste. We are planning to dispose of the PCB in FY2021 as specially controlled industrial waste.

### <Important Environmental Issues>

Environmental risks, internal/external changes, and environmental performance are reported during an environmental management review (held annually). “Energy, emissions into the air, and waste” addressed in the materiality analysis are positioned as important environmental issues for the Piolax Group. We will work on 3Rs (Reduce, Reuse and Recycle) in our business activities, strive to achieve the target for reducing greenhouse gas (GHG) and waste throughout the supply chain, mitigate climate change, and effectively utilize water and other resources. In FY2020, we set a target for reducing CO2 emissions in Japan and began efforts toward a decarbonized society.

\* Details are indicated in the environmental performance data.

### <Activities at Production Sites>

#### Energy-saving improvement

Piolax and its group companies in Japan have introduced LED lighting equipment and adopted high-efficiency motors and inverter control for their plant and production facilities to implement energy management aimed at energy saving.



LED light in the premises



High-efficiency motor, inverter control compressor, cooling chiller

### <Wastewater Improvement and Biodiversity>

In response to the establishment of environmental standards for nitrate nitrogen contained in wastewater from the heat treatment process, Moka Plant changed its wastewater treatment facility from that using a conventional acid-alkali treatment to that using a biological denitrification method that can remove nitrogen compounds by the action of microorganisms.

This contributes to environmental protection and biodiversity in the plant's watershed (the Kinugawa River system). The new facility saves approximately 170 tons of water per day compared to the conventional one, reducing the impact on water resources.

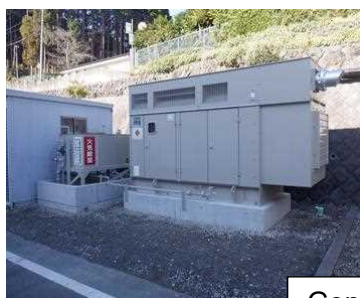


Moka Plant: Wastewater treatment facility using a biological denitrification method

### <Disaster Risk Preparedness>

To respond to climate change, Piolax's Moka Plant, Fuji Plant, Shonan Logistic Center, and Piolax Medical Devices have installed generators, as part of a plan to continue basic functions of the plants in the event of long power outages due to natural disasters. To minimize the risk of power outages, Moka Plant has prepared to supply power during power outages to the heat treatment line and the water supply system, and Fuji Plant to the plant's office and part of the production facilities, Shonan Logistic Center to the order-receiving system, and Piolax Medical Devices to the logistics activities and sterilization rooms.

In addition, Moka and Fuji Plants have installed adjustment ponds as a countermeasure against the risk of flood damage, which has been increasing in recent years.



Generators

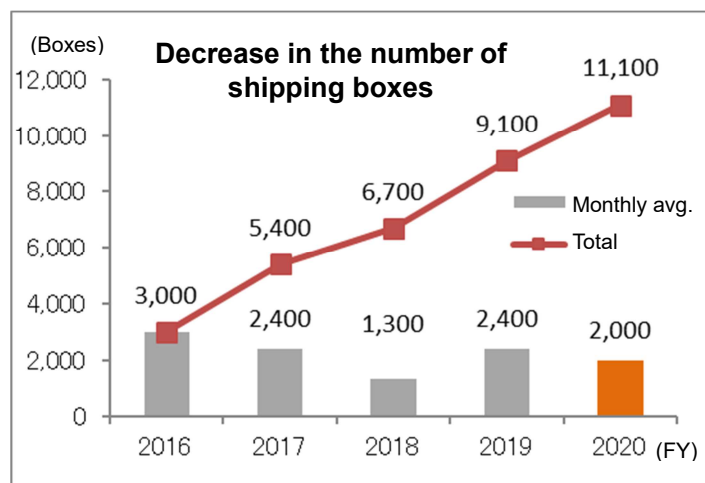
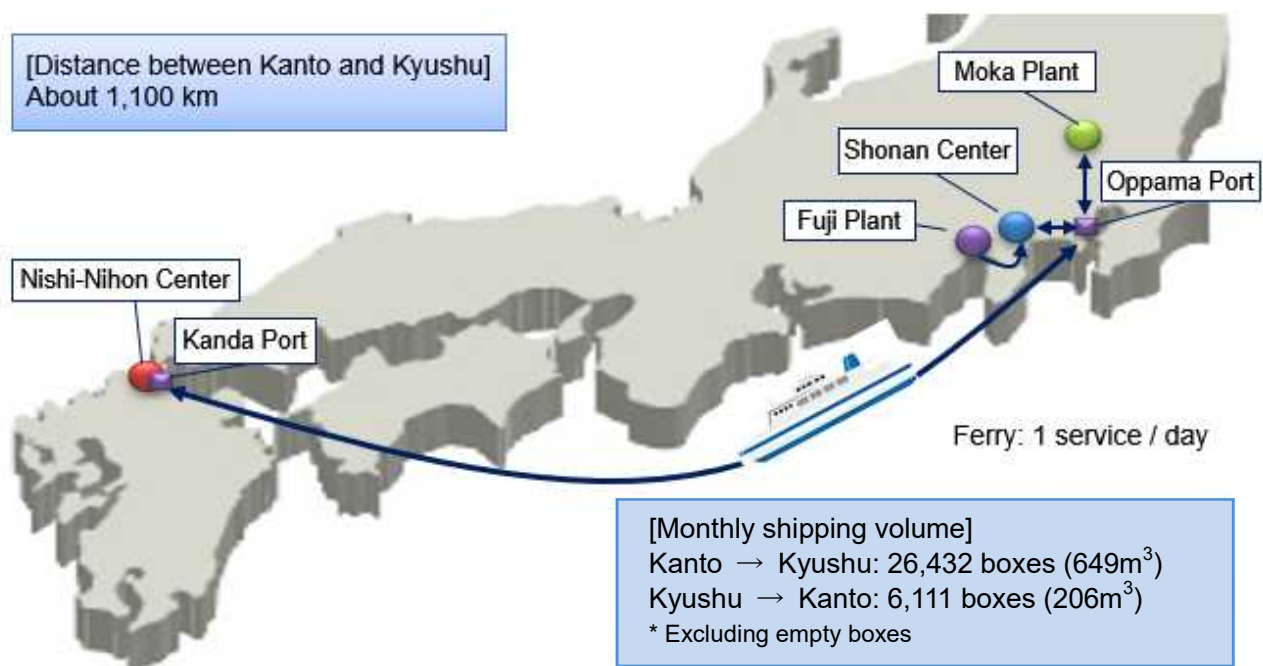


Adjustment pond

### <Efforts by Logistics Departments>

As an effort to reduce greenhouse gas emissions during product transportation to our customers, we have implemented a modal shift by ferry for logistics between our production plants in Honshu (the main island of Japan) and our customers in the Chugoku and Kyushu regions. In FY2020, we reduced CO<sub>2</sub> emissions by 377 tons.

In addition, we have reduced the number of containers (transportation frequency) by increasing the number of products put in a packing box, and for overseas exports by increasing the number of products put in a container and by using high-cube containers.



## <Efforts by Design and Development Departments>

### Survey of environmentally hazardous substances

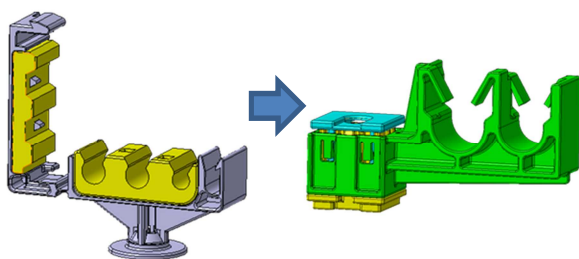
Yokohama Technical Center tracks revisions to each country's laws and regulations and customer requirements related to environmentally hazardous substances and compiles the information into a database for use by development and production engineering sections in an effort to provide our customers with safe products.

### Our environmentally conscious products

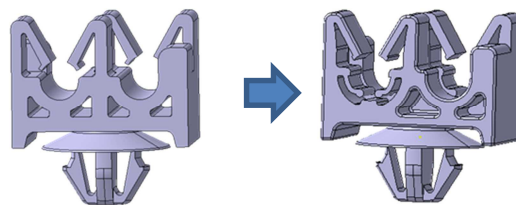
Yokohama Technical Center takes the lead in developing products that contribute to the environment. They include standardized and lightweight fasteners, powertrain units with reduced environmental impact, shared components for improved in-car convenience, and fuel system parts complying with fuel regulations in each country.

### Fasteners - Weight reduction and integration of clips for fixing automobile piping

With regard to clips for fixing integrated piping under the car floor and inside the engine room, we have developed clips with a structure that does not transmit vibrations to the car body and have redesigned clips to eliminate the need to use different clips for different piping diameters. These efforts have realized weight reduction of the clips and higher operation efficiency at customers.



Weight of vibration isolators reduced by 70%



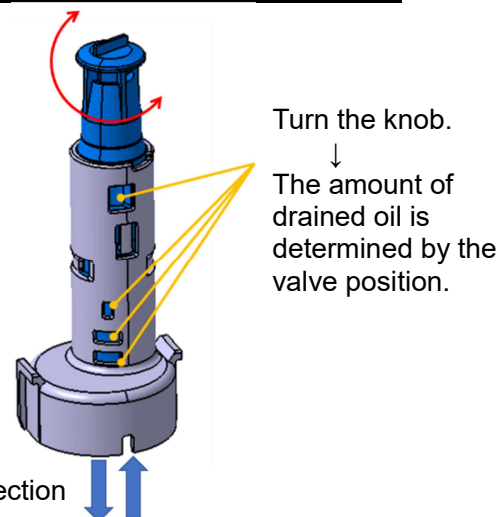
Weight reduced by 4%, piping diameter absorption margin increased by 35%

### Powertrain parts - Oil injection and drain tube with an automatic adjustment of drained oil

The automatic transmission connected to the engine uses a special oil different from the engine oil.

When the oil was changed, it was all disposed of in the past.

By developing a tube with a valve function that minimizes the amount of oil required for oil change according to the condition of the oil, we have reduced the amount of waste oil and environmental burdens.

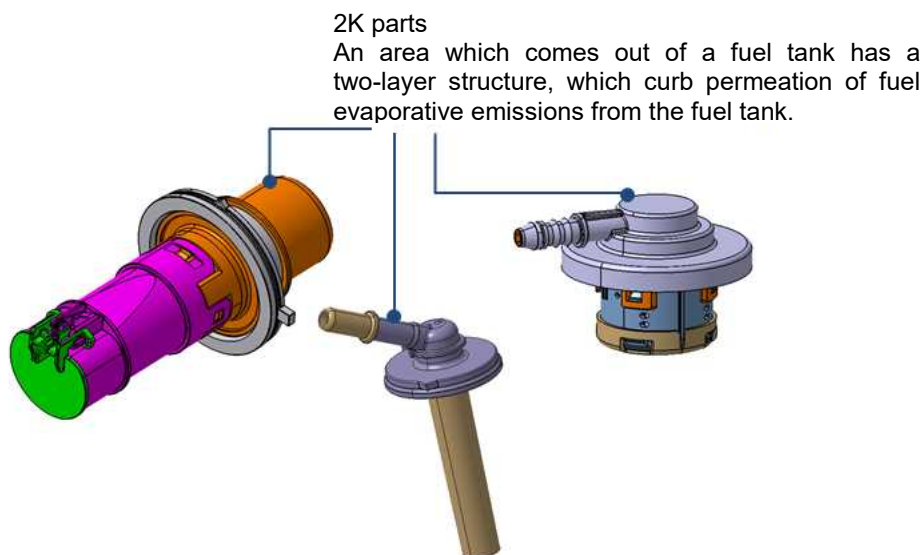


### Fuel system parts - 2K\* parts for automotive fuel tanks

Fuel evaporative emissions that permeate fuel tanks are a cause of photochemical oxidants. To reduce the permeation amount of these emissions, we have developed a series of fuel tank parts using 2K technology that comply with fuel permeation regulations being strengthened in various countries.

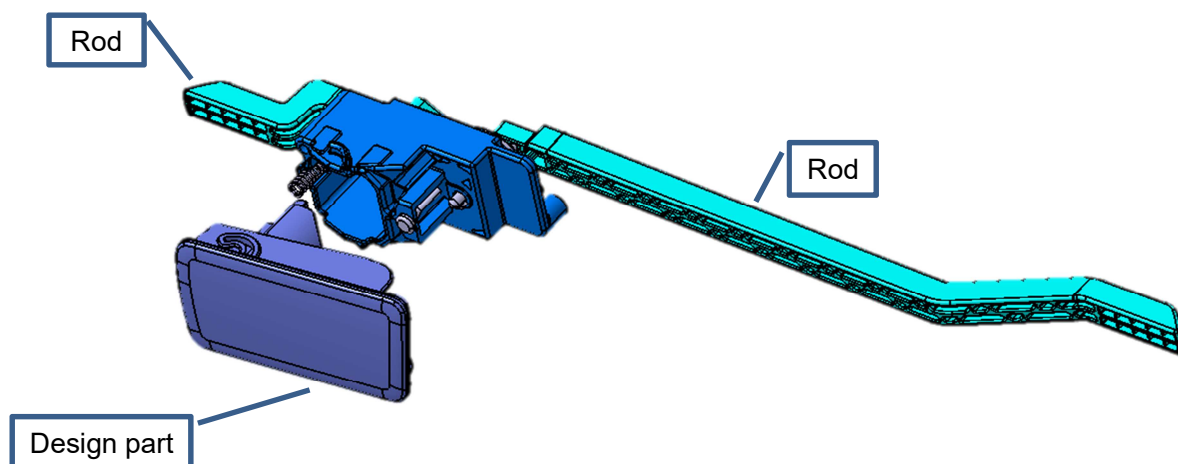
\* 2K indicates two-color molding technology which uses adhesive resins.

This term comes from a German word “2 komponente” (two components).



### Open and close mechanism parts - Shared components of compartment door latches for passenger seats

Compartment door latches, which have been improved to be easily operated from both driver's and passenger's sides, contribute to the reduction of greenhouse gas emissions from a productivity perspective by standardizing the basic mechanism parts other than the design part and operating rods.



## &lt;Environmental Performance Data&gt;

**Greenhouse gases from corporate activities**

The Piolax Group collects data on greenhouse gas emissions generated by our business activities in association with the following: direct emissions (Scope 1), energy-derived indirect emissions (electricity) (Scope 2), and other indirect emissions (Scope 3) in the supply chain. Direct emissions Scope 1 and direct discharged energy consumption trace back to 2016, and kerosene was additionally calculated.

**Scope 1 and Scope 2**(Unit: t-CO<sub>2</sub>e)

Classification		FY2016	FY2017	FY2018	FY2019	FY2020
Total emissions in the supply chain	Scopes 1+2	50,328	49,903	49,402	47,772	42,933
Direct emissions (Gas, kerosene)	Scope 1	1,730	1,864	2,073	2,756	2,544
Indirect emissions (Electricity)	Scope 2	48,598	48,039	47,329	45,016	40,389

- Scope 1: For emission factors in Japan, the emissions basic unit database (ver. 3.1) which is provided by the Ministry of the Environment for accounting for an organization's greenhouse gas emissions, etc. throughout its supply chain is referred to.

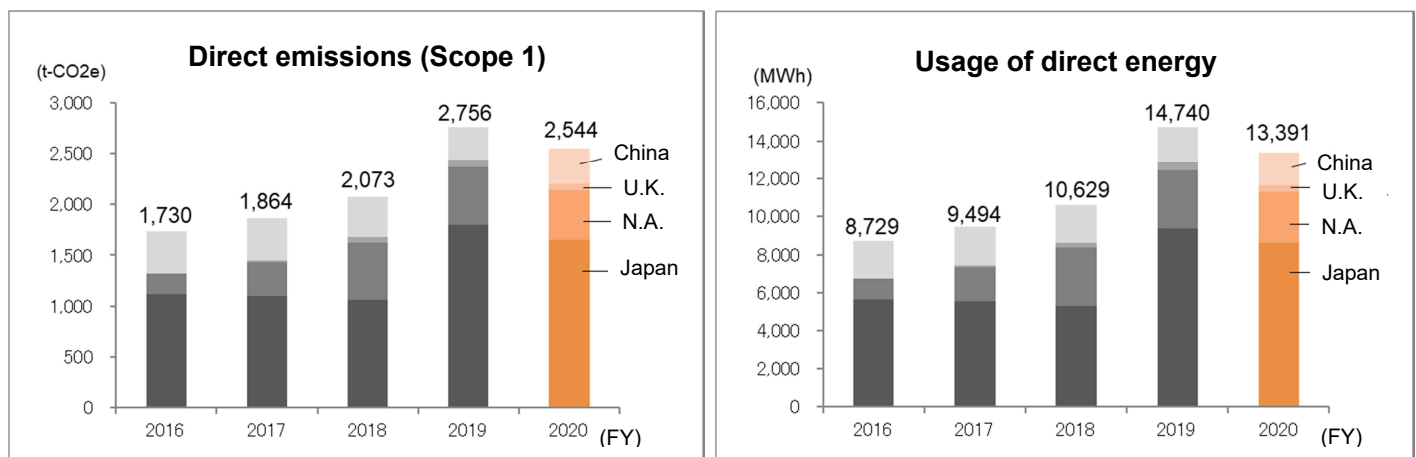
"List of calculation methods and emission factors in calculation, reporting, and publication systems" (Exhibit 2, emission factors related to fuel use)

For overseas, contracted companies' values are used.

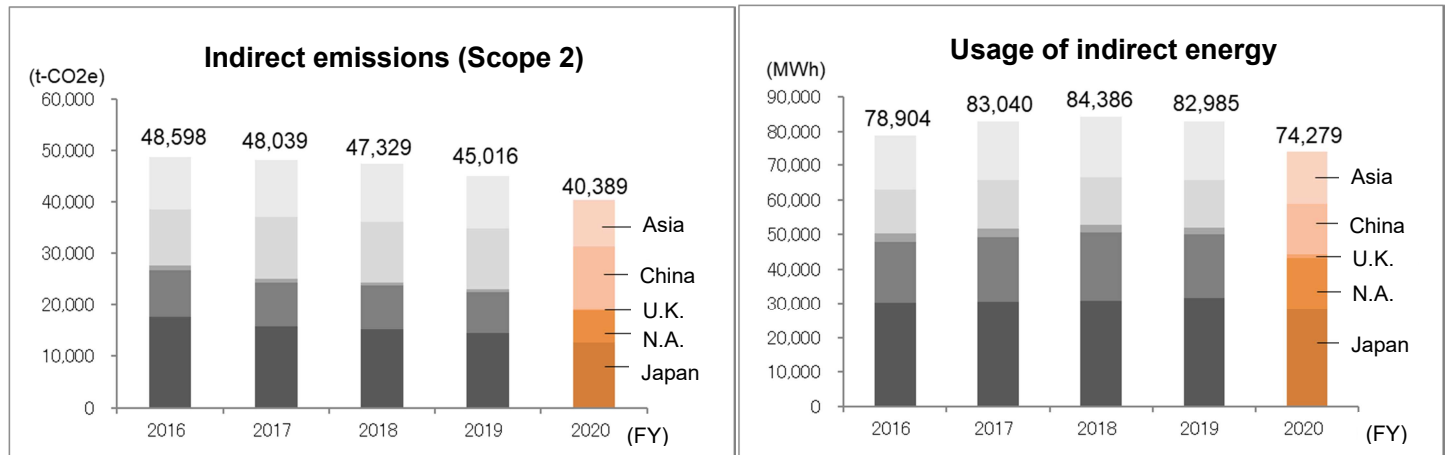
- Scope 2: Emission factors are calculated using the standard values for the locations.

Japan: National average factor = A value for general electricity transmission and distribution business operators excluding Okinawa

Overseas: IGES, carbon footprints, Climate Transparency, UK Government GHG conversion factors.



- Japan: Piolax Medical Devices is included since FY2019.
- The unit of energy usage is unified to MWh.
- Kerosene is added, tracing back to FY2016.



- Japan: Piolax Medical Devices is included since FY2019.

- Scope 2: Emission factors in Japan and overseas are calculated using the standard values for the locations.

### Scope 3

(Unit: t-CO<sub>2</sub>e)

Category	Contents	FY2020	Remarks
1	Purchased products and services	37,077	Materials procured: Piolax Group Others: Excluding overseas sites
2	Capital goods	9,220	Equipment and mold investment: Piolax Group
3	Activities related to fuel and energy not included in Scopes 1 and 2	5,515	Electricity, gas and kerosene: Piolax Group
4	Transportation and delivery (Upstream)	1,174	(Ton-kilometer method): Excluding overseas sites
5	Waste from business activities	275	Industrial and general waste: Excluding overseas sites
6	Business trips	46	Excluding overseas sites
7	Employee commuting	455	Excluding overseas sites
8	Lease assets (Upstream)	2,300	Contract warehouses for production plants in Japan
9	Transportation and delivery (Downstream)	2,589	(Ton-kilometer method): Excluding overseas sites
10	Processing of products sold	NA	No data obtained
11	Use of products sold	NA	No data obtained
12	Disposal of products sold	NA	No data obtained
13	Lease assets (Downstream)	59	1st floor of the Head Office
14	Franchise	NA	NA
15	Investment	NA	NA
Total		58,710	

- Scope 3: The basic guidelines on accounting for greenhouse gas emissions throughout the supply chain (Ver. 2.3) are referred to.

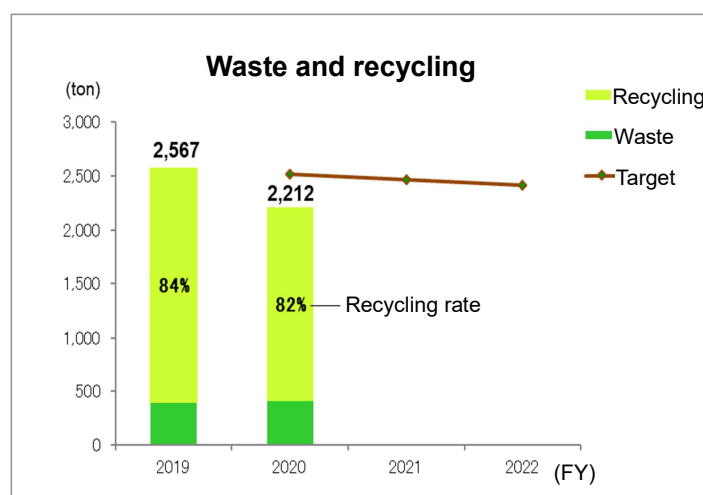
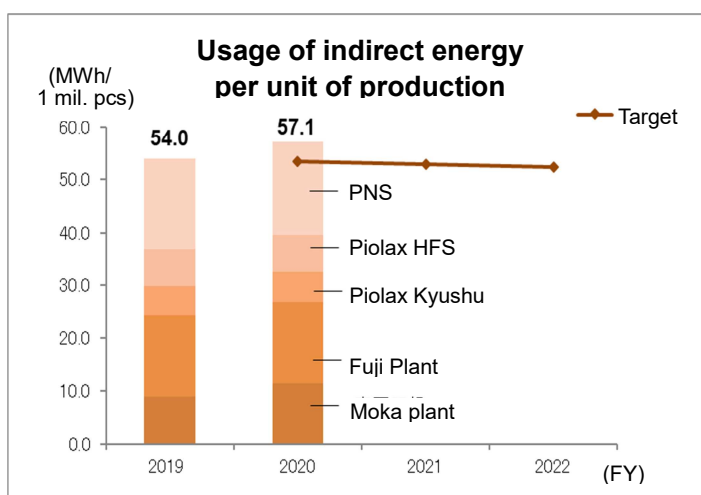
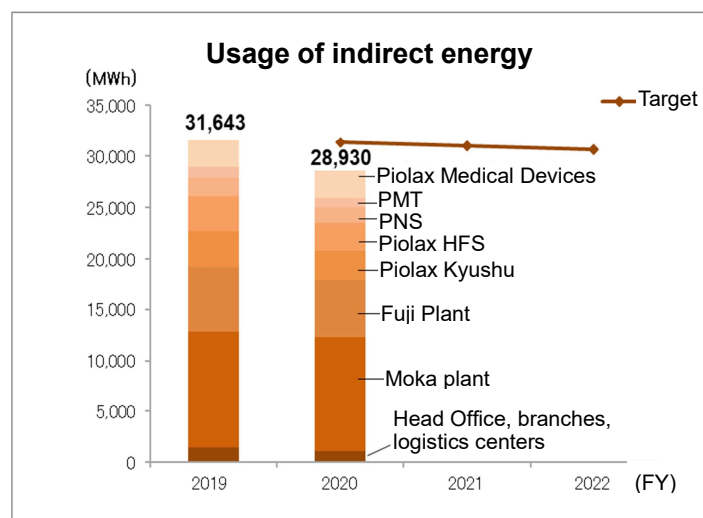
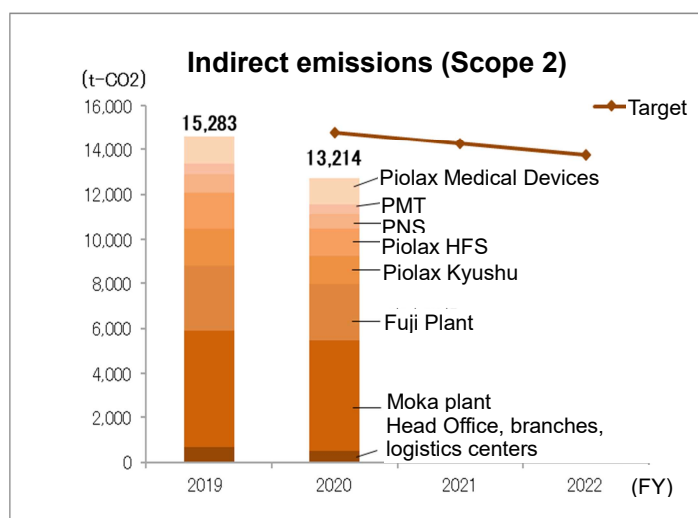
For emission factors in Japan, the emissions basic unit database (ver. 3.1) which is provided by the Ministry of the Environment for accounting for an organization's greenhouse gas emissions, etc. throughout its supply chain is referred to.

LCI database IDEAv2 (for calculating greenhouse gas emissions from the supply chain).

(Among purchased products in Category 1, data on Japanese subsidiaries' products included in Scope 1 or 2 was reviewed and deleted.)

## Medium-term environmental targets and results

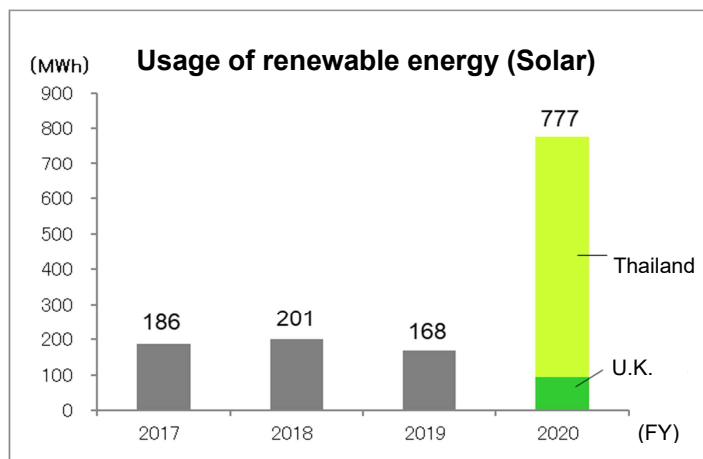
Piolax and its Japanese subsidiaries have been carrying out activities by setting a 10% reduction in CO2 emissions from electric energy, a 3% reduction in total energy usage, a 3% reduction in energy usage per unit of production (production output: 1 million pieces) by production plants (except Piolax Medical Devices and PMT), and a 6% reduction in the total amount of waste, as the 7th medium-term environmental targets for the three-year plan until FY2022 with FY2019 as the benchmark. In FY2020, CO2 emissions, the total energy usage, and the total amount of waste reduced by 14%, 10%, and 14% respectively from the FY2019 levels, whereas the energy usage per unit of production increased by 6%. This data reflects the impact of the COVID-19 pandemic.



- Usage of indirect energy per unit of production: Piolax and its three domestic subsidiaries (excluding Piolax Medical Devices and PMT)

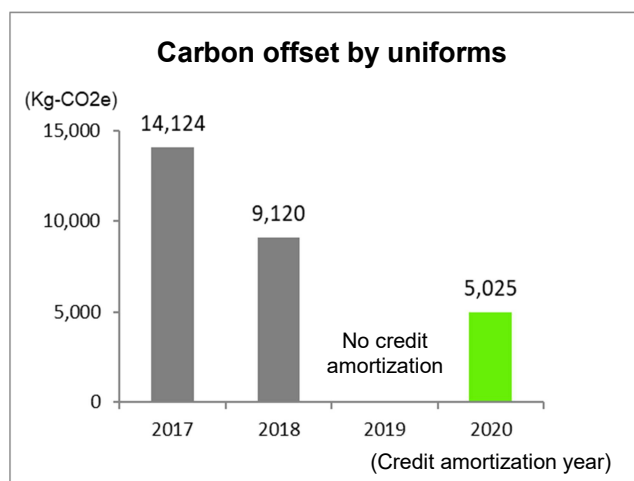
### Approaches to renewable energy

PIOLAX LTD. In the U.K. started self-supply of renewable energy by solar panels in 2017, followed by PIOLAX (THAILAND) LTD. in 2020. The effect of greenhouse gas emission reduction in FY2020 was 416 (t-CO<sub>2</sub>) compared to the market standard.



### Approaches to carbon offset

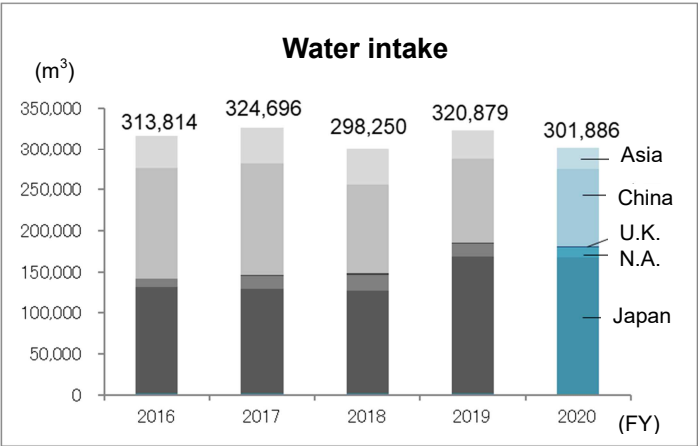
Piolax and its domestic subsidiaries purchase carbon-offset uniforms (work clothes). In 2020, carbon credits for the uniforms contributed to an energy-saving project in which heat-recovery heat pumps were introduced in Nagoya University Hospital.



Water intake data

The Piolax Group keeps track of water intake data for water management. In FY2020, the water intake reduced by 6% from the FY2019 level. In FY2020, we used a third-party water source and renewable groundwater as water intake sources at a ratio of 50:50.

Furthermore, as a water-related risk in FY2020, the amount of water taken from water stress areas (Mexico and India according to the WRI AQUEDUCT Water Risk Atlas (Water Stress Area Extremely High)) is 4,428 m<sup>3</sup> (Mexico: groundwater 2,626 m<sup>3</sup>, India: industrial water for industrial complex 1,802 m<sup>3</sup>), which is 1.5% of the total water intake of the Piolax Group.



## 【Quality Report】

### <Piolax Global Quality Policy>

As an expected company, the Piolax Group will step up stable manufacturing aiming to further improve customer satisfaction and increase corporate value.

#### **Basic policy**

Deliver quality of the greatest satisfaction to customers.

#### **Action guidelines**

Seven Action Guidelines are set in order of major manufacturing processes from design development to production.

1. Meet customer needs by achieving robust design.
2. Build high quality process to secure design quality.
3. Enforce 5S and create a clean and safe work environment.
4. All good parts by following work standards and procedures.
5. Quality check is mandatory when trouble or change occurs.
6. Train operators to be keen and alert to “quality issues”.
7. Continuous quality improvement by all employees

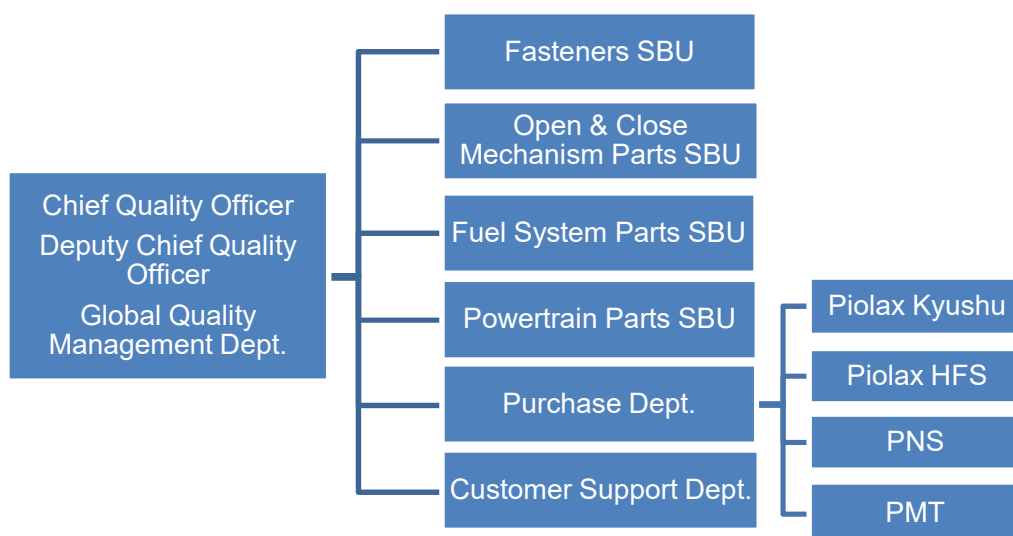
### <International Certification of Global Quality Management>

Piolax has continued its efforts to obtain international certifications of quality management: it obtained QS9000 in 2001, followed by ISO9001, ISO/TS16949, and IATF16949: 2016 in 2017. Its ten overseas subsidiaries have all obtained IATF16949: 2016. Concerning the domestic subsidiaries for production, Piolax Kyushu, Piolax HFS, and PNS have got certified for ISO9001: 2015. Also, Piolax Medical Devices has got certified for ISO13485: 2016 (medical devices quality management system). Piolax will endeavor to raise the level of international quality standards systematically as a group.

### <Quality Management System>

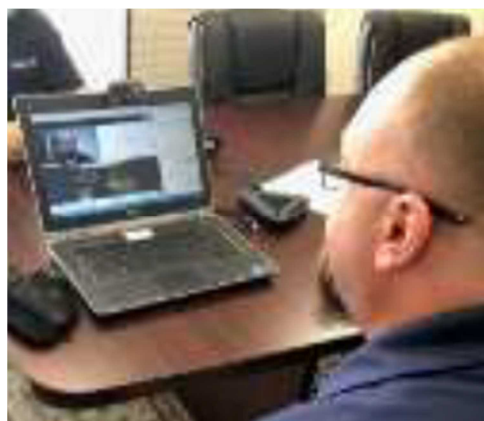
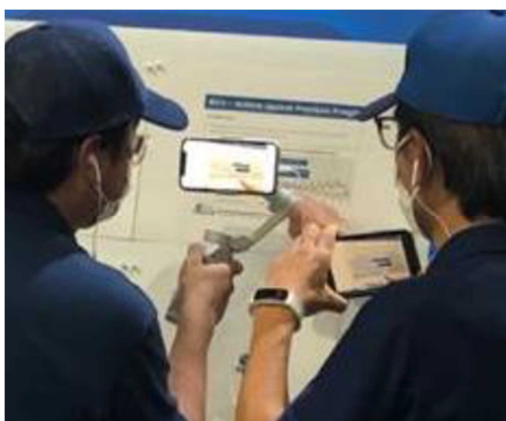
Piolax and its domestic subsidiaries have established a quality management system led by the Chief Quality Assurance Officer, the Deputy Chief Quality Assurance Officer, and Global Quality Management Department as described in the Piolax domestic quality assurance system diagram for the purpose of taking action by Product SBUs, Purchase Department, and production subsidiaries with expertise specific to product characteristics. Also, the integrated quality assurance system from production to delivery is in place including Customer Support Department which delivers products to our customers.

#### Piolax quality assurance system diagram in Japan



### <Global Quality Meeting>

Global Quality Management Department holds the Global Quality Meeting four times a year to raise the level of quality assurance operations at overseas bases. In FY2020, we shared all information with overseas sites through online meetings. With regard to operations that require on-site inspections, such as process audits, in particular, we can now provide appropriate advice from Japan in a timely manner by utilizing videos and distributing live videos.

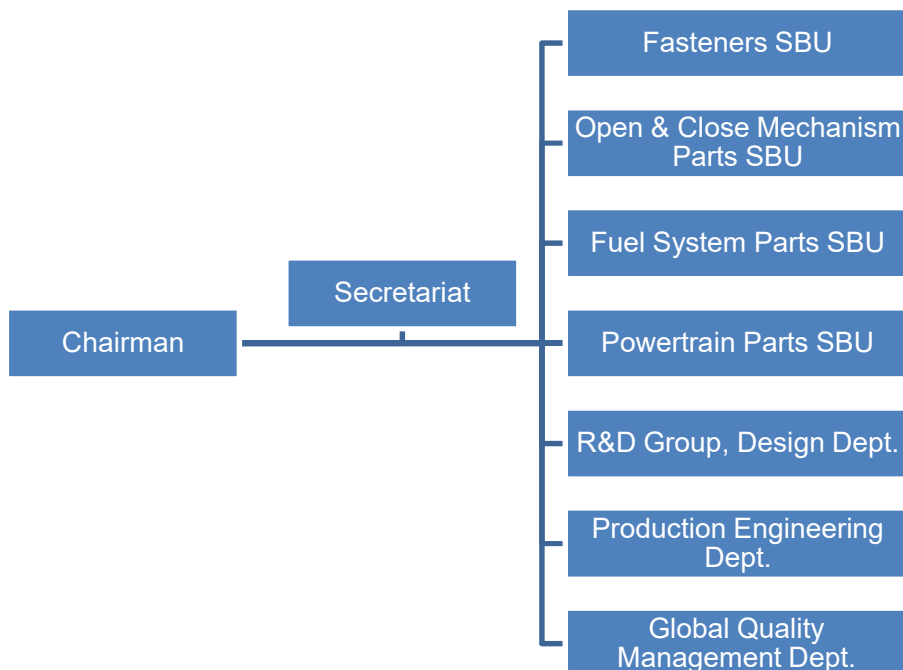


## [Value Chain Engagement]

### <Global Engineering Standards>

Since 2006, Piolax has been establishing the Piolax Engineering Standards (P-ES) based on the idea of the Japanese Industrial Standards (JIS) with a view to build and specify expertise.

For its operation, Piolax Engineering Standards Committee and seven working teams are set up. They create new standards and review the existing standards annually. So far, 148 standards have been prepared.



### <Education for Next-generation Engineers>

Design Department holds a monthly education program to develop young engineers in all departments related to products. The education curriculum covers a wide range of themes, including design support tools, quality engineering, automotive structures, environmentally hazardous substances, the latest automotive technologies, and laws and regulations.

In FY2020, 12 lectures were given online, and a total of about 1,600 people from Japan and overseas attended.



### <Yamabiko Kaizen Activity>

The Yamabiko Kaizen Activity is a general term for monthly improvement activities that have continued since 2007 at Moka and Fuji Plants. This activity is named hoping that improvements will be made at the speed of sound, not the speed of light, and that the effects will propagate like mountain echoes ("yamabiko" in Japanese). In this activity, employees report production site improvement and production management status, and the Chief Quality Officer, the Deputy Chief Quality Officer, and Board Members in charge review the report on the spot. The employees can get quick and appropriate responses, which raises their motivation. This activity has been expanded to group companies in Japan, and overseas production sites are also making similar improvement efforts to improve on-site capabilities and quality. In FY2020, this activity was conducted online in Japan and on worksites in overseas companies with measures taken against infectious diseases.

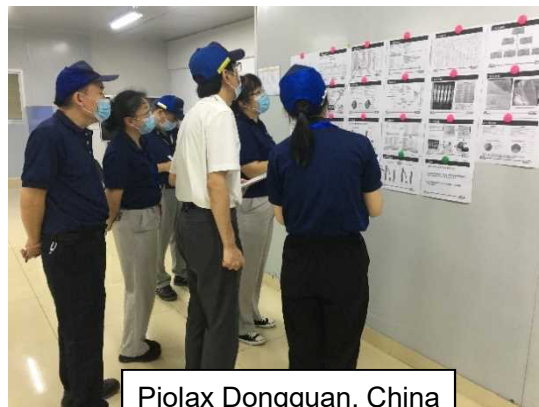


Moka Plant

(Due to the COVID-19 pandemic, no field tour was conducted, and training was held in multiple meeting rooms to avoid close contact and crowded places.)



Piolax Wuhan, China



Piolax Dongguan, China



Improvement of 100% inspection at Piolax Thailand

### <Global Production Meeting>

The Piolax Group holds an annual technology-exchange meeting for manufacturing sections of production sites in Japan and overseas. It aims to increase the levels of quality and technologies through activities such as providing advice for equipment design (e.g. labor saving, automation), giving on-site guidance for process improvement methods, and conducting an injection molding skill test for overseas members. In FY2020, the exchange meeting was delayed and held online on May 28, 2021, with a participation of a little under 60 people in Japan, China, Indonesia, India, South Korea, Thailand, etc. For overseas sites that were unable to participate due to time differences, we will separately hold follow-up meetings and distribute videos of the meeting.



Report from participants



On-site lecture for improvement with actual items



On-site explanation for improvement



Mold disassembling training



Injection molding skill test  
(Practical test)



Injection molding skill test  
(Written test)

### <Global Report Meeting of Small Group Activity>

Since 1979, Piolax has continued to hold an annual report meeting for improvement activity led by each workplace. It provides employees with opportunities to report their improvement activity directly to the management and thereby raises their awareness for improvement. It works as employee training and contributes to enhance the level of on-site capabilities. Overseas subsidiaries have joined this meeting since 2012, and the name of meeting has been changed to the current one. This is a meaningful activity where overseas participants can directly experience Japanese “kaizen” and take it back to their workplaces to make further “kaizen”.

In FY2020, the annual meeting, which usually takes place in January, was held in July and August 2021, and a reporting method was changed from a conventional presentation style to a review style of materials with audio.

### <Supplier Engagement>

For suppliers from which we purchase products and materials, we hold an annual policy meeting (in March) and an interim report meeting (in November). These meetings include an explanation of the Piolax President’s policies and purchasing policies as well as lectures about quality and provide a forum to have a dialogue about annual activity plan and its progress and to strengthen the relationship of trust. In the annual policy meeting, excellent suppliers according to the annual QCD evaluation system are awarded. In FY2020, both meetings were canceled due to the COVID-19 pandemic.

### <Quality Control Standards>

Purchase Department provides each supplier with the “Quality Evaluation Standards for Suppliers” that reflect the requirements of the IATF16949: 2016 in order to clearly indicate our quality control standards. As an example of our efforts, we have established an inspector certification system for inspectors engaging in the suppliers’ final shipment inspection with an aim to enhance product assurance. As of 2020, 457 people of 49 suppliers are registered as certified inspectors.



**<Working with Suppliers to Comply with Environmental Regulations>**

We annually distribute the latest version of the Piolax Engineering Standard (P-ES) summarizing the requirements for environmentally hazardous substances, and we conduct surveys of such substances and conflict minerals in regard to deliveries to Piolax, such as materials and parts.

The results of the FY2020 survey of environmentally hazardous substances are all in compliance with the in-house standards. Concerning the survey of conflict minerals, we cooperate with suppliers to improve the response rate and investigation accuracy for minerals of concern.

## [Safety and Health]

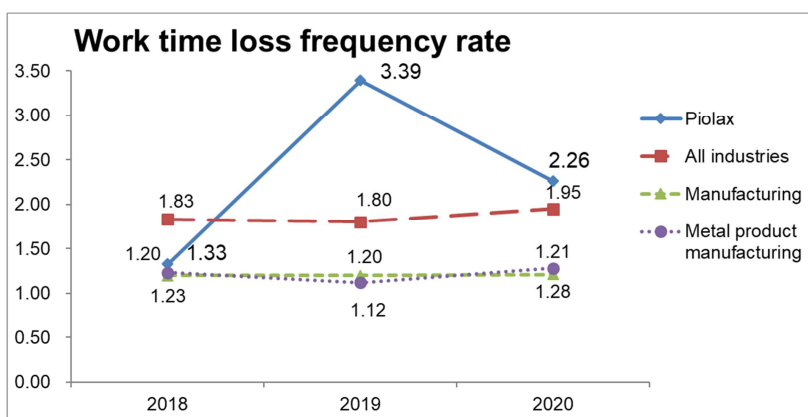
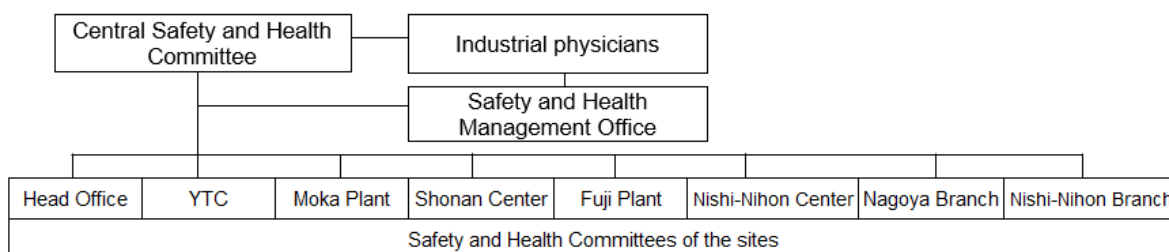
### <Concept of Safety and Health>

The source of vitality that supports our management environment is “human resources”, or employees and their families. Enhancing employees’ safety and health is one of our most important management goals. We aim to create a safe and comfortable workplace free from occupational accidents, traffic accidents, and occupational diseases.

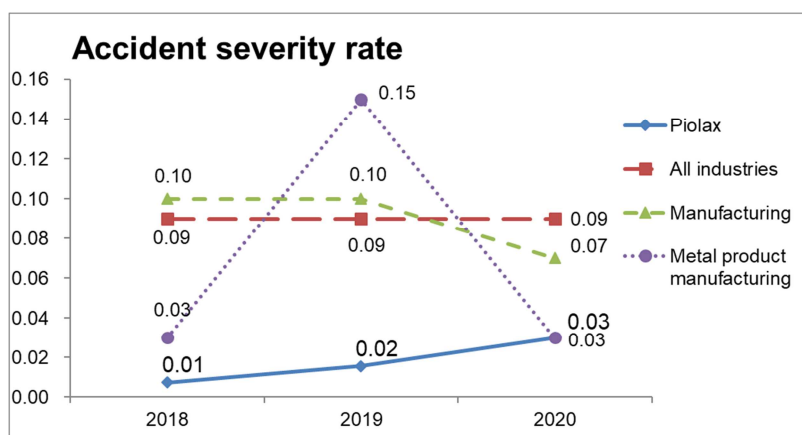
### <Structure for Occupational Safety and Health Activities>

Piolax is operating the occupational safety and health management system through coalition of the Central Safety and Health Committee and local safety and health committees at respective business sites and plants. The Central Safety and Health Committee is chaired by the President and consists of members of local safety and health committees, industrial physicians, persons recommended by the labor union, and other appropriate persons, and the ratio of labor to management is the same.

It aims to secure employees’ safety and health in workplaces and ensure smooth operations and productivity improvement by defining items to be observed in the “Safety and Health Management Regulations” and by sharing information. A focus is also put in training special qualified personnel.



$$\text{Work time loss frequency rate} = \frac{\text{The number of employees away from work due to occupational injuries}}{\text{Total working hours}} \times 1,000,000$$



\* Scope: PIOLAX, INC.

$$\text{Accident severity rate} = \frac{\text{Total number of work days lost}}{\text{Total working hours}} \times 1,000$$

### <Elimination of Occupational Injuries>

Occupational injuries are reported in Management Meetings to share the information, and, in order to prevent similar injuries, the heads of respective sites disseminate the information throughout their sites and departments for improvement.

### <Elimination of Automobile Accidents>

From FY2014, we invite an outside lecturer from the police station or an insurance company every year to hold a traffic safety lecture for the purpose of preventing accidents. In FY2020, we provided safety education through video distribution including domestic subsidiaries.

Company vehicles are equipped with safety devices such as a drive recorder and automatic braking.

### <First Aid Training>

We have installed AEDs (automated external defibrillator) in our sites in Japan and provide first aid training during disaster drills so that more employees can use AEDs.

In case of emergency, we lend the AEDs to neighborhood people.



**【Human Rights】****<Piolax Group Basic Policy on Human Rights and Labor>**

The Piolax Group supports and respects human rights-related international norms such as the Universal Declaration of Human Rights.

The Piolax Group stipulates as follows the basic policy on human rights and labor based on the “Piolax Group Codes of Conduct”. This policy applies to all directors, officers, and employees of the Group.

**1) Respect for human rights**

The Piolax Group respects fundamental human rights of all people and does not tolerate any harassment.

**2) Elimination of discrimination**

The Piolax Group does not discriminate on the basis of race, ethnicity, national origin, religion, gender, disability, sexual orientation, gender identity and so on. The Group makes efforts to build a workplace where diverse human resources play active roles respecting one another as important partners.

**3) Prohibition of child labor**

The Piolax Group prohibits labor of children under the legal working age in its business activities.

**4) Prohibition of forced labor**

The Piolax Group ensures that all work is voluntary. Employees shall not be engaged in forced labor and are free to terminate their employment.

**5) Wages**

The Piolax Group complies with laws and regulations of individual countries and regions relating to minimum wages, overtime hours, payroll deduction, and benefits.

**6) Working hours**

The Piolax Group complies with laws and regulations of individual countries and regions in the decision of employees' working hours (including overtime hours) and the grant of holidays, annual paid leave, etc.

**7) Communication and consultation with employees**

The Piolax Group communicates and consults with employees or their representatives in good faith to develop a sound relationship and solve problems. The Group recognizes the right of employees to freely associate or not to associate based on laws and regulations of individual countries and regions.

**8) Safe and healthy work environment**

The Piolax Group prioritizes the safety and health of employees and prevents labor accidents and disasters.

**9) Responsible procurement of materials**

The Piolax Group strives not to use conflict minerals and other raw materials that may relate to social issues or inhuman acts.

## 【Human Resources】

### <Health Management>

Piolax established the “Heath Management Declaration” in June 2021. We consider the health care of our employees from a management perspective and are working on “health management” that strategically implements health care.

#### <Piolax Health Management Declaration>

Since our founding in 1933, we have expanded our business globally based on the corporate philosophy “Pioneer in Creating Elasticity”. Toward the 100th anniversary in 2033, we will continue to strive to create the business environment that will realize sustainable development and growth under the slogan “ONE PIOLAX”.

The source of vitality that supports the business environment is “human assets”, that is employees and their families. Promoting the mental and physical health of all employees and securing a work-life balance is one of our most important management objectives.

Under the leadership of top management, we value internal communication and, with the support of medical institutions, health insurance association and others, declare the implementation of specific and achievable health management measures in the following eight items so that each employee can feel the significance of participation.

1. Believing that protecting the health of our employees and their families is our corporate mission, we will disseminate our Health Management Declaration both internally and externally.
2. Each employee will have a health management mindset and make his/her own health declaration to improve physical and mental health.
3. We will comply with laws and regulations.
4. We will assign staff in charge of health promotion to promote physical and mental health of our employees.
5. We will ensure 100% regular health checkup rate and provide health checkup data to each employee as needed.
6. We will identify health issues faced by our employees and examine necessary measures.
7. We will establish and improve systems for implementing health management.
8. We will maintain, strengthen and improve the telecommuting system with an awareness of the ideal work style and our vision for the future.

### <Employee Treatment and Evaluation>

We, at the Piolax Group companies, respect human rights at all times and do not allow any act that may lead to discrimination based on race, ethnicity, national origin, religion, gender, disability, sexual orientation, gender identity and so on. We have not set any discriminatory recruitment or employment conditions based on gender, age, etc.

In personnel evaluation, Piolax objectively and correctly evaluates each employee as to the exercise of their abilities, outcomes, etc., to promote the development and effective use of their abilities and ensure fair treatment. There is no difference in the basic salary and total remuneration given to employees with the same job grade, due to gender. We comply with a policy of equal pay for equal work in accordance with the revised laws.

### <Conducting Employee Awareness Survey>

In the Piolax Group in Japan, interviews with employees are held to understand their desire for jobs and problems relating to their workplace environments, etc., thereby leading to improvement. The survey results are fed back to the department heads.

Conducting the survey every year allows the department heads to identify issues within the departments, to take approach to solving these issues, and to increase the department members' satisfaction and their motivation for working.

### <Promotion of Diversity>

With its basic policies for human rights and labor, "elimination of discrimination" and "respect for human rights," the Piolax Group will, in any situation of employment, perform activities without discrimination based on race, ethnicity, national origin, religion, gender, disability, sexual orientation, gender identity and so on and positively respond to diversity.

### <Employment of Persons with Disabilities>

The employment rate of persons with disabilities in Piolax was 2.0% in FY2020. We will try to actively hire these persons to increase the employment rate.

	FY2018	FY2019	FY2020
Legally mandated rate of employees with disabilities	2.2%	2.2%	2.2%
Piolax's rate	2.15%	1.88%	2.00%

\* Scope: PIOLAX, INC.

### < Work style reform >

We have introduced remote working as a measure to prevent coronavirus infection. We studied and prepared for a remote working system in FY2020 and put it into operation in FY2021.

### <Promoting Women's Participation>

Based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we are working to create an environment where female employees can play active roles by reviewing childcare-related systems and promoting measures to increase understanding of



superiors and colleagues. On January 29, 2021, we were awarded the highest rank (three-star) of Eruboshi (L Star), which is the excellent company certification system under the Act.

The ratio of female employees in FY2020 is shown in the table below. Our action plan based on the Act aims to raise the ratio of female employees in managerial positions to 3% or higher by FY2023.

	FY2018	FY2019	FY2020
Female ratio in hired employees	9.6%	17.0%	28.9%
Female ratio in employees	17.4%	17.4%	18.1%
Female ratio in managerial positions	2.2%	2.9%	2.8%
Female ratio in director positions	0.0%	0.0%	11.1%
Average years of service: men	15.5	15.2	15.1
Average years of service: women	17.6	18.1	17.6

\* Scope: PIOLAX, INC. The figures are as of the end of each fiscal year.

The above figures exclude directors, advisors, and temporary employees (contract employees, employees on a short-term contract and part-timers) and include loaned employees from the outside to the company.

### <Return to Work after Childcare Leave>

In FY2019, 100% of our employees who took childcare leave returned to work. We will maintain and improve the work environment which encourages return to work.

### <Post-retirement Re-employment>

With the introduction of a continued employment system, Piolax has re-employed all employees who wish to work after the retirement age of 60 (they can continue working until age 65). We are striving to create a workplace where re-employed employees can play active roles.

### <Human Resource Development>

Piolax is making efforts to develop the potentials of individual employees by providing knowledge and skills. We focus on the development of global human resources who can respond to changes in the business environment and contribute to society through language and other education programs in addition to stratified education tailored to different roles.

In FY2020, we provided about 800 hours 800 hours of education programs (including web-based training).



Management training

**Educational system**

We conduct stratified education, new employee education (including practical training at a plant) and follow-up, QC education, language education, and education for preventing harassment.

**Level-specific education**

Training is provided for each managerial position, including the top management, managers, assistant managers, and assistant chiefs, for the purpose of learning necessary knowledge and skills.

**Language education**

Higher language skills are required in line with the global expansion of our business, and we provide English language training as well as local language before overseas assignment. For those who wish to do so, language training is provided even after they are posted overseas.

**Other education**

We also provide education for eliminating harassment (power harassment, sexual harassment, maternity harassment, LGBT discrimination, etc.). In FY2020, 326 employees at the rank of assistant manager or above (including those of domestic subsidiaries) took the course.

**<Employee Health Management>**

To examine employees' health conditions, we conduct regular medical checkups and stress checks according to the laws and regulations. We also conduct special health checkups depending on the type of work. Those who wish to do so can have an interview with an industrial physician.

**<Labor-management Relations>**

Piolax employees join the Piolax Labor Union that belongs to the Federation of All Nissan and General Workers Unions. The Piolax Labor Union applies a union shop system, and all employees (excluding managers and rehired workers) are the members of the union.

Piolax and its labor union have concluded a collective agreement and established a sound labor-management relation in which labor and management are on an equal footing and fulfil their own responsibilities to cooperate for higher productivity, sustainable development of the company, stable employment, and maintenance and improvement of life of all employees.

The collective agreement is automatically renewed every year, and a request to revise or terminate the agreement if any is to be given at least three months prior to the expiration date.

**【Procurement】**

The Piolax Group has established the “Piolax Group Procurement Policy” based on the “fair and free competition and transparent relation” as specified in the Piolax Code of Conduct. In line with this Procurement Policy, we perform procurement activities in cooperation with our suppliers to pursue high-quality manufacturing and realize sustainable society.

**< Piolax Group Procurement Policy >**

In its all procurement activities, the Piolax Group complies with applicable laws and regulations in Japan and abroad and makes fair and open transactions considering the impact on the environment and society. The Piolax Group also builds trust relationships with its suppliers and vendors aiming for mutual prosperity.

1) Conduct fair and open transactions

The Piolax Group provides fair and open opportunities to all suppliers and vendors based on the principle of free competition.

2) Build mutual trust with business partners

The Piolax Group establishes trust relationships with its suppliers and vendors and strives for mutual development.

3) Operate CSR procurement

The Piolax Group promotes CSR procurement in view of compliance with laws, occupational safety and health, respect for human rights, environmental conservation, and corporate ethics.

In order to fulfill its social responsibilities with its suppliers, the Piolax Group is working to establish “Supplier CSR Guidelines” and “Green Procurement Guidelines” as an important issue.

## [Contribution to Society]

The Piolax Group aims to contribute to society through a variety of activities. We are engaged in social contribution in various organizational forms, including the head office, domestic plants and branches, and overseas bases. We encourage employees to think about what they can do and take the initiative in social contribution activities.

### <Activities in Japan>

#### **Support for the employment of the disabled at the Moka Plant**

Through employment support organizations, we cooperate in support activities outside facilities for general employment of personnel with disabilities. In FY2020, we commissioned greening work of the Moka Plant.

#### **Investment in Japanese student aid bonds (social bonds)**

Our investments in the Japan Student Services Organization (JASSO) are used as a source of funds for scholarship loans. In this way, we support equal opportunities in education and contribute to solving social issues. We hope our activities will help students in financial difficulties.

#### **Support to the Kanagawa Philharmonic Orchestra**

We have been sponsoring the orchestra every year since 2017 as a contribution to the local culture.

### <Overseas Activities>

#### **Donation to the elderly in poverty (Mexico)**

Following 2019, we donated presents to the elderly in poverty in 2020. While we were not allowed to enter the building except one representative due to the coronavirus pandemic, we were able to pass many presents in the Christmas season.



Mexico



India

## Employee data 1

(Scope: PIOLAX, INC. on a non-consolidated basis)

		Unit	FY2018	FY2019	FY2020	
Number of employees		People	559	562	575	
			Male	462	464	471
			Female	97	98	104
Average age		Age	40.8	40.8	40.9	
			Male	40.6	40.6	40.7
			Female	41.3	41.6	41.7
Average length of service		Year	15.8	15.7	15.6	
			Male	15.5	15.2	15.1
			Female	17.6	18.1	17.6
Retention rate (3 <sup>rd</sup> year new graduates)		%	85.7%	90.0%	80.0%	
Average annual salary		1,000 yen	6,178	6,080	5,484	
Employment of disabled people		%	2.15%	1.88%	2.00%	
Employees taking childcare leave		People	0	2	5	
		Male	People	0	0	0
			%	0%	0%	0%
			Female	People	0	2
		%		0%	100%	100%
Employees taking maternity leave		People	0	2	3	
Average overtime		h/month	18.3	16.0	6.3	
Union members		People	438	439	451	
Female managers		People	3	4	4	
		Ratio	%	2.2%	2.9%	2.8%
Female directors		People	0	0	1	
		Ratio	%	0.0%	0.0%	11.1%
Foreign employees		People	8	11	10	
			Male	4	6	6
			Female	4	5	4
New graduate hires		People	20	23	24	
			Male	17	19	16
			Female	3	4	8
Mid-career hires		People	32	24	14	
			Male	30	20	11
			Female	2	4	3
Female ratio in hired employees		%	9.6%	17.0%	28.9%	
Female ratio in employees		%	17.4%	17.4%	18.1%	

\*1. The number of employees is the number of people gainfully employed (excluding officers, advisors and loaned employees from the company to the outside and including loaned employees from the outside to the company) and does not include temporary employees (contract employees, employees on a short-term contract and part-timers).

\*2. Average annual salary includes bonuses and extra wages.

\*3. The number of people is as of the end of March.

## Employee data 2

	Unit	FY2018	FY2019	FY2020
Number of consolidated employees	People	3,226	3,149	2,952
Japan		933	927	935
Overseas		2,293	2,222	2,017

\* The number of employees is the number of people gainfully employed (excluding loaned employees from the Piolax Group to the outside and including loaned employees from the outside to the Piolax Group) and does not include temporary employees (contract employees, employees on a short-term contract and part-timers).

## GRI (Global Reporting Initiative) Standards Content Index

This CSR report is created in accordance with the “core” level of the GRI standards.

### <Universal disclosures>

★: Material topic

Item	Disclosure item		Reference page no. or document
	No.	Title	
GRI102: Universal disclosures 2016	102-1	Name of the organization	7
	102-2	Activities, brands, products, and services	7,8,9,10,11
	102-3	Location of headquarters	7
	102-4	Location of operations	8
	102-5	Ownership and legal form	7
	102-6	Markets served	7,8,9,10,11
	102-7	Scale of the organization	7,8,9,10,11 <u>Annual Securities Report</u>
	102-8	Information on employees and other workers	45,46,50
	102-9	Supply chain	48
	102-10	Significant changes to the organization and its supply chain	6
	102-11	Precautionary principle or approach	20
	102-12	External initiatives	23,34
	102-13	Membership of associations	7,14
	102-14	Statement from senior decision-maker	3,4
	102-15	Key impacts, risks, and opportunities	12,13,14,17,20,24,34,43,44,48 <u>Annual Securities Report</u>
	102-16 ★	Values, principles, standards, and norms of behavior	5,21
	102-17	Mechanisms for advice and concerns about ethics	21
	102-18 ★	Governance structure	17,18,19
	102-19	Delegating authority	18,19
	102-20	Executive-level responsibility for economic, environment, and social topics	17,18,19,23,35
	102-21	Consulting stakeholders on economic, environmental, and social topics	17
	102-22	Compensation of the highest governance body and its committees	17,18,19 <u>Annual Securities Report</u>
	102-23	Chair of the highest governance body	18
	102-24	Nominating and selecting the highest governance body	<u>Annual Securities Report</u>
	102-25	Conflicts of interest	<u>Corporate Governance Report</u> <u>Annual Securities Report</u>
	102-26	Role of highest governance body in setting purpose, values, and strategy	13,18,22,34,43,44,48
	102-27	Collective knowledge of highest governance body	17,18,19
	102-28	Evaluating the highest governance body's performance	18,19
	102-29	Identifying and managing economic, environmental, and social impacts	17,18,19
	102-30	Effectiveness of risk management processes	18,19
	102-31	Review of economic, environmental, and social topics	19,24
	102-32	Highest governance body's role in sustainability reporting	12,13,18
	102-33	Communicating critical concerns	18,19
	102-34	Nature and total number of critical concerns	18,19
	102-35	Remuneration policies	18,19
	102-36	Process for determining remuneration	18,19 <u>Corporate Governance Report</u> <u>Annual Securities Report</u>

Item	Disclosure item		Reference page no. or document
	No.	Title	
GRI102: Universal disclosures 2016	102-37	Stakeholders' involvement in remuneration	-
	102-38	Annual total compensation ratio	<a href="#">Annual Securities Report</a>
	102-39	Percentage increase in annual total compensation ratio	<a href="#">Annual Securities Report</a>
	102-40	List of stakeholder groups	14
	102-41	Collective bargaining agreements	47
	102-42	Identifying and selecting stakeholders	14
	102-43	Approach to stakeholder engagement	14
	102-44	Key topics and concerns raised	13,14,17
	102-45	Entities included in the consolidated financial statements	2 <a href="#">Annual Securities Report</a>
	102-46	Defining report content and topic boundaries	2,12,18
	102-47	List of material topics	12
	102-48	Restatements of information	Not applicable
	102-49	Changes in reporting	12
	102-50	Reporting period	2
	102-51	Date of most recent report	2
	102-52	Reporting cycle	2
	102-53	Contact point for questions regarding the report	2
	102-54	Claims of reporting in accordance with the GRI Standards	2
	102-55	GRI content index	51-55
	102-56	External assurance	Not applicable

<Topic-specific disclosures> ★: Material topic

Item	Disclosure item		Reference page no. or document
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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	12
	103-2	Management approach and its components	22-49
	103-3	Evaluation of the management approach	22-49
GRI201: Economic performance 2016	201-1	Direct economic value generated and distributed	<a href="#">Annual Securities Report</a>
	201-2	Financial implications and other risks and opportunities due to climate change	<a href="#">Annual Securities Report</a>
	201-3	Defined benefit plan obligations and other retirement plans	<a href="#">Annual Securities Report</a>
	201-4	Financial assistance received from government	Not applicable
GRI202: Market presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-
	202-2	Reporting of senior management hired from the local community	-
GRI203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	-
	203-2	Significant indirect economic impacts	-
GRI204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	-

Item	Disclosure item		Reference page no. or document
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GRI205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	21
	205-2	Communication and training about anti-corruption policies and procedures	21,48
	205-3	Confirmed incidents of corruption and actions taken	Not applicable
GRI206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not applicable
GRI207: Tax 2019	207-1	Approach to tax	-
	207-2	Tax governance, control, and risk management	-
	207-3	Stakeholder engagement and management of concerns related to tax	-
	207-4	Country-by-country reporting	-
GRI301: Materials 2016	301-1	Materials used by weight or volume	-
	301-2	Recycled input materials used	-
	301-3	Reclaimed products and their packaging materials	-
GRI302: Energy 2016 ★	302-1	Energy consumption within the organization	29,30
	302-2	Energy consumption outside the organization	30
	302-3	Energy intensity	29,30,31
	302-4	Reduction of energy consumption	29,30,31
	302-5	Reduction in energy requirements of products and services	29,30,31
GRI303: Water and effluents 2018	303-1	Interactions with water as a shared resource	33
	303-2	Management of water discharge-related impacts	25
	303-3	Water withdrawal	33
	303-4	Water discharge	-
	303-5	Water consumption	33
GRI304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	25
	304-2	Significant impacts of activities, products, and services on biodiversity	25
	304-3	Habitats protected or restored	-
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-
GRI305: Emissions 2016 ★	305-1	Direct (Scope 1) GHG emissions	29,30
	305-2	Indirect (Scope 2) GHG emissions	29,30
	305-3	Other indirect (Scope 3) GHG emissions	30
	305-4	GHG emissions intensity	29,30,31
	305-5	Reduction of GHG emissions	26,31,32
	305-6	Emissions of ozone-depleting substances (ODS)	-
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-
GRI306: Effluents and waste 2018 ★	306-1	Water discharge by quality and destination	25
	306-2	Waste by type and disposal method	22,31
	306-3	Significant spills	24
	306-4	Transport of hazardous waste	24
	306-5	Water bodies affected by water discharges and/or runoff	25

Item	Disclosure item		Reference page no. or document
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GRI307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	24
GRI308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	-
	308-2	Negative environmental impacts in the supply chain and actions taken	-
GRI401: Employment 2016 ★	401-1	New employee hires and employee turnover	50
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-
	401-3	Parental leave	46,50
GRI402: Labor/Management relations 2016	402-1	Minimum notice periods regarding operational changes	47
GRI403: Occupational health and safety 2018 ★	403-1	Occupational health and safety management system	41,42
	403-2	Hazard identification, risk assessment, and incident investigation	41,42
	403-3	Occupational health services	41,42
	403-4	Worker participation, consultation, and communication on occupational health and safety	41,42
	403-5	Worker training on occupational health and safety	42
	403-6	Promotion of worker health	42,47
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	41,42
	403-8	Workers covered by an occupational health and safety management system	41
	403-9	Work-related injuries	41
	403-10	Work-related ill health	41,42,47
GRI404: Training and education 2016	404-1	Average hours of training per year per employee	46
	404-2	Programs for upgrading employee skills and transition assistance programs	36-39,46,47
	404-3	Percentage of employees receiving regular performance and career development reviews	-
GRI405: Diversity and equal opportunity 2016 ★	405-1	Diversity of governance bodies and employees	45,46
	405-2	Ratio of basic salary and remuneration of women to men	45,50
GRI406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Not applicable
GRI407: Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-
GRI408: Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	-
GRI409: Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-
GRI410: Securities practices 2016	410-1	Security personnel trained in human rights policies or procedures	-

Item	Disclosure item		Reference page no. or document
	No.	Title	
GRI411: Rights of indigenous peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	-
GRI412: Human rights assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	43
	412-2	Employee training on human rights policies or procedures	43
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
GRI413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	49
	413-2	Operations with significant actual and potential negative impacts on local communities	Not applicable
GRI414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria	39
	414-2	Negative social impacts in the supply chain and actions taken	39
GRI415: Public policy 2016	415-1	Political contributions	Not applicable
GRI416: Customer health and safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	-
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-
GRI417: Marketing and labeling 2016	417-1	Requirements for product and service information and labeling	-
	417-2	Incidents of non-compliance concerning product and service information and labeling	-
	417-3	Incidents of non-compliance concerning marketing communications	-
GRI418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	20
GRI419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Not applicable