

HUMAN RESOURCES POLICIES AND PROCEDURES MANUAL

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POLICY 1.16 : SHDS Anti Bribery Policy

1.0 Purpose

- 1.1 The objective of this policy is to administer internal control and compliance with the laws, regulations and internal rules set forth in Showa Denko Group Management Rules.
- 1.2 SHDS will comply with the standards, follow and alert/warn to Company's officers and employees, and set up internal rules, conduct training, checking and monitoring.
- 1.3 The company will inform Guidelines from time to time regarding necessary areas and items. The following are the Guidelines regarding the prohibition of bribery in consideration of the UK Bribery Act, which came into effect on July 1, 2011 and is applicable to companies and activities not only in the UK but also to those outside the UK under certain situations.

2.0 Bribery (Public Official/Private) and Facilitation Payment – Combating Bribery

- 2.1 Bribery is prohibited by the laws and regulations of most countries (including territories) concerned as well as by the foreign laws and regulations extra-territorially applied to relevant persons/companies in line with the "OECD Convention on Combating Bribery of Foreign Public Officials (1997)."
- 2.2 The Policy set forth the standards for the prohibition of bribery taking into consideration Japanese Criminal Law (Bribery, Breach of Trust), Japanese Unfair Competition Prevention Act (Provision of Illicit Profit to Foreign Public Officials), the US Foreign Corrupt Practices Act, and the UK Bribery Act.
- 2.3 The Policy prohibit all bribery and facilitation payments by SHDS and require that the Company should make it known to its officers, employees, agents, representatives, etc. and to self-check their compliance. The Policy require a system under which managers of the company concerned check the appropriateness of entertainment, gifts, invitations, etc. This is because these favours may cross the borderline of acceptability with or without intent.

3.0 Definitions

- 3.1 "Bribe" means an illegal reward given or offered to someone in relation to his/her or his/her relative's duty, power or authority in consideration or expectation for the performance of such duty, power or authority.

The form of Bribery includes: rebate; advertising expense; support expense; member fee; service fee; consulting fee; reward; commission; gift, etc. irrespective of its title; and include Giving a Bribe to the family member or other relative of the person in charge or with power or authority. In some instances Bribery is through bearing the travel expense of foreign observation tour; furnishing house or its interior at a lower/minimal price; financially assisting child's studying abroad, etc.
- 3.2 "Give/Giving a Bribe" means to give, promise to give or offer a Bribe.
- 3.3 "Accept/Accepting a Bribe" means to accept, promise to accept or require a Bribe.
- 3.4 "Public Official, etc." means an official, member, agent, representative, or other personnel of:
 - (a) a legislative, administrative or judicial organization of a national/local government,
 - (b) an agency or enterprise related to the government,
 - (c) a public enterprise (of which a majority of the shares or voting rights are held by (a) or (b) above),

(d) a public international organization, or

(e) an agency or organization to which any function of (a) through (d) above is assigned.

3.5 "Facilitation Payment" means a small amount of money or other valuables given to someone with the intention to facilitate his/her performance in the routine public services not subject to his/her discretion.

3.6 Facilitation Payment is made in most cases to accelerate or expedite various public procedures such as: permission or approval; license; customs clearance; inspection; examination; loading/unloading of cargo; visa; work permission; protection by police; collection/delivery of mail; installation of communication facilities, electricity, water supply and drainage, etc.

4.0 SHDS Anti Bribery Code

4.1 Prohibition against Bribery of Public Officials, Etc. and People in Private Sectors

The officers, employees, agents and representatives of SHDS shall not, directly or indirectly, Give or Accept Bribes. This prohibition is irrespective of the nationality of the counterparty, or whether the counterparty is a Public Official or in the private sector.

4.2 Prohibition against Facilitation Payment to Public Officials, Etc.

The officers, employees, agents and representatives of SHDS shall not, directly or indirectly, make any Facilitation Payment.

The officers, employees, agents and representatives of SHDS shall not, directly or indirectly, make any Facilitation Payment in general; provided, however, that those satisfying all of the following conditions are left to the judgment of by top or senior management as exception:

(a) The Facilitation Payment is made (i) in the country/region in which Facilitation Payment is not prohibited by laws or regulations, (ii) by the company/person with the nationality of or location in such country/region, and (iii) to the Public Official of such country/region;

(b) No action, instruction, admission or consultation is made relating to the Facilitation Payment by SHDS doing business in the UK, its officer or employee or any person with the UK nationality;

(c) The Facilitation Payment expects neither any illegal conduct nor any result through the discretion of the person in charge (as to the result, content, conditions, order of treatment relative to any competitor, etc.);

(d) The Facilitation Payment is not made for SHDS for doing business in the UK; and

(e) The amount of the Facilitation Payment is not more than ¥10,000 equivalent (or lesser amount customarily allowed in the country/region concerned) in aggregate for one subject.

"Company doing business in the UK" means the Company that (x) is incorporated or registered, (y) has a branch office/agent/representative/ plant/laboratory/other facility or (z) conducts any transaction (sell/purchase/ lease/joint-research, etc.) in the UK.

The scope in this Article may be subject to changes in accordance with the operation of the UK Bribery Act or the restriction on Facilitation Payment.

4.3 Confirmation of Appropriateness of Entertainment, Gifts, Invitations, etc. and Prior Approval

The Company shall establish rules or a system (if they do not exist or insufficient) under which any disbursement for entertainment, gifts, invitations, etc. shall be reported to, and, those in excess to the certain amounts shall require prior approval by its managers to confirm the appropriateness of the reason, frequency and content. The appropriateness shall be determined in accordance with the laws, regulations and customs of the country concerned, public/private, type/nature and size of its business, position/job of the relevant person, etc.

4.4 Company's Bribery Preventing Measures

SHDS shall take the following measures to prevent Bribery:

(a) Expression of the Company's anti-bribery policy by its top or senior management.

(b) Assessment of the Bribery risks (the extent and level of the risks associated with the Company's business) and making them known to the Company's officers and employees.

(c) Investigation of high-risk sections and persons (through interviews, etc.).

(d) Communication and training relating to the above anti-bribery policy and prohibited conducts.

5.0 Notes

5.1 Lawful Activities

(a) Normal (bona fide) sales and promotional activities such as the provision of samples, etc. for sales promotion, caller's presents within the limit generally acceptable to society, dining or golfing with business acquaintances, invitations to plants or other facilities (or bearing the tour expenses), etc. are, in general, not Bribes and not prohibited by laws, regulations and these Guidelines; provided, however, that those allowed to Public Officials are strictly limited and further that those in excess of the generally acceptable amount, frequency, content, etc. are likely to be suspected of the intention of illicit advantage or influence. We should take note that in some countries, such as China, the lawfulness is judged by the aggregate amounts paid for a single subject matter.

(b) A bona fide donation has no ethical problem except when Bribery is committed in its appearance. A bona fide donation is allowed and expected of a company in proportion to its business size from the standpoint of contribution to public welfare. The Policy does not apply to such bona fide donations. However, it should be noted that, at SHDS, part of donations are subject to the Rules regarding Control of Providing Profit without Consideration.

5.2 Japanese Laws

The Japanese Criminal Law prohibits Giving/Accepting Bribes as a crime: (i) to give or offer to a public official (such as an official of a national/local public organization, incorporated administrative agency, etc.), (ii) an advantage as an illegal reward (gifts within the limit of courtesy are socially accepted), (iii) in relation to his/her duty, and (iv) in consideration of the performance of his/her duty. No Facilitation Payment is allowed.

The receipt of a Bribe by a private person constitutes the crime of Breach of Trust under the Criminal Law and, if the recipient is a director, etc., constitutes the crime of Aggravated Breach of Trust by a Director under the Company Act.

As for activities performed outside Japan, the crime of Accepting a Bribe applies to those by Japanese Public Officials and the crime of Breach of Trust to those by Japanese citizens. Furthermore, the crime of Provision of Illicit Profit to Foreign Public Officials under the Japanese Unfair Competition Prevention Act applies to activities performed outside Japan by Japanese citizens/companies.

5.3 Facilitation Payment

No Facilitation Payment to Japanese Public Officials is allowed.

The Japanese Unfair Competition Prevention Act prohibits giving Bribes to foreign Public Officials, etc. However, a small amount of Facilitation Payment, paid to smooth or accelerate the procedures of routine administrative services without any illegal conduct or room of discretion (as to the result, content, conditions, order of treatment relative to any competitor, etc.) by the person in charge, may not be deemed as the payment for "illicit advantage," which is the element of illegality under the Act subject to the actual situation. Facilitation Payment is prohibited by the UK Bribery Act but is allowed under the US Foreign Corrupt Practices Act and the OECD Treaty.

5.4 Proper Accounting

Proper entry in accounting books has a critical effect on the determination of whether or not the act constitutes Bribery. Under the Chinese Anti-Unfair Competition Act, a "kickback" or "rebate" paid to counterparty person/company and is not properly entered in accounting books is deemed as a commercial bribe.

5.5 Invitation

The lawfulness of bearing the travel and accommodation expenses of an invitee is judged in terms of reasonableness of the purpose and place of visit. An invitation to abroad necessary for the tour to a plant or other facilities of the company concerned or its affiliates, demonstration, technical meeting, top

meeting, etc. is likely to be deemed as an invitation for business purposes, including a weekend short trip to neighbouring sightseeing and/or entertainment spots (such as Hakone/Tokyo Disney Land).

It should be noted, however, that an invitation to abroad is highly likely to be suspected of Bribery or commercial bribery, if the invitee is a Chinese Public Official or an officer or employee of a Chinese commercial organization.

5.6 Member of Legislative Body/Political Party

Special care must be taken for a gift or a donation to a member of a legislative body or a political party because the laws and regulations of most countries have stricter prohibitions or tighter restrictions. (For example, in Japan, no gift or donation from a company is allowed to a political person, and the company receiving any subsidy may be restricted to make a political donation.)

5.7 Company's Bribery Preventing Measures

The Company is required by laws and regulations to take preventive measures against Bribery since in most instances companies enjoy the advantage of Bribery. If the measures taken by a Company are insufficient, the Company and its management will be held responsible.

5.8 Extra-territorial Application of Foreign Laws

(a) The laws are applied, in principle, to activities performed within the territory of the country concerned, irrespective of the nationality of the performer.

(b) Examples of extra-territorial applications are: applications irrespective of the nationality of the performer; limited applications to activities performed by persons with the nationality outside the territory; and limited applications to activities performed toward persons with the nationality outside the territory.

(c) Anti-monopoly laws, competition laws, etc. in most countries are applied to activities performed outside the countries so long as the activities have influence on those countries' markets.

(d) The OECD Treaty requires extra-territorial application of laws to Bribery of foreign Public Officials. Thus, in addition to the laws governing the place of the act, it is highly likely that the laws of the country - in which the person concerned has the nationality, or the company concerned is established and/or doing business -are applied.

6.0 Communication

The Policy needs to be set out clearly and accessible easily via an internal website, employees handbook as it will act also as a deterrent once staff understand the personal risk they incur if they themselves bribe or if they tolerate bribery to take place in the business.

7.0 Training

7.1. Each employee will receive relevant training and new employees will be briefed as a part of the welcome orientation.

7.2 Key employees and personnel in high-risk sections will receive yearly mandatory training including compliance with laws.

8.0 Assessment of Bribery Risks

8.1 Assessment of the Bribery risks will involve assessment of the extent and level of the risks associated with the Company's business and making them known to the Company's officers and employees and also the investigation of high-risk sections and persons (through interviews, etc.).

8.2 The results would be documented and be used in the follow up process to ensure that the anti-bribery Programme is maintained and improved.

8.3 Operations exposed to bribery risks in company's business dealings, transactions will be involved in the assessment:

1. Business operations in sectors susceptible to bribery
2. Procurement processes and supply chain
3. Specified types of transactions
4. Investigation of high-risk sections and persons (through interviews)

9.0 Monitoring and Reporting a Violation

- 9.1 The prevention, detection and reporting of bribery is the responsibility of all employees. The company will provide independent channels of communication via the email address and correspondence address of a third party by which employees or others can report confidentially on non-compliance with the laws or fact or criminal acts. This needs to be communicated clearly in the employee's handbook and accessible easily via an internal website to employees.
- 9.2 Any transaction, regardless of the dollar amount, may give rise to violations of anti bribery and anti-corruption laws and regulations. Thus, it is important that every SHDS employee understands the rules and reports any wrongdoing he or she notices as soon as possible. If you believe a violation is occurring or has occurred, you should report it immediately. Any employee who, in good faith, lawfully and truthfully, seeks advice, raises a concern or reports misconduct is doing the right thing. No matter how you choose to report, as long as your report is made honestly and in good faith, SHDS will take no retaliatory action against you for making the report. Allegations of retaliation will be investigated and appropriate action taken. Full compliance requires the participation and cooperation of every employee at every level. All SHDS employees, officers and Managers are expected and required to comply with this policy.

10.0 Preventative Measures - Whistle blowing and Protection of Identity

- 10.1 The company is committed to ensuring that employees can speak up with confidence if they have any concerns or need to ask for help. If they suspect or observe anything that they think might be in contravention of this policy, they have an obligation to report it.
- 10.2 The company will not condone retaliation in any form against anyone or adverse action for raising concerns or reporting what they genuinely believe to be improper, unethical or inappropriate behaviour. All reports will be treated confidentially.
- 10.3 A complaint of retaliation filed must allege that the complainant engaged in protected activity, the respondent knew about that activity, the respondent subjected the complainant to an adverse action, and the protected activity motivated or contributed to the adverse action.
- 10.4 Any worker who is to do whistleblowing shall make efforts not to damage the justifiable interests of others and the public interests.

11.0 Annual Review

The Anti Bribery Policy will be reviewed on an annual basis by Ethics Office.

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