

azbil Group
Green Procurement
Standard
For Suppliers
Sixth Edition: June, 2019

Note: The difference between the 6th edition and the 5th edition is only the design.
There is no difference in the content.



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The azbil Group Green Procurement Standard

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1. The azbil Group's Position on Green Procurement

The azbil Group considers the environment as an important management issue. The Group Philosophy states that one of the Group's basic goals is to "contribute to global environmental preservation," as well as "to realize safety, comfort and fulfillment in people's lives" by means of "human-centered automation." The Group's policy on contributing to preservation of the environment is also stated in the azbil Group Basic Environmental Policy.

Accordingly, the Group views contributing to global environmental conservation and establishing a sustainable society by providing customers with environmentally aware products and services to be a pillar of its business activities.

Moreover, some chemical substances are regulated by laws and regulations in Japan or overseas. It is the company's duty to provide customers with products that are in compliance with the laws and regulations for chemical substances.

In order to achieve the aims outlined above, the azbil Group Basic Procurement Policy was established. In keeping with this policy, the Group procures its products preferentially from suppliers that make efforts to preserve the Earth's environment. Furthermore, the Group has decided to procure materials from suppliers who manage chemical substances so that no substances that are harmful to the environment are contained in the materials.

For the purpose of green procurement, the Group has established procedures for evaluation and selection of suppliers and materials, as well as operational procedures specifying requirements for maintaining environmentally friendly procurement. We therefore ask for your understanding and cooperation.

2. Terms and Definitions

This section explains the terms and definitions that are important for green procurement.

(1) **Material**, **auxiliary material**, and **subsidiary material**

These items are required for manufacturing products. They could also be called "parts" or "raw material," but as a cover term we use "material."

Material

A generic term that includes product material and auxiliary material.

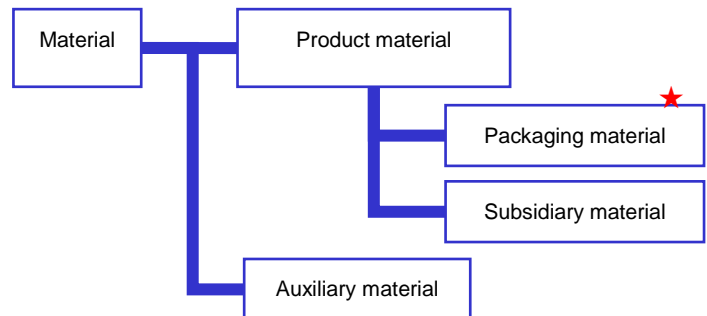
Product material

Product material includes the following subsidiary materials:

- [1] Parts and raw material: exterior parts, packing material (cardboard, wood, adhesive tape, cable ties, plastic bags, packing sheets, buffer material, indicator labels, ink, paint, etc.), packaging parts (magazine stick, reels, trays, carrier tape, bulk cases, etc.), electric components, mechanical parts, semiconductor components, PCBs, etc.

★ Note: packaging material includes material used for procurement of material, including material that reaches the azbil Group's customers.

Example: packaging for AC adapters or communication cables, packaging for products manufactured by subcontractors, packaging and wooden crates for items purchased by factories, etc.



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- [2] Subassemblies: functional units, modules, PCB assembly parts, etc.
- [3] Accessories: accessory parts for equipment use (AC adapters, remote controls, power cables, etc.)
- [4] Subsidiary materials: adhesive agents, soldering material, adhesive tape, caulking agents, welding material, fillers, and other material used for assembling products.
- [5] Instruction and installation manuals
- [6] Repair service kits

Auxiliary material

Material that is used in the manufacturing process and which does not normally remain in products, such as cleaning agents, mold release agents, cutting fluid, lubricating oil for press work, etc.

In our chemical-substance management system (described below) these are subject to restriction. Make sure that these are not confused with the subsidiary materials listed in [4] above.

(2) **Chemical-substance management system (CMS)**

This term reflects the azbil Group's stance with regard to managing and restricting chemical substances related to products.

CMS is an abbreviation for Chemical-substance Management System.

This is our system for managing the entire supply chain of materials used for products in order to prevent admixture of and contamination by hazardous chemical substances.

Chemical substances subject to this management system are not only those that are contained in material, but also those that are contained in auxiliary material used for the production of material.

The system runs the plan-do-check-act (PDCA) cycle of policy-making and planning, implementation and operation, auditing, management review, and policy-making again, aiming at improvements in a planned manner.

Materials that are recognized by the azbil Group as managed according to the CMS are called "CMS-certified materials" and the suppliers who deliver them to the azbil Group are called "CMS-certified suppliers."

Methods of certification involved in auditing, etc., are defined in "The azbil Group's Guidelines for Establishment of a Chemical-Substance Management System."

Materials other than the above "CMS-certified materials" are called "general materials," and suppliers other than the above "CMS-certified suppliers" are called "general suppliers."

(3) **Contained, impurity**

Contained: Refers to the inclusion of any chemical substance as a component part or ingredient in a material. Chemical substances may be contained in residue from the manufacturing process (solvents, mold release agents, cutting fluid, etc.) and in residual impurities.

In other words, this refers to any chemical substance added to, contained in, or attached to the parts and units composing the products or raw materials used therein, whether intentionally or otherwise. It includes cases where those substances are unintentionally contained or attached to products somewhere in the manufacturing process. Therefore, this refers to a condition in which the substance remains with the product at the end of the manufacturing process.

Impurity: a naturally derived substance that is contained in a material and cannot be technically removed by a material manufacturer in its purification process for its material production process. Also, a substance that is produced in a synthetic reaction and that cannot be removed completely for technical reasons.

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(4) **RoHS compliance**

Indicates that product specifications do not exceed the limits on 6 substances (mercury, lead, cadmium, hexavalent chromium, PBB and PBDE) restricted by the EU's RoHS Directive¹. Items that comply with the RoHS specifications are called "RoHS-compliant" materials and products.

"Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment"

(5) **Designated chemical substances**

Chemical substances that are subject to restriction and management other than RoHS compliance are designated upon request by the corporate units procuring them.

(6) **Content limit**

For designated substances, this is the maximum allowable amount of the substance that a product can contain.

¹ "Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment"

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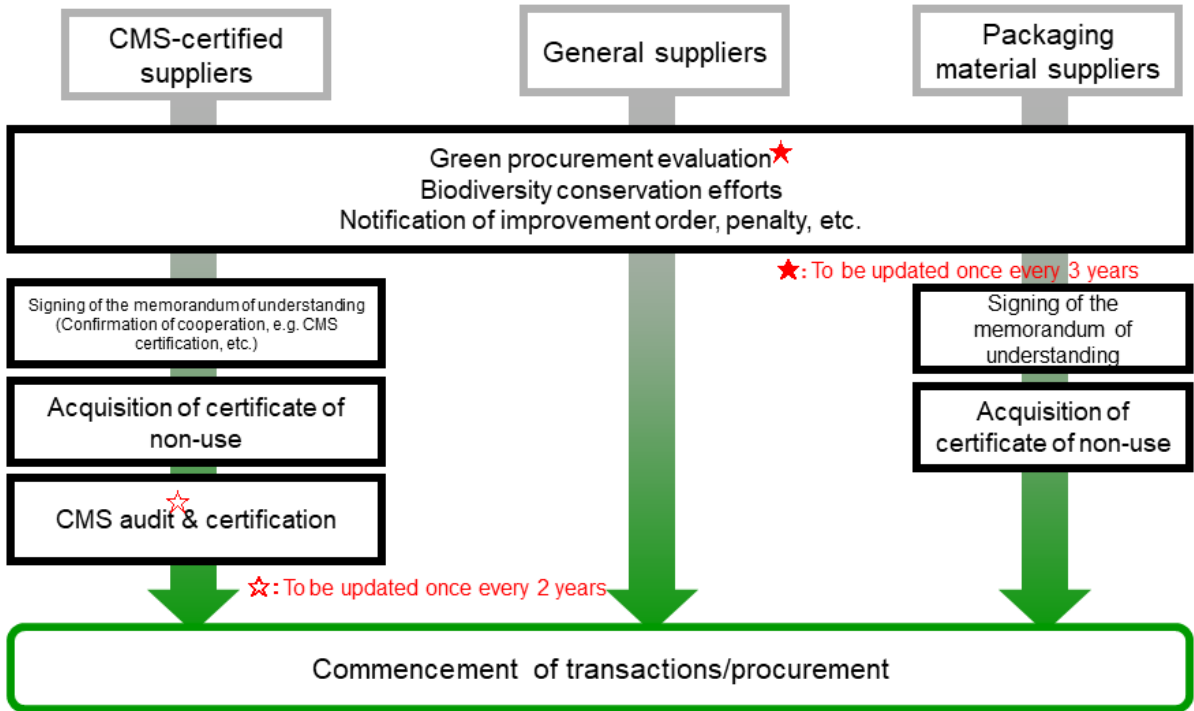
3. Procedural Flow Chart

The flow chart below summarizes the green procurement procedure for our suppliers. This procedure is implemented based on the category of material purchased from the supplier:

CMS-certified suppliers: Suppliers who deliver CMS-certified material

Packaging material suppliers: Suppliers who deliver packaging material. These categories may overlap.

Figure 1.1 Summary of green procurement procedure for suppliers



Green procurement evaluation:	Section 4
Requirements for packaging material:	Section 5
Requirements for CMS-controlled material:	Section 6

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4. Requirements for All Suppliers (Green Procurement Evaluation)

As shown in figure 1.1, all suppliers are required to submit a Green Procurement Evaluation Sheet concerning their environmental conservation activity and results.

Suppliers are evaluated for their environmental activities to check whether their activity meets specific requirements.

If the evaluation determines that a supplier does not satisfy the requirements, the supplier is required to improve its environmental conservation efforts or to receive assistance from us.

4.1 Green Procurement Evaluation Sheet

4.1.1 Evaluation procedure

Suppliers are evaluated by an azbil Group procurement department using the “azbil Group Green Procurement Evaluation Sheet” (Form 1).

(1) Request

We send the azbil Group Green Procurement Evaluation Sheet to suppliers and ask for self-evaluation. Any new supplier is given an explanation regarding the evaluation procedure beforehand.

(2) Evaluation and judgment

Table 4.1 Evaluation and score

Evaluation criteria (max. points: 100)	Efforts to obtain ISO 14001 certification, etc. (Any one item on the right, max. points: 70)	ISO 14001 certification	Points: 70
		Current action to obtain ISO 14001*	Points: 65
		Other certification related to an environmental management system (EMS)	Points: 65
		Other EMS-related system in progress*	Points: 60
		Voluntary action for environmental conservation (12 items: 5 points each)	Points: Up to 60
	Evaluation on materials (Max. points: 30)	Environmentally friendly product design	Points: 10
	Resource conservation for products or packaging; chemical substances management (4 items, 5 points each)	Points: Up to 20	
Score		70 points or more	A
		50–69 points	B
		50 points or less	C
		Note: A new business requires a “B” or higher score as a condition for business.	

* This item is evaluated on the initial occasion only.

(3) Evaluation results and response

If the evaluation is successful, the supplier must satisfy the following requirements for materials delivered.

- Requirements for packaging materials: Refer to Section 5.
 - Supplier delivering general materials: There are no further requirements.
 - Requirements for CMS-controlled material: Refer to Section 6.
- (Suppliers of packaging materials may be suppliers who deliver CMS-controlled materials.)

If the evaluation is not successful, the supplier is requested to do one of the following.

- Environmental conservation activity

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Obtain an externally certified management system as described in 4.2

- Action determined by the individual business unit (termination of transactions, restriction of transactions, or setting of a grace period)
If the supplier cannot do either of the above, or cannot do them successfully, the procedure defined by the individual business unit will be followed.

4.1.2 Evaluation

For evaluation of the suppliers' environmental conservation activity, the following procedure is used. The evaluation has two parts.

(1) Survey of efforts to implement an environmental management system (EMS)

- If the supplier is aiming for a management system equivalent to that of ISO, the supplier should provide information on the certified management system.
 - EMS based on ISO 14001
 - Environmental Activity Evaluation Program (Eco Action 21) promoted by the Ministry of the Environment
 - Kyoto Environmental Management System Standard (KES), etc.
- Suppliers making voluntary efforts will be surveyed on the following.
 - "3R" action (reduce, reuse, recycle), waste reduction, energy efficiency, etc.

(2) Survey of environmental friendliness of the product

- Products will be surveyed for environmental awareness in the following categories.
 - Conservation of resources and energy, management of chemical substances, conservation of materials in product packaging, management of chemical substances in packaging materials

4.1.3 Evaluation updates

Green procurement evaluation is done once every 3 years in principle to check for any changes in suppliers' environmental activities.

However, evaluation is also performed every time suppliers obtain another certification or update such facilities as may have significant impact on the environment, as well as on other occasions.

4.2 Biodiversity conservation efforts

Suppliers are required to evaluate their biodiversity conservation efforts. For details, refer to "A Request Concerning the azbil Group's Efforts for Biodiversity Conservation."

4.3 Notification of improvement order, penalty, etc.

In the following case, please notify the azbil Group's transaction contact (generally a purchasing department) and the Environment Promotion Department at the address below.*

If your business site or factory that supplies products to the azbil Group receives an environment-related improvement order or penalty from a public organization.

* Contact address: madoguchi-epo@azbil.com

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5. Requirements for Packaging Materials

Suppliers who deliver materials to be used for packaging the azbil Group's products must agree to the "Memorandum of Understanding Regarding Chemical Substances Contained in Materials to Be Delivered to the azbil Group" (Form 3). For details, refer to "The azbil Group's Requirements for Managing Packaging Materials."

6. Requirements for CMS-Controlled Materials

(For CMS, refer to item (2) of section 2 above, "Terms and definitions.")

Suppliers who wish to supply CMS-certified items must first sign the "Memorandum of Understanding Regarding Chemical Substances Contained in Materials to Be Delivered to the azbil Group" (Form 3). For details, refer to "The azbil Group's Guidelines for Establishment of a Chemical-Substance Management System."

The "Memorandum of Understanding Regarding Chemical Substances Contained in Materials to Be Delivered to the azbil Group" also applies to packaging materials, and therefore is not needed again if it has already been signed for packaging materials.

6.1 Survey on chemical substances contained in products

We sometimes may ask suppliers to submit data on the content of chemical substances that are restricted by the azbil Group.

7. Related Documents

Attachment No.	Related document name
Attachment 2	The azbil Group's Guidelines for Establishment of a Chemical-Substance Management System
Attachment 3	The azbil Group's Requirements for Managing Packaging Materials

Form No.	Form name
Form 1	The azbil Group Green Procurement Evaluation Sheet
Form 3	Memorandum of Understanding Regarding Chemical Substances Contained in Materials to Be Delivered to the azbil Group

Contact:

For inquiries, contact Azbil Corporation or an azbil Group procurement department.

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