

# CSR Procurement Guidelines for the azbil Group

June 2023

Azbil Corporation

# Table of Contents

1. Introduction .....	2
2. The azbil Group Philosophy.....	3
3. Guiding Principles for azbil Group Business..	3
4. azbil Group Basic Procurement Policy .....	4
5. CSR Procurement Guidelines.....	5

# 1. Introduction

We, the azbil Group, actively endeavor to help achieve a sustainable society and protect the global environment through our business activities. Our actions, which are in line with the azbil Group Philosophy, focus not only on Japan but also include the Sustainable Development Goals (SDGs),\*<sup>1</sup> which are a global undertaking.

In recent years, dealing with climate change has become a particularly important issue. That is why the azbil Group is taking steps toward decarbonization. In view of this, we will build a long-term relationship of trust with you, the azbil Group's business partners, in our procurement activities and thereby enhance the added value provided by both you and the azbil Group. With this foundation, we will reinforce our supply chain initiatives to fulfill our social responsibilities more proactively amid growing expectations from society with respect to the SDGs and other important challenges.

As part of this, we recently prepared CSR\*<sup>2</sup> Procurement Guidelines for the Group. Taking both social and environmental perspectives into account, these guidelines clearly spell out what we must be done to move forward with you. The guidelines outline the orientation of diverse CSR activities within the supply chain as well as points requiring compliance based on the basic thinking expressed in the azbil Group's Philosophy and the Guiding Principles for azbil Group Business.

We hope you will understand the guidelines' intent and ask you to practice and promote actions and activities in accordance with them. Additionally, we will be distributing a self-assessment questionnaire to help you recognize and verify your own efforts in addressing each of the guidelines' requirements. Your cooperation will be greatly appreciated.

The azbil Group looks forward to further work with you, our valued business partners, toward a more sustainable society. We ask for your continued understanding and cooperation in this endeavor.

## \*1. SDGs: Sustainable Development Goals

The SDGs were incorporated into the 2030 Agenda for Sustainable Development, which was adopted unanimously by member states at a United Nations Summit in September 2015. The SDGs consist of 17 goals and 169 targets that aim for a sustainable and better world by 2030.

## \*2. CSR: corporate social responsibility

CSR refers to corporate action through which a company takes responsibility for the impacts of its activities with an eye to living in harmony with society and environment and achieving sustainable growth. It is used to describe how a company should act to earn the trust of the various stakeholders surrounding it.

Generally speaking, CSR refers to voluntary activities in areas that are not purely financial, such as legal compliance, consumer protection, environmental protection, labor rights, human rights, and contribution to local communities.

November 2021  
Azbil Corporation  
Production Management Headquarters

## 2. The azbil Group Philosophy

To realize safety, comfort and fulfillment in people's lives and contribute to global environmental preservation through "human-centered automation." To achieve our philosophy,

- We create value together with customers at their site.
- We pursue our unique value based on the idea of "human-centered."
- We think towards the future and act progressively.

## 3. Guiding Principles for azbil Group Business

### - Guideposts for the azbil Group, to implement its philosophy -

In order to implement our corporate philosophy, we will take action based on the 5 Guideposts (guiding principles for business), aiming **to serve as a guiding bridge that interconnects our worldwide customers** and leads us all into the future.

#### 1. **Realizing a safe and comfortable social environment through cooperative creation by human ingenuity and technology**

Applying our core automation technology and aiming to create harmony between people and technology based on safety and high quality, we will actualize people-oriented automation. To ensure that our long-established credibility accompanies us into the future, we will continue to provide spaces of high value, working with pride and a sense of responsibility.

#### 2. **Contributing *in series* to the achievement of a sustainable society**

We are aware that our business is directly linked to the shared global goal of *realizing a sustainable society*. We will take the initiative to address important global issues in all our business activity and through the actions of our employees, helping to realize a sustainable society and protect the Earth's environment.

#### 3. **Building long-term partnerships with stakeholders**

Based on the *happiness of people working in the azbil Group*, we continually pursue the *happiness of our customers* at their sites, and share in their sense of accomplishment. With this business model as the driving source of growth, we establish long-standing mutual trust relationships with all stakeholders, including our shareholders and customers.

#### 4. **Creating dynamic value through diverse human resources and teamwork**

We value individual personnel with varied personalities, abilities, and knowledge, respecting their diversity. In order to create higher value, we join our diverse human talents into an organic whole and harmonize together as a team to move forward in strength.

#### 5. **Growing constantly through innovation and a corporate culture of continual learning**

In order to continue to be a corporate organization that provides inspiration to society, we actively take on new challenges, not fearing failure or change. We will always continue to learn and to grow by virtue of innovative action and ideas that are unrestrained by precedent or conventional frameworks.

We, the azbil Group, fulfill our corporate social responsibility (CSR) by respecting the Group Philosophy and Guideposts (Guiding Principles) as well as our Code of Conduct, and thereby continue to be a corporate organization that has value for society.

# 4. azbil Group Basic Procurement Policy

Through “human-centered automation”, the azbil Group brings “safety, comfort, and fulfillment” to people and helps to preserve the global environment. Based on the “azbil Group philosophy”, the “Guiding Principles for azbil Group Business”, and the “azbil Group Code of Conduct”, we work proactively to achieve a sustainable society and protect the global environment. We maintain high ethical standards, understand, and comply with the laws in Japan and abroad and implement procurement-related activities fairly and equitably, taking into consideration human rights and the environment.

Together with our business partners, we take into consideration our corporate social responsibility (CSR) when engaging in procurement activities throughout the supply chain. We consider working on these activities to be one of our most important management issues. We aim to build long-term trust relationships with our business partners, cooperate with them to achieve mutual prosperity, and contribute to the local community and society.

## 1. Public nature of the company and fulfillment of our social responsibility

We disclose timely, appropriate, and accurate information to our business partners, and act so to earn their trust by our openness.

We receive the opinions of our business partners with sincerity, foster good communications with them, and act to fulfill our social responsibilities together with them.

## 2. Observance of fairness in commercial transactions

When dealing with our business partners inside and outside Japan, we observe international rules and laws and do not engage in unfair actions such as abusing a dominant position over a business partner.

When selecting a business partner and deciding whether to continue a business relation, we compare and evaluate companies in a fair and equitable manner, consider their legal compliance, management foundations, quality, price, stability of supply, technological development, and make efforts to achieve a sustainable society.

## 3. Respect for human rights

In our procurement activities, we stand together with our business partners in opposing behaviors that violate human rights, such as child labor, human trafficking, forced labor, and overwork and strive to eliminate discrimination based on race, gender, religion, etc. We seek to eradicate inhuman acts such as harassment and respect human rights.

## 4. Protection of the environment

In our procurement activities we, together with our business partners, obey the laws and regulations related to environmental protection and continuously seek to reduce greenhouse gas emissions, conserve energy, conserve resources, conserve water, manage chemical substances contained in products, and promote environmentally conscious design for the environment. By doing so, we strive to respond to climate change, use resources in a cyclical manner, conserve biodiversity, and contribute to the global environment.

# 5. CSR Procurement Guidelines

The azbil Group considers the following to be areas for CSR procurement.

Main category	Intermediate category	Subcategory
<b>E</b> (Environmental supply chain)	Climate change (Greenhouse gases, energy)	<ul style="list-style-type: none"> <li>• Initiatives to combat climate change (including CO<sub>2</sub>/GHG emissions)</li> </ul>
	Pollution and resources (Air, wastewater, hazardous waste, waste reduction, raw materials, etc.)	<ul style="list-style-type: none"> <li>• Green procurement</li> </ul>
		<ul style="list-style-type: none"> <li>• Management of chemical substances in products</li> </ul>
		<ul style="list-style-type: none"> <li>• Reduction of resource use</li> <li>• Reduction of industrial waste</li> <li>• Recycling</li> <li>• Promotion of renewable energy use</li> </ul>
	Water security and risk	<ul style="list-style-type: none"> <li>• Reduction of water use and wastewater emissions</li> </ul>
	Biodiversity	<ul style="list-style-type: none"> <li>• Preservation of biodiversity</li> </ul>
Environmental management	<ul style="list-style-type: none"> <li>• Environmental management activities in conformity with ISO 14001</li> </ul>	
<b>S</b> (Social supply chain)	Labor practices	<ul style="list-style-type: none"> <li>• Abolition of child labor and forced labor, reduction of overwork</li> </ul>
		<ul style="list-style-type: none"> <li>• Prohibition of discrimination, equal opportunity</li> </ul>
		<ul style="list-style-type: none"> <li>• Promotion of diversity</li> </ul>
	Health and safety	<ul style="list-style-type: none"> <li>• Health and safety management</li> </ul>
		<ul style="list-style-type: none"> <li>• Work-style reform, work-life balance</li> </ul>
	Human rights	<ul style="list-style-type: none"> <li>• Respect for basic human rights (including exclusion of antisocial forces and response to conflict minerals)</li> </ul>
	Community (regional society)	<ul style="list-style-type: none"> <li>• Regional promotion, activities tied to social contribution</li> </ul>
Quality, customers	<ul style="list-style-type: none"> <li>• Observance of fair commercial transactions (including legal compliance)</li> </ul>	
	<ul style="list-style-type: none"> <li>• Quality management</li> </ul>	

The CSR Procurement Guidelines outline in specific terms the behaviors and activities that we would like our business partners to practice and observe in each of these target areas.

We ask that you read and understand the points noted in each area and then check your own actions against them. The latter half of this document contains a Supplementary Explanations section. It contains lists of laws and regulations that require compliance as well as specific examples of activities for your reference.

# CSR Procurement Guidelines Table of Contents

<b>1. Climate change (greenhouse gases, energy)</b> .....	7
<b>2. Pollution and resources (air, wastewater, hazardous waste, waste reduction, raw materials, etc.)</b> .....	7
<b>3. Water security and risk</b> .....	8
<b>4. Biodiversity</b> .....	8
<b>5. Environmental management</b> .....	8
<b>6. Labor practices</b> .....	8
<b>7. Health and safety</b> .....	9
<b>8. Human rights</b> .....	10
<b>9. Community (regional society)</b> .....	11
<b>10. Quality, customers</b> .....	11
Supplementary Explanations .....	12
<b>1. Climate change (greenhouse gases, energy)</b> .....	12
<b>2. Pollution and resources (air, wastewater, hazardous waste, waste reduction, raw materials, etc.)</b> .....	12
<b>3. Water security and risk</b> .....	13
<b>4. Biodiversity</b> .....	14
<b>5. Environmental management</b> .....	14
<b>6. Labor practices</b> .....	14
<b>7. Health and safety</b> .....	16
<b>8. Human rights</b> .....	18
<b>9. Community (regional society)</b> .....	19
<b>10. Quality, customers</b> .....	20
References .....	21
Published by .....	21
Document History .....	21

## **1. Climate change (greenhouse gases, energy)**

Explanation

- It is necessary to address energy efficiency and make continuous efforts to reduce greenhouse gas emissions and energy consumption.
- Business partners should strive to utilize renewable energy sources (by purchasing electricity derived from renewable energy sources, bringing in solar power facilities, etc.).
- Setting voluntary targets and formulating plans for reducing the GHGs emitted in manufacturing processes and engaging in continuous reduction activities based upon the plans and targets is necessary.

## **2. Pollution and resources (air, wastewater, hazardous waste, waste reduction, raw materials, etc.)**

Explanation

### **2.1 Compliance with environmental laws and regulations**

- It is necessary to understand and comply with the environmental laws and regulations of the country, and obtain, maintain, and manage the required environmental permits, licenses, and registrations.

### **2.2 Green procurement**

- To reduce environmental impact associated with the provision of products and services, business partners are asked to give priority to procuring from suppliers who actively work to conserve the global environment (e.g., by taking steps to prevent global warming, recycling resources, and working to preserve biodiversity).

### **2.3 Chemical substance management**

- It is necessary to identify, label, and manage chemical and other substances posing hazards to humans or the environment, and to ensure safe handling, transport, storage, use, recycling, reuse, and disposal of such substances.
- During the manufacturing process, it is necessary to comply with regulations and directives concerning prohibition, restriction, and management levels of specific substances contained in products, as well as satisfying any accompanying requirements from customers.

### **2.4 Effective utilization of resources and waste reduction**

- It is necessary to implement appropriate waste management based on laws and regulations and also to reduce, reuse and recycle to effectively utilize resources and minimize the environmental impact of waste generation.
- We must continuously work to reduce waste by setting voluntary waste reduction targets and minimizing the amount of waste generated.

### **2.5 Environmental consideration in product design and in handled products**

- It is necessary to strive to design products with consideration for the environment, with attention to such areas as saving resources, energy-efficient design, and compliance with regulations on chemical substances contained in products.



### **3. Water security and risk**

#### **3.1 Reduction of water use**

- It is necessary to comply with laws and regulations and to work to save water by ascertaining and monitoring the sources of water used as well as the amount of water usage and discharge.

#### **3.2 Pollution prevention (wastewater, sludge, etc.)**

- Business partners are asked to set and adhere to voluntary environmental impact reduction targets that are at or above the levels specified by laws and regulations, and to appropriately manage all wastewater and sludge by monitoring, controlling, and treating it as necessary before its discharge or disposal.

### **4. Biodiversity**

- It is necessary to study the direct and indirect impacts of the company's business operations on ecosystems and work to conserve biodiversity.

### **5. Environmental management**

- It is necessary to establish an environmental management system or a mechanism that conforms with such a system, to identify factors that affect the environment, and then to implement a continuing cycle of planning, execution, evaluation, and improvement.

### **6. Labor practices**

#### **6.1 Worker recruitment and employment**

- Labor obtained from inhumane labor methods, such as forced bonded labor, must not be used.
- When hiring, it is necessary to present employment terms and conditions in language that workers can understand.
- Workers must not be forced to work and their right to leave or voluntarily end employment must be observed.

#### **6.2 Working hours**

- Workers must not be forced to work hours that exceed the maximum working hours set by local laws and regulations, and working hours and days off must be appropriately handled with consideration of internationally recognized standards.

#### **6.3 Wages and benefits**

- Compliance with all applicable laws and regulations regarding payments of work (including minimum wage, overtime payments, and allowances and deductions required by law) is necessary.

## **6.4 Elimination of child labor and employment of young workers**

- Children who are under the minimum age for employment cannot be allowed to work.
- Workers under the age of 18 (i.e., young workers) cannot be allowed to do night or overtime work or work that is likely to jeopardize their health or safety.

## **6.5 Prohibiting discrimination**

- There should be no discrimination in wages, promotion, compensation, training opportunities, or treatment on the basis of race, ethnicity, national origin, gender, religion, culture, beliefs, birth, age, disability, sexual orientation, or gender identity.

## **6.6 Respect for workers' fundamental rights**

- It is necessary to respect fundamental labor rights, including the right to collective bargaining, and to build good relationships with workers through healthy and sincere dialogue.

## **6.7 Promotion of diversity and inclusion**

- Respecting workers' individuality will give them the opportunity to maximize their abilities.

## **7. Health and safety**

### **7.1 Occupational safety**

- It is necessary to understand existing occupational risks and to take steps to prevent accidents and occupational injuries.
- Reasonable consideration must be given especially to pregnant women and nursing mothers.

### **7.2 Emergency preparedness**

- To protect workers' lives and bodily safety from disasters, accidents, and other emergencies, emergency measures must be prepared and education and training must be provided so that employees are prepared in the event of a disaster.

### **7.3 Occupational injuries and illnesses**

- The status of occupational injuries and illnesses must be understood, and appropriate countermeasures and corrective actions implemented.

### **7.4 Industrial hygiene**

- It is necessary to identify and properly manage chemical, biological, and physical risks in the workplace that are harmful to the human body, and to provide workers with appropriate education.

### **7.5 Physically demanding work**

- Physically demanding tasks must be managed by the company with consideration for their effects on the body.

### **7.6 Protecting workers from machinery**

- Regarding the machinery used in work, it is necessary to evaluate if for safety hazards and to provide appropriate safeguards.

## **7.7 Sanitary facilities, meals, and housing**

- It is necessary to maintain appropriate health and safety in the facilities provided for workers (such as dormitories, cafeterias, and toilets).

## **7.8 Health and safety communication**

- For workplace hazards, it is necessary to provide training and education on appropriate health and safety information using language and methods that workers can understand.

## **7.9 Employee health management**

- It is necessary to provide medical examinations at a level equaling or higher than that required by law, endeavoring to prevent and quickly detect illnesses.
- Sufficient consideration to mental health and other care is also required.

## **7.10 Reforming work method and achieving work-life balance**

- Promoting diverse and flexible ways of working leads to greater job satisfaction among workers.
- Additionally, providing more leave than is required by law will help ensure workers' physical and mental health.

## **8. Human rights**



### **8.1 Respect for basic human rights**

- It is necessary to respect workers' human rights and not engage in such inhumane acts as harassment, sexual abuse, corporal punishment, mental or physical oppression, or verbal abuse.

### **8.2 Protecting personal information**

- The personal information of all suppliers, customers, consumers, workers, and others must be appropriately managed in compliance with the laws and regulations of the relevant country.

### **8.3 Preventing leakage of confidential information**

- It is necessary to appropriately manage and protect confidential information. This applies not only to a company's confidential information but also to information received from customers and third parties.

### **8.4 Respecting intellectual property**

- Intellectual property rights must be respected, and transfers of technology and expertise must be done in a manner that ensures the protection of intellectual property.
- This applies also to the intellectual property of third parties, such as customers and suppliers.

### **8.5 Exclusion of antisocial forces**

- There can be no relationships with antisocial forces (such as an organized crime group or corporate extortionist or capitulation to their unjust demands).
- Transactions with antisocial forces cannot be allowed.

## 8.6 Handling of conflict minerals

- It is necessary to exercise due diligence to ensure that tantalum, tin, tungsten, gold, and other such minerals contained in the products manufactured do not cause or contribute to serious human rights abuses, environmental destruction, corruption, or disputes in conflict-affected areas and high-risk areas.

## 9. Community (regional society)

- Positive interaction with and contribute to society as members of the local community is needed.
- It is necessary to foster a corporate culture built on harmonious relations with the local community by engaging in activities that make a contribution.

## 10. Quality, customers

### 10.1 Observance of fair commercial transactions

- Companies must comply with applicable laws and regulations of their countries as well as of the countries and regions in which they operate. They must not be involved in bribery, corruption, blackmail, or embezzlement in any form.
- Offering or approving bribes or other promises, propositions, or approvals as a means of obtaining illicit or inappropriate benefit cannot be allowed.

### 10.2 Quality management

- Companies must comply with their own quality standards and customer requirements in addition to all laws and regulations applicable to the quality of the products and services they intend to provide.
- It is necessary to establish a quality management system or a mechanism that conforms with such a system, to identify factors that affect quality, and to implement a continuous cycle of planning, execution, evaluation, and improvement.

# Supplementary Explanations

## 1. Climate change (greenhouse gases, energy)

Main text

There are various types of greenhouse gases (GHGs), but the term greenhouse gas generally refers to the six groups of substances defined in the Kyoto Protocol, which are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>).

“Continuous reduction activities” refers to the process of setting voluntary reduction targets for the above six types of greenhouse gases and making and executing plans to achieve them.

## 2. Pollution and resources (air, wastewater, hazardous waste, waste reduction, raw materials, etc.)

Main text

### 2.1 Compliance with environmental laws and regulations

Environmental laws and regulations in Japan include the following:

- Waste Management and Public Cleansing Act, Air Pollution Control Act, Water Pollution Control Act, Act on Rational Use and Appropriate Management of Fluorocarbons, laws on the management of chemical substances, Poisonous and Deleterious Substances Control Act, and Energy Savings Act

Some of these laws include the obligation to assign a manager who has obtained a qualification stipulated by law. Among them are the Wastes Management and Public Cleansing Act (a manager for specially controlled industrial waste), Energy Savings Act (an energy manager in plants that use a certain level of energy), and Air Pollution Control Act (a pollution prevention manager at plants that emit chemical substances, dust, or smoke).

Furthermore, companies may be obligated to assign a manager responsible for poisonous/deleterious substance management, designated chemical substance management, and hazardous substance management, depending on the chemical substances used in their businesses.

It may also be necessary to receive permission for facilities that handle hazardous substances and environmental impact assessments, depending on the type of business conducted and the location of plants.

### 2.2 Green procurement

Azbil distributes the “azbil Group Green Procurement Standards” to explain transactions involving raw materials, parts, consignment production, and processed goods required for product production, and we ask azbil Group business partners to submit a Green Procurement Evaluation Form. We begin to transact business when our evaluation standards have been met, and we continue to periodically update and evaluate our green procurement activities accordingly.

### 2.3 Chemical substance management

In Japan, companies must manage substances according to the Chemical Substance Control Act, Poisonous and Deleterious Substances Control Act, Industrial Safety and Health Act, Fire Service Act, and the PRTR (Pollutant Release and Transfer Register). They must also pay attention to chemical substance management in manufacturing processes.

The same is true of the substances contained in products. Companies must consider customers’

requirements in addition to complying with laws and regulations in Japan and overseas (such as the destination countries of overseas products). They are also responsible for managing the components that go into their products. Therefore, upstream companies must provide downstream companies with the necessary information. Taking exports to the EU as an example, such information would cover RoHS and REACH among other pertinent regulations as well as specifics on the relevant controlled substances. Companies must also consider the substances that are added, mixed, or bonded during the manufacturing process.

In addition, organic solvents with GHS compliance labels that are used on-site in rust-proofing, paints, adhesives, and cleaning during construction, maintenance, and inspection are subject to the law.

The azbil Group has set “Guidelines for the Construction of Chemical Substance Management Systems” to prevent environmental pollution caused by hazardous chemical substances contained in our products. We ask for the understanding and cooperation of our business partners in striving to reduce hazardous chemical substances throughout the supply chain.

## **2.4 Effective utilization of resources and waste reduction**

It is necessary to identify and manage waste not identified to be hazardous even when discarding it, to implement a systematic approach for responsible disposal or recycling, and to work to reduce waste. Means for achieving these aims include changing production facilities at the source, substituting materials, reusing resources, and recycling. Voluntarily setting targets and taking action accordingly is also an effective way of complying with laws and regulations.

Major laws and regulations in Japan include the Waste Management and Public Cleansing Act, the Basic Act on Establishing a Sound Material-Cycle Society, and various recycling laws.

## **2.5 Environmental consideration in product design and in handled products**

Aiming to create environmentally friendly products, Azbil conducts environmental assessments in eight categories (energy efficiency, resource conservation, environmental conservation, long-term usability, reuse/recycling, ease of disposal, packaging materials, and provision of information) and then assesses new products by comparing their improvements over equivalent existing products.

## **3. Water security and risk**



Main text

### **3.1 Reduction of water use**

Ways of reducing water use include using rainwater or recycled water for miscellaneous purposes (such as for toilets, sprinkling, cleaning, and cooling) and reusing wastewater generated in manufacturing processes. Additionally, water-saving equipment such as water-saving packing and nozzles can be used alongside worker education to conserve water

### **3.2 Pollution prevention (wastewater, sludge, etc.)**

Pollutant emissions and waste generation must be minimized or eliminated either at the source or by adding decontamination equipment; changing the processes associated with production, maintenance, and equipment; or applying other means.

Controlling channels of contamination includes checking whether site water channels are free from contamination and are protected from contamination (that there are no pools of standing water or grease/oil slicks near storm drains, etc.) and that emergency response equipment is in

place (for example, shutoff valves and stopcocks to prevent outflow or leakage of clean water and sewage due to a plant accident or natural disaster; in the case of leaks or overflows, rainwater basins or sewage basins and storage reservoirs are considered to be insufficient), etc. Major laws and regulations in Japan include the Water Pollution Prevention Act, Act on Prevention of Marine Pollution and Maritime Disaster, and the River Act.

#### 4. Biodiversity

Main text

The term “biodiversity” refers to the interconnection (ecosystem) of the abundant individuality of living creatures. Efforts are currently underway to conserve and sustainably utilize biodiversity within an international framework provided by the Convention on Biological Diversity, which came into effect in 1993.

Like climate change, biodiversity is simultaneously a global issue and a phenomenon characterized by diverse local characteristics. The azbil Group’s business partners are therefore asked to make community- and society-based efforts to conserve biodiversity in a way that is fitting for local characteristics. Such efforts can include implementing climate change countermeasures (such as conventional energy conservation activities), recycling and reusing resources, and conducting environmental conservation activities in partnership with the local community.

#### 5. Environmental management

Main text

The term “environmental management” refers to the process by which organizations and businesses set their own environmental policies and targets and then work to achieve them in order to voluntarily promote environmental conservation in their operations and management. A framework of systems and procedures for this purpose within a plant or office is called an “environmental management system” (EMS).

Examples of environmental management systems include the Japanese Ministry of the Environment’s “Eco-Action 21” and ISO 14001, which is an international standard. There are also environmental management systems that were prepared by local governments, NPOs, and semi-commercial corporations among other bodies. On the national level, there is Eco Stage and the KES Environmental Management System Standard.

#### 6. Labor practices

Main text

##### 6.1 Worker recruitment and employment

Transporting, concealing, employing, transferring, and receiving people by means of threat, coercion, abduction, or deceit is prohibited. Additionally, workers cannot be forced to pay fees for employment, as this may also lead to forced labor.

Forced work to pay off such a fee is also prohibited.

In particular, there are many reports of migrant workers including foreign workers being forced to work. Foreign workers must be provided with an employment contract containing the employment conditions in a language that they can understand, before they leave their home country.

Other acts that lead to forced labor include hindering workers from using their government-issued identification, passport/visa, work permit, or immigration application (except when the law stipulates that someone other than the worker retain such documents) by means of concealment or confiscation, or imposing limitations on worker entry/exit to facilities or movement within facilities.

## 6.2 Working hours

In addition to compliance with relevant laws and regulations, it is necessary to respect such international human rights standards as the Universal Declaration of Human Rights and International Bill of Human Rights of the United Nations and the Core Labor Standards of the ILO.

Under Japan's Labor Standards Act, workers cannot be required to work more than 40 hours per week. The law also stipulates that workers must not be required to work more than 8 hours per day, excluding rest periods, on each day of a week. (legally prescribed working hours)

If a company wants to require workers to work overtime hours beyond the legally prescribed amount, it must conclude a labor-management agreement based on Article 36 of the Labor Standards Act (called a "36 Agreement") and notify the director of the labor standards inspection office having jurisdiction. It should be noted that the type of work to be performed during overtime hours and the upper limit of overtime work per day, per month, and per year must be established in the 36 Agreement.

Appropriate management of these matters refers to the following:

- Annual working days not exceeding the maximum set by law.
- Weekly work hours, including overtime, not exceed the maximum set by law (excluding unavoidable times of disaster or emergency)
- Observance of workers' right to paid annual leave, maternity leave, and childcare leave as stipulated by the law
- Workers' break time as stipulated by the law
- Provision of physical and mental health checks to ensure the health of workers

## 6.3 Wages and benefits

Minimum wage refers to the minimum wage stipulated by laws regarding wages in the country where the company is operating, and employers must pay wages in excess of the minimum. Compensation for overtime work must be paid to workers at a wage rate that is in accordance with the laws and regulations of the region. When paying compensation, companies must provide a wage slip that includes information enabling the breakdown of the payment to be checked. Unfair wage deductions may be deemed to be the non-payment of wages.

## 6.4 Elimination of child labor and employment of young workers

Child labor is internationally prohibited in all circumstances by the ILO and national laws. Child labor refers to any kind of activity or work which, by its nature or the circumstances in which it is carried out, is harmful to the intellectual, physical, social and moral development of youngsters and undermines their education, preventing them from going to school, forcing them to abandon schooling too soon or to work and study at the same time.

## 6.5 Prohibiting discrimination

Behavior that may lead to discrimination is not allowed in wages, promotions, rewards, access to training, hiring, and employment practices, including discrimination based on race, color, age, gender, sexual orientation, gender identify and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, veteran status, protected genetic information, or marital status.



Furthermore, health checks and pregnancy tests are also regarded as discrimination if they could harm equal opportunity or the fairness of treatment.

## **6.6 Respect for workers' fundamental rights**

The right of workers to establish and join trade unions must be respected, as well as the right of workers not to join a trade union and refrain from such activities.

Furthermore, workers and their representatives must be able to engage in collective bargaining to formally gain mutual understanding with management regarding concerns about working conditions and management practices, without fear of discrimination, retaliation, intimidation, or harassment.

## **6.7 Promotion of diversity and inclusion**

Respecting diverse human resources (i.e., having diversity in terms of race, nationality, gender, sexual orientation, age, disability, religion/beliefs, values, career and experience, and ways of working, for example) and providing them with opportunities to maximize their abilities will lead to corporate growth. Examples include appointing female executives, hiring foreign workers and people with disabilities, and rehiring retirees.

## **7. Health and safety**

### **7.1 Occupational safety**

Occupational safety risk refers to the potential risk of health problems and accidents that occur during work, due to factors such as electricity or other energy, fire, vehicles or moving objects, floors that are slippery or contain tripping hazards, and falling objects.

It is necessary to identify safety hazards in the workplace and their risk of occurrence, and to implement safety measures for workers.

Reasonable steps to protect pregnant women and nursing mothers from highly hazardous conditions include avoiding risks such as lifting heavy objects, exposure to infectious diseases, exposure to lead, exposure to poisonous chemical substances, physically demanding work, exposure to radioactive substances, threats of violence, long work hours, extreme temperatures, and extreme noise.

### **7.2 Emergency preparedness**

Emergency plans refer to, for example, emergency reporting, communication to employees, clarifying evacuation procedures, installing evacuation equipment, ensuring easily identifiable exits without obstruction, providing appropriate exit facilities, storing medical supplies for emergency, installing fire detection systems, installing fire extinguishers, fire shutters, and sprinklers, securing external communication methods, and maintaining recovery plans.

Dissemination of emergency plans within the workplace is also necessary. This involves, for example, providing emergency training (including evacuation drills) to workers and placing/posting emergency procedure manuals in the workplace in an easily accessible location.

### **7.3 Occupational injuries and illnesses**

It is necessary to record occupational injury and worker illness, provide necessary medical treatment, investigate cases, identify and eliminate causes, implement corrective actions, including preventing, managing and reporting.

“Appropriate countermeasures” refer to systems and measures for promoting worker's reporting,

classifying, and recording injury and illnesses, providing medical treatment when necessary, investigating injury and illnesses, implementing corrective actions to eliminate the causes, and facilitating workers' return to work.

It also includes implementing the required administrative procedures stipulated by the law and taking out industrial accident insurance.

## **7.4 Industrial hygiene**

Hazardous agents include substances that are poisonous, radioactive, or cause chronic illness (such as lead and asbestos). These substances may exist in smoke, steam, mist, or dust form. Noise and odors may be deemed hazardous to the human body if they are significantly strong. Appropriate management of these matters refers to establishing and implementing management standards, and providing the appropriate training and personal protective equipment to workers.

## **7.5 Physically demanding work**

Physically demanding work includes long hours of work in an unnatural position, long hours of repetitive or continuous work such as data entry or assembly work that causes physical exertion, and heavy labor such as the manual handling of heavy raw materials or manual transport of heavy objects.

Appropriate management includes providing working conditions based on ergonomics, providing regular breaks, providing supportive tools, and encouraging sharing and cooperation of work among multiple workers.

## **7.6 Protecting workers from machinery**

Appropriate safeguards include management to prevent injuries and accidents from occurring during work; using safety mechanisms such as fail-safe, foolproof, interlock, and tagout; and setting up protective barriers, as well as regular inspection and maintenance of machinery.

Fail-safe: A device or system designed for safe operation even in the event of failure, malfunction, or erroneous operation

Foolproof: A system that prevents dangerous situations from occurring even under erroneous operation

Interlock: A mechanism that prevents other operations from being performed unless certain conditions are met

Tagout: Installation of a tag showing that operation is prohibited to prevent unlocking due to human error

## **7.7 Sanitary facilities, meals, and housing**

Maintaining health and safety involves maintaining the cleanliness and sanitation of facilities, and requires that the following points be considered.

- Drinking water: water quality tests compliant with laws and regulations, and safe drinking water (provided by a water cooler, etc.)
- Sanitary food preparation: cleanliness of clothing and health checks for kitchen workers, pest control, temperature control of food storage, valid cafeteria business licenses, etc.
- Toilets: clean toilet facilities in sufficient number, provision of toilet paper, etc.
- Dormitories: fire response plan, emergency exit routes (egress), secured accommodations for storing personal items (providing lockable storage), adequate living space, ventilation, temperature control, adequate lighting, etc.

## **7.8 Health and safety communication**

It is necessary to provide appropriate workplace health and safety information and training regarding all the workplace hazards that workers will be exposed to (including but not limited to machinery, electricity, chemicals, fire, and physical hazards).

Occupational health and safety information should be clearly posted in facilities or placed in a location that can be seen by workers. It also must be provided in a language that the workers can understand. Training must be provided to all workers before starting work and regularly thereafter.

Workers should be encouraged to raise safety concerns. Topics for training include the correct use of personal protective equipment, emergency response measures, safe operation of machinery, and preparations before entering hazardous environments.

## 7.9 Employee health management

Appropriate health management refers to conducting health checks at least at the level stipulated by law, and working to prevent and quickly detect worker illnesses.

It is also necessary to adequately consider treatment such as mental health care and the prevention of health problems due to overwork.

## 7.10 Reform of work methods and achievement of work-life balance

The Japanese government's Cabinet Office issued a "Work-Life Balance Charter" that states, "Now is the time to aspire for harmony between work and life throughout all of society, with the aim of allowing everyone to work with a sense of fulfillment and satisfaction and to meet their job responsibilities while also leading a healthy and abundant life, with time for child-rearing and nursing care as well as personal time for family, community activities, and self-development."

In addition, the Cabinet Office's Action Guidelines to Promote the Work-life Balance lists three specific conditions that must be met for a "society that has achieved a good work-life balance":

- A society where economic independence through work is possible
- A society where time can be secured for healthy, abundant lives
- A society where choosing a variety of ways of working and living is possible

## 8. Human rights

Main text

### 8.1 Respect for basic human rights

Callous behavior such as sexual harassment and verbal abuse may intensify in the working environment without people nearby noticing it.

It is necessary therefore to establish procedures for quickly detecting and responding to such behavior while, at the same time, creating and expanding an environment in which people can talk about it within the company.

It is necessary to also protect the confidentiality of information that is brought forward and the anonymity of workers who bring the information or seek consultation, and to take steps to prevent retaliation against them.

### 8.2 Protecting personal information

Compliance with local laws and regulations on personal information, and careful handling of the personal information of suppliers, customers, consumers, and employees is necessary. Personal information must only be collected, stored, processed, transmitted, and shared within the scope required to achieve its specified purpose. In Japan, the main law that addresses this matter is the Act on the Protection of Personal Information.

### 8.3 Preventing leakage of confidential Information

Confidential information generally refers to information disclosed according to a written confidentiality agreement (including digital information recorded magnetically or optically) or information disclosed orally upon confidential notice.

An appropriate framework and management system is required for managing both the company's own confidential information and that received from third parties. This includes defining information management levels and employee training.

### 8.4 Respecting intellectual property

The protection of intellectual property applies not only to the company itself, but also to third parties such as customers and suppliers.

Intellectual property rights are rights defined by law, and include patent rights, utility model rights, design rights, trademark rights, and copyrights.

Intellectual property includes trade secrets and technical know-how in addition to intellectual property rights.

### 8.5 Exclusion of antisocial forces

The term "antisocial force" refers to an organized crime group, its members or, associate members, company affiliated with it, corporate extortionists (*sokaiya*), miscreants advocating political activism, an intellectual crime group, or any similar party.

It is necessary to never have a relationship of any kind with an antisocial force. Specifically, this means:

- Not using or employing them.
- Not providing them with assets or favors.
- Not having a close association or any other relationship with them that could attract the condemnation of society.
- Not using fraud, violent behavior, or threatening language against another party or a party associated with another party, either by the business partner itself or through a third party.

### 8.6 Handling of conflict minerals

Due diligence regarding responsible minerals procurement refers to companies' establishing policies, communicating expectations to suppliers (and incorporating them in contracts where possible), identifying and reviewing risks in the supply chain, and establishing and implementing strategies to handle the identified risks.

Related laws include Section 1502 of the Dodd-Frank Wall Street Reform & Consumer Protection Act in the United States and the Conflict Minerals Regulation of the European Union.

## 9. Community (regional society)

Main text

As members of the local community, businesses are expected to contribute to society, participate in volunteer work, and engage in similar activities. Contribution to society can be broadly divided into financial support, material support, and personal activities.

Financial support includes making donations to social service organizations. Material support includes offering technology and expertise to local educational institutions, and helping to promote local culture, arts, and sports by using company-owned land and facilities. Personal activities include participatory action, such as helping to preserve green spaces and conducting cleanups, and sending employees to societal education programs as instructors or coaches.

Main text

## **10. Quality, customers**

### **10.1 Observance of fair commercial transactions**

It is necessary to uphold a policy of prohibiting any and all forms of bribery, excessive entertainment or gifts, corruption, blackmail, or embezzlement, and maintain continuous compliance. Directly or indirectly providing or receiving something valuable, or promising or proposing to do so, in order to gain business or obtain inappropriate benefit is prohibited.

It is also necessary to comply with laws regarding fair business, including fair competition and subcontracting laws, and refraining from such illegal acts as entering cartel agreements to restrict competition or engaging in unfair business practices or making misleading representations.

### **10.2 Quality management**

The term “quality management” refers to a process by which organizations and businesses set their own quality policies and targets and then work to achieve them in order to voluntarily promote quality in their operations and management. A framework of systems and procedures for this purpose within a plant or office is called a “quality management system” (QMS). A representative example of quality management systems is the international standard ISO 9001.

## References

The following resources were used as references in the preparation of these guidelines.

- Azbil Corporation, “Guiding Principles for azbil Group Business”
- Azbil Corporation, “azbil Group Code of Conduct”
- Responsible Business Alliance, “RBA Code of Conduct” (ver. 7.0)(for the electronics industry)
- UN Global Compact, “CSR/Sustainable Procurement Self-Assessment Tool Set”
- Japan Electronics and Information Technology Industries Association (JEITA), “Responsible Business Conduct Guidelines”

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