



The azbil Group

Sustainable Procurement Annual Report 2024

Issued in June 2025

Azbil Corporation

Introduction

Based on its corporate philosophy, the azbil Group is proactively working to realize a sustainable society and protect the global environment through its business activities. Our efforts include the Sustainable Development Goals (SDGs), which are a global initiative that includes Japan.

In particular, we recognize that respecting human rights and responding to climate change are important issues required by society. To that end, we are promoting decarbonization across the entire Group in parallel with initiatives such as human rights due diligence.

We believe that efforts toward the SDGs can be more effective when implemented across the entire supply chain than by the azbil Group working alone. Therefore, the basis of our procurement activities is to build long-term relationships of trust with our business partners and to increase added value for both the azbil Group and such business partners. In order to meet the growing expectations of society, we are further strengthening our efforts toward a sustainable society throughout our entire supply chain.

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1 . Background and Progress to Date

In FY2021, the first year of Azbil's sustainable procurement activities, we defined the framework for our activities through to 2030 and revised the azbil Group Basic Procurement Policy to set out our fundamental approach. We also issued CSR Procurement Guidelines outlining the actions that our business partners should take and distribute these to our business partners.

In FY2022, based on the strength of societal demands and the results of the FY2021 self-assessment questionnaire of our business partners, we have chosen human rights due diligence for the social aspect and CO2 emission reduction for the environmental aspect as the key themes that we would like our business partners to strengthen, and we have been working on these themes ourselves.

In FY2023, we continued our sustainable procurement activities centered on these two themes.

Regarding human rights due diligence, we conducted risk assessments to determine whether there was any risk of human rights violations against our business partners' employees and requested improvement measures from business partners where there remained such a risk. We also confirmed that those improvements were being steadily implemented.

Regarding CO2 emission reduction, we have encouraged our business partners to improve their understanding of Scope 1, 2, and 3 emissions and their setting of reduction targets.

These two themes are being implemented not only at Azbil but also at each of our group companies.

Additionally, in FY2023, we visited and interviewed a total of 62 business partners. Through these activities, Azbil was able to grasp the actual state of its business partners' approaches and initiatives regarding the SDGs, and was able to more effectively influence its business partners by incorporating their ideas and areas of expertise in Azbil's activities. Furthermore, we have been working to generate greater impact across the entire supply chain by sharing examples of business partners who are implementing cutting-edge initiatives with other business partners facing similar issues.

In addition to the above initiatives, in FY2024, we visited 14 business partners and made proposals regarding the hiring of foreign workers. During individual visits in FY2023, we confirmed that many business partners are struggling with the difficulty of recruiting personnel. On the other hand, some business partners have successfully employed foreign workers in different ways and achieved long-term utilization of their human resources. Based on these success stories, we made proposals on both the promotion of diversity and resolving the difficulty of recruiting personnel.

Furthermore, in FY2024, considering recent changes and trends in social demands, the needs of institutional investors and rating agencies, and examples from other companies, we decided to conduct human rights due diligence on secondary business partners and to incorporate an ethics and risk management perspective into our CSR Procurement Guidelines, and have since been planning these activities. Consequently, the CSR Procurement Guidelines now include Ethics and Risk Management in addition to the existing Environment and Social, completing the 3 elements. Therefore, we renamed the guidelines to the "Sustainable Procurement Guidelines" and held a guideline briefing session with the aim of raising awareness and deepening understanding among our business partners.

● Transition of initiatives by year

[FY2021 Implementation] Educate and encourage business partners

■ Building a foundation for azbil Group initiatives

- Revision of the azbil Group Basic Procurement Policy
- Establishment of CSR Procurement Guidelines
- Establishment of promotion structure in each Group company

■ Actions for business partners

[Azbil] Implementation

- Implementation of CSR Procurement Guidelines briefing sessions

[Azbil and its Group companies] Implementation

- Business partners' self-assessment questionnaire & response results analysis



[FY2022/FY2023 Implementation] Actions for business partners: Realization and Deepening

■ Building a foundation for azbil Group initiatives

- Setting social and environmental priority themes
- Creating scenarios at Azbil for development of the Group's overseas sales companies
- Develop a system to promote human rights due diligence and reduction of CO₂ emissions at each Group company

■ Actions for business partners

[Azbil and its Group companies] Implementation

- Human rights due diligence
- Reduction of CO₂ emissions

[Azbil] Implementation

- Interviewing individual business partners and identifying their best practices

[azbil Group companies] Implementation

- Implementation of CSR Procurement Guidelines briefing sessions
- Initiating CSR level improvement measures and sustainable procurement activities at the Group's overseas sales companies



[FY2024 Implementation] Actions for business partners: Expansion

■ Building a foundation for azbil Group initiatives

- Planning measures to strengthen ethics and risk management
- Revision of "Sustainable Procurement Guidelines" with the addition of ethics and risk management elements

■ Actions for business partners

[Azbil and its Group companies] Implementation

- Human rights due diligence (Azbil's focus is on secondary business partners)
- Reduction of CO₂ emissions

[Azbil] Implementation

- Promoting diversity
- Sustainable Procurement Guidelines briefing sessions
- Initiating the collection of information regarding potential violations of environmental regulations

[azbil Group companies] Implementation

- Initiating CSR level improvement measures and conducting a survey of business partners at the Group's overseas sales companies

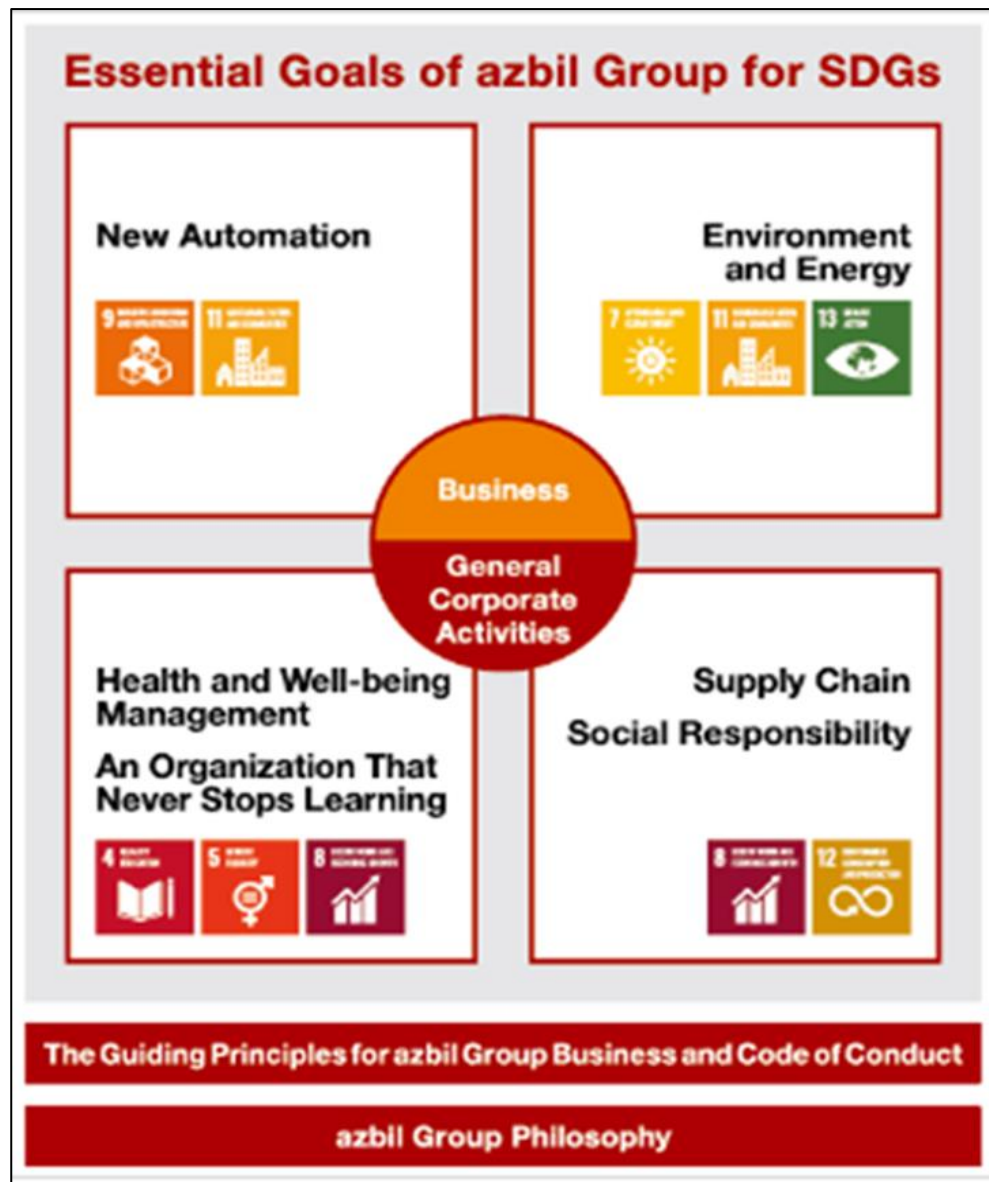
Since FY2022, Azbil Corporation and azbil Group companies have conducted the following annually:

- Self-assessment questionnaire for business partners
- Feedback on the previous year's survey

2. The azbil Group Position on Sustainable Procurement

Essential Goals of azbil Group for the SDGs established in March 2020

The azbil Group has established 4 SDG essential goals and targets to contribute to the achievement of the SDGs. We are advancing these efforts across our business and corporate activities. Sustainable procurement activities fall into 1 of these 4 categories.



3. The azbil Group Sustainable Procurement Framework

3-1. Framework for achieving the goals

■ The azbil Group's PDCA cycle for evaluating CSR activities across the supply chain

We will work together with our business partners to realize shared CSR values in the supply chain with the SDGs as a common goal.



*Note:

① The azbil Group self-assessments

Based on the azbil Group's own evaluation criteria, we self-evaluate our encouragement of the supply chain from the following 4 perspectives:

(1) Policies/strategies (2) Systems/structures (3) Initiatives (4) Effectiveness

② Business partner self-assessments

Business partners are asked to conduct a self-assessment of their own activities through a questionnaire based on the United Nations Global Compact and JEITA guidelines.

3-2. Target area

We will define areas in which we should address sustainable procurement, and then develop a framework for the azbil Group to address these areas and encourage our business partners. We also evaluate the initiatives of the azbil Group and our business partners.

- We have set target areas to ensure objectivity and to make them easier for external companies to evaluate and check.
- In FY2024, taking into consideration external expectations as well as industry standards and trends, we have added "ethics and risk management," which had not previously been included in the main categories, thereby covering all 3 areas.
- The azbil Group's initiatives and measures are arranged into main and intermediate categories, and further subdivided into subcategories.

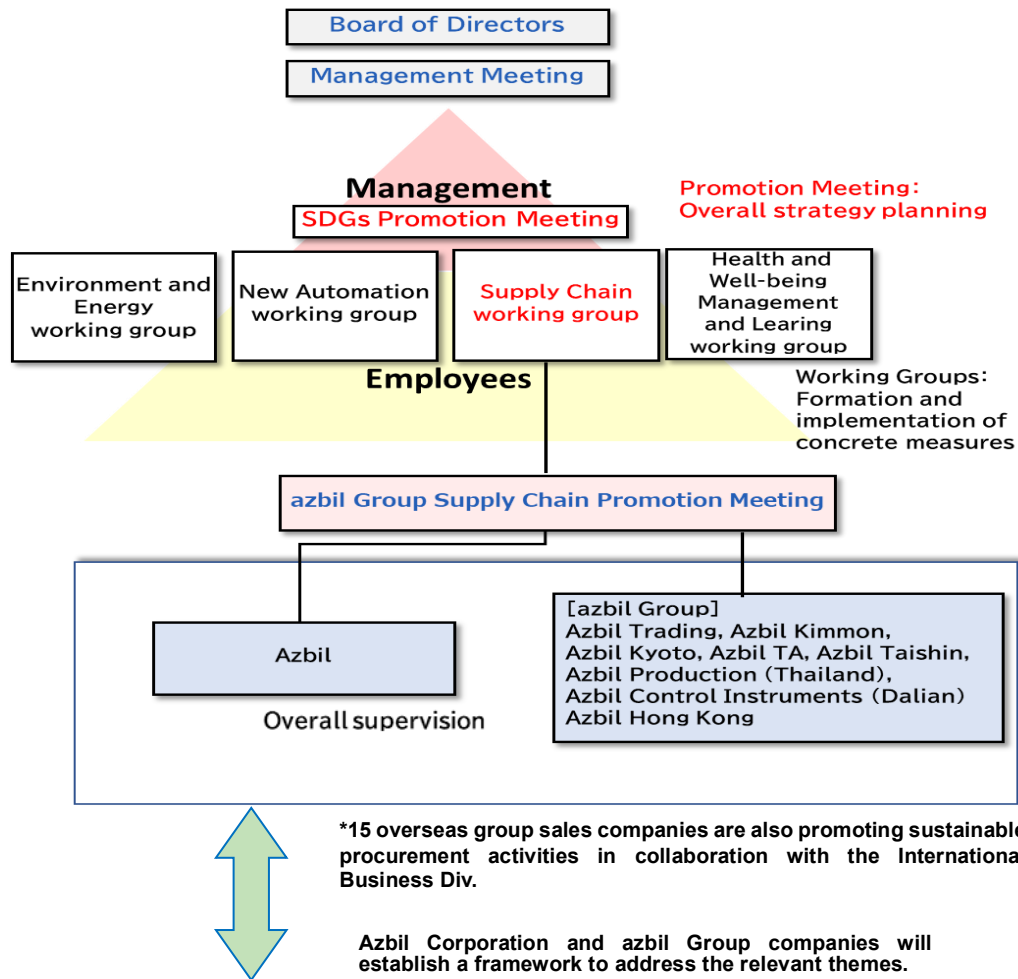
Areas to be addressed in sustainable procurement by the azbil Group

Main category	Intermediate category	Subcategory
Environment	Climate change (GHG, energy)	<ul style="list-style-type: none"> Climate change (GHG, energy)
	Pollution and resources (air, wastewater, hazardous waste, waste reduction, raw materials, etc.)	<ul style="list-style-type: none"> Green procurement Management of chemical substances in products Compliance with environmental regulations Effective use of resources and waste reduction Environmental considerations in product design and handling of goods
	Water security and risks	<ul style="list-style-type: none"> Reduction of water use and wastewater emissions Prevention of pollution (wastewater, sludge, etc.)
	Biodiversity	<ul style="list-style-type: none"> Biodiversity
	Environmental management	<ul style="list-style-type: none"> Environmental management
Social	Labor practices	<ul style="list-style-type: none"> Working hours · Wages and allowances Prohibition of discrimination Freedom of association and the right to collective bargaining Labor recruitment and employment Elimination of child labor and employment of young workers Prohibition of inhumane treatment Promotion of diversity and inclusion
	Health and safety	<ul style="list-style-type: none"> Occupational safety · Emergency preparedness Industrial hygiene · Occupational accidents and illnesses Employee health management · Machine safety measures Consideration for physically demanding work Sanitation facilities, food, and housing Health and safety communication Work style reform and work-life balance
	Human rights	<ul style="list-style-type: none"> Respect for basic human rights Exclusion of anti-social forces Responsible mineral sourcing
	Community contribution	<ul style="list-style-type: none"> Community contribution
	Quality and customers	<ul style="list-style-type: none"> Quality management Provision of accurate product and service information
Ethics and Risk Management	Compliance with laws and respect for international norms	<ul style="list-style-type: none"> Compliance with laws and respect for international norms
	Adherence to fair business practices	<ul style="list-style-type: none"> Adherence to fair business practices · Anti-corruption Respect for intellectual property Protection of whistleblowers Appropriate import/export controls
	Establishment of management system	<ul style="list-style-type: none"> Establishment of management system Supplier management · Grievance mechanism
	Appropriate information disclosure	<ul style="list-style-type: none"> Appropriate information disclosure
	Information security	<ul style="list-style-type: none"> Information security · Protection of personal information Prevention of leaks of confidential information
	Development and preparation of a business continuity plan	<ul style="list-style-type: none"> Development and preparation of a business continuity plan

3-3. Promotion structure

To promote sustainable procurement, the azbil Group has established a framework to oversee the entire Group. The azbil Group's executives in charge of production and purchasing functions are appointed as responsible persons.

Each company within the Group has established a framework for effectively implementing initiatives to engage business partners, led by a person in charge of SDGs in coordination with relevant departments.



Main category	Intermediate category	Key departments
Environment	Climate change	Environmental Promotion Department
	Pollution, resources	
	Water security and risks	
	Biodiversity	
	Environmental management	
Social	Labor practices	Human Resources Dept
	Health and safety	Health and Safety Department
	Human rights	CSR Department
	Community	CSR Department
	Quality and customers	Quality Assurance Department
Ethics and Risk Management	Compliance with laws and regulations	Legal Department
	Adherence to fair business practices	Legal Department
	Management system	Production Department
	Appropriate information disclosure	CSR Department
	Information security	Information System Department
	Business continuity plan	Production Department

SDGs Promotion Meeting:

This is a forum in which the President and other relevant management members participate to formulate, implement, and evaluate plans related to the SDGs. Based on reports from each working group, the PDCA cycle will be put into practice with the aim of achieving the goals for FY2030, and the management team will be responsible for formulating the overall strategy and determining the direction.

The azbil Group Sustainable Procurement Promotion Meeting:

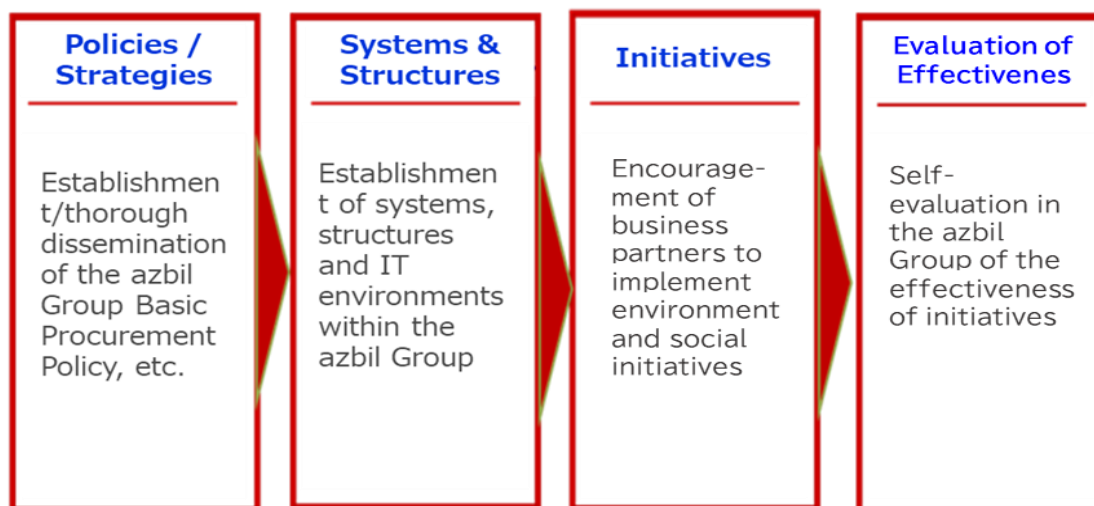
The meeting is led by the member of management in charge of the Supply Chain Working Group and is attended by SDG managers from Azbil and the azbil Group. During this meeting, we share communications with our business partners as well as plans and results for sustainable procurement initiatives. This enables us to apply the PDCA cycle and pursue continuous improvement.

3-4. Encouraging business partners



By expanding initiatives based on the following 4 actions to our business partners, we will steadily improve the environmental and social aspects of our entire supply chain.

『 Encouraging the supply chain 』



◆ Ask business partners to conduct self-evaluation for the purpose of verifying that effectiveness evaluation is working.

[Policies/Strategies] We disclose the supply chain management policy (including goals and plans) of the azbil Group to the public as the azbil Group Basic Procurement Policy, and encourage our business partners to be fully aware of it.

[Systems & Structures] We are developing a framework to promote initiatives within each Group company, along with mechanisms for sharing information both among Group companies and with business partners.

[Initiatives] Based on the above policy, each company within the azbil Group leverages its organizational framework to implement initiatives that promote engagement with business partners.

[Evaluation of Effectiveness] Each company in the azbil Group will evaluate its own initiatives.

3-5. Evaluation



To evaluate its sustainable procurement efforts, the azbil Group conducts a self-assessment of its supply chain initiatives from 4 perspectives. In addition, a self-assessment by the business partners(*) is also included, resulting in a comprehensive evaluation based on a total of 5 items.

Through this evaluation, the azbil Group's initiatives and the strengths and weaknesses of our business partners are made visible and will be used to plan measures for the following fiscal year.

*: We conduct surveys with our business partners, dividing the target areas into subcategories to assess their level of understanding, internal promotion structures, and current initiatives. Based on the hypothesis that azbil Group's initiatives will function effectively and lead to improved self-assessments by our business partners over time, we include these self-assessment results as part of our evaluation criteria to verify the effectiveness of azbil Group's efforts.

Main category	Intermediate category	The azbil Group's self-evaluation				Business partners' self-evaluations
		Policies & Strategies	Systems & Structures	Initiatives	Evaluation of effectiveness	
(Environment)	Climate change (GHG, energy)					
	Pollution and resources (Air/water pollution, hazardous waste, reduction of waste, raw materials, etc.)					
	Water security and risks					
Omitted						

- Evaluation is performed on a 10-point scale for each blue frame.
- We have set evaluation criteria to ensure that the evaluation will remain consistent until 2030.

3-6. Scope of business partners

As the azbil Group has more than 4,000 business partners, we conduct a screening process to select those eligible for sustainable procurement.

Specifically, we recognize that business partners with high transaction volumes (purchasing amounts for the azbil Group) may have a greater impact on the Group - either positively through the success of SDG initiatives or negatively if risks materialize. Therefore, we prioritize the selection of business partners based on transaction volume, aiming to cover those that account for 80% of the azbil Group's total purchasing volume. These are managed as "key business partners."

Since transaction amounts fluctuate from year to year, and some business partners are uncooperative with the azbil Group's SDG initiatives, we review the target business partners annually as needed.

The number of business partners subject to review as of FY2024 is as follows:

Azbil Corporation and azbil Group	Total number of business partners	Number of key business partners under sustainable procurement
Azbil Corporation	2,575	315
Azbil Trading Co., Ltd.	817	30
Azbil Kimmon Co., Ltd.	267	74
Azbil Kyoto Co., Ltd.	4	3
Azbil TA Co., Ltd.	300	49
Azbil Taishin Co., Ltd.	265	25
Azbil Production (Thailand) Co., Ltd.	36	14
Azbil Control Instruments (Dalian) Co., Ltd.	119	26
Azbil Hong Kong Limited	50	10
Total	4,433	546

4. FY2024 Initiative Results

4-1. Overall picture of the initiative

Through these activities, the azbil Group aims to fulfill its social responsibilities in the supply chain by increasing added value for both the azbil Group and its business partners, achieving coexistence and mutual prosperity, and building long-term relationships of trust. To achieve this goal, we are taking the following initiatives. In response to societal demands, we primarily engage in activities centered around ESG principals. In addition to Azbil, each company within the azbil Group is also expanding similar activities to their business partners.

Framework for achieving targets *Reiteration of Section 3-1



Development of specific initiatives

Category	Engagement and collaboration with supply chain business partners					
	Environment		Social	Ethics and Risk Management	Common to all areas	Dissemination of best practices
	Decarbonization	Environmental regulatory compliance	Human rights due diligence		Establishment of guidelines and deployment to business partners	
Our commitments toward 2030	Encourage business partners to visualize their energy consumption and set CO ₂ reduction targets, contributing to a 20% reduction across the supply chain.	Work together with our business partners to promote improvements in areas such as resource circulation and biodiversity.	Reduce the risk of human rights violations among business partners' employees.	Outline ethics and risk management issues that need to be addressed and work together with business partners to drive improvements. • Fair business practices • Anti-corruption, etc.	Organize ESG-related action items for business partners to enhance their understanding and facilitate the implementation of concrete initiatives.	Support business partner initiatives by sharing best practices from one business partner with others.
Specific Initiatives at Azbil in FY2024	Promoting awareness through the distribution of educational materials, assessing the current situation via questionnaires, and encouraging the setting of CO ₂ reduction targets.	In the event of an environmental law violation at a business partner site, Azbil centrally collects and manages the relevant information.	(1) Human rights DD has been completed for primary business partners. (2) Human rights DD for secondary business partners has been conducted via the primary business partners.	Ethics and risk management-related action items have been organized as fundamental requirements.	Revisions and additions were made to the guidelines, followed by briefing sessions to ensure awareness and understanding among key business partners.	Promoting diversity through the engagement of foreign workers

Category	Evaluation	
	Common to all areas	
	Implementation of business partner self-assessment questionnaires	Overall evaluation
Our commitments toward 2030	Evaluate the effectiveness of Azbil's initiatives and monitor improvements in business partners' ESG performance over time.	Conduct annual overall evaluations based on Azbil's standards and verify the improvement of effectiveness over time.
Specific Initiatives at Azbil in FY2024	In line with guideline revisions, additional measures and updates have been made in the areas of ethics and risk management and the environment. These updates have been implemented annually since FY2021.	Visualized year-over-year trends using radar charts, conducting evaluations annually since FY2021.

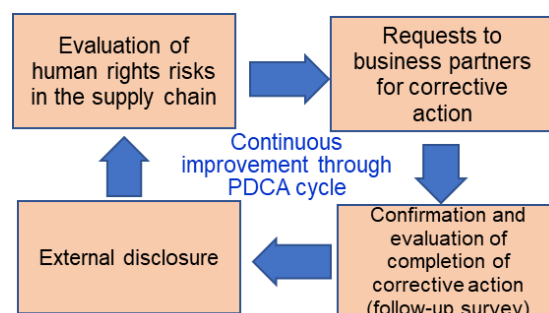
External disclosure		
Common to all areas		
Disclosure through reports and the company website	Response to external institutions	Customer relations and inquiry management
Disclose annual activities externally in order to facilitate engagement in line with collecting stakeholder opinions.	Disclose evidence in response to external requests to enhance societal credibility and recognition.	Provide responses to surveys and inquiries from customers, institutional investors, and major shareholders upon request.
• Azbil report • ESG data book • Supply Chain Annual report • Website enhancement, etc.	• FTSE • S&P • Sustainability and more	Taking action as requested by customers.

4-2. Human rights due diligence

What is "human rights due diligence"?

Activities to assess risks related to human rights violations among employees of our business partners across the supply chain and to promptly address such violations if they occur.

(Activities implementing the PDCA cycle, as shown on the right)



In addition to the human rights due diligence (hereinafter referred to as human rights DD) that we have continued to carry out since FY2023, which includes (1) human rights DD for Azbil's primary business partners and (2) human rights DD for the azbil Group's primary business partners, in FY2024 we also conducted a new project, (3) human rights DD for Azbil's secondly business partners (the business partners of Azbil's business partners, going back up the supply chain).

In implementing these measures, we ensure that they are consistent with the human rights issues and risk response direction targeted in the azbil Group's "Initiatives to Respect Human Rights."

(1) Human rights DD for Azbil's primary business partners

As of the end of FY2023, we have assessed approximately 300 of our key business partners for risk of human rights violations, and have requested improvements at 24 companies that remain at risk. As a result, we were able to confirm evidence that 20 companies had completed the implementation of improvement measures.

In FY2024, we continued to follow up with the 4 companies that had not yet completed their improvement measures. As a result, we received evidence from all 4 companies showing that the improvement measures had been completed, confirming that all the improvements had been completed.

This also meant the completion of the human rights DD for Azbil's primary business partners.

(2) Human rights DD for the azbil Group's primary business partners

The 6 companies in the azbil Group have also implemented a similar process for their own business partners.

In FY2024, a final determination was made regarding the human rights risk assessments of the targeted business partners, and improvement requests were issued to 21 companies that were identified as having potential risks. Of these, we have confirmed that improvements have been completed for 11 companies, but not for the remaining 10 companies due to internal circumstances at the business partners (requested improvements include the appointment of safety and health promoters, the implementation of health examinations, etc.). We will continue to follow up in FY2025.

Progress as of the end of FY2024

*The figures represent the number of business partners

azbil Group	Business partners subject to human rights DD	Human rights risk assessment (final)	Risk identified (corrective action requested)	Corrective action completed
Azbil Trading Co., Ltd.	31	7	1	0
Azbil Kimmon Co., Ltd.	74	22	9	8
Azbil Kyoto Co., Ltd.	3	3	2	1
Azbil TA Co., Ltd.	50	21	9	2
Azbil Taishin Co., Ltd.	24	1	0	0
Azbil Production (Thailand) Co., Ltd.	11	9	0	0
Total	193	63	21	11

(3) Human rights DD for Azbil's secondary business partners

In response to strong demands from customers and society, we conducted human rights DD not only with direct business partners, but also upstream in the supply chain, going all the way back to Azbil's secondary business partners. The procedures for implementing this human rights DD were basically the same as those for primary business partners, however, as the target was secondary business partners, we made the following improvements.

a) Identification of human rights issues

Since secondary business partners are expected to include overseas companies, we identified human rights issues commonly adopted by major global organizations, compared and validated them against those addressed by leading companies in the electrical and electronics industry, and finalized the key issues to focus on.

Identified human rights issues

- (1) Child labor
- (2) Forced labor
- (3) Freedom of association and collective bargaining
- (4) Safety and health management
- (5) Working hours, holidays (overwork)
- (6) Wage level
- (7) Discrimination and equal opportunity
- (8) Responsible mineral sourcing
- (9) Personal information protection and privacy violations
- (10) Harassment

b) Targeted business partners

Since there are a large number of secondary business partners, we narrowed down the target business partners based on the 3 conditions below.

i) Importance from Azbil's perspective

ii) Business partners in areas where there is a high risk of human rights violations

iii) Importance of Azbil from the perspective of business partners

As a result, 85 companies were surveyed.

c) Survey questions

In designing the questionnaire, we ensured there were no omissions by comparing the original version prepared by Azbil with surveys from organizations such as JEITA, while also considering future human rights DD beyond secondary business partners. To enhance versatility, we increased the number of automatically evaluated questions. Furthermore, since secondary business partners include small-scale businesses such as sole proprietors, we customized the questions to differentiate between general companies and sole proprietors.

d) Human rights DD implementation via primary business partners

Since the azbil Group does not have direct business relationships with secondary business partners, all contact with them was made through our primary business partners, whose cooperation we requested. As part of the implementation of this approach, we conducted a briefing session on the Sustainable Procurement Guidelines for our primary business partners. During the session, we provided prior explanations regarding the purpose of human rights DD, the objectives and scope of the current initiative, and the specific requests being made. These efforts were intended to deepen the primary business partners' understanding and encourage their cooperation.

[Implementation results]

As a result of implementing the above measures, and with the cooperation of our primary business partners:

The response rate for the human rights DD survey was 83 out of 85 companies, reaching 98%. This response rate exceeds the 89% achieved during the implementation of human rights DD at the primary business partners' level.

We have determined that there are 22 business partners who are at risk of violating human rights and are asking them to take corrective measures. We will continue to follow up on the status of corrective action taken by the business partners we asked to take corrective action in FY2025.

[Major corrective actions requested of secondary business partners]

◆ Working hours management:

- Working conditions such as wages and working hours are not presented to employees in writing (such as employment contracts).
- There is overtime, but the 36 Agreement has not been concluded.

◆ Safety and health management:

- Safety and health training has not been conducted at the time of hiring (joining the company) or when there are changes in work assignments
etc.

[Results]

Through this initiative, we have made great strides in reducing the risk of human rights violations at our business partners. We have also received positive feedback from business partners, such as "This initiative helps prevent potential legal violations, which is greatly valued."

The azbil Group has accumulated a considerable amount of incidental information, including procedures for reducing the risk of human rights violations, knowledge of laws and social trends, and the types of cases that increase the risk of human rights violations. We were able to deepen our knowledge by implementing human rights DD at our secondary business partners, and we now have the prospect of implementing the same procedures at our third-tier and subsequent business partners upstream, which is a major success.

[Future developments]

In FY2025, we plan to pilot the cascading of contractual clauses(*) in order to facilitate more effective implementation of initiatives aimed at ensuring sustainability in the supply chain, including human rights DD.

(*) Cascading of contractual clauses refers to the practice of incorporating commitments to support Azbil's ESG initiatives into contracts with direct business partners, and requiring them to pass down (cascade) these obligations to their own business partners further downstream (i.e., secondary business partners).

4-3. Environmental response

[Supply chain greenhouse gas (GHG) reduction]

In recent years, the effects of climate change have become increasingly severe, and reducing greenhouse gas (GHG) emissions is now recognized as an important issue for the entire international community. As each country sets emission reduction targets, companies are being called upon to go beyond their own companies and reduce emissions throughout their entire supply chains.

The azbil Group aims to reduce greenhouse gas (GHG) emissions generated by its business activities to virtually zero by 2050. As an interim goal toward achieving this target, we have set a "2030 Greenhouse Gas (GHG) Emissions Reduction Target," and are working to reduce greenhouse gas (GHG) emissions throughout our entire supply chain by 33% compared to 2017.

To achieve this goal, we need the understanding and cooperation of everyone involved in our supply chain. We ask our business partners for their understanding and cooperation in reducing CO2 emissions.

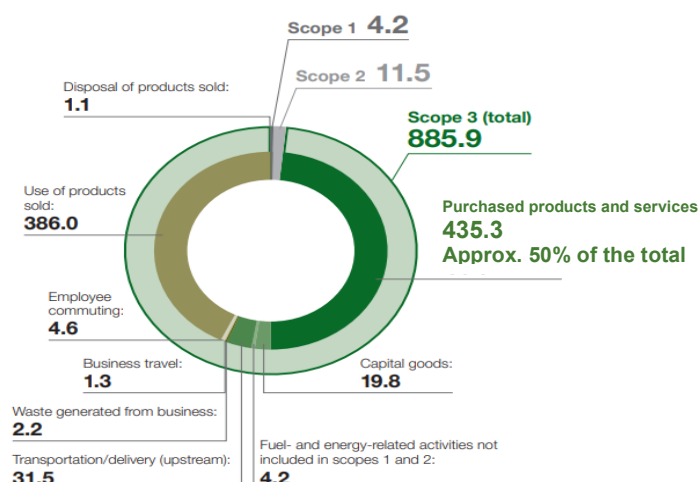
CO2 emissions are classified into 3 categories: Scope 1, Scope 2, and Scope 3.

- Scope 1: CO2 emitted directly by a company through fuel combustion, etc.
- Scope 2: Indirect CO2 emissions from the consumption of purchased electricity, heat, steam, etc.
- Scope 3: CO2 generated throughout the supply chain

As shown in Figure 1, which presents the breakdown of CO2 emissions (Scope 1 + Scope 2 + Scope 3) for the azbil Group, it is evident that Scope 3 accounts for the majority of the total emissions. Among these, emissions from "purchased products and services" related to our business partners account for approximately half of Scope 3. This category is therefore a critically important factor in reducing CO2 emissions across the entire supply chain.

The azbil Group is actively working to reduce CO2 emissions from "purchased products and services," focusing not only on our own efforts but also on cooperation with our business partners.

[Figure. 1] azbil Group CO2 emissions (Scopes 1, 2 and 3) status (FY2023) (CO2 [kt])



* CO2 emissions (Scopes 1, 2 and 3) are subject to third-party verification.

- Scopes 1 and 2: Azbil Corporation, domestic consolidated subsidiaries and major overseas production sites
- Scope 3: Azbil Corporation and consolidated subsidiaries

The azbil Group has implemented the following initiatives with the aim of encouraging our business partners to reduce CO2 emissions in FY2024.

- **Sharing the importance of initiatives throughout the supply chain**

We communicated to our business partners about the need to reduce CO2 emissions throughout the supply chain and requested that they assess and consider reducing their own emissions. As part of this initiative, we revised our explanatory materials related to emission reduction and distributed them to our key business partners.

- **Distribution of questionnaires to support emissions assessment**

We created and distributed a questionnaire to our key business partners that includes a sheet for estimating their CO2 emissions. This initiative helps our business partners assess their emissions.

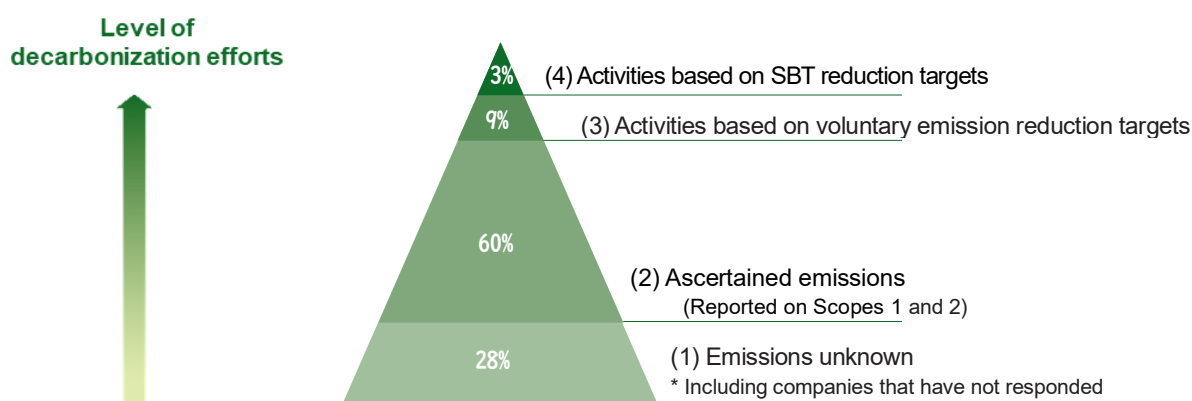
- **Exchange of opinions and support for problem solving**

We exchanged opinions individually with business partners who were having a hard time reducing CO2 emissions. As part of our support, we provided advice on methods for calculating emissions, reduction measures, and target setting, and made progress toward resolving the issues.

- **Results of the above initiatives**

In a survey conducted in FY2024, we asked approximately 300 key business partners about the status of their efforts to reduce CO2 emissions. The results showed that the status of our business partners' reduction activities is as shown in Figure 2.

[Figure 2] Status of CO2 emissions reduction efforts by approximately 300 key business partners (FY2024)



Through questionnaire surveys, we confirmed that among the business partners with whom we exchanged opinions to resolve issues, progress was being made in setting targets and formulating action plans for reducing CO2 emissions. Another positive result was that the number of business partners who obtained Science Based Targets (SBT) certification increased by 3.

On the other hand, although understanding of the need to reduce CO2 emissions is progressing throughout society, we found that there are differences in the level of understanding and efforts being made among business partners. For this reason, we have once again recognized the importance of individual support through communication.

Going forward, we will continue to provide our business partners with explanatory materials on reducing CO2 emissions and sheets that allow them to roughly calculate emissions, as well as provide support through the introduction of examples of target setting and reduction efforts, thereby working together to promote CO2 emissions reduction activities.

[Compliance with environmental laws and regulations]

As part of its green procurement initiatives, the azbil Group is promoting efforts to prevent environmental pollution caused by hazardous chemicals contained in products. We select target products based on our own criteria and promote the reduction of hazardous chemical substances.

As part of this initiative, we have established "Guidelines for the Establishment of Chemical Substance Management Systems" to accurately identify the chemical substances contained in products and to build a framework to prevent the inclusion of hazardous substances. Based on these guidelines, we ask our business partners to manage their operations in a way that ensures regulated hazardous chemical substances are not included throughout the supply chain.

This initiative has been shared and agreed upon by our key business partners who supply components for products manufactured by the azbil Group. Furthermore, with the cooperation of our business partners, we are also thoroughly managing chemical substances that are added to international restrictions, such as the Stockholm Convention on Persistent Organic Pollutants (POPs), to ensure that they are not included in our products.

In FY2024, in addition to our existing initiatives, we have asked our business partners to recognize and comply with environmental regulations at their business sites and factories. Specifically, we ask that if their business sites and factories receive an environmental improvement order or penalty from a public authority, they promptly notify the azbil Group.

To date, we have not received any reports of such improvement orders or penalties from our business partners.

Moving forward, we will continue to improve and optimize our efforts to ensure thorough compliance with environmental regulations throughout the azbil Group's entire supply chain.

4-4. Deployment to azbil Group's overseas sales companies

The azbil Group has overseas sales companies that engage in procurement activities, and based on the SDGs' principle of "leaving no one behind," we have been expanding sustainable procurement activities to these overseas sales companies from FY2023. Although the number of overseas sales companies targeted has reached 15, there is a large variation in their size and past activity records. Therefore, we have divided them into 4 major groups according to their capability levels, defined the ideal state each group should aim for, and they are promoting sustainable procurement activities toward achieving those goals.

A roadmap was created for each group to reach their target state and specific measures were decided. To reduce risks by elevating the lower-tier groups to higher levels, we have prioritized implementing initiatives for overseas sales companies in Group 1 and Group 2.

We held briefing sessions for the targeted overseas sales companies on sustainable procurement activities and focused first on improving their level of understanding.

In addition, since Groups 1 and 2 are companies with room for improvement in terms of compliance with laws and regulations and internal controls, we focused on enhancing business processes from a J-SOX perspective. Once the workflow was established, we verified its effectiveness through document sampling and other methods. As a result, 2 companies each in Groups 1 and 2 are now eligible to be upgraded to higher groups.

In FY2025, we will prioritize initiatives for Group 2. For Group 3, we plan to conduct a survey for business partners as a preliminary step toward human rights due diligence.

Additionally, we intend to hold in-house training sessions at all overseas sales companies to deepen understanding of the azbil Group Sustainable Procurement Guidelines.

[Grouping of overseas sales companies for FY2025]

	Group 1	Group 2	Group 3	Group 4	Target
Definitions	The target level for procurement operations is to meet the minimum requirements for legal compliance and operation systems.	The target level for procurement operations is to ensure effective internal controls, making it difficult for fraud to occur.	The target level for SDG activities is to understand the state of the supply chain and complete "defensive" initiatives.	The target level for SDG activities is to carry out "offensive" initiatives and strive for high recognition from society and local communities.	
Initiative・Completion criteria	1. There is an organization in charge of procurement operations that is different from the ordering source. 2. There are established management regulations for procurement operations. 3. Providing training to the person responsible for procurement operations.	1.A state in which risks and controls in the local procurement process have been identified with reference to a J-SOX (Japanese version of the SOX) compliant procurement framework, and both design and operational aspects have been evaluated and improved. 2. The issues related to procurement raised in past overseas audits have been corrected.	[Sustainable Procurement "Defensive" Initiatives] 1.Dissemination of the azbil Group Basic Procurement Policy 2.Human rights due diligence 3.Observance of fair commercial transactions, etc.	[Sustainable Procurement "Offensive" initiatives] 1.Reduction of CO2 emissions 2.Promotion of diversity 3.New ways of working, work-life balance, etc.	
Group companies	N/A (Two former Group 1 companies were upgraded to Group 2 in FY2025.)	Azbil Taiwan Co., Ltd. Azbil Vietnam Co., Ltd. Azbil India Private Ltd. Azbil Philippines Corporation PT. Azbil Berca Indonesia Azbil Saudi Ltd. Shanghai Azbil Automation Co., Ltd. Azbil North America, Inc. Azbil Mexico, S. de R.L de C.V. (Former Group 1) Azbil Malaysia Sdn. Bhd. Azbil Europe NV	Azbil Korea Co., Ltd. Azbil (Thailand) Co., Ltd. (Former Group 2) Azbil Singapore Pte. Ltd. Azbil Control Solutions (Shanghai) Co., Ltd.	N/A	

4-5. Promoting diversity

Azbil conducts an annual survey of its business partners to assess their current situation and explore effective measures. However, to gain deeper insights into their views on the SDGs and specifics of their initiatives, which cannot be fully understood through surveys alone, Azbil visited a total of 62 business partners in FY2023 to conduct face-to-face interviews and exchange opinions.

Through these interviews, we learned that our business partners were interested in learning about how other companies of similar size or in the same industry are addressing environmental and social issues, but lacked effective means of accessing such information. We therefore compiled a summary of the initiatives shared during the interviews and published them on our website, while also providing direct feedback to the business partners we visited.

During these interviews, it also became clear that many of our business partners were experiencing difficulties in recruiting personnel. Some of our business partners had to decline work due to limitations in hiring additional staff.

On the other hand, some of our business partners have success stories of employing foreign workers in diverse ways and leveraging them as long-term human resources.

Based on this, we launched an initiative in FY2024 to share these success stories with other partners. By promoting the recruitment and utilization of foreign workers, we aim to both enhance diversity and strengthen their business through improved workforce stability.

The specific details of what happened are as follows:

- Azbil researched the appropriate residency statuses based on the industry and job type of each business partner and compiled a list of recommended statuses that consider the ease of acquisition.
- For business partners in the manufacturing industry, Azbil proposed that production personnel should have the "Technical Intern Training" residency status. This status has the highest number of holders among foreign residents in Japan and is considered to have the lowest barriers in terms of job compatibility and securing human resources.
- For business partners engaged in design, construction or service industries, Azbil proposed the "Engineer/Specialist in Humanities/International Services" residency status. Among the applicable options, this status has the lowest barriers and ranks second in terms of the number of residents in Japan, following Technical Intern Training.

Many of our business partners have a strong psychological barrier toward employing foreign workers, which prevents them from taking the first step. However, given the ongoing decline in the working population, most of our business partners feel that they need to start considering foreign recruitment now in preparation for the near future.

In FY2025, Azbil plans to not only make proposal by unilaterally selecting proposal recipients but will also actively invite business partners who are interested in receiving proposals and support for foreign worker recruitment.

In addition, since the "Technical Intern Training" residency status is well-suited to many job types within the manufacturing industry, Azbil plans to actively propose it for a broader range of roles that have not previously been targeted. Depending on the specific needs of each business partner, we will shift toward proposals that offer greater feasibility and effectiveness.

4-6. Sustainable Procurement Guidelines briefing session

The CSR Procurement Guidelines, originally released in 2021, were revised in FY2024 to expand its scope to include ethics and risk management and the updated version was renamed the "azbil Group Sustainable Procurement Guidelines." In addition, Azbil held an online briefing session for its business partners to raise awareness and ensure that they are fully aware of the issues they need to address.

As part of its supply chain initiatives, the azbil Group established the CSR Procurement Guidelines in 2021. These guidelines clarify the social and environmental issues that the azbil Group expects its business partners to address, based on its basic policies, such as the "Basic Policy on Human Rights" and the "Basic Policy on the Environment." With the strong cooperation of our business partners, we have been working together toward the realization of a sustainable society.

In FY2024, the azbil Group revised its procurement guidelines to incorporate new ethics and risk management-related initiatives, taking into consideration external expectations, industry standards and trends. These additions are based on the "azbil Group's Basic Policy on Information Security" and "Basic Policy on Anti-Corruption." To ensure alignment with industry expectations, the revisions were developed using JEITA standards as a foundation, while also referencing the RBA(*) code of conduct and guidelines from leading companies. With this expansion, the scope of the guidelines now comprehensively covers the environment, social and ethics and risk management aspects, incorporating sustainability in a holistic manner. Accordingly, the document has been renamed the "azbil Group Sustainable Procurement Guidelines."

When the CSR Procurement Guidelines were first released in 2021, Azbil held briefing sessions for our business partners. However, as 3 years have passed since the initial release and new ethics and risk management-related content have been added, we held an online briefing session in October 2024. During the session, the updated guidelines and the initiatives we are asking our business partners to implement were explained. A total of 4 sessions were conducted, with Azbil's 255 key business partners participating.

In order to align our understanding with that of our business partners, the briefing sessions included explanations of the background to the revision of the guidelines, as well as the latest trends in SDGs and ESG, and the azbil Group's ongoing sustainable procurement activities. The content of the guidelines was presented in a way that could be directly applied to business partners' activities, with references to relevant laws and specific examples of initiatives. We also requested the cooperation of our business partners in implementing these practices.

From FY2025 onwards, the azbil Group will continue to engage with our business partners regarding the newly added ethics and risk management-related initiatives in the guidelines and encourage their active cooperation. Through these efforts, we aim to support the transition to sustainable business practices among our business partners and strengthen collaboration throughout the supply chain.

* RBA: Responsible Business Alliance - the world's largest industry coalition dedicated to responsible global supply chains in the electronics sector.

■ Structure of the Sustainable Procurement Guidelines

Main category	Intermediate category	Subcategory
Environment	1.Climate change (GHG, energy)	1.Climate change (GHG, energy)
	2.Pollution and resources (air, wastewater, hazardous waste, waste reduction, raw materials, etc.)	2.1.Compliance with environmental regulations 2.2.Green procurement 2.3.Management of chemical substances in products 2.4.Effective use of resources and waste reduction 2.5.Environmental considerations in product design and handling of goods
	3.Water security and risks	3.1.Reduction of water use and wastewater emissions 3.2.Prevention of pollution (wastewater, sludge, etc.)
	4.Biodiversity	4.Biodiversity
	5.Environmental management	5.Environmental management
Social	6.Labor practices	6.1.Labor recruitment and employment 6.2.Working hours 6.3.Wages and allowances 6.4.Elimination of child labor and employment of young workers 6.5.Prohibition of discrimination 6.6.Freedom of association and the right to collective bargaining 6.7.Prohibition of inhumane treatment 6.8.Promotion of diversity and inclusion
	7.Health and safety	7.1.Occupational safety 7.2.Emergency preparedness 7.3.Occupational accidents and illnesses 7.4.Industrial hygiene 7.5.Consideration for physically demanding work 7.6.Machine safety measures 7.7.Sanitation facilities, food, and housing 7.8.Health and safety communication 7.9.Employee health management 7.10.Work style reform and work-life balance
	8.Human rights	8.1.Respect for basic human rights 8.2.Exclusion of anti-social forces 8.3.Responsible mineral sourcing
	9.Community contribution	9.Community contribution
	10.Quality and customers	10.1.Quality management 10.2.Provision of accurate product and service information
Ethics and Risk Management	11.Compliance with laws and respect for international norms	11.Compliance with laws and respect for international norms
	12.Adherence to fair business practices	12.1.Adherence to fair business practices 12.2.Anti-corruption 12.3.Respect for intellectual property 12.4.Protection of whistleblowers 12.5.Appropriate import/export controls
	13.Establishment of a management system	13.1.Establishment of management system 13.2.Supplier management 13.3.Grievance mechanism
	14.Appropriate information disclosure	14.Appropriate information disclosure
	15.Information security	15.1.Information security 15.2.Protection of personal information 15.3.Prevention of leaks of confidential information
	16.Development and preparation of a business continuity plan	16.Development and preparation of a business continuity plan

Newly added items

4-7. Conducting self-assessment questionnaires for business partners

The azbil Group conducts an annual self-assessment questionnaire for its business partners, based on the principles of the Global Compact and the JEITA Guidelines for Responsible Business Conduct. The survey aims to:

- Provide ongoing motivation and opportunities for review to business partners, and promote initiatives at each company
- Verify the effectiveness of Azbil measures and understand the progress of our business partners over time.

Initiated in 2021, the survey has now entered its fourth year. Through these efforts, we have been able to grasp the characteristics and trends of our business partners, along with their year-on-year development.

The response rate for the FY2024 self-assessment was 93.9%, with 511 out of 546 companies responding a very high participation rate.

■ 6 azbil Group domestic companies: Number of business partners surveyed

azbil Group	No. of surveys distributed	No. of survey responses collected	Industry type of the business partners			
			Manufacturing	Commercial firm	Installation / Service	Engineering / Software
Azbil Corporation	315	285	87	52	134	12
Azbil Trading Co., Ltd.	30	30	23	5	2	0
Azbil Kimmon Co., Ltd.	74	74	47	19	5	3
Azbil Kyoto Co., Ltd.	3	3	0	3	0	0
Azbil TA Co., Ltd.	49	44	33	10	1	0
Azbil Taishin Co., Ltd.	25	25	11	14	0	0
Total	496	461	201	103	142	15

* The figures represent the number of business partners (companies).

■ 3 azbil Group overseas companies: Number of business partners surveyed

azbil Group	No. of surveys distributed	No. of survey responses collected	Industry type of the business partners			
			Manufacturing	Commercial firm	Installation / Service	Engineering / Software
Azbil Production (Thailand) Co., Ltd.	14	14	11	3	0	0
Azbil Control Instruments (Dalian) Co., Ltd.	26	26	18	8	0	0
Azbil Hong Kong Ltd.	10	10	6	4	0	0
Total	50	50	35	15	0	0

* The figures represent the number of business partners (companies).

■ Summary of the azbil Group domestic and overseas business partner self-assessment results broken down into 10 target areas (intermediate category)

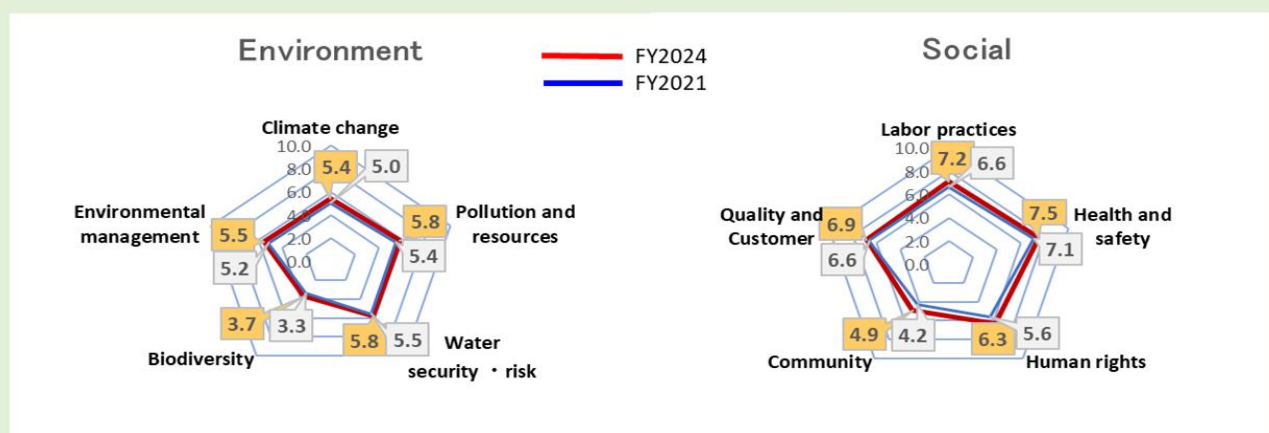
- The chart below shows the survey results, quantified on a 10-point scale according to Azbil's proprietary criteria, and it illustrates year-over-year changes by intermediate category. Overall, the evaluation scores have shown a slight upward trend since FY2021, when the survey was first introduced.

As a result of our ongoing human rights due diligence efforts, scores have significantly improved in the social aspects of "Labor practices," "Health and safety," and "Human rights."

- An industry-level analysis of environmental aspects reveals that the manufacturing sector achieved higher scores than other sectors, indicating meaningful progress in environmental initiatives. Conversely, the installation/service sector received lower scores. In the social aspects, although inter-industry differences were relatively minor, proactive efforts were observed among commercial firms and engineering/software development companies.

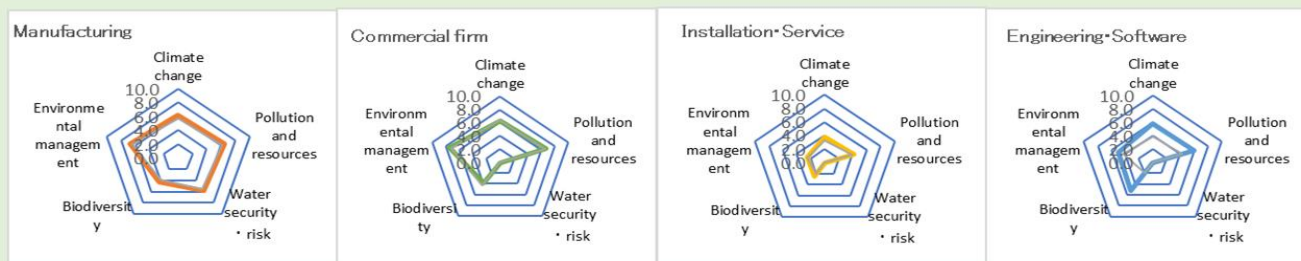
This fiscal year, Azbil conducted a survey that included new ethics and risk management-related items. However, since this is the first year of data collection and our knowledge in this area is still limited, we are postponing analysis at this time.

Survey Results for 9 azbil Group Domestic and Overseas Companies



Note: "Water security and risks" is not applicable to non-manufacturing sectors and is therefore shown as a score of zero.

Environment



Social



4-8. Feedback of self-assessment questionnaire results to business partners

Azbil uses the results of self-assessment questionnaires from its business partners to conduct risk assessments and provide feedback.

The survey covers 33 subcategories related to the 3 main categories of Environment, Social, and Ethics and Risk Management, and shows the difference between each business partner's evaluation score and the average score for Azbil's business partners. This enables our business partners to identify their strengths and areas needing improvement, and offers constructive feedback aimed at motivating them to focus on enhancing their weaknesses.

Furthermore, for high-risk business partners whose average scores in environmental and social areas are extremely low, we identify the areas requiring improvement and request specific actions to address them.

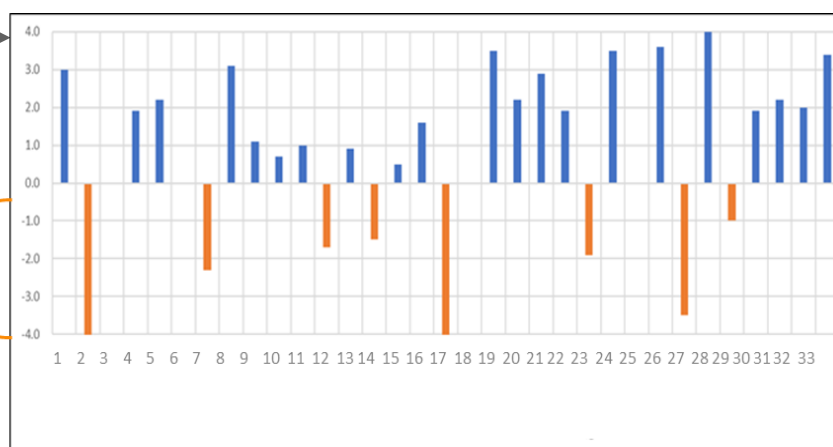
This evaluation and feedback activity will continue to be conducted annually.

Example of feedback report

Main	Environment								Social												Ethics and risk management															
Intermediate	Climate change		Pollution and resources			Water security and risks			Biodiversity		Environmental management		Labor practices				Health and safety		Human rights		Community		Quality and customers		Adherence to fair business practices				Establishment of management system		Appropriate information disclosure		Information security		Preparation of BCP	
Questionnaire items	1.CO2/GHG emissions	2.Green procurement	3.Chemical substances	4.Reuse of resources	5.Less industrial	6.Less use of water	7.Biodiversity conservation	8.Environmental management	9.Reduction of overwork	10.No forced labor	11.No child labor	12.No Discrimination	13.No inhumane	14.Diversity	15.Health and safety	16.Work-life balance	17.Exclusion of antisocial	18.Responsible mineral	19.Community contribution	20.Quality management	21.Accurate information	22.Adherence to fair	23.Respect for intellectual	24.Protection of	25.Appropriate imp/exp	26.Establishment of	27.Supplier management	28.Grievance mechanism	29.Appropriate information	30.Information security	31.Protection of personal	32.Prevention of leaks of	33.Preparation of BCP			
Your company	8.0	0.0	-	7.0	8.0	-	1.0	8.0	9.0	8.0	8.0	5.0	8.0	5.0	8.0	9.0	0.0	-	8.0	9.0	9.0	8.0	4.0	9.0	-	9.0	1.0	9.0	5.0	9.0	9.0	9.0	9.0			
Average	5.0	4.5	6.7	5.1	5.8	5.7	3.3	4.9	7.9	7.3	7.0	6.7	7.1	6.5	7.5	7.4	6.6	6.0	4.5	6.8	6.1	6.1	5.9	5.5	7.3	5.4	4.5	5.0	6.0	7.1	6.8	7.0	5.6			
Your company	5.3								7.2												7.4															
Average	4.9								6.7												5.9															

The average score of Azbil's business partners was defined as 0.

The orange areas indicate areas where individual business partners' scores are below the average of the azbil Group's business partners.
→Each business partner was asked to improve the subcategory themes in this area.



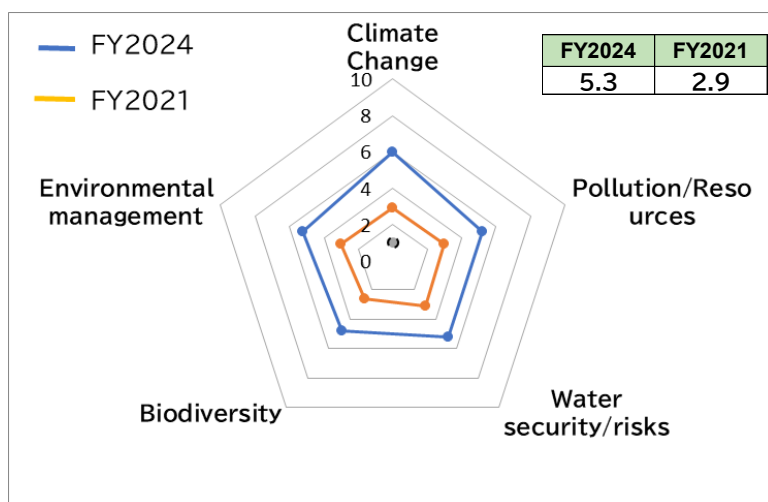
5. Overall Evaluation of the azbil Group

An evaluation was conducted for each target theme based on the azbil Group's self-assessment criteria. Specifically, for each of the 5 designated environmental and social areas(*), the overall score will be calculated as the simple average of the evaluation items, with a maximum score of 10.

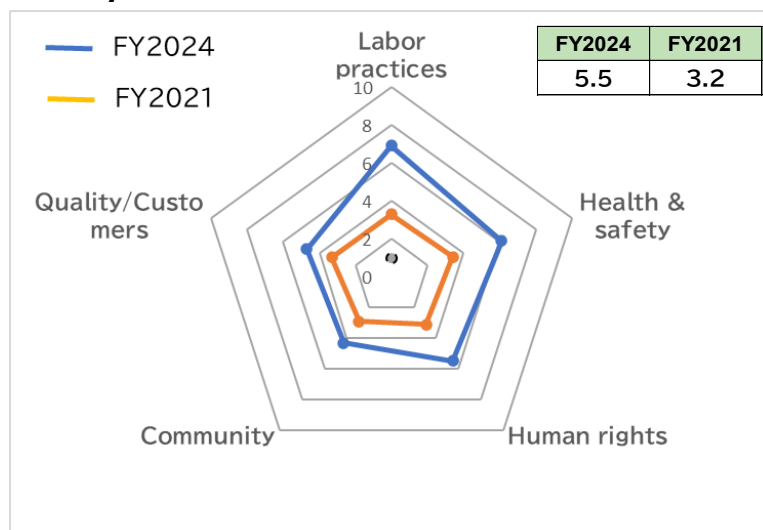
* The azbil Group's engagement with business partners ((1) policies and strategies, (2) systems and structures, (3) initiatives, and (4) evaluation of effectiveness) and (5) results of business partners' self-assessments.

In FY2024, the measures implemented have demonstrated effectiveness, resulting in an average improvement of approximately 2.3 points in each environmental and social item compared to FY2021, the initial year of the plan. This improvement in evaluation scores is primarily attributed to the implementation of the Sustainable Procurement Guidelines briefing sessions, the execution of human rights due diligence on the social side, and the collection of information on environmental law violations on the environmental side. Steady progress is being made towards the 2030 target score of 8.0.

Environment



Society



6 . Review of Activities in FY2024 and Plans for FY2025

- In FY2024, we were able to implement almost all of the plans we set at the beginning of the fiscal year in accordance with the azbil Group Sustainable Procurement Framework.
- As part of human rights due diligence, we identified potential risks of human rights violation up to secondary business partners and completed corrective action requests for those deemed necessary. While confirmation that the corrective actions have been completed is scheduled for FY2025, the progress made with primary business partners has laid a foundation for reducing risks among secondary partners. This is a major achievement as it creates the potential to reduce the risk of human rights violations even with upstream business partners with whom we do not have direct business relationships.
- In terms of the environment, from FY2024 we began collecting information on the occurrence of any violations of environmental laws and regulations, with a focus not only on decarbonization but also on resource recycling and biodiversity. This has laid the foundation for expanding our efforts beyond decarbonization.
- Based on the plan formulated in FY2023, we began conducting self-assessment questionnaires for business partners at multiple overseas sales companies. Based on the philosophy of "leaving no one behind," this was the first step in spreading efforts to ensure the sustainability of the supply chain throughout the group.
- In order to address the recent challenges in personnel recruitment, we have strengthened our own diversity promotion efforts by proposing the hiring of foreign nationals to our business partners. While there is a high demand among our business partners, many remain hesitant due to unresolved concerns, making this an ongoing issue to be addressed in FY2025.
- In response to increasing societal demands, we have begun enhancing ethics and risk management among our business partners, in addition to environmental and social aspects. Specific policy planning has also been completed, and implementation is expected to begin in FY 2025.

■ Plans for 2025

In FY2025, we will strengthen our activities to ensure the sustainability of our supply chain by encouraging and collaborating with our business partners, adding ethics and risk management to the existing environmental and social aspects.

Specifically, we will begin by re-signing contracts with our primary business partners that incorporate requests for ESG initiatives, with the aim of cascading this effort upstream to secondary and tertiary partners. We aim to extend this initiative to our upstream business partners. Our goal is to extend ESG engagement throughout the supply chain, including partners with whom we do not have direct business relationships.

Additionally, we plan to conduct due diligence activities, focusing on checking for and correcting any risks of legal violations in both environmental and ethics and risk management aspects.

These activities are aimed at reducing negative risks, but at the same time, we will strengthen activities that create positive aspects for our business partners.

In response to the fact that many of our business partners would like to learn about case studies of companies in similar industries and of similar scale, we plan to hold a business partner case study presentation event. The purpose is to share best practices, foster direct communication among partners without relying on Azbil as an intermediary, and encourage them to take the initiative in their own sustainability and ESG efforts.

As one of the measures to encourage our business partners to take on ESG initiatives, we also plan to implement a business partner awards program.

azbil