

# The azbil Group SDGs Supply chain Annual report 2021

Issued in November 2022

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※ Supplementary explanation

aG --- The azbil Group, Azbil --- Azbil company(companies)



# 1. Introduction

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In line with our Group philosophy, the azbil Group is **actively engaged in efforts to realize a sustainable society** including the preservation of the environment through our businesses. There is growing awareness of the need to respond to climate change and human rights issues, particularly in recent years .

**In light of this we have built longstanding relationships of trust with our business partners and we undertake procurement activities aimed at increasing added value for both the azbil Group and our business partners.** To respond to the SDGs and other demands from international society, we will continue to strengthen our supply chain-focused initiatives so we can fulfill our social responsibilities even more actively.



# 1. Introduction

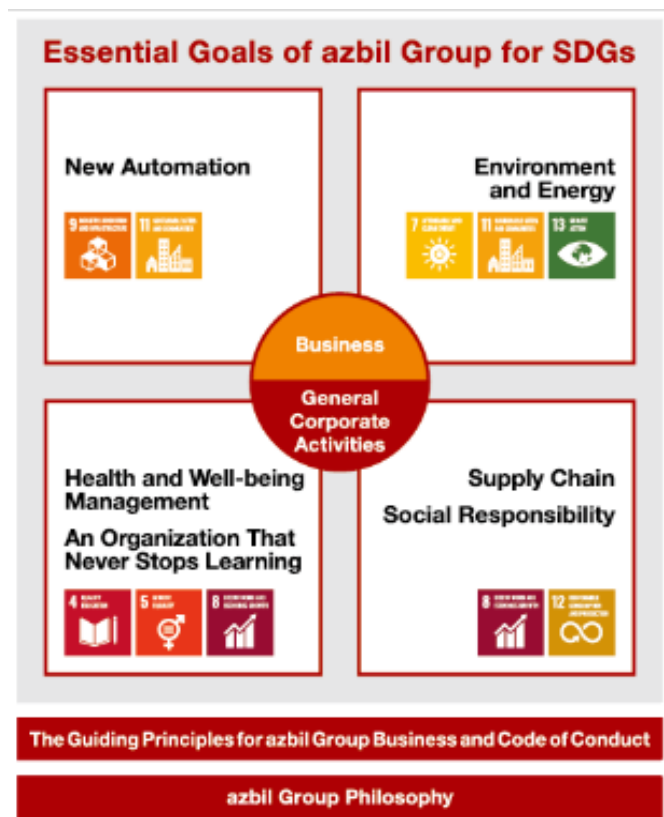
## Essential Goals of azbil Group for SDGs

Established in March 2020

The azbil Group has established four SDGs essential goals and targets to contribute to the achievement of the SDGs.

We will continue to make efforts throughout our business and corporate activities to achieve the SDGs.

The SDGs supply chain activities are one of the four activities.



### Essential Goals and targets

Essential Goals	Business	Targets	SDGs
I	Preserving the Earth's environment and solving energy-related problems through cooperative creation	<b>Environment and Energy</b> <b>Solutions for energy (toward a decarbonized society)</b> • Effective reduction of CO <sub>2</sub> at customers' sites 3.4 million metric tons of CO <sub>2</sub> /year • 55% reduction <sup>11</sup> in GHG <sup>2</sup> emissions from our business activities • 20% reduction <sup>12</sup> in GHG emissions across the entire supply chain <b>Environmental preservation (realization of Integrated Environmental Corporate Management<sup>4</sup>)</b> • Creation and provision of eco-friendly products and services – Design all new products to meet the azbil Group's own sustainability standards <sup>5</sup> • Effective use of natural resources <sup>6</sup> and reduction of waste generation – Design all new products to be 100% recyclable <sup>7</sup>	7, 11, 13
II	Realizing a safe and comfortable society through new automation	<b>New Automation</b> <b>So that our customers can benefit from greater security, comfort, and a sense of achievement, we will solve the irregular issues confronting society and create new added value by promoting digitalization for production spaces and office spaces (in large buildings) as well as living spaces, and the autonomy of manufacturing and operations.</b> • Realizing automation that is resilient to changes in the business environment – Prediction & diagnosis of changes in the internal business environment (e.g. equipment malfunctions, raw material quality) and autonomous decision-making and control – Prediction & diagnosis of changes in the external business environment (e.g. natural disasters, impact of social conditions) and autonomous decision-making and control • Realizing a stress-free work environment – Reduction of work errors and unscheduled work through data-based work support – Creation of a comfortable and energy-efficient environment that enhances labor productivity • Realizing an environment conducive to diverse work styles – Creation of optimal working environments suited to different times and locations – Creation of work environments that are neutral (re. age, gender, skills, etc.)	9, 11
III	Fulfilling our responsibilities to society across our supply chain and contributing to local communities	<b>Supply Chain Social Responsibility</b> <b>Fulfilling social responsibilities with customers and partners</b> (Expansion of azbil CSR activities to share value) • Working with our business partners on achieving SDGs as a common goal and creating shared CSR value across the supply chain <b>Involving local communities</b> (Contributions around azbil Group bases) • Social contribution activities rooted in local communities are run at all our business sites, <sup>8</sup> with active participation by every employee <sup>9</sup>	8, 12
IV	Strengthening our foundations to solve societal problems through health and well-being management and continuous learning	<b>Health and Well-being Management</b> <b>An Organization That Never Stops Learning</b> <b>Implementing health and well-being management (job satisfaction, health, diversity &amp; inclusion)</b> (Creating workplaces that allow flexible work styles and a reduction in total work hours, maintaining and promoting employees' mental and physical health, and creating opportunities for diverse personnel to demonstrate their abilities) • 65% or more employees expressed satisfaction with working at azbil Group companies • Double women's advancement points <sup>10</sup> by 2024 (versus 2017) <b>Developing and strengthening "an organization that never stops learning"</b> (Expanding opportunities for continuing education of globally active employees and opportunities to learn with stakeholders) • 65% or more employees have experienced personal growth over the past year • Double training opportunity points <sup>11</sup> by 2024 (versus 2012)	4, 5, 8

<sup>1</sup> Base year: 2017  
<sup>2</sup> Greenhouse gases (i.e. CO<sub>2</sub>)  
<sup>3</sup> Base year: 2017  
<sup>4</sup> Management that integrates environmental activity such as decarbonization, resource circulation, and biodiversity conservation into business operations.  
<sup>5</sup> This design strives to create and provide products that contribute to solving global environmental issues (through decarbonization, resource circulation, and biodiversity).  
<sup>6</sup> A general term for material and energy found in nature that can be used in daily human lives and that exists naturally and can be used for people's daily lives and in production activities  
<sup>7</sup> Best available technology (BAT) refers to the most effective technology that is both economically and technologically viable.  
<sup>8</sup> All offices both in Japan and overseas  
<sup>9</sup> The azbil Group aims to participate in activities of a scale that can accommodate the total number of employees.  
<sup>10</sup> Points tallied internally, with weight given based on the role, such as company executive, officer, and manager  
<sup>11</sup> Points tallied internally for participating in opportunities (frequency or number of employees) to learn with stakeholders



## 2. The azbil Group SDGs Supply Chain framework

### 2-1. Framework for achieving goals

#### ■ The azbil Group's PDCA cycle for evaluating CSR activities across Our 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.



※:

① The azbil Group self-evaluations

Based on the azbil Group's own evaluation criteria, we self-evaluate our "encouraging to supply chain" from the following four perspectives.

1. Policies/strategies, 2. Systems/structures, 3. Initiatives, 4. Effectiveness

② Business partner self-evaluations

We would ask business partners to self-evaluate their own activities through a questionnaire based on the Global Compact.

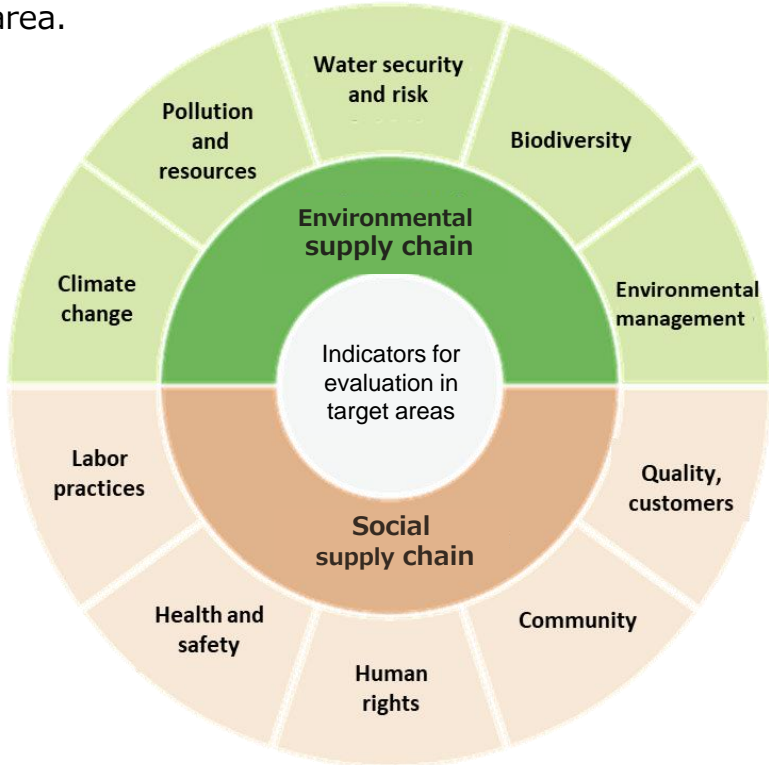


# 2. The azbil Group SDGs Supply Chain Framework

## 2-2. Details of specific measures A) Focus area

The azbil Group set the areas to be addressed in the SDGs supply chain, develop a system for the azbil Group initiatives, encourage business partners, and evaluate the azbil Group and the business partners' initiatives in these areas.

- We have established the 10 target areas (intermediate categories) in the table on the right list as target areas (target themes). This ensures objectivity and makes it easier to evaluate and check by external companies.
- We place the azbil Group's initiatives in the sub-categories of the target area.



Areas to be addressed in the supply chain for the SDGs

Main category	Intermediate category	Subcategory
<b>E</b> (Environmental supply chain)	Climate change (Greenhouse gases, energy)	• Initiatives address CO2/GHG emissions and other climate change issues
	Pollution and resources (Air pollution, water pollution, hazardous waste, waste reduction, raw materials, etc.)	• Green procurement
		• Management of chemical substances in products
		• Less use of resources • Less industrial waste • Reuse of resources • Use of renewable energy
	Water security and risks	• Less use of water, less wastewater
	Biodiversity	• Biodiversity conservation
<b>S</b> (Social supply chain)	Environmental management	• Environmental management activities in conformity with ISO14001
	Labor practices	• Elimination of child labor and forced labor, reduction of overwork
		• Prohibition of discrimination, equal opportunity
		• Promotion of diversity
	Health and safety	• Health and safety management
		• New ways of working, work-life balance
	Human rights	• Respect for fundamental human rights (including rejection of antisocial forces and handling of conflict minerals)
Community (local society)	• Action that encourages local development or contributes to society	
Quality, customers	• Fair trade (including legal compliance)	
	• Quality management	



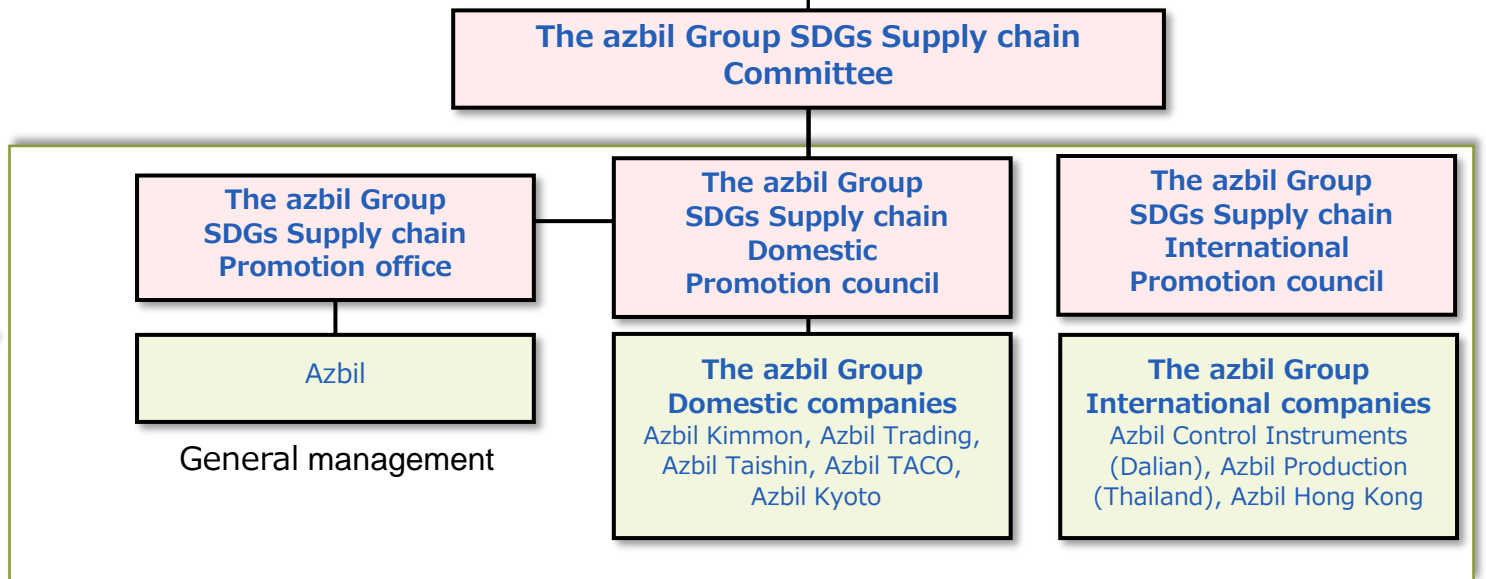
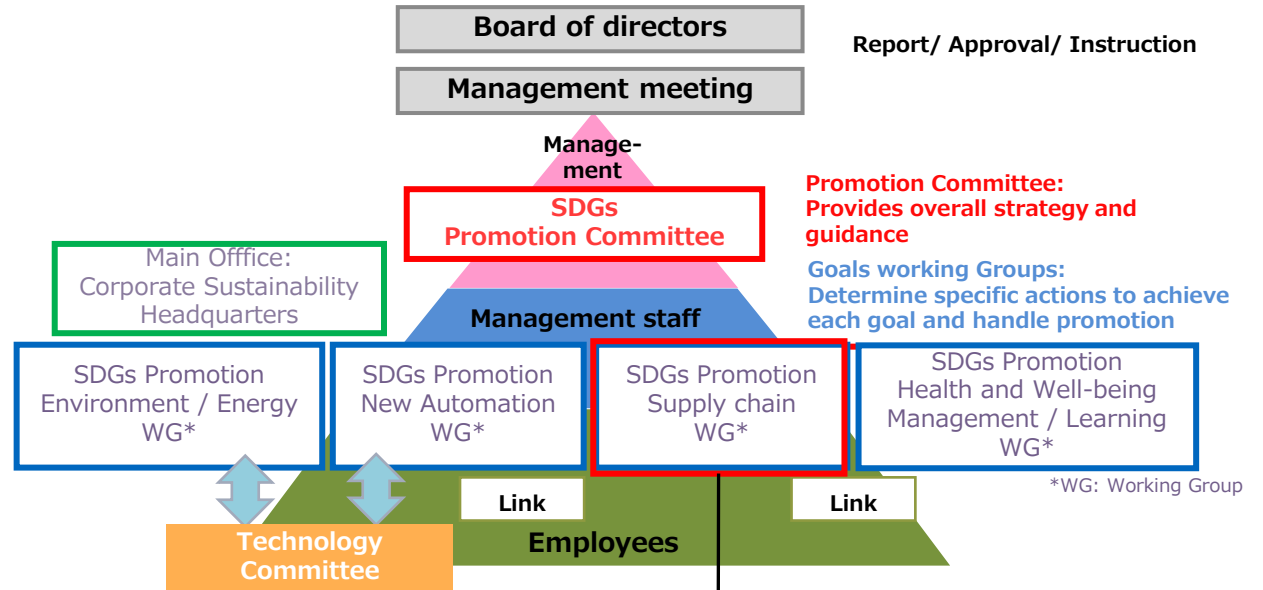
# 2. The azbil Group SDGs Supply Chain Framework

## 2-2. Details of specific measures B) Promotion systems

Participating the azbil Group companies will establish a system to encourage business partners and develop initiatives in the target areas, led by the CSR (SDGs) staff of each company and in cooperation with related functional departments. Azbil will oversee the entire process.

Azbil and azbil Group companies will set a system to address the target themes.

Main category	Intermediate category	Promotion department
<b>E</b> (Environmental supply chain)	Climate change	<b>Environment Dept.</b>
	Pollution / Resources	
	Water security and risks	
	Biodiversity	
	Environmental management	
<b>S</b> (Social supply chain)	Labor practices	<b>Human Resources</b>
	Health and safety	<b>Safety and Health Dept.</b>
	Human rights	Dept. in charge of CSR, Human Resources
	Community	Dept. in charge of CSR
	Quality, customers	Dept. in charge of Quality, Procurement

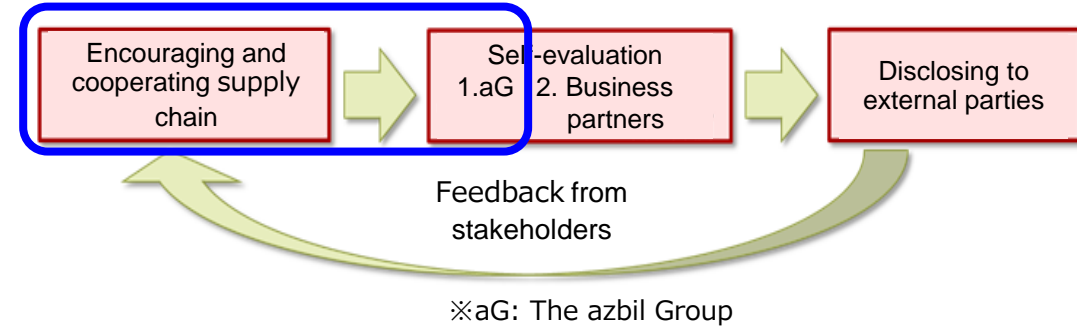




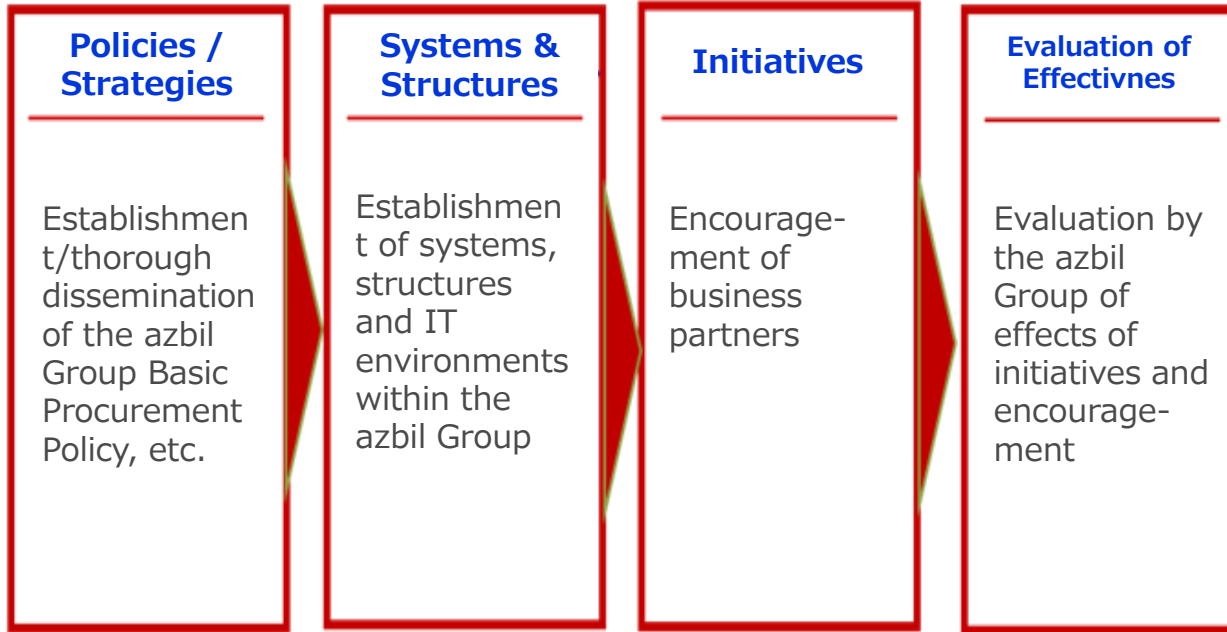
# 2. The azbil Group SDGs Supply Chain Framework

## 2-2. Details of specific measures C) Supply chain improvement cycle

By working together with our business partners on initiatives that comply with the four actions below, we aim to steadily improve the entire supply chain socially and environmentally.



### 『 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 azbil Group Basic Procurement Policy to external parties then share it with our business partners . It is as our supply chain management policy which includes targets and plans.

### 【Systems / Structures】

We develop a system to promote measures at each azbil Group company and a structure for information sharing among related companies.

### 【Initiatives】

Each azbil Group company implements initiatives (i.e., measures) for business partners based on the azbil Group's policies above, utilizing systems and structures.

### 【Evaluation】

Each azbil Group company evaluates its own initiatives.





# 2. The azbil Group SDGs Supply Chain Framework

## 2-2. Details of specific measures D) Evaluation

The azbil Group carries out a self-evaluation of the 10 target areas (intermediate categories) at four items. Self-evaluations from business partners are added to this to create a comprehensive evaluation with a total of five items.

⇒ Based on the results of this evaluation, we visualize the strengths and weaknesses of the azbil Group's initiatives and of our business partners and feed that into planning measures for the following fiscal year.



\* : We added the business partner self-evaluation to the scope of evaluation to verify the effectiveness of the azbil Group's initiatives, based on our hypothesis that if the azbil Group's initiatives work effectively, business partners will improve their self-assessments over time.

Broad category	Intermediate category	The azbil Group self-evaluation				Business partners' reality check
		Policies & Strategies (incl. target, plan)	Systems & Structures	Initiatives	Evaluation of effectiveness	Business partners' self-evaluations
E (Environmental supply chain)	Climate change (Greenhouse gases, energy)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Pollution and resources (Air pollution, water pollution, hazardous waste, waste reduction, raw materials, etc.)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Water security and water risks	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other, omitted						

- Evaluation is performed on a 10-point scale for each blue frame.



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# 3. 2021 Implementation status



# 3-1. Revisions to the azbil Group Basic Procurement Policy

## ■ Summary

In June 2022, in light of internal and external requirements (such as the SDGs) the azbil Group Basic Procurement Policy was revised based partly on policies of the United Nations Global Compact.

## ■ Background of the review

- The need to follow changing social demands on SDGs' perspective.
- The need to supplement missing pieces of the supply chain management policy.
- The need to ensure consistency with Guiding Principles and Code of Conduct for the azbil Group.

## ■ Methods

- To narrow down essential items and expressions with an awareness of the viewpoints required by society based on the core concept which is not being affected by short-term changes.
- As part of our SDGs initiatives, we have established CSR Procurement Guidelines that we expect our business partners to address, and we have released it on our website and explained to our business partners in Japan and abroad.

## ■ Major requests of internal and external and our correspondences

- In response to external requests on the supply chain management policy, we have updated the Basic Procurement Policy about climate change, prohibition of discrimination, elimination of excessive overtime, prohibition of forced labor, and water use risk etc.
- We have incorporated the matters on human rights emphasized by the United Nations Global Compact, which Azbil signed in April 2021, into our Basic Procurement Policy.
- The azbil Group has set 100% design for environment as one of its SDGs targets. We have incorporated design for environment into our Basic Procurement Policy to encourage business partners.
- We have incorporated the management of chemical substances in products into the Basic Procurement Policy. It is an important means for conserving biodiversity, one of our environmental protection targets.

※The CSR Procurement Guideline reflects all the detailed requirements in addition to the items incorporated in the Basic Procurement Policies.



## 3-2. Development of promotion systems in the azbil Group

In 2021, nine azbil Group companies (six in Japan and three abroad) have established a system for each of the ten target themes to achieve the items below:

1. To encourage the azbil Group's wide range of business partners efficiently.
2. To share know-how and knowledge of the SDGs supply chain within the azbil Group and horizontally deploy them.

Broad category	Intermediate category	Subcategory	Functional departments required for encourage to supply chains						Maintenance status of 9 Azbil companies	
			Procurement	Environment	Human Resources	Health and Safety	Quality Assurance	CSR	Organization	System
<b>E</b> (Environmental supply chain)	Climate change (Greenhouse gases, energy)	• Initiatives to combat climate change (including CO2/GHG emissions)	○	○					○	IT system for information sharing will be developed in the future
	Pollution and resources (Air pollution, water pollution, hazardous waste, waste reduction, raw materials, etc.)	• Management of chemical substances in products, Reduction of resource use/industrial waste, Recycling, Promotion of renewable energy use	○	○					○	
	Water security and risks	• Reduction of water use and wastewater emissions	○	○					○	
	Biodiversity	• Preservation of biodiversity	○	○					○	
	Environmental management	• Environmental management activities in conformity with ISO14001	○	○					○	
<b>S</b> (Social supply chain)	Labor practices	• Abolition of child labor/forced labor, Reduction of overwork, Prohibition of discrimination, Equal opportunity, Promotion of diversity	○		○				○	
	Health and safety	• Health and safety management, new ways of working, Work-life balance	○		○	○			○	
	Human rights	• Respect for basic human rights (including rejection of antisocial forces and response to conflict minerals)	○		○			○	○	
	Community (local society)	• Action that encourages local development or contributes to society	○					○	○	
	Quality, customers	• Fair trade (including legal compliance)	○						○	
• Quality management		○				○		○		



# 3-3. Encouragement measures to supply chain

## Creating the azbil Group CSR Procurement Guidelines

### CSR Procurement Guidelines

We created CSR Procurement Guidelines for the azbil Group to help our business partners understand the ideas and the necessity of the SDGs and take specific measures to achieve them. The guidelines summarize the direction of our extensive CSR activity in the supply chain and points for compliance, based on the fundamental approach contained in the Group philosophy and the azbil Group Guiding Principles.

#### ★Steps for Creating CSR Procurement Guidelines

##### ① Alignment with the Group's philosophy and higher-level policies

- azbil Group philosophy
- Guiding Principles for azbil Group Business
- The azbil Group Basic Procurement Policy

##### ③ Collaboration with the azbil Group's main divisions

Develop CSR procurement guidelines with reference to relevant internal and external regulations and norms

##### Environmental Themes

- The azbil Group Rules for Environmental Preservation
- RBA Code of Conduct \* 1

##### Social Theme

- Global Compact
- RBA Code of Conduct \* 1

Broad category	Intermediate category	Subcategory
E (Environmental supply chain)	Climate change (Greenhouse gases, energy)	<ul style="list-style-type: none"> <li>• Initiatives to combat climate change (including CO2/GHG emissions)</li> </ul>
	Pollution and resources (Air pollution, water pollution, hazardous waste, waste reduction, raw materials, etc.)	<ul style="list-style-type: none"> <li>• Green procurement</li> <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>
		<ul style="list-style-type: none"> <li>• Reduction of water use and wastewater emissions</li> </ul>
	Water security and risks	<ul style="list-style-type: none"> <li>• Preservation of biodiversity</li> </ul>
	Biodiversity	<ul style="list-style-type: none"> <li>• Environmental management activities in conformity with ISO14001</li> </ul>
S (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> <li>• Promotion of diversity</li> </ul>
		<ul style="list-style-type: none"> <li>• Health and safety management</li> </ul>
	Health and safety	<ul style="list-style-type: none"> <li>• New ways of working, work-life balance</li> </ul>
	Human rights	<ul style="list-style-type: none"> <li>• Respect for basic human rights (including rejection of antisocial forces and response to conflict minerals)</li> </ul>
	Community (local society)	<ul style="list-style-type: none"> <li>• Action that encourages local development or contributes to society</li> </ul>
Quality, customers	<ul style="list-style-type: none"> <li>• Fair trade (including legal compliance)</li> </ul>	
	<ul style="list-style-type: none"> <li>• Quality management</li> </ul>	



#### 【Contents of the azbil Group CSR Procurement Guidelines】

1. Introduction p3
2. The azbil Group Corporate Philosophy p4
3. The azbil Group Action Guidelines p4
4. The azbil Group Basic Purchasing Policy p5
5. CSR Procurement Guidelines p6~11
  - ① Climate change (GHG, energy)
  - ② Pollution and resources (air pollution, water pollution, hazardous waste, waste reduction, raw materials, etc.)
  - ③ Water Security/Water Risks
  - ④ Biodiversity
  - ⑤ Environmental management
  - ⑥ Labor Practices
  - ⑦ Health and Safety
  - ⑧ Human rights
  - ⑨ Community (local community)
  - ⑩ Quality and Customers
6. Supplemental Explanation



\*1 : Environmental, labor, ethical, and other codes for the electronics-related industry supply chain



# Reference: Positioning of Basic Procurement Policy and Guidelines

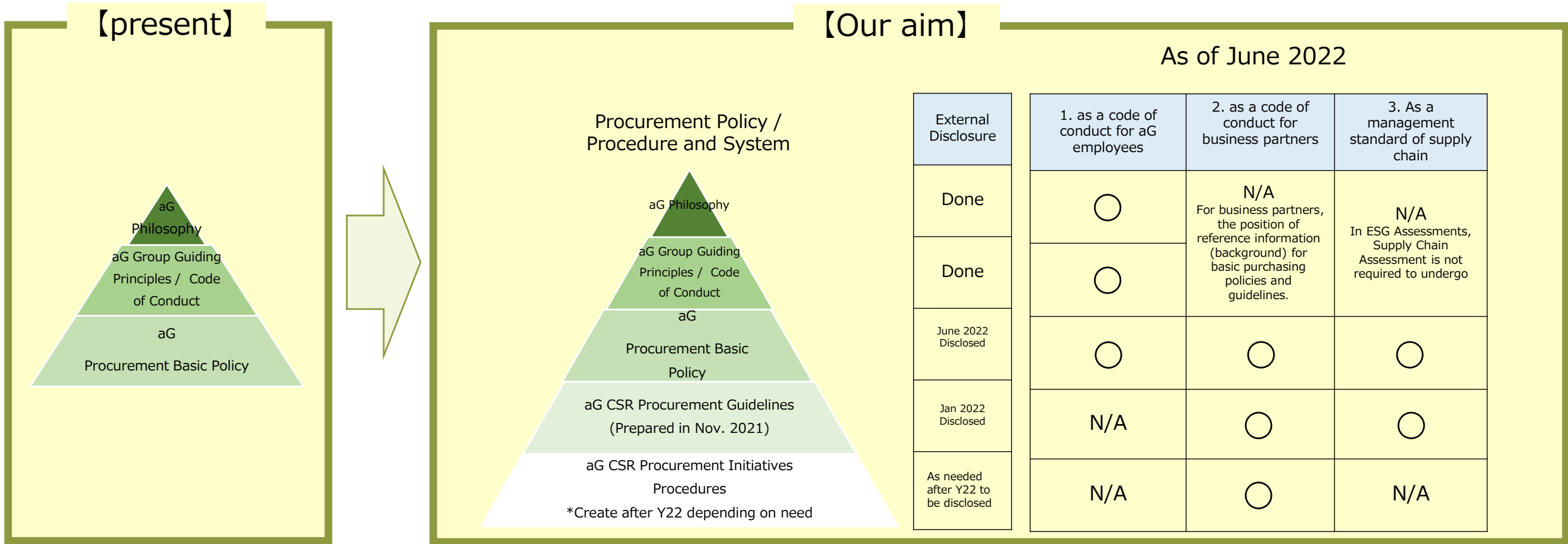
Based on the Corporate Philosophy and the Guiding Principles for azbil Group Business, the purchasing field will be divided into the "Basic Procurement Policy" that describes the basic approach, and the "CSR Procurement Guidelines" that describes more detailed approaches and procedures.

**Positioning**

**Basic Procurement Policy** : Policy for building relationships with business partners and conducting purchasing operations (①②③)

**CSR Procurement Guidelines** : Items to be addressed to implement the policy (②③) (released in Nov. 2021)

Procedure manual: To be maintained in the future as needed.)





# 3-3. Encouragement measures to supply chain

## CSR Procurement Guidelines Briefing sessions for business partners conducted

### CSR Procurement Guidelines Briefing sessions for business partners

- To encourage our business partners to take action to achieve the SDGs and to urge them to undertake specific initiatives, in December 2021 we held four remote briefing sessions on the azbil Group's SDG target initiatives and CSR Procurement Guidelines for the azbil Group. Of 313 main business partners of Azbil Corporation, 276 companies (88%) participated.
- We disclosed the azbil Group CSR Procurement Guidelines on Azbil's website to external parties in January 2022.

#### <Date>

December 2021

Schedule 1: 2, Thu

Schedule 2: 7, Tue

Schedule 3: 13, Mon

Schedule 4: 15, Wed

Participants Approx. 410 persons

#### <Contents>

- SDGs Trends
- The azbil Group's initiatives
- Explanation of CSR Procurement Guidelines (Total 90 min.)

The following are excerpts from the explanatory materials

**2. SDGs Trend** Affiliate Secret

1. azbil Group SDGs Targets

SDG	Target	Initiative
13	Climate action	... (text about climate action initiatives)
7	Affordable and clean energy	... (text about clean energy initiatives)
3	Good health and well-being	... (text about health and well-being initiatives)
8	Decent work and economic growth	... (text about labor practices initiatives)

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**3. Azbil's SDG initiatives** Affiliate Secret

3. To promote engagement with our partners

"CSR Procurement Guidelines" already established

Based on the basic ideas presented in the azbil Group Philosophy and Guiding Principles for azbil Group Business, we have summarized the direction and matters to be observed with respect to the broad range of CSR activities in our supply chain. We appreciate your understanding and cooperation with the azbil Group CSR Procurement Guidelines to ensure long and smooth future transactions with our suppliers.

Area to be addressed in the CSR supply chain	CSR Procurement Guidelines (Excerpt)													
<table border="1"> <thead> <tr> <th>Main category</th> <th>Intermediate category</th> <th>Subcategory</th> </tr> </thead> <tbody> <tr> <td rowspan="2">ENVIRONMENTAL (ENV)</td> <td>Climate change</td> <td>... (text about climate change)</td> </tr> <tr> <td>Energy efficiency</td> <td>... (text about energy efficiency)</td> </tr> <tr> <td rowspan="2">LABOR PRACTICES (LAB)</td> <td>Worker safety and health</td> <td>... (text about worker safety)</td> </tr> <tr> <td>Human rights and labor</td> <td>... (text about human rights)</td> </tr> </tbody> </table>	Main category	Intermediate category	Subcategory	ENVIRONMENTAL (ENV)	Climate change	... (text about climate change)	Energy efficiency	... (text about energy efficiency)	LABOR PRACTICES (LAB)	Worker safety and health	... (text about worker safety)	Human rights and labor	... (text about human rights)	<p><b>1. Climate change (greenhouse gases, energy)</b></p> <ul style="list-style-type: none"> <li>It is necessary to address energy efficiency and make continuous efforts to reduce greenhouse gas emissions and energy consumption.</li> <li>Business partners should strive to utilize renewable energy sources (by purchasing electricity derived from renewable energy sources, bringing in solar power facilities, etc.).</li> <li>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.</li> </ul> <p><b>2. Pollution and resources (air, wastewater, hazardous waste, waste reduction, raw materials, etc.)</b></p> <ul style="list-style-type: none"> <li>It is necessary to understand and comply with the environmental laws and regulations of the energy and other industries, and manage the required environmental permits, licenses, and registrations.</li> </ul> <p><b>2.1 Compliance with environmental laws and regulations:</b></p> <ul style="list-style-type: none"> <li>It is necessary to understand and comply with the environmental laws and regulations of the energy and other industries, and manage the required environmental permits, licenses, and registrations.</li> </ul> <p><b>2.2 Green procurement:</b></p> <ul style="list-style-type: none"> <li>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 improve biodiversity).</li> </ul> <p><b>2.3 Chemical substance management:</b></p> <ul style="list-style-type: none"> <li>It is necessary to identify, label, and manage chemical and other substances posing hazards to</li> </ul>
Main category	Intermediate category	Subcategory												
ENVIRONMENTAL (ENV)	Climate change	... (text about climate change)												
	Energy efficiency	... (text about energy efficiency)												
LABOR PRACTICES (LAB)	Worker safety and health	... (text about worker safety)												
	Human rights and labor	... (text about human rights)												

**Azbil's views on CSR procurement are described in this section.**

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

- 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.

- 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 (SF6).
- "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.

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**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.

- 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.

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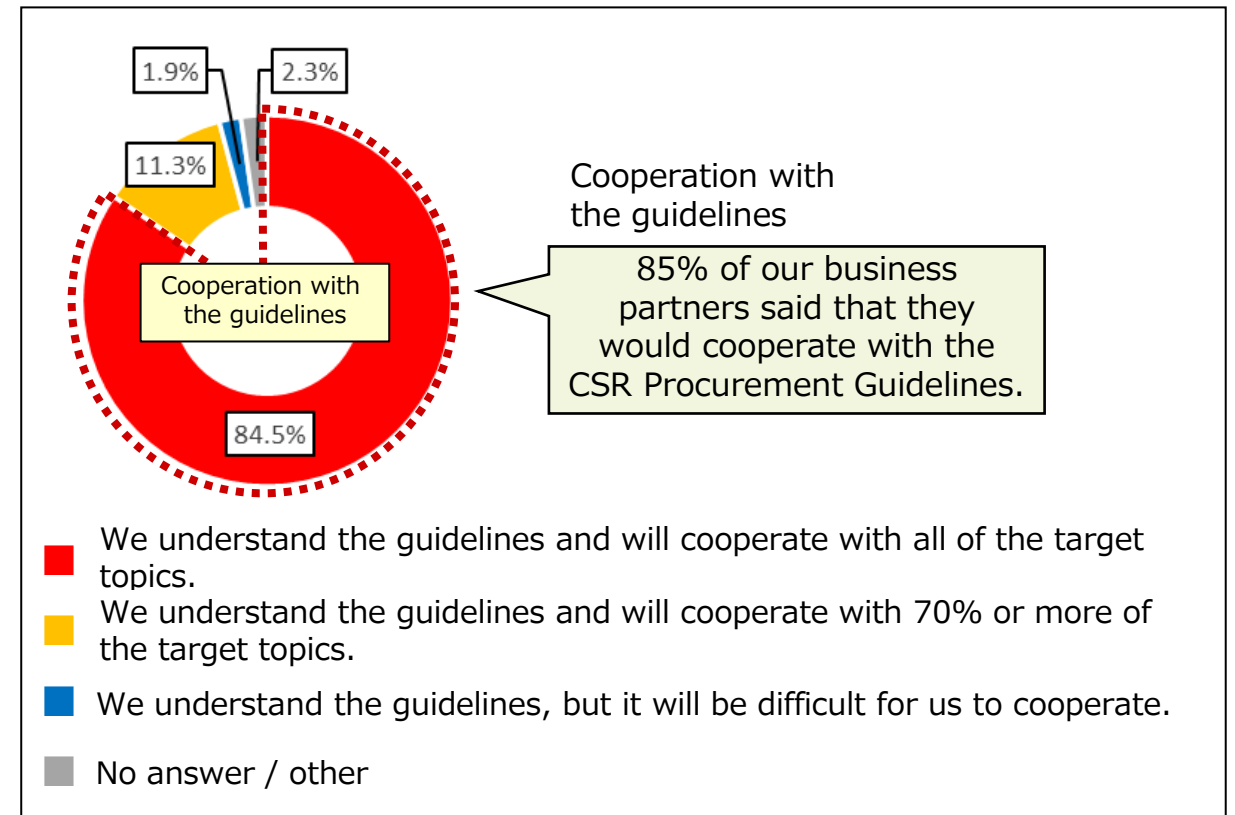
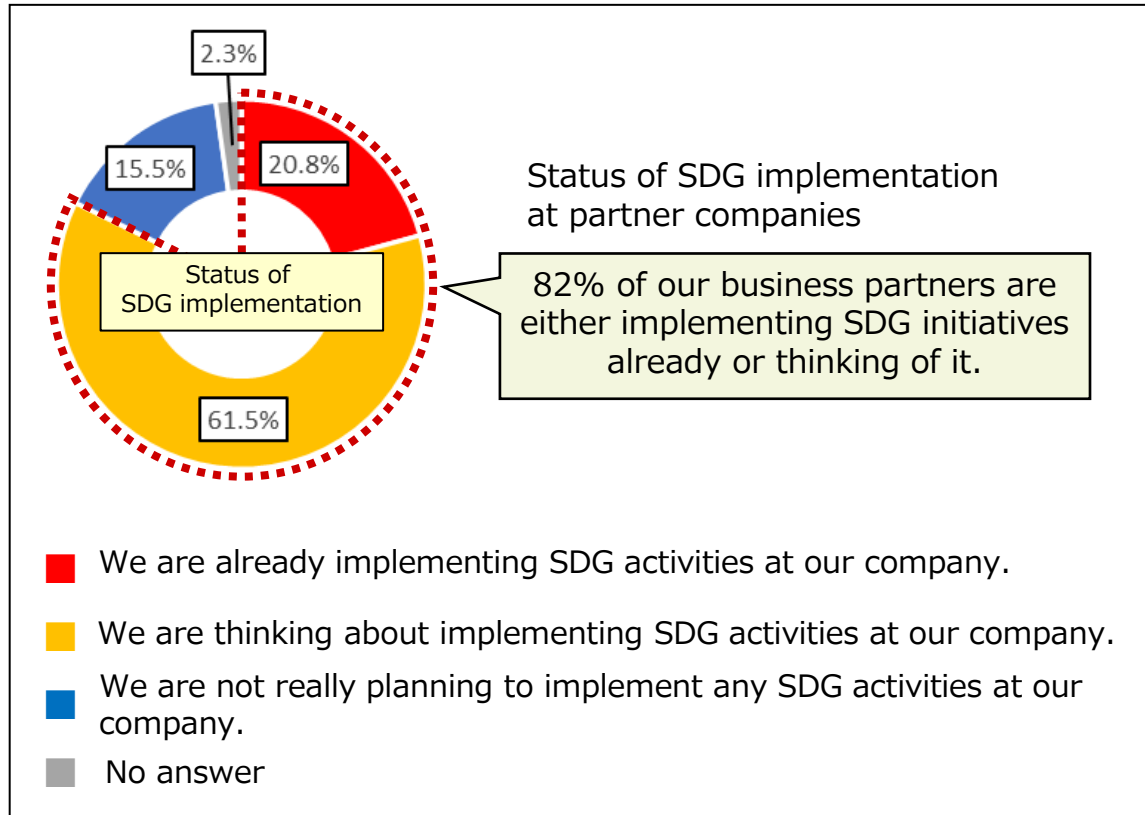


# 3-3. Encouragement measures to supply chain

CSR Procurement Guidelines Briefing sessions for business partners conducted

## ■ Survey results after the briefing sessions for business partners

- Of the 276 companies, 265 companies (96%) responded.
- Main questions: Implementation status of the SDGs at their company, the extent of their cooperation with the CSR procurement guidelines, etc.







## 3-4. The azbil Group self-evaluation

### ■ 1. The azbil Group self-evaluation criteria

We would define encouragement of the azbil Group's SDGs supply chain-focused initiatives in the following target states from four perspectives (1. policies and strategies, 2. systems and structures, 3. Initiatives, and 4. evaluation of effectiveness), and evaluate extent of an achievement on a 10-point scale.

	Target states	Scoring factors
Policies and Strategies	<ul style="list-style-type: none"><li>● The policies, targets, and plans for SDGs supply chain-focused initiatives are clearly stated as a policy for the azbil Group as a whole.</li><li>● The information is disclosed to foreign countries (e.g., in English) and made known to business partners.</li></ul>	Points are given according to the following statuses; policy systematization, policy formulation, internal approval, external disclosure, clarification of action plan and content.
Systems and Structures	The azbil Group's initiatives (lead divisions) and systems are effectively working throughout the supply chain based on the "Policies and Strategies."	Points are given according to the following maintenance conditions: <ul style="list-style-type: none"><li>● Status of SDGs supply chain promotion system in each azbil Group company.</li><li>● Status of IT systems as information sharing infrastructure between the azbil Group and business partners.</li></ul>
Initiatives	A state in which measures to encourage business partners based on "policies/strategies" and "systems/structures" are shared with the business partners and practiced in the supply chain.	Points are awarded based on a combination of the following two factors: <ul style="list-style-type: none"><li>● Positioning of the measure. (SDGs motivation, support for concrete activities, support for business partner PDCA, etc.)</li><li>● Percentage of business partners implementing measures.</li></ul>
Evaluation of effectiveness	The "measures to be taken" are working effectively and are achieving the expected results.	Points are given based on the percentage of measures that can be judged as effective.



# 3-4. The azbil Group self-evaluation

## ■ 2. 2021 Self-evaluation

※Rating score out of 10

	Point	Point and supplementation
Policies and Strategies	Evaluation point 3.0 *Same score regardless of target theme	<ul style="list-style-type: none"> <li>As shown on page 14, we have completed the positioning of the azbil Group philosophy, Basic Procurement Policy, and CSR Procurement Guidelines.</li> <li>As shown on page 11, we have completed the reflection of SDGs trends and internal and external requests in the azbil Group Basic Procurement Policy.</li> </ul>
Systems and Structures	Evaluation point 2.9~3.2 *Evaluation points differ for each subject	<p>As shown on page 12, nine azbil Group companies (six in Japan and three overseas) have largely completed the development of their SDGs supply chain promotion systems.</p> <p>*Depending on the target theme, the functional divisions participating will vary. Depending on the degree of participation, there are differences in the evaluation points for each theme.</p> <p>*An IT system as an information sharing infrastructure between the azbil Group and business partners is currently under construction.</p>
Initiatives	Evaluation point 2.0 *Same score regardless of target theme	<p>2021 Measure: Hold CSR Procurement Guideline briefing sessions *Positioning of the measure: Motivate our business partners, support for concrete activities</p> <p>Participation Rate in CSR Procurement Guideline Briefing Sessions(・) x (Weighting of measures by position) = Evaluation point 2.0</p> <p>*There is no difference in scores by target theme as we held CSR Procurement Guideline Briefing Sessions among all theme.</p> <ul style="list-style-type: none"> <li>Participation of 276 Azbil's business partners s out of 558 azbil Group's business partners.</li> </ul>
Evaluation of effectiveness	Evaluation point 1.9~2.0 *Evaluation points differ for each subject	Approval rating of CSR procurement guidelines by target theme x measures evaluation point = Evaluation point 1.9~2.0



## 3-5. Business partner self-evaluation

We created a questionnaire based on the Global Compact "Self-Assessment Tool" and conducted a self-evaluation (assessment) for each of our business partners. The aim is to enable business partners to continuously implement SDGs initiatives and improvement activities within their own companies, and to share the results of these initiatives with the entire supply chain and society.

### ■ Number of companies that conducted business partner SAQ (Self Assessment Questionnaire)

#### ■ The azbil Group Six domestic companies

Number: Number of business partners

The azbil Group Lead companies	Questionnaire request	Questionnaire collection	Business partner Business Type			
			Manufacturing	Commercial firm	Installation / Service	Engineering / Software development
Azbil Corporation	313	275	80	40	142	13
Azbil Kimmon Co., Ltd.	77	68	43	16	6	3
Azbil Trading Co., Ltd.	37	30	22	6	2	0
Azbil Taishin Co., Ltd.	29	29	14	15	0	0
Azbil TACO Co., Ltd.	53	51	41	9	1	0
Azbil Kyoto Co., Ltd.	4	4	0	4	0	0
<b>TOTAL:</b>	<b>513</b>	<b>457</b>	<b>200</b>	<b>90</b>	<b>151</b>	<b>16</b>

#### ■ The azbil Group Three international companies

Number: Number of business partners

The azbil Group Lead companies	Questionnaire request	Questionnaire collection	Business partner Business Type			
			Manufacturing	Commercial firm	Installation / Service	Engineering / Software development
Azbil Control Instruments (Dalian) Co., Ltd.	24	24	17	7	0	0
Azbil Production (Thailand) Co., Ltd.	11	11	6	5	0	0
Azbil Hong Kong Limited	10	10	7	3	0	0
<b>TOTAL:</b>	<b>45</b>	<b>45</b>	<b>30</b>	<b>15</b>	<b>0</b>	<b>0</b>



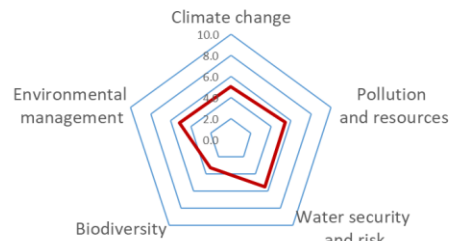
# 3-5. Business partner self-evaluation

## ■ Results of business partners' self-evaluation of the azbil Group in Japan and abroad - Major Themes (10 items)

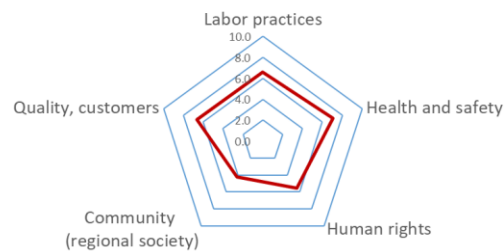
- The manufacturing industry scored higher than both business categories and industries in terms of environmental responsiveness. Installation/services scored lower for both environmental and social responsiveness.
- Foreign business partners generally receive 2 points higher evaluation points than domestic business partners.

### 6 domestic companies

#### Environmental supply chain

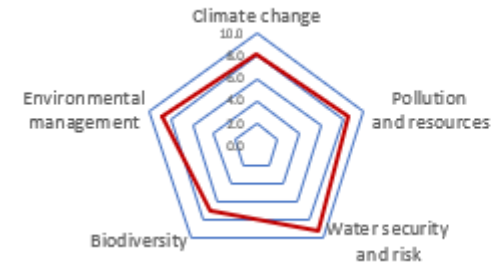


#### Social supply chain



### 3 foreign companies

#### Environmental supply chain



#### Social supply chain



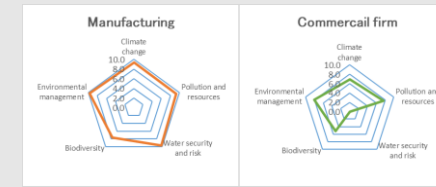
#### Environmental



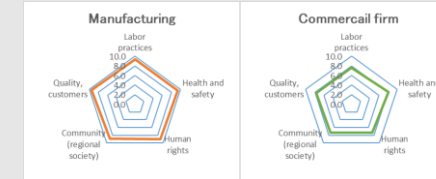
#### Social



#### Environmental



#### Social



✘ The score is 0 in the "Water Security/Water Risks" section of the Environmental Supply Chain, as it is not applicable except for manufacturing.



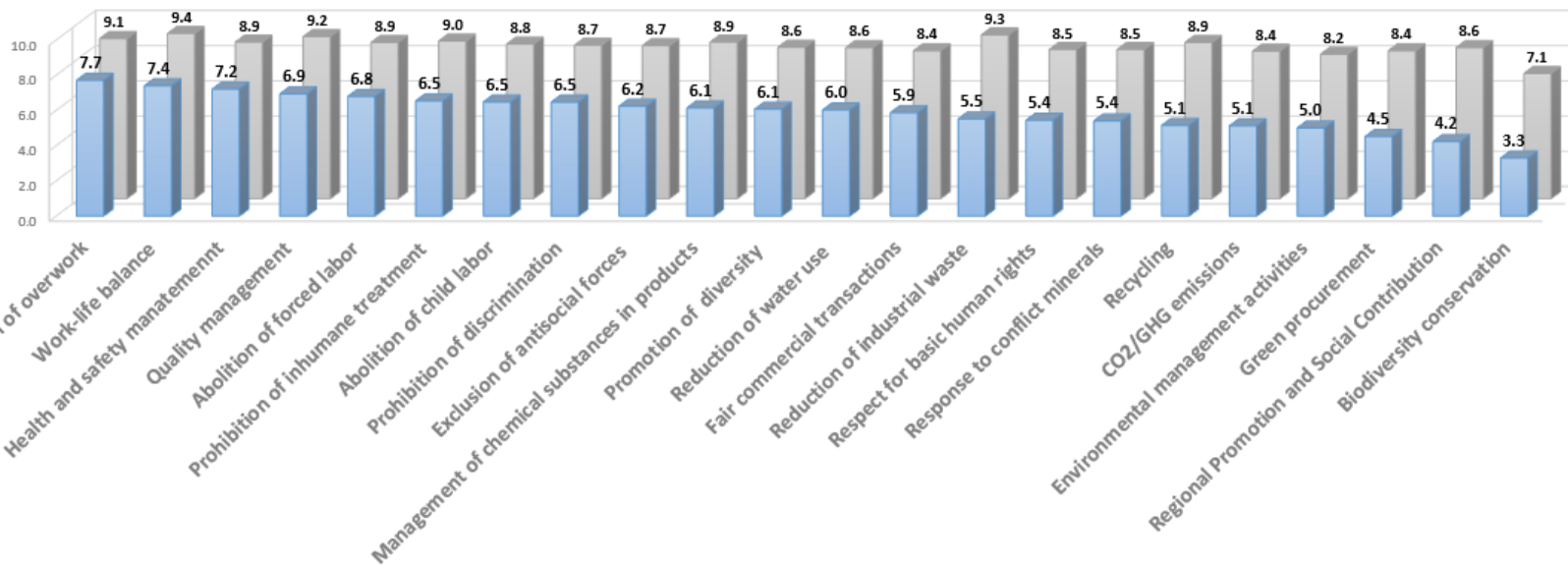
# 3-5. Business partner self-evaluation

## ■ Results of business partner self-evaluation of the azbil Group in Japan and abroad - Major Themes subcategory (22 items)

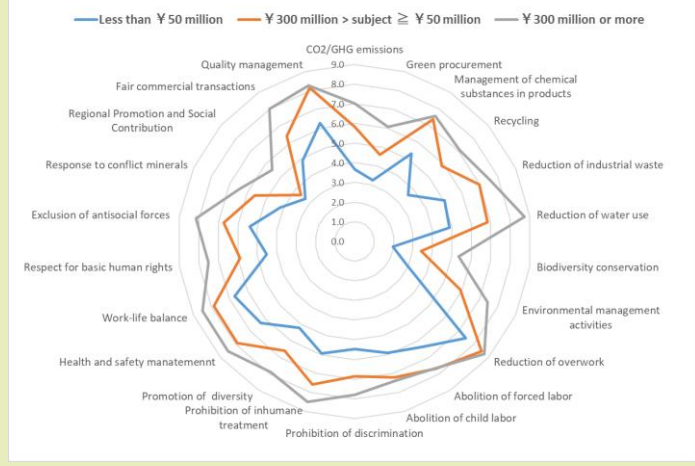
- The evaluation ranking tends to be almost the same both Japan and abroad.
- Efforts for regional promotion, social contribution, and preservation of biodiversity are rated low.
- Evaluation scores are generally high in abroad.
- The larger the company size (capital), the more advanced the initiatives.

Comparison by Japan and abroad subcategory

■ Domestic ■ Abroad



Comparison by capital (Azbil only)

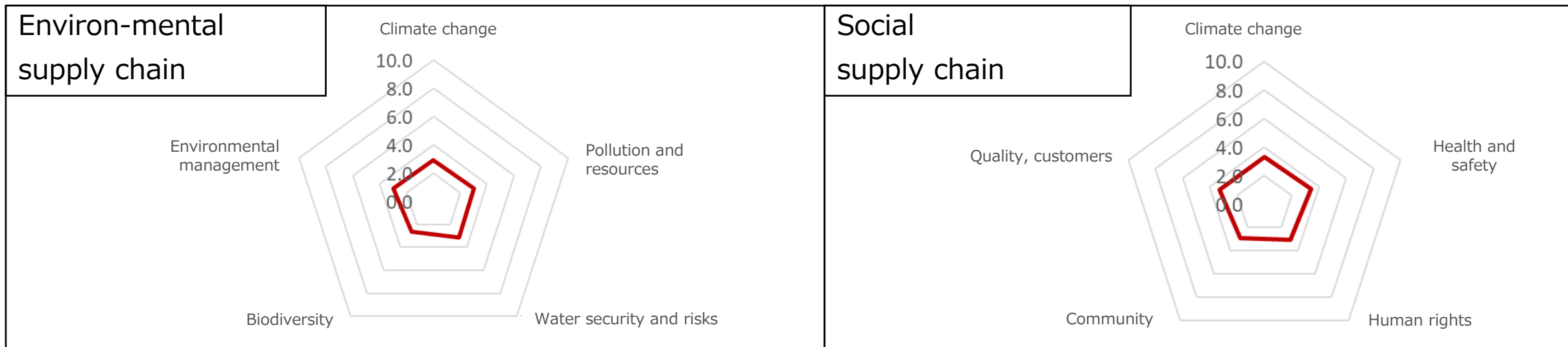




# 3-6. The azbil Group's comprehensive evaluation

## ■ Comprehensive evaluation

For each of the 10 main themes (5 environmental and 5 social), the azbil Group's implementation status of encouraging to SDGs supply chain (1) Policies/strategies, 2) Systems/structures, 3) Initiatives/measures, 4) Effectiveness verification, and 5) business partner's self-evaluation results) are evaluated on a 10-point scale by calculating a simple average score across 5 evaluation items.



※In 2021, there is no significant difference in scores by theme because the azbil Group implemented common measures for all 10 themes to address the supply chain, such as revising the Basic Procurement Policy and creating and explaining the CSR Procurement Guidelines.



## 3-7. 2021 Activity results and future issues

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### ■ Evaluation of 2021 action

- ✓ Through our briefings on the guidelines, we found that we were able to cultivate awareness of the need to work towards the SDGs throughout our supply chain, and we also obtained support and agreement with the azbil Group's SDG initiatives.
- ✓ We found that we can continuously improve the entire supply chain by using the PDCA cycle to implement the targets set at the beginning of the year.
- ✓ The azbil Group has taken this initiative as an opportunity to develop a unified system to contribute to the achievement of the SDGs.

### ■ Future issues

- To increase our effectiveness, we will take up the topics of climate change and protection of human rights, which society regards as imperatives, plan specific related measures, and encourage and collaborate with our business partners.
- We will also hold briefing sessions on the guidelines for each Group company's business partners.
- We will build IT mechanisms to serve as infrastructure for sharing information between the azbil Group and its business partners and among business partners.
- Based on the results of evaluation, we will provide feedback to business partners on points for improvement and encourage them to improve voluntarily.

***azbil***