



# **The azbil Group SDG Supply Chain Annual Report 2022**

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**Issued in August 2023**

Azbil Corporation

## Introduction

Based on its corporate philosophy, the azbil Group is actively working to realize a sustainable society and the preservation of the environment through its business activities. Our efforts include the Sustainable Development Goals (SDGs), which are a global initiative as well as a Japanese one.

In particular, we recognize that addressing climate change and respect for human rights are two very important issues for society, and we are working together as a group to promote human rights due diligence in tandem with efforts to make our operations carbon neutral.

In order to achieve even greater results, the azbil Group and its entire supply chain are working to achieve the SDGs, including efforts on climate change and human rights. In our procurement activities, we continue to strengthen our supply chain initiatives to fulfill our responsibilities to society more proactively in response to growing demand from society, based on the principle of building long-term relationships of trust with our business partners and enhancing added value for both the azbil Group and our business partners.

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## 1. Summary and Structure of This Report

In FY2021, the first year of our actual SDG-related supply chain action, we revised the azbil Group Basic Procurement Policy, created CSR Procurement Guidelines, and distributed them to our business partners as a way to define the framework for our action through 2030 and to demonstrate our fundamental thinking.

In FY2022, we took the following actions one step further, especially from the perspective of encouraging our business partners.

- In view of the measures taken in the previous year, we expanded the scope of applicable business partners from partners of Azbil Corporation to partners of the azbil Group.
  - Explanation of the azbil Group Basic Procurement Policy and CSR Procurement Guidelines for business partners.
- In promoting initiatives with business partners, we have identified priority themes that we would like them to strengthen, based on demand from society and the results of a survey conducted in FY2021.

Priority themes:

[Environmental: Reduction of CO<sub>2</sub> emissions](#)

[Social: Human rights due diligence](#)

For these two themes, in FY2021 we conducted a more in-depth survey of the current situation and requested improvements, as well as interviews with individual business partners.

In addition, in order to promote continuous efforts, the azbil Group conducts an annual evaluation of itself and its business partners as part of its SDGs assessment and provides feedback to partners on their strengths and weaknesses, thereby firmly establishing the operation of the PDCA cycle for improvement. Evaluation scores are up in FY 2022 compared with FY 2021 for both the environmental and social aspects.

**FY 2021 Implementation** **Educating and encouraging business partners**

■ **Building a foundation for azbil Group initiatives**

- Revisions to the azbil Group Basic Procurement Policy
- CSR Procurement Guidelines established
- Promotion structure in each Group company established

■ **Action for business partners to take**

**Aazbil Corp. Implementation**

- CSR Procurement Guidelines Briefing Sessions
- Business partners' self-evaluation questionnaire & analysis of responses

**azbil Group Implementation**

- Business partners' self-evaluation questionnaire & analysis of responses



**FY 2022 Implementation** **Action for business partners to take**

■ **Building a foundation for azbil Group initiatives**

- Priority themes set  
(Human rights due diligence, reduction of CO<sub>2</sub> emissions)
- Preparation of improvement requests for business partners  
Identification of weak points of individual business partners based on analysis of self-evaluation questionnaires in FY2021

■ **Action for business partners to take**

**Azbil Corp. Implementation**

- **Human rights due diligence**  
After stratifying the human rights due diligence items into first and second priorities according to their importance, the first priority items are initiated.
- **Reduction of CO<sub>2</sub> emissions**  
Understanding the current volume of emissions and level of effort
- **Feedback from FY2021 questionnaire**
- **Business partners' self-evaluation questionnaire**

**azbil Group Implementation**

- **CSR Procurement Guidelines briefing sessions**
- **Business partners' self-evaluation questionnaire**



**FY 2023 Plan** **Deepening and Expanding action for business partners to take**

■ **Building a foundation for azbil Group initiatives**

- Creating scenarios at azbil Group for development of the Group's overseas sales companies
- Developing a system to promote human rights due diligence and reduction of CO<sub>2</sub> emissions at each Group company

■ **Action for business partners to take**

**Azbil Corp. Implementation**

- Interviews with individual business partners
- Human rights due diligence (2nd-priority initiatives)
- Reduction of CO<sub>2</sub> emissions
- Individual approach to partners where success is likely

**azbil Group Implementation**

- Human rights due diligence
- Reduction of CO<sub>2</sub> emissions
- Measures to raise level of CSR improvement measures and SDG activity at overseas Group sales companies

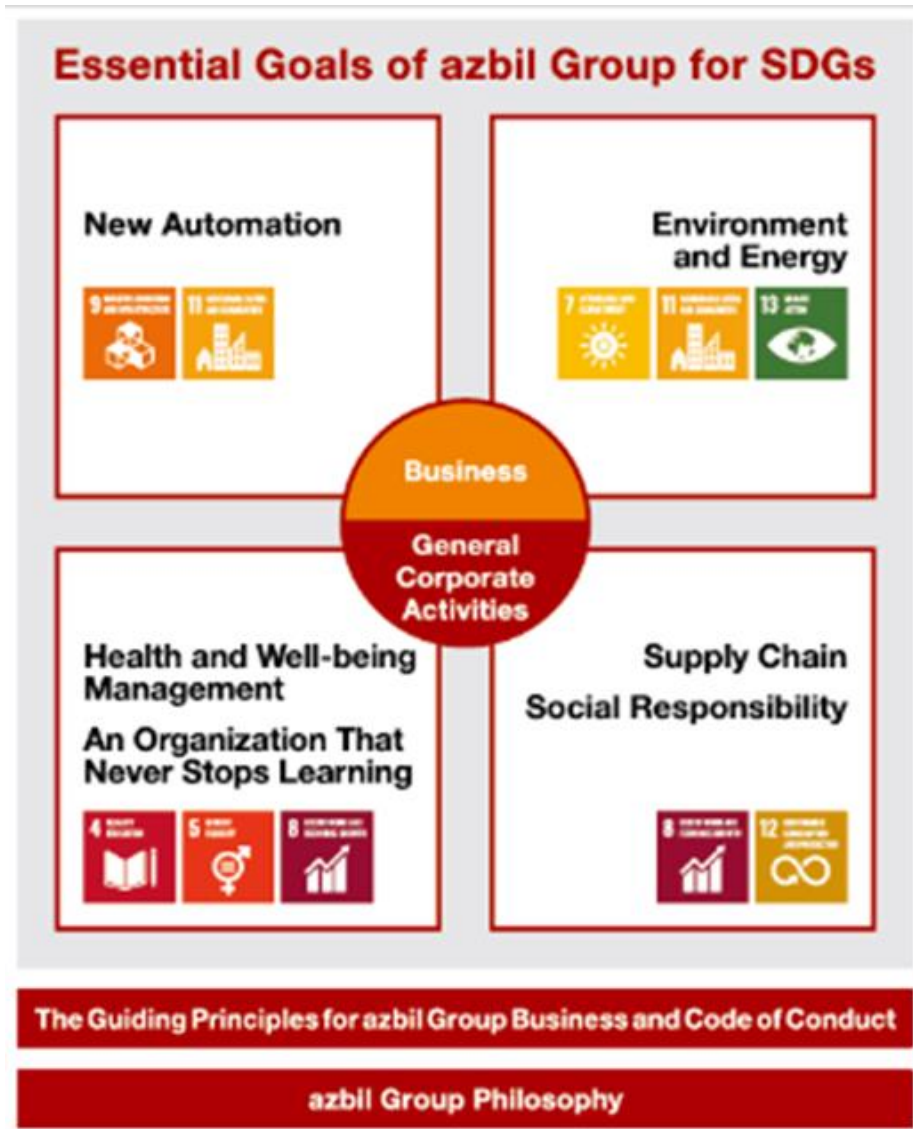
Note: The following is continued annually at Azbil and azbil Group companies

- Feedback from the previous year's questionnaire
- Business partners self-evaluation questionnaire

## 2. Positioning of the SDG Supply Chain in the azbil Group

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

The azbil Group has established four essential SDG-related goals and targets. We will continue to make efforts throughout our business and corporate activities to achieve the SDGs. One of the four goals concerns the supply chain.



### 3. The azbil Group SDG Supply Chain Framework

#### 3-1. 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.



#### Note

##### ① The azbil Group's self-evaluations

Based on the criteria the azbil Group uses to evaluate itself, it encourages members of the supply chain in four areas: (1) policies/strategies, (2) systems/structures, (3) initiatives, and (4) effectiveness.

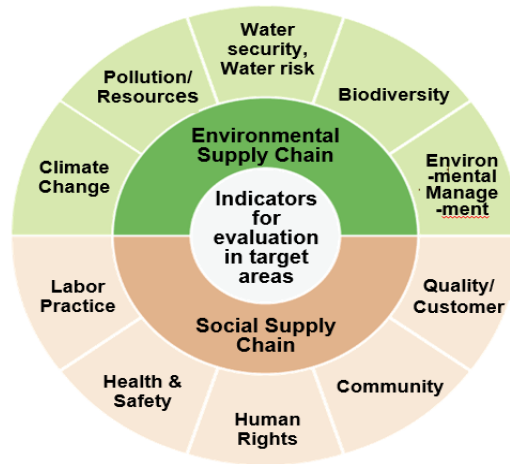
##### ② Business partner self-evaluations

We ask business partners to evaluate their own activities through a questionnaire based on the United Nations Global Compact.

### 3-2. Target areas

The azbil Group sets areas to be addressed in the SDG supply chain, develops a system for the azbil Group's initiatives, encourages business partners, and evaluates its own initiatives and the business partners' initiatives in these areas.

- We have established the 10 target areas (intermediate categories) in the table below as themes. This ensures objectivity and makes it easier for evaluation and checking by external companies.
- We placed the azbil Group's initiatives in subcategories that are linked to the main and intermediate categories.



Areas to address in the supply chain for the SDGs

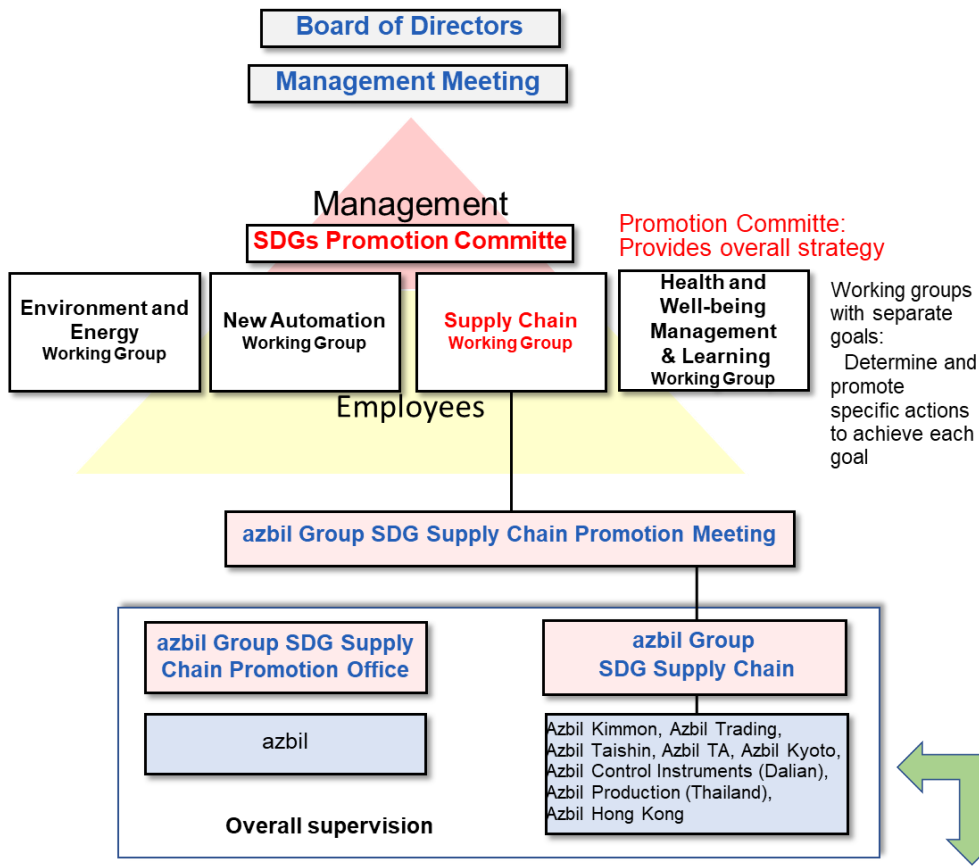
Main category	Intermediate category	Subcategory
<b>E</b> (Environmental supply chain)	Climate change (Greenhouse gases, energy)	<ul style="list-style-type: none"> <li>• Initiatives address CO2/GHG emissions and other climate change issues</li> </ul>
	Pollution and resources (Air pollution, water pollution, 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>• Less use of resources</li> <li>• Less industrial waste</li> <li>• Reuse of resources</li> <li>• Use of renewable energy</li> </ul>
		<ul style="list-style-type: none"> <li>• Less use of water, less wastewater</li> </ul>
	Biodiversity	<ul style="list-style-type: none"> <li>• Biodiversity conservation</li> </ul>
Environmental management	<ul style="list-style-type: none"> <li>• Environmental management activities in conformity with ISO14001</li> </ul>	
<b>S</b> (Social supply chain)	Labor practices	<ul style="list-style-type: none"> <li>• Elimination 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 fundamental human rights (including rejection of antisocial forces and handling of 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>	



### 3-3. Structure for promoting initiatives

The azbil Group's SDG supply chain is managed by Azbil Corporation, with the director in charge of the azbil Group's production and purchasing functions as the responsible person.

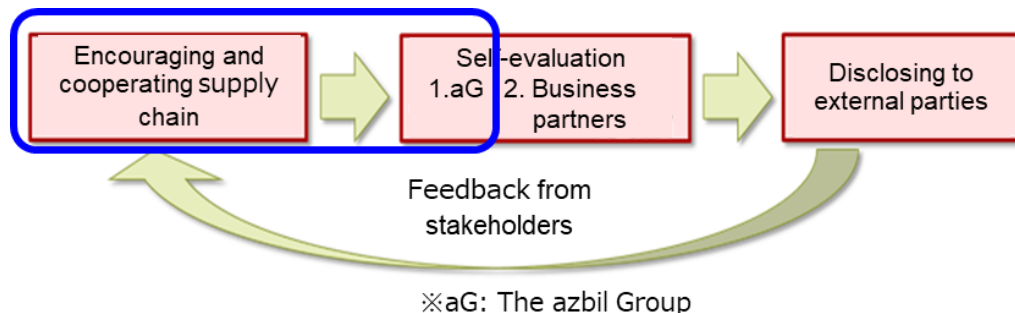
Participating azbil Group companies are developing appropriate frameworks that enable them to encourage their business partners and develop measures in target areas, spearheaded by their SDG managers in coordination with related functional departments.



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

Main category	Intermediate category	Key departments
<b>E</b> (Environmental supply chain)	Climate change	Department in charge of environment
	Pollution, resources	
	Water security, water risk	
	Biodiversity	
	Environmental management	
<b>S</b> (Social supply chain)	Labor practices	Human Resources Department
	Health and safety	Department in charge of health and safety
	Human rights	Department in charge of CSR, Human Resources Department
	Community	Department in charge of CSR
	Quality, customers	Department in charge of quality / procurement

### 3-4. Encouraging our business partners



By working together with our business partners on initiatives that comply with the four action areas below, we aim to steadily improve the societal and environmental aspects of the entire supply chain.

#### 『 Encouraging the supply chain 』



Note: To verify our assessments, we ask our business partners to conduct self-evaluations.

#### **POLICIES & STRATEGIES**

We disclose the azbil Group' Basic Procurement Policy to external parties and share it with our business partners as our supply chain management policy (including targets and plans).

#### **SYSTEMS & STRUCTURES**

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

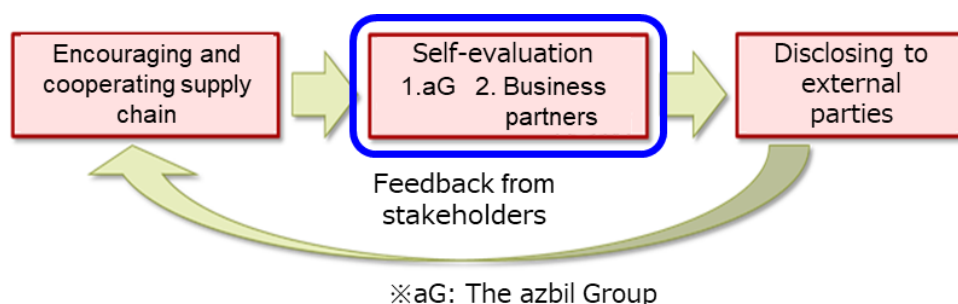
#### **INITIATIVES**

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

#### **EVALUATION**

Each azbil Group company evaluates its own initiatives.

### 3-5. Evaluation



The azbil Group carries out a self-evaluation based on the four action areas in the ten intermediate categories. Self-evaluations\* from business partners are added to this to create a comprehensive evaluation on a total of five items.

⇒ Based on the results of this evaluation, we gain an understanding of 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.

\* Questionnaires are sent to business partners to check their level of understanding, internal structure for promotion of initiatives, and status of initiatives in each of the 22 subcategories of the target areas. We added business partner self-evaluations 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 self-assessments will improve over time.

Main category	Intermediate category	The azbil Group's self-evaluation				Business partners' self-evaluations
		Policies & Strategies	Systems & Structures	Initiatives	Evaluation of effectiveness	
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/water pollution, hazardous waste, reduction of waste, 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.
- Evaluation criteria are set so that evaluations will remain consistent until 2030.

### 3-6. Setting the scope of business partners

The azbil Group as a whole has more than 4,000 business partners, and we select the partners for SDG-related initiatives after screening.

Specifically, based on the hypothesis that business partners with a large transaction amount (i.e., purchasing by the azbil Group) will have a greater impact on the implementation of SDG measures, we select business partners in order of transaction amount to cover 80% of the azbil Group's total transactions. These business partners are considered important business partners and are treated as business partners subject to SDG initiatives.

Since the number of transactions changes every year and some business partners do not wish to cooperate with our SDG initiatives, we review the list of applicable partners once a year as necessary. The number of business partners covered by our SDG initiatives as of FY2022 is as follows.

azbil Group	Number of all business partners	"Number of business partners subject to the SDGs (Number of (key) suppliers"
Azbil Corporation	2,575	318
Azbil Kimmon Co., Ltd.	267	77
Azbil Trading Co., Ltd.	817	37
Azbil TA Co., Ltd.	300	53
Azbil Taishin Co., Ltd.	265	28
Azbil Kyoto Co., Ltd.	4	4
Azbil Control Instruments (Dalian) Co., Ltd.	119	24
Azbil Production (Thailand) Co., Ltd.	36	11
Azbil Hong Kong Limited	50	10
<b>TOTAL</b>	<b>4,433</b>	<b>562</b>

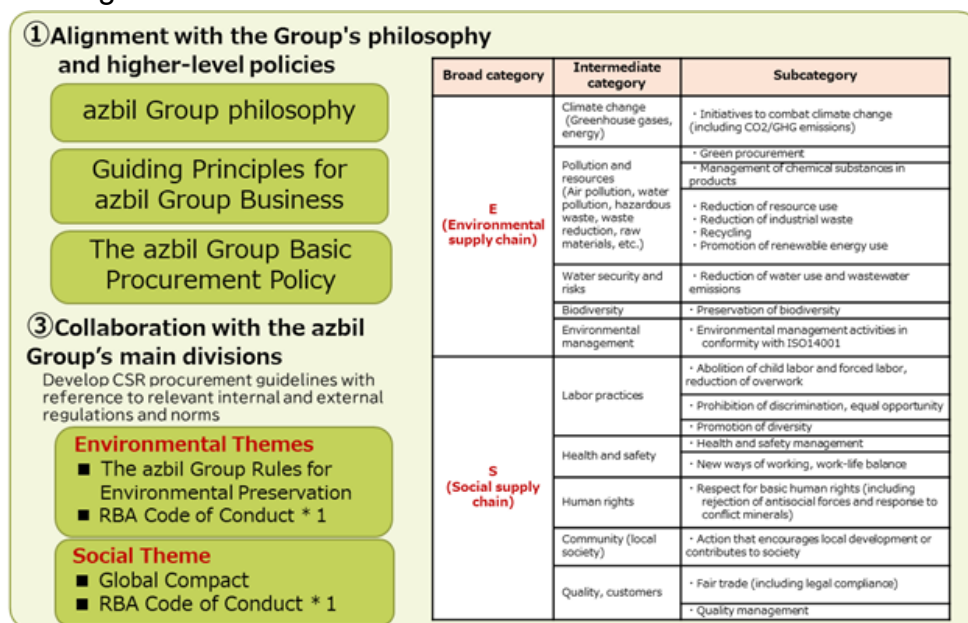
## 4. Results of Initiatives in FY 2022

### 4-1. Briefing on CSR Procurement Guidelines at azbil Group companies

#### CSR Procurement Guidelines

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

#### ★ Positioning and Structure of the CSR Procurement Guidelines



\*1. Environmental, labor, ethical, and other code of conduct for the electronics-related industry supply chain

#### CSR Procurement Guidelines

Link for CSR Procurement Guidelines  
[https://www.azbil.com/corporate/procurement/policy/csr\\_guideline/pdf/azbilGroup\\_csr\\_procurement\\_guideline\\_03\\_EN.pdf](https://www.azbil.com/corporate/procurement/policy/csr_guideline/pdf/azbilGroup_csr_procurement_guideline_03_EN.pdf)

#### [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

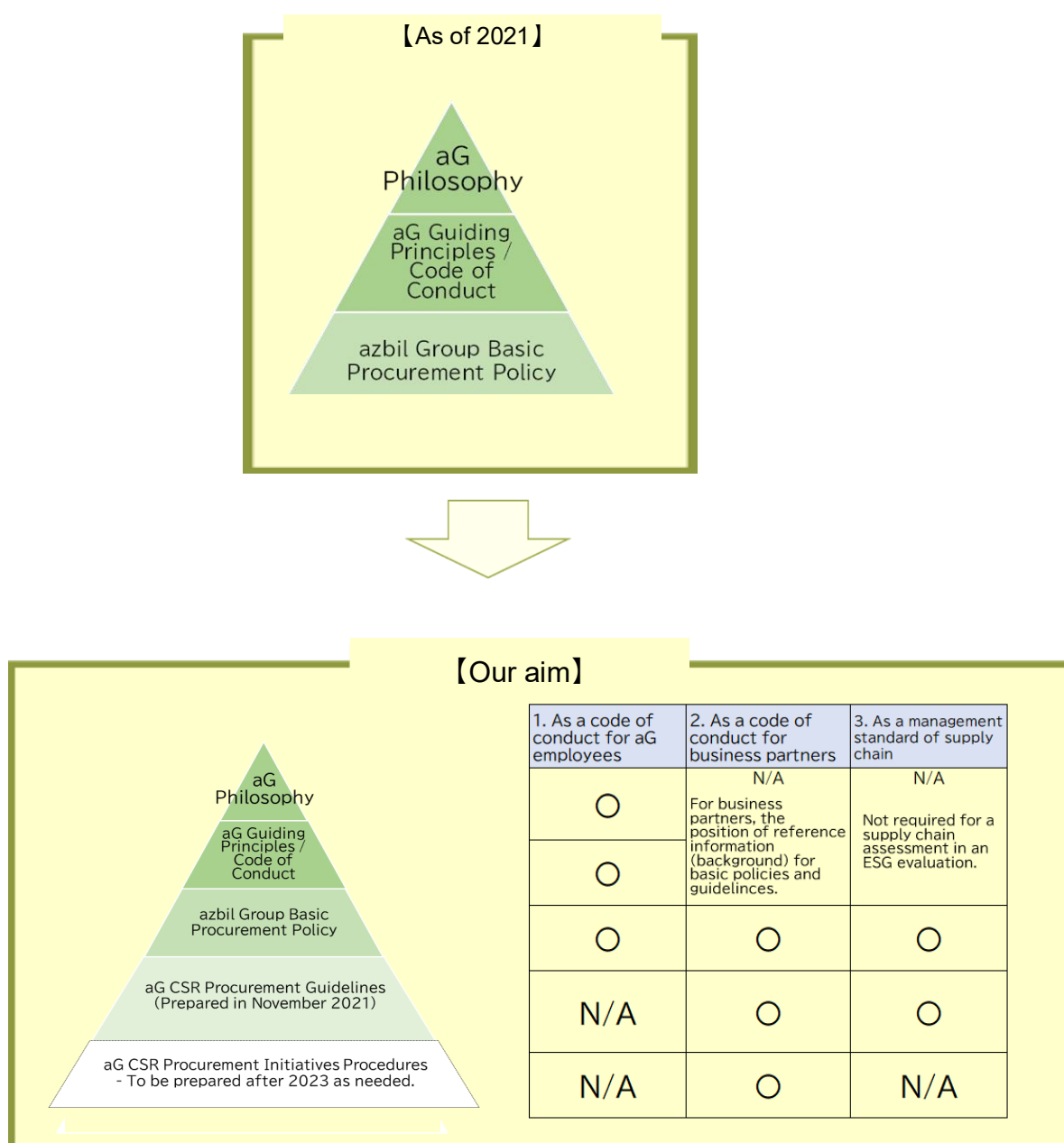


## Positioning of the CSR Procurement Guidelines

Based on the Corporate Philosophy and the Guiding Principles for azbil Group Business, purchasing is covered by the azbil Group Basic Procurement Policy, which describes the basic approach, and the CSR Procurement Guidelines, where more detailed approaches and procedures are described.

### Positioning

**The azbil Group Basic Procurement Policy:** For building relationships with business partners and conducting purchasing operations (columns 1, 2, 3 in the table below)  
**CSR Procurement Guidelines:** Items to be addressed to implement the policy (2, 3) Procedure Manual (to be updated as needed in the future)



## Briefing of business partners on CSR procurement guidelines

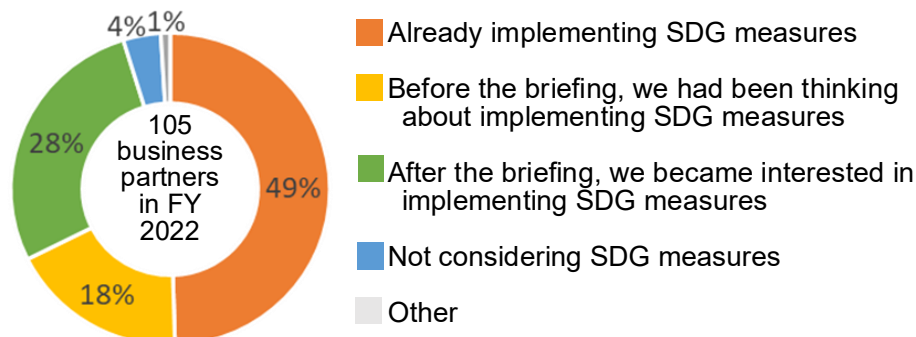
- In FY2021 we held briefing sessions on Azbil's SDG initiatives and the CSR Procurement Guidelines for approximately 300 major Azbil business partners to motivate them to undertake SDG initiatives and to help them understand the specifics to be addressed.
- In FY2022, in order to make the most of this experience and further expand its effectiveness, we held similar briefings for business partners at each azbil Group company. The status of implementation at each azbil Group company is shown below.
- In FY2023 and beyond, the azbil Group's overseas sales subsidiaries plan to hold similar CSR Procurement Guidelines briefings for their own business partners.

azbil Group	CSR Procurement Guideline Briefing Session Number of participating companies
Azbil Corporation	276
Azbil Kimmon Co., Ltd.	46
Azbil Trading Co., Ltd.	17
Azbil Taishin Co., Ltd.	28
Azbil Kyoto Co., Ltd.	3
Azbil Control Instruments (Dalian) Co., Ltd.	24
Azbil Production (Thailand) Co., Ltd.	11
Azbil Hong Kong Limited	2
<b>TOTAL</b>	<b>407</b>

## Results of Questionnaire after the Briefing Session

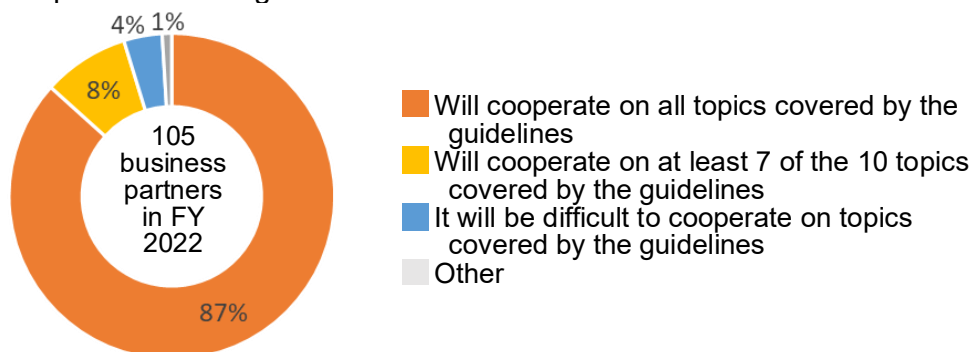
### Status of implementation of SDGs measures at business partners

In FY2022, nearly 30% of our business partners said that they now (after the briefing) want to implement SDG measures within their own companies.



### Cooperation with CSR Procurement Guidelines

More than 80% of the business partners responded that they would cooperate with the guidelines.



## 4-2. Self-evaluation questionnaire feedback to business partners

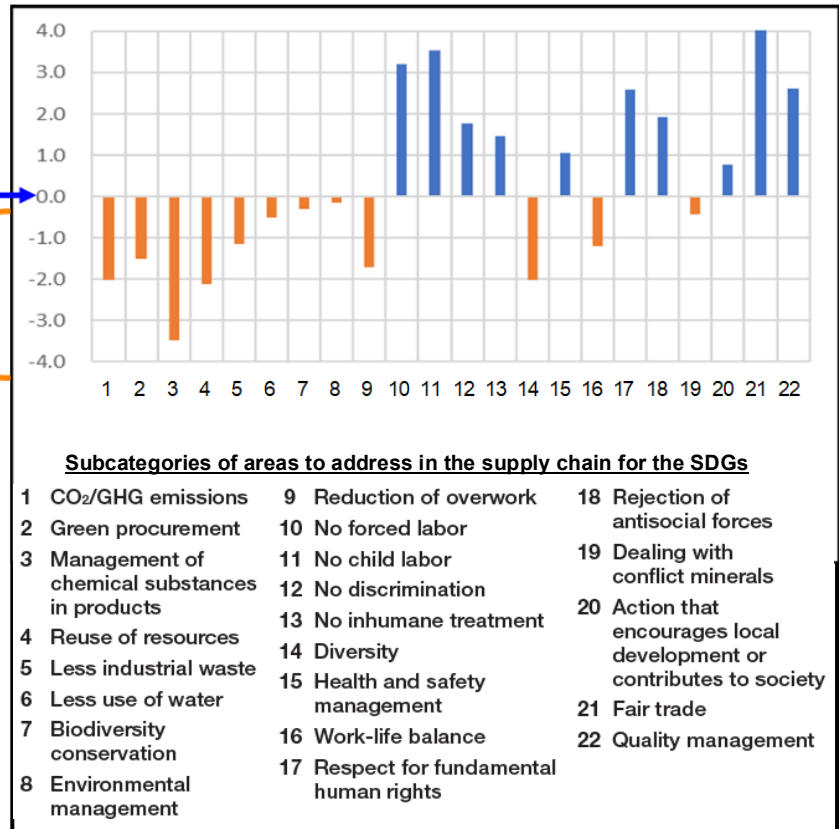
Using the results of business partners' self-evaluation questionnaire in FY 2021, we asked each of them to make voluntary improvements.

Specifically, we used the results of the FY2021 self-evaluation questionnaire to show the difference between each business partner and the average score of all Azbil's partners in each of the 22 subcategories. We asked business partners to recognize their own strengths and weaknesses and to make improvements, especially in their weak areas.

The results of the business partners' self-evaluation questionnaire for FY 2022 show that the average score for the subcategory themes for which improvement was requested improved, albeit slightly, confirming that feedback to the business partners was effective.

The average score of Azbil's business partners was 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 such areas.





### 4-3. Human rights due diligence

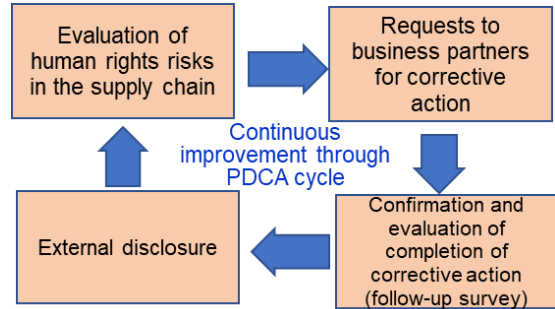
#### What is human rights due diligence?

Action to assess the risk of human rights violations in the supply chain and to promptly correct violations that occur.

#### Determining the scope of human rights where due diligence applies

The following perspectives were selected from among many:

- (1) UN policy "Guiding Principles on Business and Human Rights"
- (2) Compliance with laws and regulations
- (3) Impact assessment in Azbil's business
- (4) Adoption by other leading companies (see table below)



Human Rights Issues	Manufacturing							
	← Electronics →							
	Electronics	Household Goods	Apparel	Foodstuff	Automobiles	Transportation		
	Company A	Company B	Company C	Company D	Company E	Company F	Company G	Company H
Initial Selection in the azbil								
Elimination of child labor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Elimination of forced labor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduction of overwork				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prohibition of discrimination, equal opportunity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Promotion of diversity	<input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>	
Health Health and safety management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
New ways of working, work-life balance						<input type="checkbox"/>		
Rejection of antisocial forces				<input type="checkbox"/>				
Dealing with conflict minerals	<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>	
Others								
Wages (appropriate, duly paid)			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Freedom of association and collective bargaining			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Right to privacy	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>		
Discriminatory expressions regarding the dissemination of information				<input type="checkbox"/>	<input type="checkbox"/>			
Negative impact on the community			<input type="checkbox"/>		<input type="checkbox"/>			
Migrant labor/foreign workers				<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>
Human Trafficking								<input type="checkbox"/>
Consultation and Reporting	<input type="checkbox"/>			<input type="checkbox"/>				



Eight items pertaining to human rights were selected as subjects for due diligence, and priorities were divided into primary and secondary according to their importance.

First priority	Second priority
Elimination of child labor	Prohibition of discrimination, equal opportunity
Elimination of forced labor	
Reduction of overwork	Health and safety management
Wages (appropriate, duly paid)	Freedom of association and collective bargaining
Migrant labor/foreign workers	

The above list is intended for the employees of our business partners and includes women, children, and immigrant workers.

## Human Rights Due Diligence Process

Applies to 318 major Azbil Corp. partners

Risk Assessment Steps	Risk Assessment Methods	Number of potential risk companies	
		First priority	Second priority
Primary narrowing	Identified potential risk business partners based on responses to the "Labor Practices" and "Health and Safety" sections of the business partner self-evaluation questionnaire.	147	
Secondary narrowing	Narrow down the target companies by creating a questionnaire that focuses on human right items and checks for specific risk events.	36	32
Tertiary narrowing	Conducting e-mail/interviews with each individual company to determine if risk events have occurred.	1	20



### MAJOR REQUESTS FOR CORRECTION

Our advice is not limited to compliance with laws and regulations, but also includes respect for the human rights of our business partners' employees and the viability of the company.

- We request that business partners be aware of legal obligations to appoint a safety/health manager and that a manager be appointed.
- We request the preparation of manuals for handling work-related accidents in case of emergency (Azbil's documents are introduced as examples).
- We request measures to prevent occupational accidents from recurring and recommend educational videos to encourage proper management of protective equipment use.

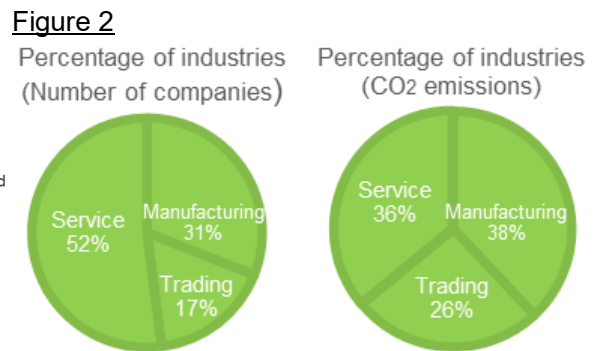
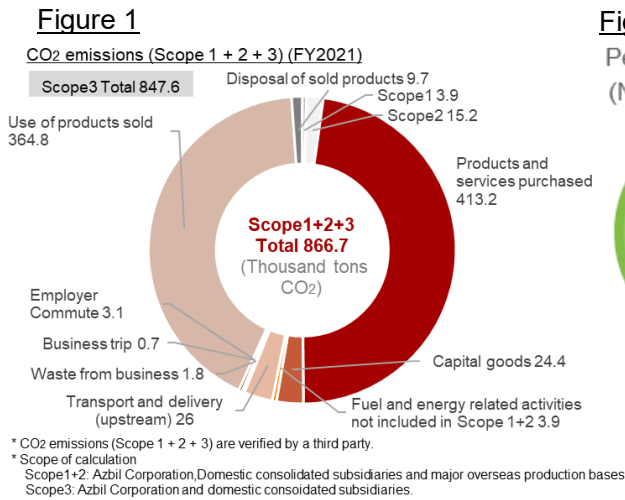
### RESULTS

We have accumulated a considerable amount of information on procedures for checking with business partners whether or not human rights violations have occurred, as well as ancillary information on human rights (knowledge of laws and regulations, trends in society, etc.). To expand the azbil Group's human rights due diligence initiatives to our business partners and further raise the level of risk response, we will develop an azbil Group Manual for the speedy and efficient promotion of human rights due diligence.

#### 4-4. Reduction of CO<sub>2</sub> emissions

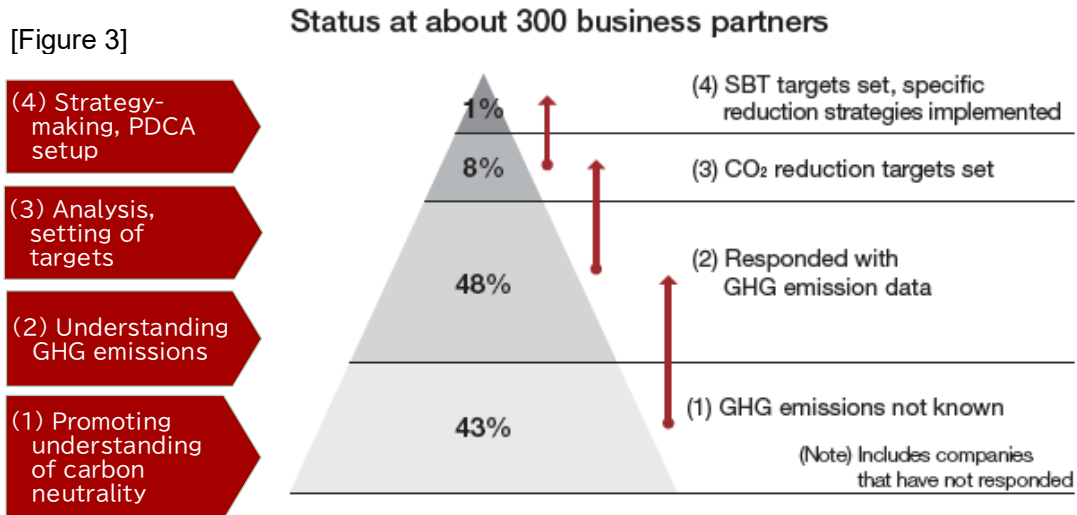
According to calculations based on Environment Agency information on emission factors and purchase volume, the azbil Group is in a situation where the ratio of CO<sub>2</sub> emissions related to Scope 3, particularly purchases of products and services from business partners, is high (Figure 1).

Looking at our business partners by industry sector, Figure 2 shows that the number of companies is dominated by service and service-related companies, and in terms of CO<sub>2</sub> emissions, the number of industry sectors is almost equally divided into three, indicating that trading companies and manufacturing companies are responsible for the largest amount of CO<sub>2</sub> emissions per company.



In addition, we distributed an interview sheet to approximately 300 of our major business partners to ascertain their actual Scopes 1, 2, and 3.

Taking into account the results of information collected through various questionnaires to date, we grouped business partners according to the level of their efforts and found a pyramid situation as shown in Figure 3, dividing business partners into four levels.



Currently, we are determining the direction of our efforts and initiatives for each group and have begun approaching business partners individually in order to raise the level of each group.

## **4-5. Revisions to the azbil Group Basic Procurement Policy**

### **Background**

In June 2022, the azbil Group revised the azbil Group Basic Procurement Policy, taking into account internal and external requirements such as the SDGs, as well as examples from other leading companies.

### **Basic Approach to Revisions**

- We have added important items to the azbil Group Basic Procurement Policy, focusing on basic concepts that are not affected by short-term changes, with an awareness of the demands of society.
- We will incorporate the SDG initiatives that we would like our business partners to address into our CSR Procurement Guidelines, and disseminate them to our business partners to ensure that they are fully aware of them.

*Note: Please refer to page 14 for the positioning of the azbil Group Basic Procurement Policy and CSR Procurement Guidelines.*

### **Points Revised**

- For supply chain management policy, items were added about climate change, prohibition of discrimination, elimination of excessive overtime, prohibition of forced labor, and water use risk.
- An item about human rights was added in line with emphasis by the United Nations Global Compact, which we signed in April 2021.
- We added an item about environmentally conscious design, which is related to the azbil Group's SDG-related target of designing all new products to be 100% recyclable.
- An item on the management of chemical substances in products was added. This is an important means for conserving biodiversity, one of our environmental protection targets.
- An item was added about strengthened checking of compliance with laws and regulations regarding relationships with antisocial forces (organized crime) when selecting business partners and renewing contracts.

#### 4-6. Self-evaluation questionnaires for business partners

The azbil Group distributes an annual self-evaluation questionnaire to business partners based on the United Nations Global Compact to objectively assess the status of environmental and social initiatives of individual business partners and to monitor changes and progress over the years. The results of the FY2022 survey are shown below.

■ Self-evaluation questionnaires in six(6) aG domestic companies Number: Number of business partners

	Number of companies		Type of business of the business partners			
	Covered	Responses	Manufacturing	Commercial firm	Installation / Service	Engineering / Software development
Azbil Corporation	318	270	82	43	136	9
Azbil Kimmon Co., Ltd.	4	3	2	0	1	0
Azbil Trading Co., Ltd.	37	30	22	7	1	0
Azbil Taishin Co., Ltd.	28	24	11	13	0	0
Azbil TA Co., Ltd.	53	45	36	8	1	0
Azbil Kyoto Co., Ltd.	4	3	0	3	0	0
aG Domestic total	444	375	153	74	139	9

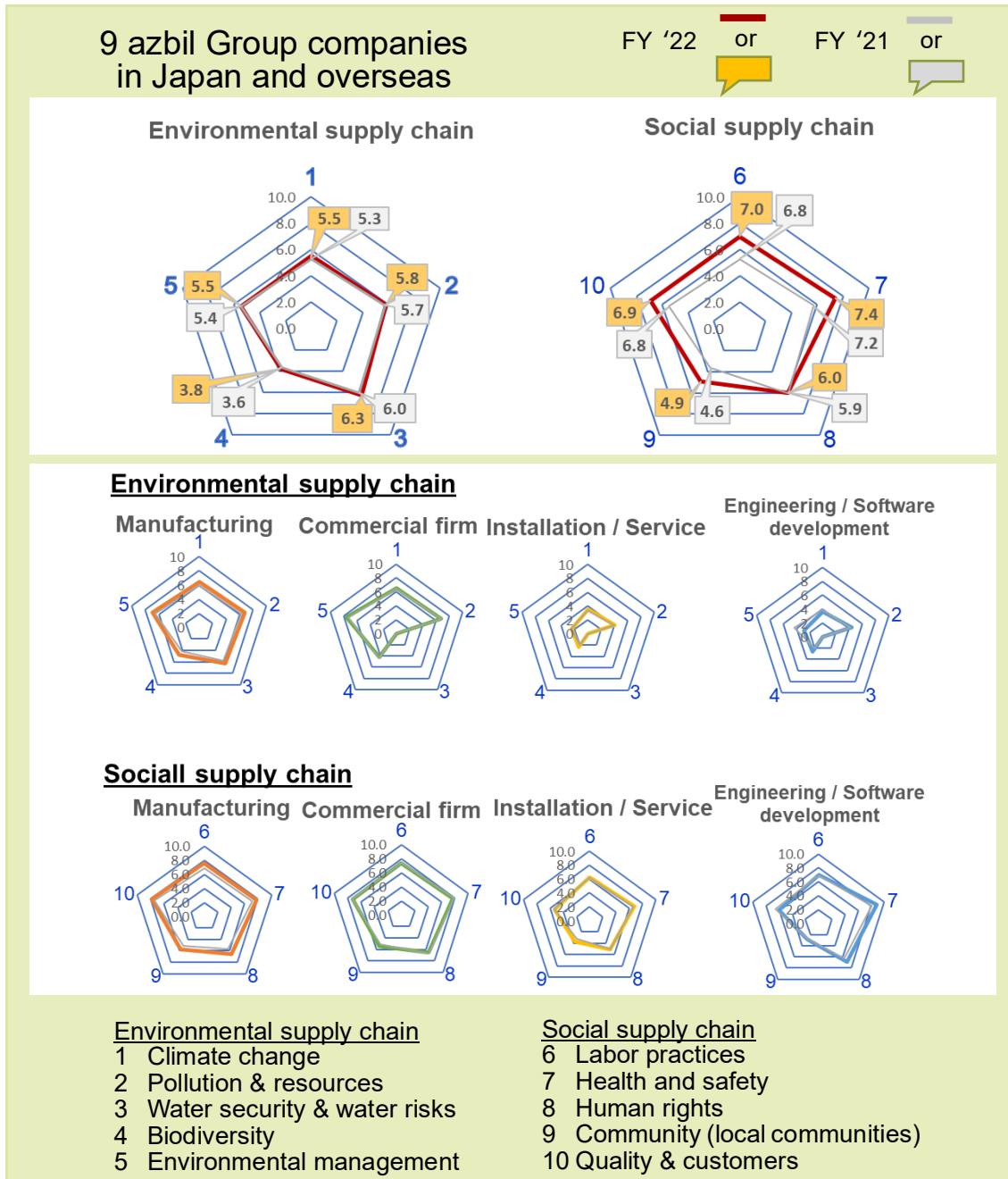
■ Self-evaluation questionnaire in three(3) aG foreign companies Number: Number of business partners

	Number of companies		Type of business of the business partners			
	Covered	Responses	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	11	8	6	2	0	0
aG Overseas total	46	43	29	14	0	0

# The azbil Group Domestic and Overseas Business Partner Self-Evaluation Aggregate Results

## 10 by Target Area (Intermediate Category)

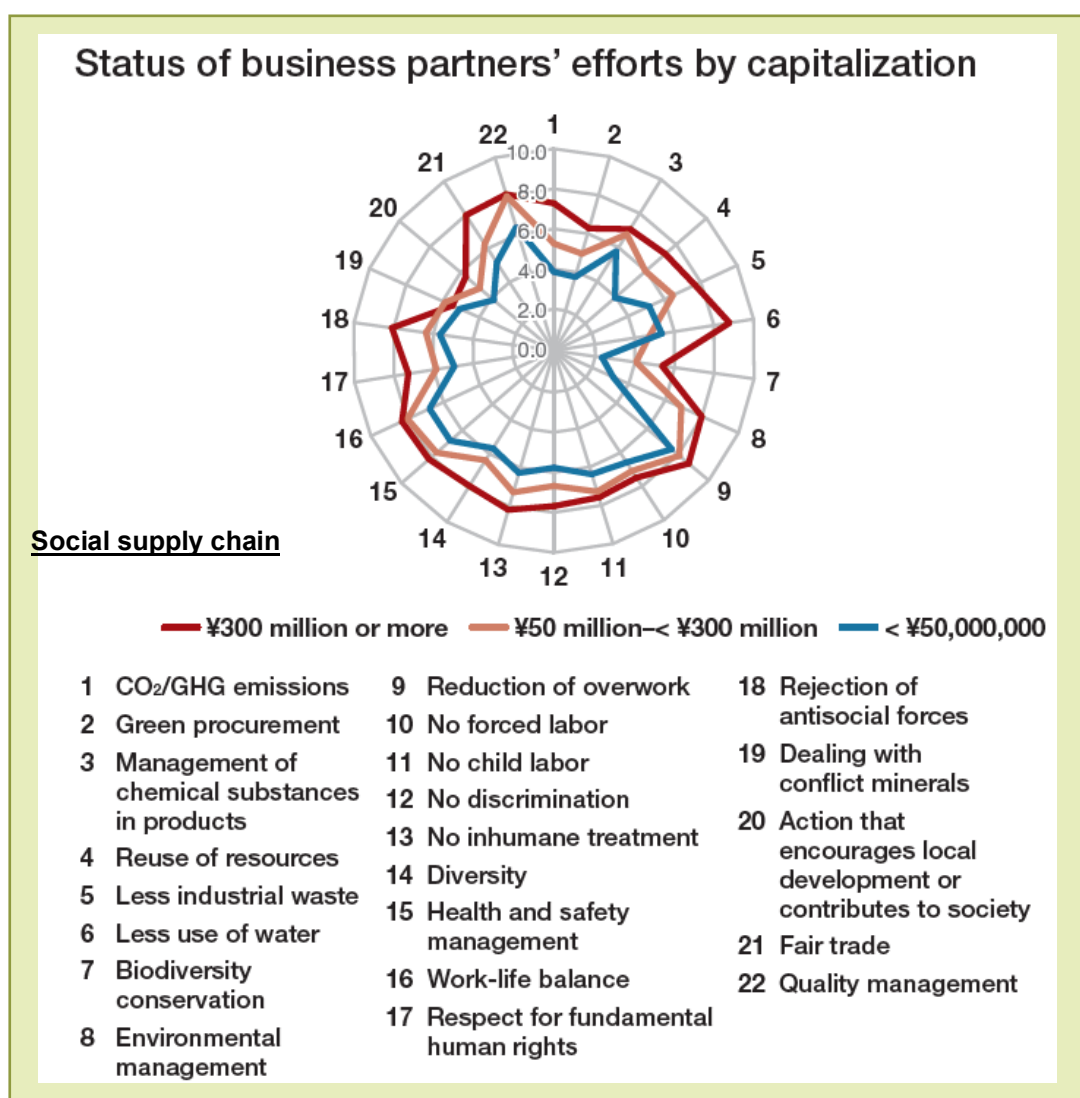
- Overall, there was a slight increase from FY2021, suggesting that the azbil Group's encouragement has contributed to business partners' efforts.
- The same trend as in FY2021 is also observed by business type and industry (manufacturing has a higher evaluation score than other business types and industries, while construction and services have a lower evaluation score).



Note: In the environmental supply chain, the score for water security / water risk is 0 because it is not applicable except for manufacturing.

### Comparison by company size (capitalization) in the self-evaluation questionnaire

- The larger the company (in terms of capital), the more advanced the initiatives.
- However, although it is not shown in the graph below, when the progress since FY2021 is taken into account, smaller companies have made noticeably more progress in their efforts. The azbil Group's guideline briefings and feedback reports seem to have motivated even the smaller companies to raise the level of their initiatives.



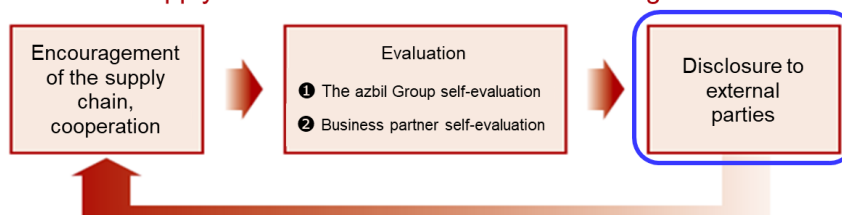
## 4-7. External Disclosure

### Positioning of External Disclosure

By summarizing and disclosing the results of the azbil Group's SDG supply chain action outside the azbil Group, we aim to gather opinions and requests from a wide range of shareholders, institutional investors, business partners, and other stakeholders and reflect them in our future activity.

Overall framework of the initiative

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



Feedback: requests and opinions from investors and shareholders

### Information disclosed in FY 2022

For the purposes of the above, information in addition to this report is publicly disclosed.

Externally Disclosed Information	Document Content and Positioning	Subject of Disclosure / Next Term
1. The azbil Group Basic Procurement Policy	The revised code is based on SDG trends, internal and external requests, and the UN Global Compact policy, and is positioned as both the azbil Group's purchasing code of conduct and supply chain management standard.	Disclosed on the external website in June 2022 and again after the revisions in January 2023. Website in Japanese, English and Chinese <a href="https://www.azbil.com/jp/corporate/procurement/policy/index.html">https://www.azbil.com/jp/corporate/procurement/policy/index.html</a> (Japanese site)
2. CSR Procurement Guidelines	Based on the basic ideas in the azbil Group Philosophy and Guiding Principles, we have compiled a list of specific SDGs to be addressed by our business partners.	Disclosed on the Japanese website in January 2022 and on the English website in September 2022. <a href="https://www.azbil.com/jp/corporate/procurement/policy/csr_guideline/index.html">https://www.azbil.com/jp/corporate/procurement/policy/csr_guideline/index.html</a> (Japanese site)
3. SDG Supply Chain Annual Report	The report summarizes the azbil Group's framework for SDG supply chain initiatives by 2030, the results of annual activity, and the results of self-evaluations.	FY2021 version: Disclosed on the Japanese and English websites in June 2022. FY2022 version: <a href="#">This report material</a> . - References are also available from the azbil report 2023 edition. - The Supply Chain Annual Report will continue to be disclosed on the website. <a href="https://www.azbil.com/jp/corporate/procurement/supplychain-annualreport/index.html">https://www.azbil.com/jp/corporate/procurement/supplychain-annualreport/index.html</a> (Japanese site)
4. Communication with Business Partners	A broad overview of our relationship with business partners, including perspectives other than CSR, such as details of evaluation at the time of choosing new business partners, engagement with business partners after the start of business, etc.	Updated the website with the latest information in January 2023. <a href="https://www.azbil.com/jp/corporate/procurement/policy/communication.html">https://www.azbil.com/jp/corporate/procurement/policy/communication.html</a> (Japanese site)

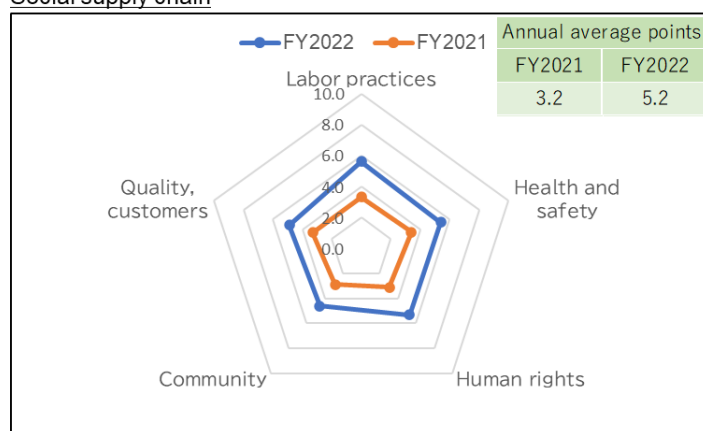


## 5. The azbil Group's Comprehensive Evaluation

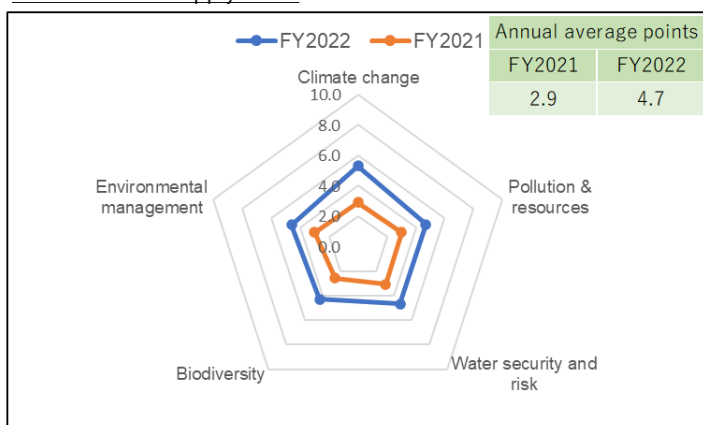
Based on the azbil Group's Self-Evaluation Standards, evaluations are conducted for each target theme. Specifically, for a total of 10 target areas (5 environmental and 5 social), the azbil Group's approach to the supply chain (for (1) Policy and strategy, (2) System and structure, (3) Initiatives and measures, (4) Effectiveness evaluation) and (5) Business partner self-evaluations) are evaluated as a simple average of the five items evaluated, a perfect score being 10 points.

In FY2022, the various strategies were successful, with each criterion in the environmental/social supply chain generally increasing by about 2 points compared to the previous fiscal year.

Social supply chain



Environmental supply chain



### The main reasons for the increase in points

- Revisions to the azbil Group Basic Procurement Policy: points were added for policies and strategies for all 10 target areas.
- Feedback (improvement requests) to business partners of Azbil and azbil Group companies and guideline briefing sessions: points are awarded for measures taken in all 10 target areas.
- Reduction of CO<sub>2</sub> emissions, and conduct of human rights due diligence: climate change, labor practices, and health and safety were added as three items to be addressed.

## 6. FY2022 Reflection on Activities and Future Tasks

### FY2022 points that can be evaluated through the activities

- In FY2022, we were able to mostly implement the plan set at the beginning of the term in accordance with the Azbil SDGs supply chain framework.
- Utilizing the groundwork laid by the awareness-raising activities for business partners conducted in FY2021, in FY2022 we also implemented themes like human rights due diligence and reduction of CO<sub>2</sub> emissions, which are subjects of great concern by society. In particular, human rights due diligence produced concrete results, including requests for correction to 20 business partners.
- Our actions have evolved to be more extensive, with briefings on the CSR Procurement Guidelines held not only by Azbil but also by azbil Group companies for their business partners.

### Future Issues

- In FY2021 and 2022, we prioritized measures to comprehensively cover a large number of business partners. While this was effective in terms of overall results, it also resonated very differently with individual business partners, who had different realities and needs. In light of this, we will continue to focus on human rights due diligence and reduction of CO<sub>2</sub> emissions in FY2023 and beyond, but we will [also expand visits and discussions with individual business partners to understand their actual situations and intentions in order to build a consensus and implement measures to address these issues](#).
- Based on this, we will select several key business partners in terms of the SDGs, and [consider creating best practices](#) by collaborating with these companies. We will then aim to expand successful cases out to other business partners.
- In some countries and regions, we found it difficult to take action on human rights. We will continue to implement measures in these areas where we can, based on our assessment of the situation and the characteristics of the region.
- From FY2023 onward, the azbil Group's overseas sales companies will be prioritized before supply chain actions.

***azbil***