The azbil Group

Sustainable Procurement Annual Report 2025

June 2026

Azbil Corporation

Engineering the Impossible

Introduction

Based on the azbil Group Basic Purchasing Policy, the azbil Group promotes sustainable procurement activities to improve sustainability by incorporating elements related to the environment, society, ethics and risk management in the supply chain into purchasing activities, and by working with our business partners to build and maintain medium- to long-term, sound relationships throughout the supply chain. In addition to our operations in Japan, our overseas sites also carry out activities aligned with the Sustainable Development Goals (SDGs), which address shared global challenges.

In recent years, as geopolitical risks have increased and international conditions have become more uncertain, building a stable and resilient supply chain has become both a corporate social responsibility and an important foundation for sustainable value creation. In light of these environmental changes, the azbil Group places even greater emphasis on working together across the entire supply chain to address risks and achieve mutual growth.

We believe that achieving the SDGs is not something the azbil Group can accomplish alone. Rather, greater results can be achieved through coordination and cooperation across the entire supply chain. Accordingly, in procurement activities, our basic policy is for both the azbil Group and its business partners to enhance added value and build long-term relationships of trust.

Furthermore, the azbil Group has newly established the purpose of “Expanding technological frontiers unlocking human potential.” This purpose expresses our reason for being—to unlock the latent potential of people and society through technology and create new value.

Sustainable procurement activities are a key initiative for sharing and putting this purpose into practice across the entire supply chain. By sincerely responding to society’s growing expectations, we will continue to steadily promote initiatives to realize a sustainable society across the entire supply chain, founded on mutual understanding and trust with our business partners.

Contents

1. Background

At Azbil, sustainable procurement activities established the framework for activities through FY2030 in FY2021, the first year, and clarified the fundamental concepts underlying them. Specifically, we advanced the development of internal foundations, including revising the azbil Group Basic Purchasing Policy, establishing procurement guidelines, and putting in place a promotion framework. Since then, through initiatives such as holding briefings on the procurement guidelines for business partners and implementing self-assessment questionnaires for business partners, we have addressed the social priority theme of human rights due diligence and the environmental priority theme of reducing CO_2 emissions. These initiatives have been expanded not only across Azbil but also to each company within the azbil Group, and are being promoted on a Group-wide basis.

In addition, we conducted on-site interviews with more than 60 business partners in total to better understand the status of their initiatives and the challenges they face. Through these visits, we have also advanced initiatives to promote diversity, which will help alleviate recruitment challenges.

In recent years, in addition to conducting human rights due diligence targeting second-tier suppliers, we have incorporated a new item, ethics and risk management, into our procurement guidelines alongside the existing social and environmental aspects.

In FY2025, we began directly engaging with our business partners regarding ethics and risk management, which was added to the guidelines in the previous fiscal year. Regarding the environment, in addition to efforts to reduce CO_2 emissions, we confirmed compliance with environmental laws and regulations and implemented initiatives to identify and mitigate risks before problems arose.

We also positioned FY2025 as a “year for building the foundation” to steadily step up toward FY2030 and worked on new measures.

First, to encourage our business partners’ proactive efforts, improve the knowledge of Azbil purchasing staff, and efficiently promote sustainable procurement activities, we conducted ESG-related sustainability training using external content for all purchasing staff and our business partners.

Furthermore, to encourage information sharing and community building among our business partners—and ultimately foster an environment in which they can proactively advance their own initiatives without Azbil’s involvement—we held our first Business Partner Case Study Presentation as a forum for that purpose. Following the presentations, the business partners exchanged ideas with one another and shared their companies’ practical initiatives, making the event a valuable opportunity to raise awareness.

2. Positioning of Sustainable Procurement in the azbil Group

azbil Group SDGs Goals, established in March 2020

The azbil Group has established 4 basic SDGs goals and targets toward achieving the SDGs, and is promoting initiatives across its business operations and corporate activities as a whole. Sustainable procurement is positioned as one of these 4 basic objectives: “Supply Chain Social Responsibility.”

3. azbil Group Sustainable Procurement Framework

3-1. Framework for Achieving Goals

■ The azbil Group's PDCA cycle for sustainable procurement activities

We will work together with our business partners to achieve the SDGs as a common goal and create shared CSR value across the supply chain

= increasing added value for both azbil Group and its business partners, achieving mutual prosperity, and building long-term trusted relationships

*Evaluation

1. The azbil Group's self-assessment

   Regarding "initiatives toward the supply chain," the azbil Group will conduct a self-assessment based on its own evaluation criteria from the following 4 perspectives.

   (1) Policies and strategies
   (2) System and structures
   (3) Initiatives
   (4) Effectiveness

2. Business partners' self-assessment

   Through a questionnaire based on the UN Global Compact and JEITA, our business partners are asked to self-assess their own initiative status.

3-2. Target Areas

We have established target areas for sustainable procurement and are enhancing the azbil Group's implementation framework while engaging with our business partners in these areas. We also evaluate the status of initiatives at both the azbil Group and our business partners.

- To ensure objectivity and facilitate evaluation and verification by external parties, we have established target areas.
- Beginning in FY2024, in response to external expectations and industry standards and trends, we added Ethics and Risk Management—which was not previously included in the main categories—thereby covering all 3 ESG areas.
- In linking with the main and intermediate categories, we have placed azbil Group's specific initiatives and measures in the subcategories.

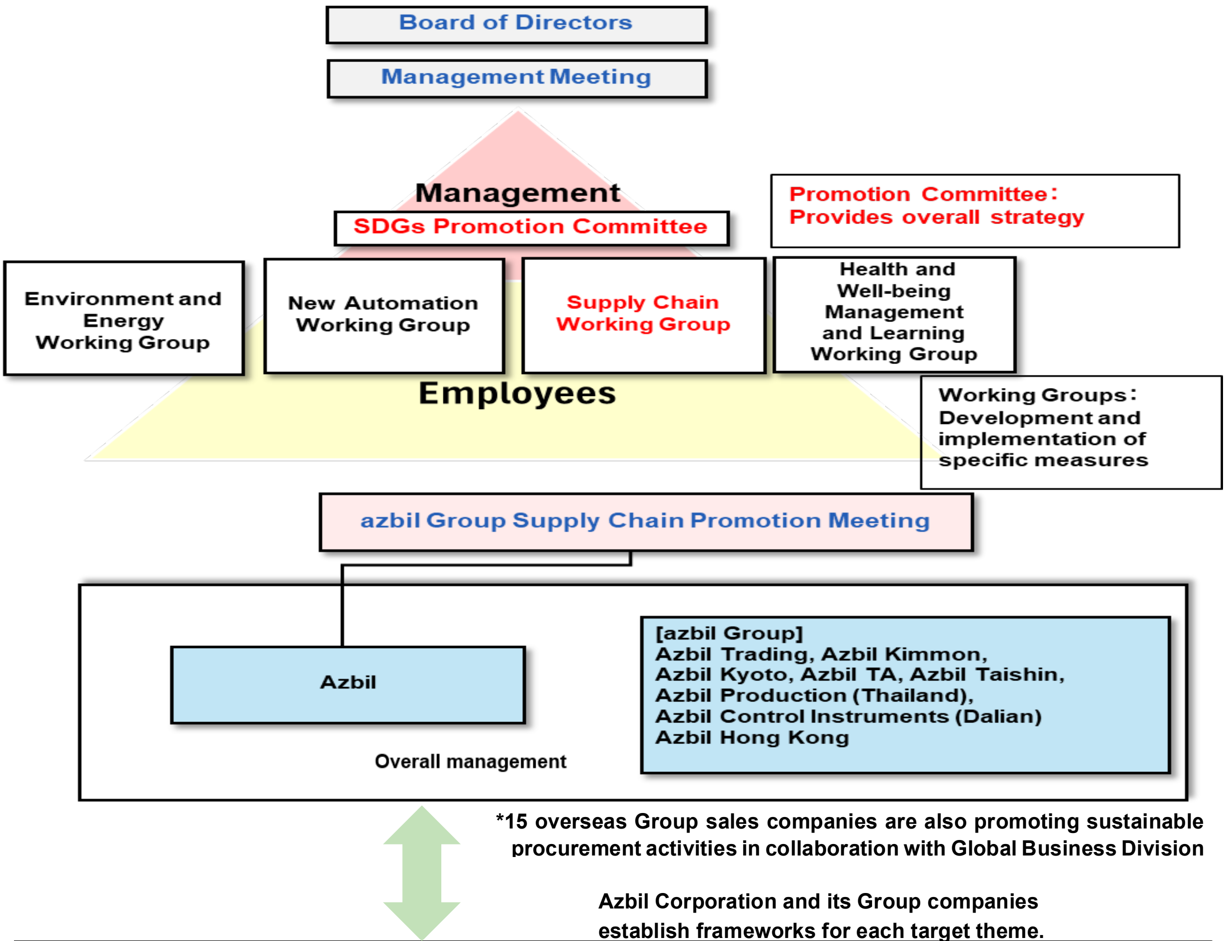
Areas to be addressed in sustainable procurement by the azbil Group

Main category	Intermediate category	Subcategory
Environment	Climate change (GHG, energy)	・Climate change (GHG, energy)
	Pollution and resources (Air emissions, wastewater, hazardous waste, waste reduction, raw materials, etc.)	・Compliance with environmental regulations ・Green procurement ・Management of chemical substances in products ・Effective use of resources and waste reduction ・Environmental considerations in product design and handling of goods
	Water security and water risk	・Reduction of water use and wastewater emissions ・Prevention of pollution (wastewater, sludge, etc.)
	Biodiversity	・Biodiversity
	Environmental management	・Environmental management
Social	Labor practices	・Labor recruitment and employment ・Working hours ・Wages and allowances ・Elimination of child labor and employment of young workers ・Prohibition of discrimination ・Freedom of association and the right to collective bargaining ・Prohibition of inhumane treatment ・Promotion of diversity and inclusion
	Health and safety	・Occupational safety ・Emergency preparedness ・Occupational accidents and illnesses ・Industrial hygiene ・Consideration for physically demanding work ・Machine safety measures ・Sanitation facilities, food, and housing ・Health and safety communication ・Employee health management ・Work style reform and work-life balance
	Human rights	・Respect for basic human rights ・Exclusion of anti-social forces ・Responsible mineral sourcing
	Contribution to local Communities	・Contribution to local Communities
	Quality and customers	・Quality management ・Provision of accurate product and service information
Ethics and Risk Management	Compliance with laws and regulations and respect for international norms	・Compliance with laws and regulations and respect for international norms
	Compliance with fair trade practices	・Compliance with fair trade practices ・Anti-corruption ・Respect for intellectual property ・Protection of whistleblowers ・Proper import and export controls
	Establishment of a management system	・Establishment of management systems ・Supplier management ・Grievance mechanism
	Appropriate information disclosure	・Appropriate information disclosure
	Information security	・Information security ・Protection of personal information ・Prevention of leaks of confidential information
	Business continuity planning and preparation	・Business continuity planning and preparation

3-3. Promotion Structure

To promote sustainable procurement, the azbil Group has established a structure that oversees the entire Group. The person responsible is an executive officer in charge of the production and purchasing functions within the azbil Group.

In addition, each company within the Group has established a system centered on its SDGs officer and working in collaboration with related departments, so that it can effectively implement measures to encourage business partners.



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

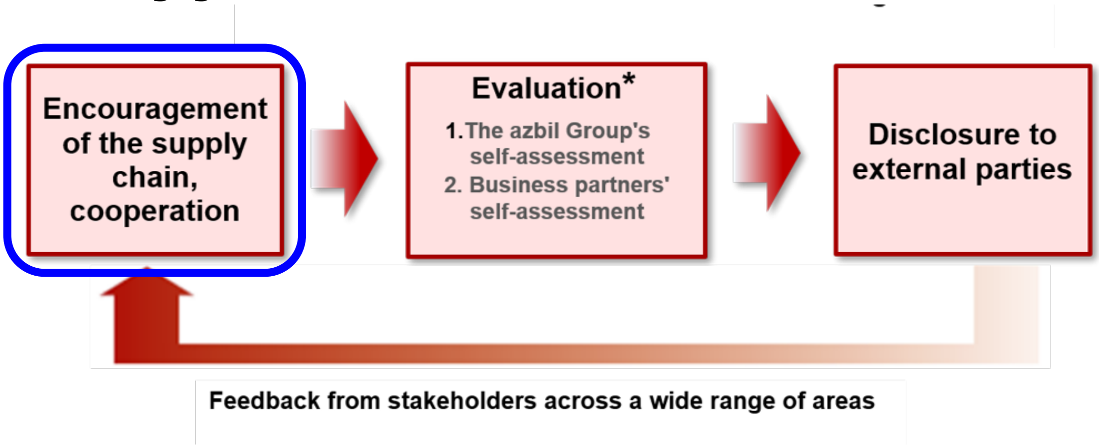
SDGs Promotion Meeting:

A meeting attended by the president and other relevant management executives, at which plans related to the SDGs are formulated, implemented, and evaluated. Based on reports from each working group, the company implements the PDCA cycle toward achieving the FY2030 targets, while senior management is responsible for formulating the overall strategy and setting the direction.

azbil Group Supply Chain Promotion Meeting:

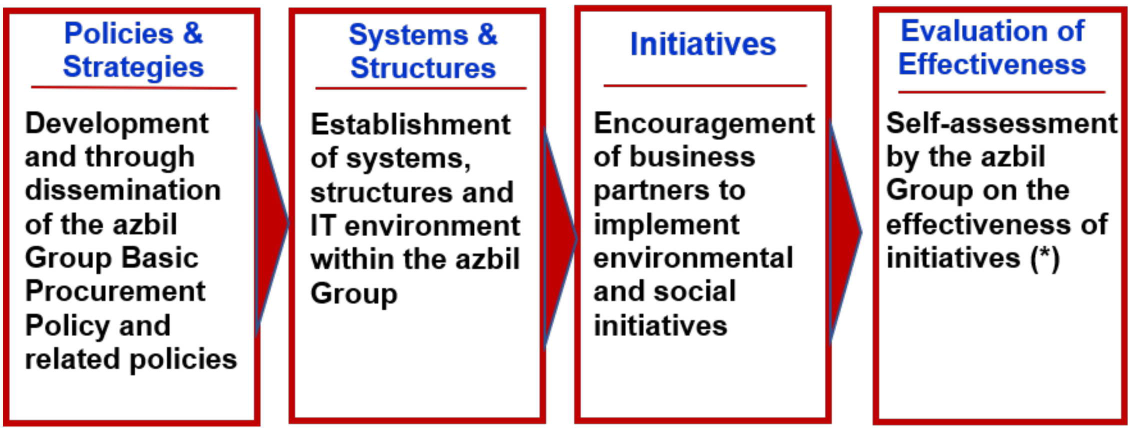
This is a meeting attended by the SDGs officers of Azbil and each azbil Group company, under the leadership of the executive responsible for the Supply Chain Working Group. In addition to communicating with our business partners, we share plans and results of initiatives related to sustainable procurement and work toward continuous improvement through the PDCA cycle.

3-4. Engagement with Business Partners



By rolling out initiatives to business partners in line with the following 4 actions, we will steadily improve the environmental, social, and ethics and risk management aspects of the entire supply chain.

Supply Chain Engagement



***We also ask our business partners to conduct self-assessments, in part to verify the validity of the effectiveness evaluation.**

[Policy/Strategy]

The azbil Group externally discloses its supply chain management policy (including objectives and plans) as the azbil Group Basic Purchasing Policy, and strives to ensure that it is thoroughly communicated and understood by our business partners.

[Systems/Structures]

Each azbil Group company establishes a structure for promoting initiatives, and develops mechanisms for sharing information among Group companies and with our business partners.

[Initiatives]

Based on the above policy, each azbil Group company utilizes its structure and mechanisms to carry out initiatives aimed at its business partners.

[Evaluation of Effectiveness]

Each azbil Group company evaluates the effectiveness of its own initiatives.

3-5. Evaluation

To assess efforts toward sustainable procurement, the azbil Group conducts a self-assessment on supply chain engagement from 4 perspectives. In addition, a comprehensive evaluation is conducted based on a total of 5 items, including self-assessments by our business partners (*).

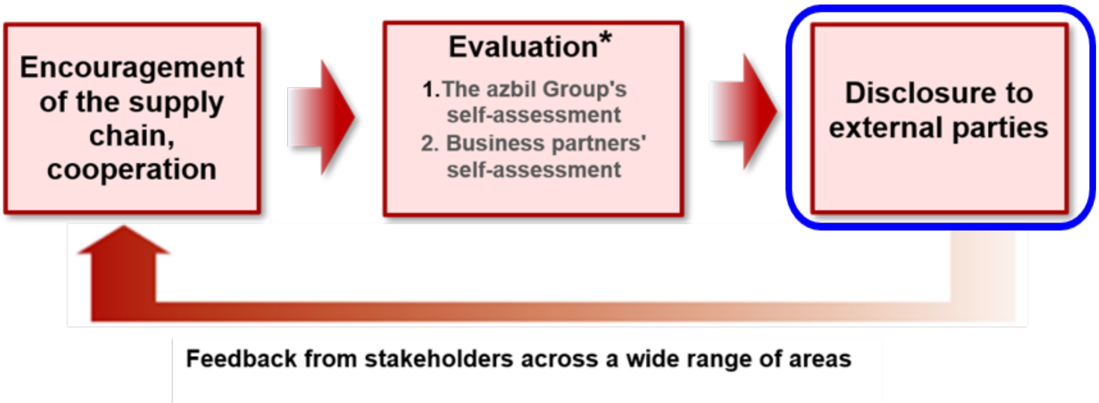
Through this assessment, in addition to the azbil Group's status of initiatives, we visualize the strengths and issues of our business partners and use this information to consider and plan measures for the following fiscal year.

＊ For our business partners, we conduct a questionnaire survey for each subcategory of the target areas to confirm their level of understanding, internal promotion systems, implementation status of initiatives, and other factors. We believe that, as the azbil Group's initiatives function effectively, our business partners' self-assessments will improve over time, and based on this hypothesis, we have added the business partners' self-assessment results to the evaluation items in order to verify the effectiveness of the azbil Group's initiatives.

		← The azbil Group evaluation of encouraging to supply chain →				Understanding business partners' situation
Main category	Intermediate category	The azbil Group's self-evaluation				Business partners' self-evaluations
		Policies & Strategies	Systems & Structures	Initiatives	Effectiveness	
Environment	Climate change (GHG, energy)					
	Pollution and resource use (Air/water pollution, hazardous waste, reduction of waste, raw materials, etc.)					
	Water security and risks					
Omitted below						

・The blue square for each item shows the evaluation score on a 10-point scale.
・Evaluation criteria have been established to ensure consistent assessments through FY2030.

3-6. Disclosure to External Parties



At the azbil Group, the content of our sustainable procurement activities, including self-assessments, is compiled each fiscal year in this Sustainable Procurement Annual Report and disclosed on our external website.

Also, based on the opinions, comments, and requests received from stakeholders regarding this report, we reflect them in the initiatives for the following fiscal year.

3-7. Scope of Business Partners Covered

As the azbil Group works with more than 4,000 business partners across its operations, it designates which to include in its sustainable procurement initiatives.

Specifically, we believe that the greater the transaction amount (the amount purchased by the azbil Group) with a business partner, the greater the impact of sustainable procurement activities on the azbil Group. For this reason, we designate business partners in descending order of transaction amount, and we cover the range that accounts for 80% of the azbil Group’s total transaction amount. These business partners are designated as key business partners.

As transaction amounts fluctuate from year to year and the level of each business partner’s cooperation with the azbil Group’s sustainable procurement activities must also be considered, the list of target business partners is reviewed annually and revised as necessary.

In the future, we also plan to expand these initiatives to business partners that are not currently covered.

The number of target business partners as of FY2025 is shown below.

Azbil corporation and the azbil Group	Total number of business partners	Number of key business partners under sustainable procurement
Azbil Corporation	2,575	321
Azbil Trading Co., Ltd.	817	30
Azbil Kimmon Co., Ltd.	267	80
Azbil Kyoto Co., Ltd.	4	3
Azbil TA Co., Ltd.	300	42
Azbil Taishin Co., Ltd.	265	29
Azbil Production (Thailand) Co., Ltd.	36	13
Azbil Control Instruments (Dalian) Co., Ltd.	119	25
Azbil Hong Kong Limited	50	9
Total	4,433	552

4. Initiatives in FY2025

4-1. Overview of Initiatives

To fulfill its social responsibilities throughout the supply chain, the azbil Group is committed to building long-term relationships of trust with its business partners through these initiatives, aiming to enhance added value for both the azbil Group and its business partners while achieving coexistence and mutual prosperity. To achieve this goal, we are implementing the following ESG-focused initiatives. These initiatives are not limited to Azbil alone; each company within the azbil Group is also implementing the same initiatives with their respective business partners.

Framework for achieving targets *Repeated from Section 3-1

Develop into specific initiatives and measures

Area	Engagement and Collaboration with the Supply Chain (Business Partners)								
	Environment		Social			Ethics & Risk management	Common to All		
	CO2 emission reduction	Environmental pollution prevention	Human rights due diligence	Responsible mineral sourcing	Diversity		aG overseas sales companies	Educational activities for business partners	Business partner case presentations & awards
Our commitments toward 2030	Achieve 33% supply chain CO_2 emission reduction through energy visualization and target setting	Promote improvements in areas such as resource circulation and biodiversity	Assess, correct, and eliminate human rights risks among business partners' employees	Establish mechanisms to avoid the use of minerals that may cause social issues	Ensure business continuity and promote diversity through diverse talent	Define and request implementation of ethics and risk management actions	Elevate supply chain ESG standards through CSR risk reduction with business partners	Drive concrete initiatives through continuous motivation	Facilitate information exchange and awards to drive business partners' proactive initiatives
Y25 Specific initiatives at Azbil	Motivated CO_2 reduction, assessed status, and shared best practices among business partners	Identified environmental regulatory non-compliance risks and requested legal compliance	Conducted 2nd phase human rights due diligence for Tier-2 business partners (azbil-approved local panel manufacutures)	Established policy and developed standardized processes per OECD Guidance	Collected and proposed foreign worker utilization cases	Evaluated the status of ethics and risk management; requested improvements as needed	Conducted J-SOX business process checks and implemented business partner self-assessment questionnaires	Briefed approximately 300 business partners on ESG and social requirements	Designed an annual event framework and held the 1st session

Area	Evaluation		External disclosure		
	Common to all		Common to all		
	Business partner self-assessment questionnaires	**Overall evaluation**	**Reports／web disclosure**	**Response to external organizations**	**Response to customer/stakeholder requests**
Our commitments toward 2030	Verify initiative effectiveness and track business partners' ESG progress over time	Conduct annual overall evaluations combining Azbil and business partner self-assessments; track effectiveness over time	Disclose annual activities externally to collect stakeholder feedback	Respond to external surveys and disclose evidence for public recognition	Address survey requests from customers, investors, and major stakeholders
Y25 Specific initiatives at Azbil	Updated ethics and risk management, environmental items in annual SAQ (conducted since FY2021)	Analyzed year-over-year trends using radar charts (annually since FY2021)	・azbil Report ・ESG Data Book ・Activity Report etc.	・FTSE ・S&P ・Sustainalytics etc.	Responded to requests as needed

4-2. Reducing CO_2 Emissions

In recent years, the impact of climate change has become increasingly severe, and reducing greenhouse gas (GHG) emissions has become one of the most important issues for the entire international community. As countries set emissions reduction targets, companies are also strongly required to reduce greenhouse gases not only in their own business activities but across the entire supply chain.

The azbil Group aims to achieve net-zero GHG emissions from its business activities by 2050. As an interim target, we have established our FY2030 GHG Emissions Reduction Target and are working to reduce GHG emissions across the entire supply chain by 33% from the FY2017 baseline.

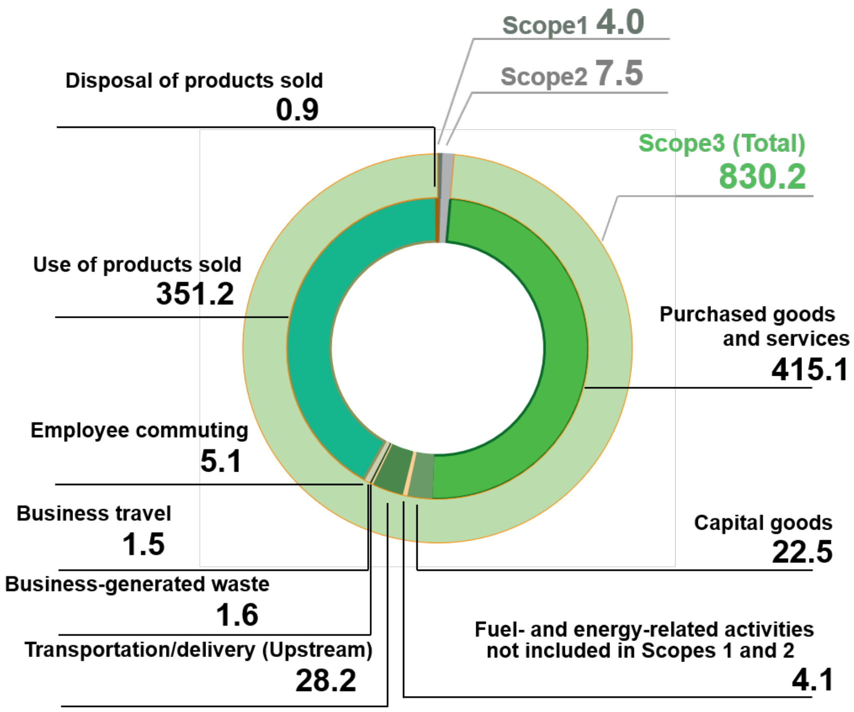
Because the understanding and cooperation of everyone involved in the supply chain are essential to achieving this target, the azbil Group asks its business partners to continue their efforts to reduce CO_2 emissions.

CO_2 emissions are classified into the following 3 categories.

- Scope 1: CO_2 directly emitted by a company through fuel combustion and other activities
- Scope 2: CO_2 indirectly generated through the use of electricity, heat, steam, etc. supplied by other companies
- Scope 3: CO_2 generated across the entire supply chain

A breakdown of the azbil Group's CO_2 emissions (Scope 1 + 2 + 3) shows that Scope 3 emissions account for the majority of total emissions. In particular, emissions from "purchased goods and services" related to business partners account for a significant share of Scope 3 and are an extremely important item in reducing CO_2 across the entire supply chain. For this reason, the azbil Group has positioned reducing CO_2 emissions from “purchased goods and services” as a key priority and, in addition to its own initiatives, is promoting emissions reduction activities across the entire supply chain through collaboration with its business partners.

Status of azbil Group CO_2 emissions (Scope 1 + 2 + 3) (FY2024) (CO_2 [KT])



*CO_2 emissions data (Scope 1 + 2 + 3) has been independently verified by a third party

[Calculation Scope]
・Scope 1 + 2: Azbil Corporation, domestic consolidated subsidiaries and major overseas production sites
・Scope 3: Azbil Corporation and consolidated subsidiaries

Main initiatives for FY2025

The azbil Group implemented the following initiatives in FY2025 to promote reductions in CO_2 emissions by its business partners.

- **Sharing the importance of efforts across the entire supply chain**

  We reiterated to our business partners the need to work together to reduce CO_2 emissions across the entire supply chain, and asked them to consider measuring their own emissions and setting reduction targets. As part of this effort, we revised our explanatory materials on reducing CO_2 emissions, adding information on the broader social context, specific implementation methods, and case studies, and distributed them to our key business partners.

- **Creating a framework to support emissions measurement and target setting**

  To support business partners in the early stages of understanding their emissions, we provided an Excel-based tool that allows CO_2 emissions to be calculated easily and conducted a survey to gauge their progress. This enabled us to gain a step-by-step understanding of each business partner’s progress and establish a foundation to support their next stage of emissions reduction efforts.

• **Focused support for setting CO_2 reduction targets**

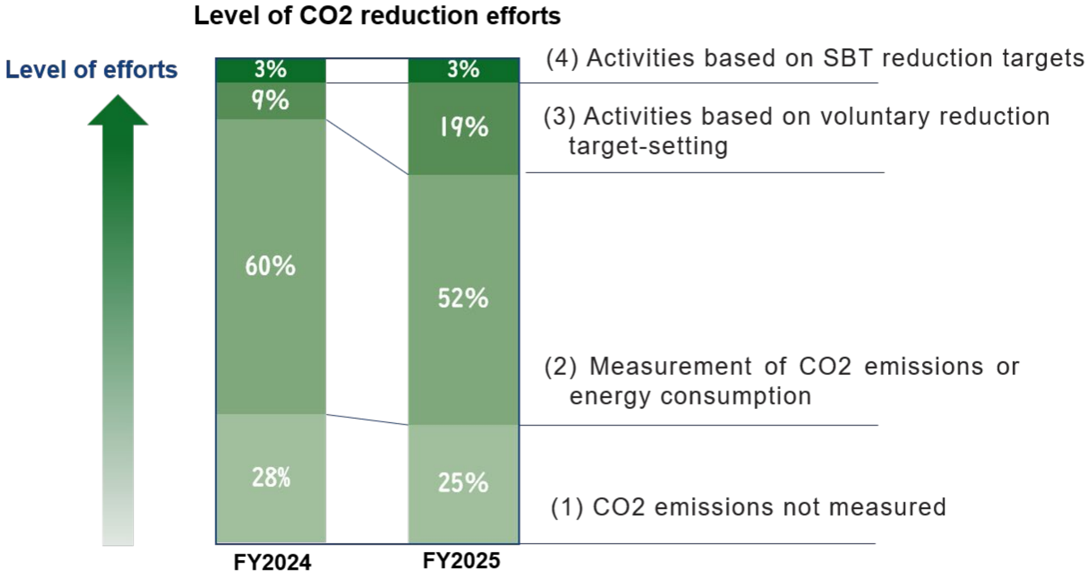
Targeting mainly business partners that have measured their CO_2 emissions but have not yet established reduction targets, we held a webinar on setting CO_2 emissions reduction targets. During the webinar, we covered the basic concept of reduction targets and specific methods for achieving them, and presented case studies of small and medium-sized enterprises that have obtained SBT certification.

■ **Results of these initiatives**

According to the survey conducted in FY2025, the percentage of business partners that have established CO_2 emissions reduction targets increased significantly from 9% in the previous fiscal year to 19%. We attribute this to the focused support and information we provided to business partners that had measured their CO_2 emissions but had not yet established reduction targets.

The figure below shows the status of emissions reduction activities among our business partners.

Status of CO_2 emissions reduction efforts among approximately 300 key business partners (FY2025)



In the questionnaire survey conducted after the webinar on setting CO_2 reduction targets, many business partners responded that it was "informative" and "prompted them to consider initiatives within their own companies." These responses confirmed that the webinar helped our business partners improve their understanding and awareness of emissions reduction.

In addition, one more business partner newly obtained SBT certification for small and medium-sized enterprises, and companies planning to obtain certification have also been identified, indicating a move toward autonomous emissions reduction actions.

At the same time, it also became clear that there are differences among business partners in both the progress of their initiatives and their level of understanding. Going forward, in addition to general awareness-raising efforts for the entire Group, we will combine and implement support tailored to each business partner’s stage of implementation.

4-3. Preventing Environmental Pollution

At the azbil Group, our fundamental approach to environmental pollution risks arising from the supply chain is to prevent such risks before they occur, rather than responding to them after the fact, and we actively promote initiatives to prevent environmental pollution.

From managing the chemical substances contained in products to confirming the status of compliance with environmental laws and regulations at our business partners’ sites, we are building mechanisms to reduce environmental risks from both product and process perspectives.

Key initiatives for FY2025

• Reducing hazardous chemical substances contained in products

To prevent environmental pollution caused by hazardous chemical substances contained in products, the azbil Group identifies target products based on its own standards and is working to reduce and appropriately manage chemical substances contained in products. This initiative is positioned as one of the important elements of green procurement.

We have established the Guidelines for the Establishment of a Chemical Substance Management System to accurately identify chemical substances contained in products and to establish a system for preventing the inclusion of regulated hazardous chemical substances. Based on these guidelines, our business partners are requested to implement controls throughout the entire supply chain to prevent hazardous chemical substances from being contained in applicable products.

In FY2025, we informed our business partners that substances newly designated for regulation under the Stockholm Convention on Persistent Organic Pollutants (POPs Convention) would be restricted in applicable products, and requested that they take the necessary measures to ensure compliance. As a result, there were no serious violations of laws or regulations concerning chemical substances contained in products.

• Compliance with environmental laws and regulations and prevention of pollution risks

Violations of laws and regulations resulting in environmental pollution pose a significant risk to the credibility and reliability of the entire supply chain. The azbil Group places great importance on verifying compliance with applicable environmental laws and regulations at our business partners’ sites (factories) and on identifying and mitigating potential risks before issues arise.

In FY2025, we identified 8 business partners with manufacturing operations whose scores for environmental items in the self-assessment questionnaire were relatively low and conducted status checks.

As a result, there were no cases at this time that required a request for improvement.

■ Results of these initiatives

The azbil Group is working to prevent environmental pollution across the entire supply chain by taking 2 complementary approaches: managing chemical substances contained in products and verifying its business partners' compliance with environmental laws and regulations.

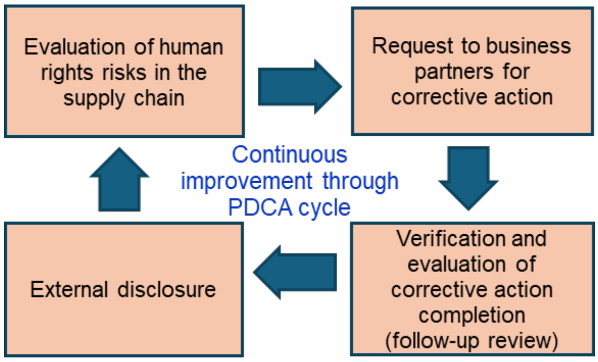
In FY2025, we were able to confirm tangible results in both strengthening compliance with international chemical regulations and preventing environmental pollution risks before they occur.

Going forward, we will continue to improve and standardize our management methods, while also promoting ongoing initiatives through dialogue with our business partners.

4-4. Human Rights Due Diligence

[What is human rights due diligence?]

This initiative involves assessing the risk of human rights violations affecting employees of our business partners across the supply chain, and promptly implementing corrective actions when violations are identified.
(A continuous initiative based on the PDCA cycle as shown in the figure on the right.)



Since FY2023, the azbil Group has been conducting ongoing human rights due diligence (human rights DD) for:
1) Azbil's Tier-1 business partners
2) azbil Group's Tier-1 business partners
Since FY2024, the scope has been expanded to include:
3) Azbil's Tier-2 suppliers (business partners further upstream in the supply chain beyond Azbil's direct business partners).

In carrying out these initiatives, we ensure they are consistent with the human rights issues addressed in the azbil Group's Initiatives for Respecting Human Rights and with the Group's approach to risk-response measures before proceeding.

1) Human rights DD for Azbil's Tier-1 business partners (since FY2023)

After assessing approximately 300 major business partners for potential human rights violations, we requested 24 of them to implement corrective actions. By the end of FY2024, we received evidence from all identified business partners confirming that corrective actions had been completed and that all improvements had been fully implemented.

2) Human rights DD for the azbil Group's Tier-1 business partners (since FY2023)

Using the same process as Azbil, each of the 6 azbil Group companies also conducted human rights DD for their own business partners.

We assessed the risk of human rights violations at approximately 190 major business partners and requested 21 of them to implement corrective actions. We confirmed that all 21 business partners had completed the required corrective actions during FY2025.

3) Human rights DD for Azbil's Tier-2 suppliers (since FY2024)

In response to growing demands from customers and society, we are conducting human rights DD not only for direct business partners but also for Azbil's Tier-2 suppliers upstream in the supply chain.

The implementation procedure is essentially the same as the human rights due diligence for Tier-1 business partners, but since Tier-2 suppliers may include overseas business partners, we established human rights issues that are widely adopted by global organizations.

As the number of Tier-2 suppliers could be several thousand, the scope was narrowed to companies considered important from the perspectives of both Azbil and its business partners, as well as those in areas with potentially high human rights risks.

In addition, since Tier-2 suppliers also include small businesses such as sole proprietors, we adjusted the questionnaire by preparing separate question sets for general companies and sole proprietors.

As Azbil has no direct business relationship with Tier-2 suppliers, all communications with and responses to them are handled through Tier-1 business partners, with their cooperation.

3) Human Rights DD for Azbil's Tier-2 suppliers

Unit: Number of companies

Industry	Tier-1 business partners		Tier-2 suppliers				
	Key business partners	Business partners requested to provide Tier-2 information (*1)	Suppliers reported by Tier-1 business partners	Suppliers subject to human rights due diligence (*1)	Suppliers responded to the questionnaire	Supplies with identified risks (improvement requested)	Supplies with incomplete corrective actions
Total	306 *2	132	231	97	95	29	4

*1 Narrowed down based on the presence of high-risk human rights areas (e.g., product categories) and the degree of dependence on Azbil

*2 Number of companies selected at the start of FY2024 initiatives

As shown in the table above, we conducted human rights risk assessments for 97 Tier-2 suppliers and, as a result, requested that 29 companies make improvements. Taking into account that these are small businesses, when requesting improvements, we provide guidance on the means and content of the improvements, specific methods, templates for the necessary documents, and other relevant information.

In addition, for business partners requiring more time to complete the requested improvements, we monitor progress and provide support wherever possible. Through these efforts, and with the cooperation of our Tier-1 business partners, only 4 of the 29 Tier-2 suppliers have not yet completed the improvements. No risks that could lead to serious human rights violations, such as forced labor or child labor, have been identified.

Azbil will continue to follow up on the progress of these improvements in FY2026.

4-5. Responsible Mineral Sourcing

The azbil Group is promoting initiatives based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Minerals such as conflict minerals (tin, tantalum, tungsten, and gold) and cobalt have been identified internationally as posing risks, including human rights violations and the facilitation of conflict in mining areas and throughout the course of trade. Accordingly, in the manufacturing industry, appropriate risk management and assurance of accountability across the entire supply chain are required.

At the azbil Group, based on requests from our customers, we have continued to conduct investigations and responses using the Conflict Minerals Reporting Template (CMRT) and the Extended Minerals Reporting Template (EMRT), including cobalt and mica, after selecting business partners according to our own criteria, and have worked to confirm that we are not sourcing minerals from high-risk sources.

In light of growing international expectations in recent years, in FY2025 we began organizing and formalizing a standard process for the azbil Group based on these existing initiatives and referring to the OECD Guidance's Five-Step Framework for Due Diligence.

Illustrative example of the standard five-step framework presented in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (for reference)
(Source: JEITA Responsible Minerals Procurement Briefing 2025)

5 Steps in OECD Due Diligence Guidance	Main Processes and Procedures
Step 1: Establish strong company management systems	· Establishment of organizational structure · Formulation and publicize the "Responsible Minerals Sourcing Policy" · Report of the results of efforts and preparation of operation rules · Stipulate management procedures and establishment of company rules · Establishment and implementation of an in-house education system and a system for supplier
Step 2: Identify and assess risks in the supply chain	· Implementation of preliminary surveys · Selection of surveyed companies and assign priorities to such companies · Preparation of surveys of Smelters · Make survey requests · Collection of templates and assessment of risks
Step 3: Design and implement a strategy to respond to identified risks	· Implementation of correction measures · Confirmation of the presence of stipulated risks, establishment of a system to comprehensively evaluate such risks (ranking) and operation thereof · Summary and report of the results of correction measures (due diligence)
Step 4: Carry out independent third-party audit of Smelters' due diligence	· Utilization of RMAP assessment programs · Encourage Smelters to participate in RMAP (conduct such encouragement through the industry)
Step 5: Report annually on supply chain due diligence	· Preparation and issuance of templates (CMRT/EMRT) · Disclosure of information (on your company's website, etc.)

The azbil Group will use these steps as a reference to develop standardized processes tailored to its own circumstances and will implement initiatives based on those processes in a phased manner going forward.

Key achievements in FY2025

In FY2025, while continuing to develop the azbil Group's policy on responsible mineral sourcing, we also organized data and examined management rules for centrally managing responses collected through CMRT and EMRT, with a view toward conducting surveys and engaging in dialogue with our business partners. Through these efforts, we advanced the organization of our responsible mineral sourcing activities in accordance with each step outlined in the OECD Guidance.

• STEP 1 (Establish strong company management systems)
  We incorporated responsible mineral sourcing into the sustainable procurement framework and established a structure to promote it under the executive officer responsible for overseeing the azbil Group's production and procurement functions.
• STEP 2 (Identify and assess risks in the supply chain)
  We organized the risks associated with the target minerals contained in procured products and established new criteria for selecting business partners to be surveyed from among the many business partners. As a result, we established a process for advancing our initiatives based on risk assessments.
• STEP 3 (Design and implement a strategy to respond to identified risks)
  Based on the risk assessment results, we developed a response workflow and proceeded with discussions toward its practical implementation.

Through these efforts, while developing the standard process, we clarified the policy for implementing, in sequence, the items already in place. We also established an approach for continuously feeding the results of these implementations back into process improvement.

We consider it an achievement this fiscal year to have clearly defined this basic concept as a guideline for advancing initiatives from FY2026 onward.

Future initiatives

In FY2026, the azbil Group will continue to develop its standard process for responsible mineral sourcing and will sequentially transition items that have been organized and completed into practical operation.

Specifically, we plan to advance the following initiatives.

・Conduct mineral sourcing surveys for procurement items that may contain target minerals, using the survey criteria established based on risk assessment.

・Share risk awareness through dialogue with business partners and consider corrective actions.

・Organize and disclose the status of initiatives in accordance with standard processes based on the OECD Guidance.

The azbil Group will expand the coverage of its surveys while progressively developing a framework aligned with international guidance to establish its due diligence process.

4-6. Promoting Diversity

At Azbil, we conduct an annual business partner survey to understand their circumstances and explore more effective measures. In addition, to gain a deeper understanding of our business partners' perspectives on sustainability and the specific initiatives they have undertaken—areas that cannot be fully captured through questionnaires alone—we visited a total of 62 business partners in FY2023 to conduct face-to-face interviews and exchange views. Through these interviews, it became clear that many of our business partners are struggling to recruit sufficient personnel. Some business partners have been forced to turn down work orders because they cannot hire enough employees.

On the other hand, there were also business partners who had successfully hired foreign workers through various employment arrangements and leveraged them as part of a long-term workforce strategy.

At Azbil, under our sustainability management policy, promoting Diversity, Equity, and Inclusion (DEI) is one of our key priorities. Within our supply chain, we also planned to share these successful practices with other business partners, aiming to contribute to our business by promoting diversity through the hiring and utilization of foreign workers to secure talent. After compiling and organizing these success stories, Azbil rolled them out to its business partners in FY2024 and FY2025.

The specific details of the rollout are as follows.

- Azbil researched the applicable residence statuses for each business partner's industry and occupation and prepared a list of recommended residence statuses that takes into account the ease of obtaining them.
- For manufacturing clients, we recommend the Technical Intern Training residence status, which is the most common residence status among foreign nationals residing in Japan due to its high compatibility with such jobs and relatively low barriers to obtaining residency status and securing personnel as production line staff. We also recommend the Specified Skilled Worker residence status in anticipation of the Employment for Skill Development system set to take effect in FY2027.
- For clients engaged in design services, construction, and other service-related businesses, we recommend Engineer/Specialist in Humanities/International Services residence status, which has relatively accessible eligibility requirements among the applicable residence statuses and is the second most common residence status among foreign nationals residing in Japan after Technical Intern Training.
- In order not to limit selection of proposal targets to Azbil's unilateral decision, and to broadly recruit clients who wish to receive proposals or hiring support, a dedicated website was launched in FY2025. (Japanese version only)
  https://www.azbil.com/jp/corporate/procurement/hiringfw/index.html

Given the current trend of a steadily shrinking workforce, many of our business partners recognize the need to begin planning now to prepare for future labor shortages. Following Azbil's proposals, several business partners have begun seriously considering hiring foreign workers. At the same time, many business partners remain hesitant to hire foreign workers because they have concerns about the recruitment process and the burden associated with employing them.

Based on these circumstances, in FY2026 we plan to propose positioning the hiring of foreign workers as one of the options in job recruitment, while also presenting a range of options for securing diverse talent, including hiring women, senior citizens, and people with disabilities.

4-7. Strengthening Ethics and Risk Management

In recent years, cases in which misconduct or inadequate management within the supply chain has significantly impacted business continuity and corporate value have become increasingly evident both in Japan and overseas. As a result, strengthening the effectiveness of governance throughout the supply chain, including among business partners, has become an important management priority.

In response to these developments, the azbil Group revised the azbil Group Sustainable Procurement Guidelines in FY2024.

The azbil Group has long regarded compliance with applicable laws and regulations and conduct based on high ethical standards as fundamental principles under the azbil Group Business Guiding Principles and Code of Conduct. In this revision, to further embed these principles throughout the entire supply chain, we have introduced a new Ethics and Risk Management category in addition to the existing Environmental and Social categories. Taking into account assessments from external rating agencies, international guidelines, and industry trends, we prioritized 6 items within the Ethics and Risk Management category of the guidelines, with particular focus on legal compliance. As FY2025 marked the first year we began directly engaging our business partners on ethics and risk management in earnest, we initially implemented measures aimed at gaining a clear understanding of the actual situation and visualizing risks.

Specifically, we created a dedicated questionnaire covering the following 6 areas and received cooperation from our key business partners.

- Compliance with fair business practices
- Anti-corruption
- Protection of personal information
- Information security
- Prevention of confidential information leakage
- Protection of whistleblowers

As a result, we received responses from 295 of our 321 key business partners, achieving a high response rate. Analysis of the survey enabled us to gain a multifaceted understanding of the occurrence of deficiencies across the 6 target areas at our business partners, thereby achieving our original objective of visualizing the current state of ethics and risk management.

All of the identified deficiency incidents involved either “no internal rules, etc.” (document-related deficiencies) or “no internal training or monitoring, etc.” (operational deficiencies), and no serious cases that would directly constitute violations of applicable laws or regulations were confirmed at this time.

On the other hand, it became clear that in the Ethics and Risk Management category, the number of business partners for whom deficiencies were identified was higher than in the Environmental and Social categories, leading us to recognize the need to raise the overall standard across the supply chain.

In FY2026, we will gain a more accurate understanding of each company’s actual situation and the issues they face through on-site interviews with business partners whose responses show distinctive characteristics. Based on this, we plan to consider effective improvement measures and prioritize improvement activities for business partners with a high number of deficiencies.

4-8. Expanding to azbil Group Overseas Sales Companies

The azbil Group includes sales companies that engage in procurement activities overseas. Based on the SDGs principle of “leaving no one behind,” the azbil Group has been expanding sustainable procurement activities to its overseas sales companies since FY2023. This initiative covers 15 overseas sales companies, but because there are differences in company size and past implementation results, they have been classified into 4 groups with defined target conditions according to each company’s capability level, and activities are being promoted to achieve those conditions.

To reach the target state, roadmaps were developed for each group, and specific measures were identified. In particular, priority was given to implementing measures for overseas sales companies in Groups 1 and 2, with the aim of reducing risks at an early stage by boosting the performance of the lower-tier groups.

As the companies in Groups 1 and 2 had room for improvement in legal compliance and internal controls, we implemented improvements to business workflows and related processes from a J-SOX perspective. After the workflows were improved, we confirmed that the business workflows were functioning effectively through measures such as sampling forms. As a result, from FY2025, 2 companies in Group 1 and 2 companies in Group 2 became eligible for advancement to the next higher group.

Grouping of overseas sales companies in FY2025

	Group 1	Group 2	Group 3	Group 4
Definitions	Target level where procurement operations meet minimum legal compliance and operational structure	Target level where internal controls in procurement are effective, ensuring fraud is unlikely to occur	Target level for understanding supply chain conditions and completing "defensive" initiatives as part of SDGs activities	Target level for implementing "offensive" SDGs initiatives and achieving high recognition from society and communities
Initiative/Completion criteria	1. A procurement organization exists that is separate from the ordering requester. 2. Management regulations for procurement operations are in place. 3. Training is provided to procurement staff.	1. Risks and controls in local procurement processes have been identified, evaluated, and improved using J-SOX (Japanese SOX Act) compliant processes as reference. 2. Past audit findings related to procurement from overseas audits have been corrected.	[Sustainable Procurement: "Defensive" Initiatives] 1. Dissemination of the azbil Group Basic Procurement Policy 2. Human rights due diligence 3. Compliance with fair business practices, etc.	[Sustainable Procurement: "Offensive" Initiatives] 1. Reduction of CO2 emissions 2. Promotion of diversity 3. New ways of working, work-life balance, etc.
Overseas Sales Companies	Azbil Malaysia Sdn. Bhd. Azbil Europe NV N/A (2 former Group 1 companies transitioned to Group 2 from FY2025)	Azbil Singapore Pte., Ltd. Azbil Control Solutions (Shanghai) Co., Ltd. Azbil Malaysia Sdn. Bhd. Azbil Europe NV 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.	Azbil Singapore Pte., Ltd. Azbil Control Solutions (Shanghai) Co., Ltd. Azbil Korea Co., Ltd. Azbil (Thailand) Co., Ltd.	N/A

In FY2026, we will continue to prioritize initiatives for Group 2 while conducting the self-assessment questionnaires for our business partners in Group 3. Based on the survey results, we plan to strengthen communication through visits to our business partners.

In addition, we plan to continue holding internal training sessions for all overseas sales companies this fiscal year to further deepen their understanding of the azbil Group Sustainable Procurement Guidelines.

4-9. Training for Business Partners and Procurement Staff

Social conditions and demands are changing year by year, and the areas and themes required of the supply chain are also expanding and becoming more sophisticated. In FY2025, as one of the measures to respond to these changes, we conducted the following training for our business partners and Azbil procurement staff.

Training 1: ESG Training Program for Azbil's Business Partners

To reduce information disparities among our business partners and broaden understanding of the azbil Group's initiatives in the supply chain, we held an ESG seminar. In addition to senior management, mid-level employees (department managers and section managers) were invited to participate, providing opportunities to deepen understanding within the company and encourage proactive action.

The seminar was held twice in a remote format, using external content to ensure objectivity and to help participants understand that requests made to business partners are not unique to Azbil, but are a social requirement. In addition, access to a recorded video of the event was provided for business partners who were unable to attend. As a result, 212 companies (377 participants), representing approximately 70% of Azbil's key business partners, participated in the event either through live attendance or by viewing the recording. The post-seminar questionnaire generated many positive comments, such as, "We would like to know more specific examples" and "We hope that similar seminars will continue to be held regularly in the future."

Training 2: Briefing on the azbil Group Sustainable Procurement Guidelines for Business Partners

In FY2024, the azbil Group revised its Sustainable Procurement Guidelines, taking into account external requests, industry standards, social trends, and other factors. Accordingly, we held a briefing session for Azbil's business partners with the aim of helping them deepen their understanding of the guidelines and the initiatives we ask our business partners to undertake.

In FY2025, with the aim of expanding these ideas and initiatives throughout the entire azbil Group, 6 azbil Group companies (Azbil Trading Co., Ltd.; Azbil Kimmon Co., Ltd.; Azbil Kyoto Co., Ltd.; Azbil TA Co., Ltd.; Azbil Taishin Co., Ltd.; and Azbil Production (Thailand) Co., Ltd.) held briefings on the Sustainable Procurement Guidelines for their respective business partners. The briefings were held multiple times at each company using a combination of remote and in-person formats, and approximately 90% of azbil Group's key business partners, or 168 companies, participated.

At each briefing session, we explained the background and purpose of the guideline revisions, and also introduced the latest social trends related to the SDGs and ESG, as well as the status of azbil Group's sustainable procurement initiatives. This helped improve our business partners' understanding of the SDGs and ESG. In addition, each item in the guidelines was explained using relevant laws and regulations and specific examples of implementation to deepen understanding and encourage business partners to put the guidelines into practice.

Training 3: ESG Training Program for Azbil Procurement Staff

With the aim of further enhancing the effectiveness of sustainable procurement activities, we provided training for employees engaged in purchasing operations to help them acquire knowledge of and deepen their understanding of ESG. As a result, we are working to build a framework that enables procurement staff to engage in more effective and proactive dialogue with our business partners and advance our sustainable procurement initiatives.

By utilizing external content and offering training in an LMS (learning management system) format, we have created an environment where employees can repeatedly study on their own.

In addition, during the second half of the fiscal year, we conducted ESG training for procurement department managers and assistant managers. At the same time, for staff members responsible for procurement, after watching a video based on the Basic Purchasing Policy and the Sustainable Procurement Guidelines, we held group discussions on the key points of ESG activities to help reinforce their understanding.

In the post-training questionnaire, respondents commented that they were able to feel that ESG perspectives are connected to their own company and their own work, and that they came to understand human rights issues as a significant management risk that affects the supply chain and business activities.

Guided by the belief that “continuity is strength,” the azbil Group will continue to provide education and training beyond FY2026.

4-10. Business Partner Case Study Presentations and Business Partner Awards

At Azbil, we held a Business Partner Case Study Presentation Session with the aim of sharing practical examples of sustainability and initiatives addressing social issues among our business partners, while also enabling them to learn from one another and proactively build connections. Through this initiative, we are working to create an environment that fosters mutual information sharing and expands networks among business partners.

At this presentation, we invited 2 business partners who are implementing distinctive initiatives in the Environmental and Social categories to take the stage and share the background, ideas, and outcomes of their efforts under the themes of SDGs initiatives and initiatives to recruit foreign talent. Specific examples were shared to serve as a reference for the participating business partners as they consider future initiatives within their own organizations.

Approximately 70 business partners attended in person, and about 100 more joined via the live webcast, providing an opportunity to share information with a broad audience of business partners.

In addition, after the case study presentations, participants exchanged views on 3 topics: CO_2 and energy reduction, worker recruitment and employment, and business partner management (building relationships with business partners). Our business partners were divided into theme-based groups of 7 or 8 companies, and Azbil facilitated discussions among them. Through lively exchanges that transcended industry and position, the event provided a valuable opportunity for new insights and learning.

Furthermore, at this presentation event, we presented awards to 2 business partners who introduced outstanding initiatives in the Environmental and Social categories, expressing our respect and appreciation for their exemplary activities.

At Azbil, we will continue to hold these business partner case study presentation sessions on an ongoing basis.

Business partners exchanging ideas

4-11. ESG Program for Business Partners

・**Background to the development of the ESG program for business partners**

Over the past 5 years, the azbil Group has continuously carried out initiatives aimed at reducing risks for business partners in each ESG field as part of its sustainable procurement activities. Specifically, these include efforts to reduce the risk of human rights violations in the Social category, responsible mineral sourcing, compliance with environmental laws and regulations in the Environmental field, and anti-corruption and strengthened information security in the Ethics and Risk Management category.

While these initiatives differ in nature across ESG categories, there are common patterns in the processes that reduce ESG-related risks among our business partners. For this reason, we concluded that organizing these efforts and developing them into a standardized framework would enable us to implement future initiatives on new themes more efficiently. We also believe that being able to compare and accumulate the results of initiatives by category will become an important source of knowledge and an asset in the future.

In addition, we had long received requests from outside the company for clarification of the standard process for reducing our business partners' ESG-related risks, and there was also a need to respond to such expectations.

・**How to create an ESG program for business partners**

In this program, we organized the theme-based risk reduction activities that have been carried out to date by process, and defined a standardized process by harmonizing, wherever possible, the processes that differed in procedure among themes.

For example, regarding the method for identifying business partners with risks, the following 2 methods were used depending on the theme.

- After a first-round screening, interviews were conducted with business partners, and the business partners with higher risk were narrowed down.
- After a first-round screening, a theme-specific questionnaire was administered, and based on the results, the business partners with higher risk were narrowed down.

At the azbil Group, given the large number of business partners, we adopted the latter questionnaire-based method as the standard process to improve efficiency.

・**Disclosure of the ESG Program for business partners**

We have documented and disclosed the standardized process we established, together with practical examples of its application. Please refer to the following for details.

https://www.azbil.com/sustainability/social/supplychain/pdf/ESG_Program.pdf

・**Future plans**

The azbil Group will continue its efforts to reduce ESG-related risks among business partners across all ESG categories beyond FY2026. As a general rule, these initiatives will be promoted based on this ESG Program, but depending on the characteristics of the topic, a different process may be adopted. Therefore, at the end of each fiscal year, we plan to evaluate the risk reduction processes used in each ESG category and, where appropriate, incorporate them into the standardized process. Any revisions to the ESG Program will be disclosed externally as appropriate.

4-12. Conducting a Self-Assessment Questionnaire for Business Partners

The azbil Group asks its business partners to complete a self-assessment questionnaire each year, with the aim of providing them with ongoing motivation and opportunities for reflection, thereby helping to promote initiatives at each company.

This questionnaire was introduced in FY2021 and reached its fifth year in FY2025. By conducting the questionnaire annually, we are able to identify the emergence and worsening of risks at an early stage.

In FY2025, in addition to the existing scope, this questionnaire was administered to 4 overseas sales companies that fall under Group 3 (see p. 22). As a result, the number of business partners covered increased to 654 companies (552 previously covered companies and 102 business partners of overseas sales companies). Going forward, we plan to expand the rollout to overseas sales companies.

In addition, the response rate for the FY2025 business partner self-assessment questionnaire was 94.0% (615 companies out of 654), maintaining a high response rate.

azbil Group (Domestic + Overseas Production Companies): FY2025 Number of business partners surveyed

azbil Group	Questionnaire: Requested	Questionnaire: Collected	Business Partner Category			
			Manufacturing	Trading Company	Construction / Services	Engineering / Software
Azbil Corporation	321	309	98	56	142	13
Azbil Trading Co., Ltd.	30	30	22	6	2	0
Azbil Kimmon Co., Ltd.	80	80	50	21	6	3
Azbil Kyoto Co., Ltd.	3	3	0	3	0	0
Azbil TA Co., Ltd.	42	40	30	9	1	0
Azbil Taishin Co., Ltd.	29	29	14	15	0	0
Azbil Production (Thailand) Co., Ltd.	13	13	10	3	0	0
Azbil Control Instruments (Dalian) Co., Ltd.	25	25	19	6	0	0
Azbil Hong Kong Ltd.	9	9	2	7	0	0
Total	552	538	245	126	151	16

Unit: No. of business partners

azbil Group (Overseas Sales Companies): FY2025 number of business partners surveyed

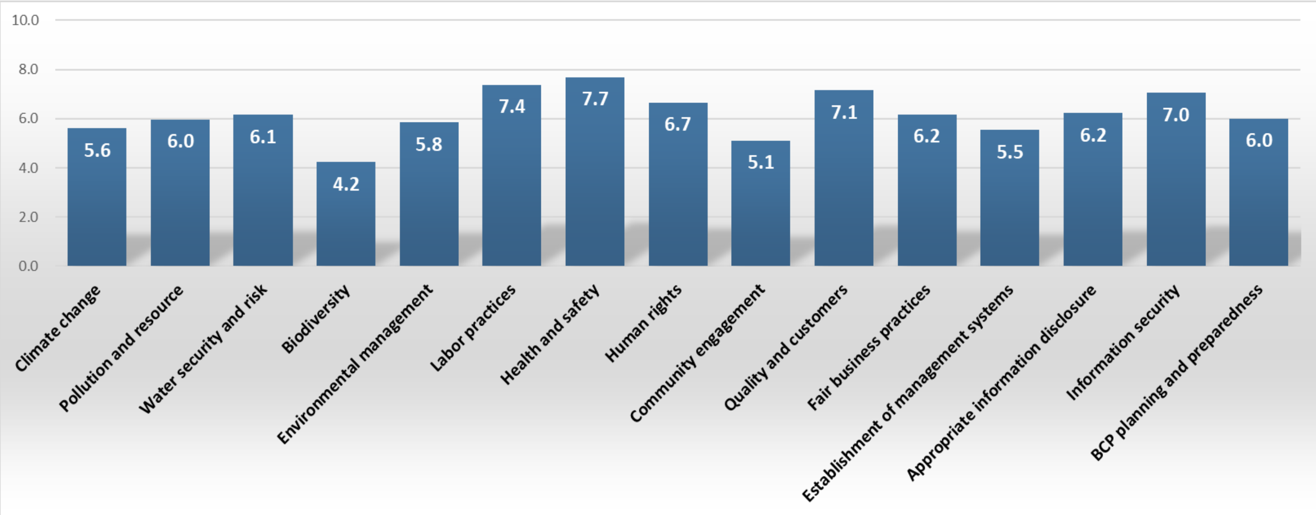
azbil Group	Questionnaire: Requested	Questionnaire: Collected	Business Partner Category			
			Manufacturing	Trading Company	Construction / Services	Engineering / Software
Azbil Korea Co,. Ltd.	28	28	8	2	13	5
Azbil (Thailand) Co., Ltd.	27	27	2	10	14	1
Azbil Singapore Ptd., Ltd.	28	12	4	4	4	0
Azbil Control Solution (Shanghai) Co., Ltd.	19	10	3	4	2	1
Total	102	77	17	20	33	7

Unit: No. of business partners

■ **azbil Group domestic and overseas business partner self-assessment questionnaire summary results**

The figure below shows the questionnaire results, with each of the 15 intermediate categories based on the target areas for sustainable procurement (see p. 6) scored on a 10-point scale using the azbil Group's own evaluation criteria.

Business partner self-assessment questionnaire FY2025 evaluation results



Through our human rights due diligence efforts to date, the social categories of labor practices, health and safety, and human rights have generally maintained high ratings.

Regarding environmental initiatives, the overall improvement in ratings has been limited compared to social initiatives and ethics and risk management initiatives. While categories such as climate change and biodiversity, where the impact is long-term and results are hard to see, are rated relatively low, categories directly linked to management and regulation, such as pollution/resources and water security/water risk, receive comparatively high ratings within the Environmental category. Although the environment is an important management issue, it appears that it takes time to initiate and establish such initiatives.

■ **Feedback on the results of the self-assessment questionnaire for business partners**

At Azbil, we use the responses to the self-assessment questionnaire for business partners to conduct annual risk assessments and provide feedback. The questionnaire highlights the difference between each business partner's score and overall average across 33 subcategories related to the 3 main categories of Environment, Society, and Ethics and Risk Management, to help business partners identify their own strengths and weaknesses. Furthermore, for high-risk business partners whose average scores are significantly low in the Environmental and Social categories, we individually share the subcategories that need reinforcement and ask for specific improvements.

Going forward, we also plan to carry out these assessments and feedback initiatives annually.

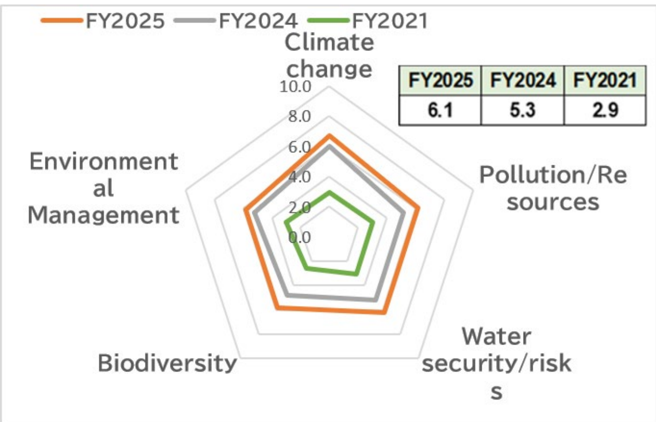
5. azbil Group Overall Evaluation

Based on the azbil Group's self-assessment criteria, evaluations were conducted for each target theme. Specifically, among the target areas to be addressed in sustainable procurement (see p. 6), 5 themes in each of the intermediate category items under the Environmental and Social categories are evaluated on a 10-point scale for each of the 5 evaluation items (*), and the simple average score for each theme is taken as the evaluation score.

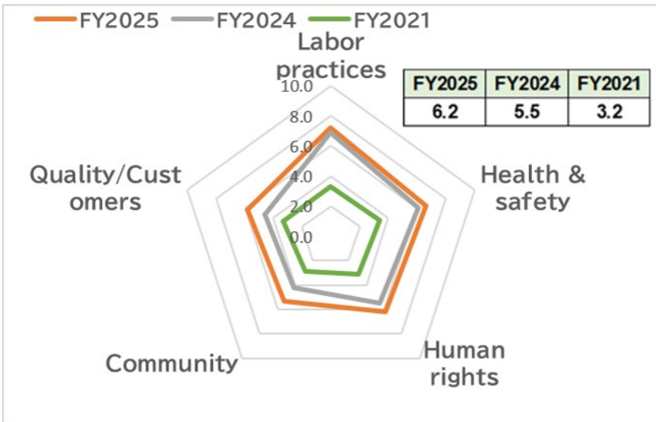
*: The 5 evaluation items
For the azbil Group's engagement with business partners: 1. Policies and strategy 2. Systems and mechanisms 3. Initiatives and measures 4. Evaluation of effectiveness, and 5. Business partner self-assessment results

In FY2025, various initiatives are producing results, and the environmental and social scores have each improved by approximately 3.0 points from FY2021, the first year, and by approximately 0.8 points from FY2024. The increase in this evaluation score was largely attributable to 2 new initiatives introduced in FY2025, namely, the case study presentation session and awards for business partners and the ESG training sessions for business partners, which are effective in almost all areas and have a high coverage rate among business partners. We are making steady progress toward the FY2030 target of an overall evaluation score (the average of the environmental and social evaluation scores) of 8.0 points.

Environmental evaluation results



Social evaluation results



6. Review of Activities in FY2025 and Plans for FY2026

The azbil Group’s sustainable procurement activities have evolved to expand their scope of initiatives since FY2024, adding Ethics and Risk Management as new areas of focus and extending coverage to business partners at deeper tiers of the supply chain. At the same time, recognizing that we were approaching the limits of our existing implementation methods and promotion framework, we positioned FY2025 as a “year of building the foundation” to ensure steady progress toward FY2030, and implemented measures from a new perspective. Specifically, these measures are as follows:

Reviewing the implementation approach

Until now, Azbil has taken the lead in encouraging business partners to promote ESG-related initiatives. However, as we worked with more than 300 business partners, we determined that this method alone was becoming insufficient to provide adequate support. Therefore, to foster relationships in which business partners can consult with one another on ESG issues and collaborate proactively—even without Azbil’s direct involvement—we adopted a measure in which Azbil provides the foundation of a community space.

That measure is the case study presentation session by business partners. At this presentation session, in addition to sharing case studies, we provided an opportunity for business partners from different industries—who had previously had no contact with one another—to exchange views on common issues. As a result, we achieved tangible results, including positive feedback from many business partners stating that they had “found someone they could consult with.”

Strengthening the promotion framework

Traditionally, sustainable procurement activities have been driven mainly by a limited number of members, but in FY2025 we expanded these activities across the entire purchasing department and advanced efforts to establish a framework for working in coordination with buyers. As a result, collaboration between the sustainable procurement staff and buyers is gradually progressing.

Also, in the ESG seminars for business partners, we engaged highly specialized external consultants to emphasize that the importance of sustainability should be understood not merely as a request from Azbil, but as a broader societal trend.

This approach yielded some success in promoting understanding of these initiatives.

■ FY2026 plans

Azbil will implement major organizational enhancements in FY2026.

To strengthen company-wide, comprehensive sustainability management, the functions of the Legal and Risk Management Division will be expanded, and a new Sustainability Management Division will be established as a new sustainability promotion structure, with the existing Sustainability Promotion Department placed under it.

In addition, to strengthen the planning and promotion functions for implementing supply chain activities, a Sustainable Procurement Promotion Department will be newly established within the Production Management Division.

Under this new structure, in FY2026 we will continue to strengthen initiatives to enhance sustainability across the entire supply chain through engagement and collaboration with our business partners in the areas of environmental, social, and ethics and risk management.

At the same time, we will intensify on-site visits to business partners—which had become less frequent in recent years—to conduct interviews and exchange opinions, thereby further deepening mutual understanding with each individual company. We believe that these steady relation-based efforts are essential to creating mutual added value and achieving long-term growth and prosperity with our business partners.

As stated in the review of FY2025, we plan to continue implementing every year the case study presentation sessions by business partners and ESG training sessions for business partners, which were introduced as measures to build the foundation for FY2030, while making further improvements so that business partners who did not participate in FY2025 can also take part.

7. Glossary

- **United Nations Global Compact (UN Global Compact)**
  A voluntary initiative advocated by the United Nations, aimed at having companies and organizations support and implement the Ten Principles in the 4 areas of human rights, labor, environment, and anti-corruption, and contribute to the realization of a sustainable society.

- **JEITA (Japan Electronics and Information Technology Industries Association)**
  An industry association representing Japan's electronics and information technology industries, which works to promote the sound development of the industry and solve social issues through efforts such as promoting technological development, responding to international standardization, and formulating industry guidelines.

- **SBT certification (Science Based Targets certification)**
  This is a system in which the Science Based Targets initiative (SBTi), an international initiative, certifies whether a company's GHG emission reduction target is a science-based target aligned with the Paris Agreement, which calls for limiting the rise in the global average temperature to 1.5°C above pre-industrial levels. It aims to increase the credibility and transparency of companies' climate change measures.

- **Green procurement**
  This refers to efforts to preferentially procure products and services with a low environmental impact, and from business partners that are committed to environmental considerations.

- **Stockholm Convention (POPs Convention)**
  This is an international treaty that aims to protect human health and the environment by internationally regulating the production, use, and release of persistent organic pollutants (POPs).

- **OECD (Organisation for Economic Co-operation and Development)**
  An international organization that coordinates policies to promote economic growth and trade expansion, and the organization responsible for developing the supply chain due diligence guidelines.

- **Conflict minerals**
  Minerals that are mainly mined in conflict-affected areas, such as the Democratic Republic of the Congo, and that may be involved in funding armed groups or human rights abuses; tin, tantalum, tungsten, and gold (3TG) are included.

- **CMRT (Conflict Minerals Reporting Template)**
  A standard survey form developed by the RMI for identifying the origin and supply chain information of conflict minerals (3TG).

- **EMRT (Extended Minerals Reporting Template)**
  A survey format that expands the scope of the CMRT survey to include important minerals other than 3TG, such as cobalt and mica.

- **RMI (Responsible Minerals Initiative)**
  An international initiative operated by the RBA that promotes responsible sourcing in mineral supply chains and helps improve transparency and reduce risks related to conflict minerals and critical minerals.

- **RBA (Responsible Business Alliance)**
  An international industry association that promotes responsible corporate conduct in electronics and their supply chains. It establishes a code of conduct (the RBA Code of Conduct) covering labor and human rights, health and safety, the environment, and ethics, and aims to build sustainable supply chains.

- **Diversity, Equity, and Inclusion (DEI)**
  An approach that emphasizes diversity, equity, and inclusion, this initiative aims to build an organization where diverse differences such as gender, age, nationality, disability status, and values are respected, and where everyone can fairly access opportunities and demonstrate their abilities.

Engineering the Impossible