

Attachment
Green Procurement Guidance

Niterra Co., Ltd.

Table of contents

Objectives of green procurement.....	3
Request for business partners	3
Formulation of environmental management system (EMS)	4
Chemical substance management	4
Responding to Climate Change/CO2 reduction	8
Waste reduction/recycling of resources	9
Efficient use of water/water quality preservation	10
Conservation of biodiversity	11
[Reference] Environment terms/explanation of regulations, etc.....	12

Objectives of green procurement

What is “green procurement”?

The Niterra Group’s approach to “green procurement” is as follows.

- Choose and procure raw materials, parts, etc. with a low negative impact on the environment
- Prioritize procurement from business partners that are proactively engaged in environmental conservation and sustainability activities.

In addition to comprehensively evaluating the activities of business partners through periodic checks based on "Niterra Group CSR and Sustainability Procurement Guidelines", the state of implementation of the activities listed in these guidelines, proposals of environmental value analyses, etc., the Niterra Group implements follow up for continuous improvement as necessary.

Objectives of “green procurement”

The Niterra Group reduces the negative environmental impacts of its products throughout their lifecycle based on its environmental policies and promotes conservation activities based on policies related to biodiversity. The procurement of environmentally friendly materials and services is important to realize these objectives.

*For details of policies related to biodiversity, please see the following Niterra Group’s website.

- Conservation of biodiversity:
<https://www.sustainability.niterragroup.com/en/themes/535/>

The objectives are to provide society with products with a low negative impact on the environment and create a sustainable society through the entire supply chain together with our business partners through the abovementioned "green procurement" activities.

Request for business partners

This section describes the background and objectives of activities and the Niterra Group’s requests for each environmental initiative. We kindly request that our business partners make efforts to provide data to the Niterra Group, take actions for environmental conservation, etc. based on the request details. The Niterra Group will offer support when possible to move the activities forward.

Action items	Request items	Parts (finished parts)	Raw materials/ Secondary materials	Packaging materials	Equipment/ Jigs and tools
Formulation of environmental management system (EMS)	Environmental management system (EMS) certification acquisition and operation	✓	✓	✓	✓
Management of Chemical Substances	Management, data provision, etc. of prohibited substances	✓ *1	✓ *1	✓ *1	✓ *1
Responding to Climate Change/CO2 reduction	Reduction of CO2 emissions through initiatives such as energy conservation and renewable energy	✓	✓	✓	✓
	Data provision related to CO2 emissions	✓	✓	✓	-
	Data provision related to product CO2 calculations (carbon footprint)	✓	✓	-	-
Waste reduction/recycling of resources	Waste reduction/3R promotion	✓	✓	✓	✓
	Data provision related to recycled materials	✓	✓	-	-
Efficient use of water/water quality preservation	Reduction of water consumption	✓	✓	✓	✓
	Preservation of water quality	✓	✓	✓	✓
Conservation of biodiversity	Activities for the conservation of biodiversity	✓	✓	✓	✓

*1: Management standards, data provision formats, etc. differ by procurement item, so please see "Management of Chemical Substances" for details.

Formulation of environmental management system (EMS)

Background and objectives

When moving forward with activities for environmental conservation and goal achievement, it is important to build an environmental management system (EMS) and work to improve it continuously.

We kindly request that our business partners advance initiatives for environmental conservation upon constructing an environmental management system (EMS) based on external certification.

Request items

(1) Environmental management system (EMS) certification acquisition and **continuous** operation

- We kindly request that our business partners build an environmental management system (EMS) based on ISO 14001 (an international standard) and acquire certification from a third-party organization.

Furthermore, we kindly request that our business partners that have already acquired certification continue to make efforts to continually improve the system.

Management of Chemical Substances

Background and objectives

Starting with the EU REACH regulations, the tightening of regulations related to chemical substances is accelerating rapidly in Japan and overseas, and the observance of regulations and the appropriate management of environmentally hazardous substances is required in the entire supply chain.

We kindly request that our business partners build a system that can control and manage the chemical substances used in the products delivered to the Niterra Group and work to ensure that they do not contain prohibited substances based on regulations or Niterra Group

management standards (Niterrra Group prohibited substance list) and provide information related to chemical substances.

Request items

The request items related to [Management standards] and [Methods of information transfer] are listed below categorized by (1) parts (articles), (2) raw materials/indirect materials, (3) packing materials, and (4) equipment/jigs and tools. In addition, the Niterra Group will request the provision of information related to included chemical substances when appropriate, such as during the start of transactions, changes of specifications, revision of regulations, and inspection requests from finished product manufacturers.

(1) Parts (articles)

[Management standards]

- We kindly request that our business partners conduct management such that prohibited substances specified by the “Niterrra Group prohibited substance list” are not included in products delivered to the Niterra Group.
*Excluding cases where the inclusion of prohibited substances is unavoidable, such as in items requested by the Niterra Group.
- Please ensure that the management details are satisfied for items that separately stipulate management standards regarding chemical substances in the product purchase specifications with the business divisions of the Niterra Group.

[Methods of information transfer]

- Please provide information by IMDS in principle for items subject to inspection. Furthermore, when support for IMDS is not possible, please respond using the following formats.

High

↑
Priority

↓
Low

- JAPIA sheet
 - chemSHERPA
 - Niterra Group’s individual formats (questionnaire regarding presence of environmentally hazardous substances, questionnaire regarding product constituent substances, declaration of non-use, etc.)
- When it has been established that a chemical substance that violates regulations or Niterra Group’s management standards is present, report this promptly to the Niterra Group. Furthermore, when there have been changes in the data content that has been provided to the Niterra Group, such as after changes to regulations or managed substance lists, please send the updated data.

(2) Raw materials/indirect materials

[Management standards]

- We kindly request that our business partners conduct management such that prohibited substances specified by the “Niterra Group prohibited substance list” are not included in products delivered to the Niterra Group.

*This excludes cases in which prohibited substances must be included, such as purchase request items from the Niterra Group.

- Please ensure that the management details are satisfied for items that separately stipulate management standards regarding chemical substances in the product purchase specifications with the business divisions of the Niterra Group.

[Methods of information transfer]

- Please provide information by IMDS in principle for items subject to inspection. Furthermore, when support for IMDS is not possible, please respond using the following formats.

High



Low

- JAPIA sheet
- chemSHERPA
- Niterra Group’s individual formats (questionnaire regarding presence of environmentally hazardous substances, questionnaire regarding product constituent substances, declaration of non-use, etc.)

- When it has been established that a chemical substance that violates regulations or Niterra Group’s management standards is present, report this promptly to the Niterra Group. Furthermore, when there have been changes in the data content that has been provided to the Niterra Group, such as after changes to regulations or managed substance lists, please send the updated data.
- For chemicals and materials, we will collect SDS (safety data sheets) separately based on Japanese regulations to promote the appropriate handling of chemical substances, protection of worker safety, and prevention of environmental pollution. We kindly request the prompt submission of SDS upon initial delivery or when requested by the Niterra Group.

(3) Packaging material

[Management standards]

- We kindly request that our business partners conduct management such that prohibited substances specified by the “Niterra Group prohibited substance list” are not included in products delivered to the Niterra Group.

*This excludes cases in which prohibited substances must be included, such as purchase request items from the Niterra Group.

- Please ensure that the management details are satisfied for items that separately stipulate management standards regarding chemical substances in the product purchase specifications with the business divisions of the Niterra Group.

[Methods of information transfer]

- Please provide information in the following formats for items subject to inspection.



- chemSHERPA
- Niterra Group's individual formats (questionnaire regarding presence of environmentally hazardous substances, questionnaire regarding product constituent substances, declaration of non-use, etc.)

- When it has been established that a chemical substance that violates regulations or Niterra Group's management standards is present, report this promptly to the Niterra Group. Furthermore, when there have been changes in the data content that has been provided to the Niterra Group, such as after changes to regulations or managed substance lists, please send the updated data.

(4) Equipment/jigs and tools

[Management standards]

- We kindly request that our business partners conduct management such that, of the prohibited substances specified by the "Niterra Group prohibited substance list", asbestos, PCBs, and specified CFCs are not included in products delivered to the Niterra Group.

[Methods of information transfer]

- We will request as necessary the provision of information regarding the non-inclusion of prohibited substances (asbestos, PCBs, and specified CFCs). Please provide information in the following formats for items subject to inspection.
 - Niterra Group's individual formats (mainly declaration of non-use, etc.)

Niterra Group prohibited substance list

The Niterra Group prohibited substance list, which prescribes substances whose inclusion is prohibited or restricted in products delivered to the Niterra Group, has been established based on Japanese and international chemical substance regulations, industry standards, etc.

The chemical substance regulations, industry standards, etc. primarily targeted are listed below.

[International regulations]

RoHS Directive: Substances subject to regulation

ELV Directive: Substances subject to regulation

Stockholm Convention on Persistent Organic Pollutants: Annex A: Eliminated

EU REACH: Annex XVII Restricted substances (When applicable to regulation usage)

*The presence of substances of very high concern (SVHC) is not prohibited, but a content analysis will be carried out as necessary for information transfer purposes.

[Japanese regulations]

Chemical Substances Control Law (Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances): Class I/II Specified Chemical Substances
Industrial Safety and Health Act: prohibited substances for manufacturing
Act on the Protection of the Ozone Layer Through the Control of Specified Substances and Other Measures: ozone layer depleting substances (specified CFCs determined by the Annex of the Montreal Protocol)

[Automotive industry standards]

GADSL (Global Automotive Declarable Substance List): Prohibited substances (P category)

We kindly request that our business partners check the lists appropriately and comply with the standards for products delivered to the Niterra Group.

*For the “Niterra Group prohibited substance list”, please see the following website.

https://www.sustainability.niterragroup.com/resource/files/Niterra_prohibited_restricted_substance_list_en.xlsx

Responding to Climate Change /CO2 reduction

Background and objectives

Reducing greenhouse gas emissions to mitigate climate change is an important global issue. The Niterra Group has goals to not only reduce CO2 emissions from its own activities but also reduce CO2 emissions from the supply chain (Scope 3 CO2 emissions) by 30% by 2030 compared to the base year (2018).

We kindly request that our business partners establish goals for the reduction of CO2 emissions while at the same time proactively promoting activities to reduce CO2 through initiatives such as energy conservation and renewable energy.

Request items

(1) Reduction of CO2 emissions through initiatives such as energy conservation and renewable energy

- We kindly request that our business partners establish in-house goals for the reduction of CO2 emissions and work to implement energy saving measures and promote the introduction of renewable energy to achieve these goals.

Examples of the promotion of the reduction of CO2 emissions (reference)

<Six viewpoints for energy conservation: examples of initiatives>

- 1) Eliminate: Example) reducing the number of operating facilities by integrating processes, etc.
- 2) Repair: Example) periodically inspecting piping and equipment and repairing

defective locations such as air leaks.

- 3) Turn off: Example) stopping unnecessary equipment on days off and holidays through timer settings, etc.
- 4) Reduce: Example) reviewing temperature and output settings, etc. and controlling output with inverters.
- 5) Recover: Example) utilizing waste heat emitted from facilities that use heat, such as boilers and furnaces.
- 6) Convert: Example) updating to the latest energy saving devices and equipment and converting equipment to electricity.

(2) Data provision related to CO2 emissions

- To understand the Scope 1 and 2 CO2 emissions of our business partners, we will investigate energy usage amounts and CO2 emission reductions as necessary. (For trading companies, manufacturers shall be subject to investigations)

(3) Data provision related to product CO2 calculations (carbon footprint)

- To promote activities for the calculation and reduction of CO2 emissions for each of the Nitterra Group's products, we will investigate details related to materials used, etc. by IMDS, etc. as necessary.

Waste reduction/recycling of resources

Background and objectives

Using restricted resources such as precious and rare metals efficiently and cyclically leads to global environmental conservation and continuous business development.

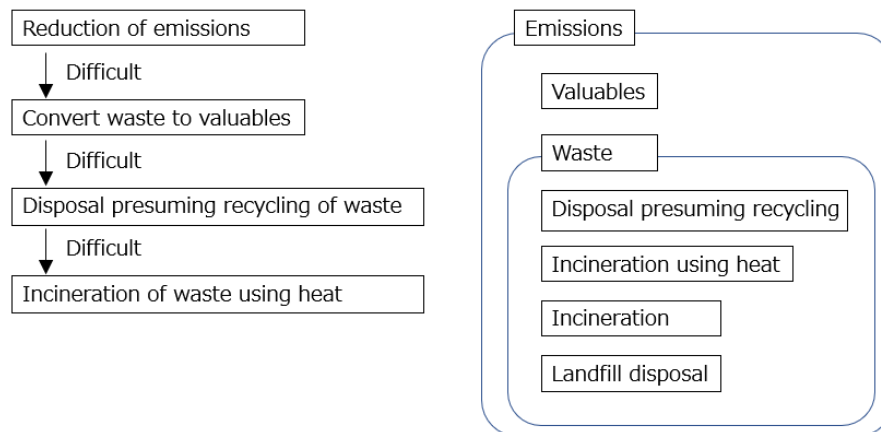
Furthermore, action has been demanded for a circular economy in recent years. In the automotive industry, mandatory use of recycled materials in the future has been proposed through the EU ELV Directive, and moreover it is expected that the introduction of recycled materials through the entire supply chain will be required.

We kindly request that our business partners begin existing 3R (reduce, reuse, recycle) activities, and then initiatives such as the reduction of waste and introduction of recycled material.

Request items

(1) Waste reduction/3R promotion

- We kindly request that our business partners establish in-house goals for waste reduction, increasing recycling rates, etc. and work to achieve them.
<Initiative priorities for the reduction of emissions/emission categories>



<Examples of the promotion of the reduction of waste (reference)>

- 1) Reduction of defective products
- 2) Reduction of the use of paper by going paperless
- 3) Selection of a disposal company that thoroughly categorizes and recycles emission

(2) Data provision related to recycled materials

- Regarding materials, parts, etc. delivered to the Niterra Group, we will investigate the use of recycled material or their details when they are used (recycling methods, ratios, etc.) by IMDS, etc. as necessary.

Efficient use of water/water quality preservation

Background and objectives

Water related risks due to water shortages, etc. caused by increased water intake from population increases and industrial developments or the effects of abnormal weather, etc. have become a social issue worldwide. It is important to understand the effects of the abovementioned risks on business and make efforts to use water sustainably in business conditions in which large volumes of water are used, particularly in manufacturing processes. We kindly request that our business partners make efforts to use water efficiently through water conservation, etc. and furthermore prevent water pollution.

Request items

(1) Reduction of water consumption

- We kindly request that our business partners establish in-house goals to reduce water consumption and work to achieve them.

<Examples of the promotion of the reduction of water consumption (reference)>

- 1) Reusing rinsing water within processes in the plating process
- 2) Updating toilets, sinks, etc. to water-conservation types

3) Using rainwater to water plants

(2) Preservation of water quality

- We kindly request that our business partners implement appropriate wastewater treatment and observe water quality standards determined by laws, regulations, etc.

Conservation of biodiversity

Background and objectives

Various ecosystems, such as animals and plants, exist in the natural environment, and their abundant individual characteristics and connections are referred to as biodiversity. The loss of biodiversity through climate change, deforestation, etc. accompanying business activities is currently seen as an issue worldwide, and nature-positive initiatives are required as measures to solve this issue.

We kindly request that our business partners consider the effects of their business activities (raw-material procurement, manufacturing, disposal, etc.) in the environment and work to coexist with nature.

Request items

(1) Activities for the conservation of biodiversity

- We kindly request that our business partners implement activities to reduce environmental burden and protect ecosystems in cooperation with the regional community.

<Examples of the promotion of the conservation of biodiversity (reference)>

- 1) Forest conservation
- 2) Greening activities in the region and places of business
- 3) Product design and raw-material procurement with little use of biological or plant-derived materials

[Reference] Environment terms/explanation of regulations, etc.

A supplementary explanation of environment terms, chemical substance regulations, etc. related to this guidance is listed below.

■ ISO 14001

An international standard related to environmental management systems (EMS) that defines the structure of mechanisms to continually improve the effects of business activities on the environment. The standard has been introduced and applied internationally as an environment management tool to balance business and environmental conservation.

■ IMDS (International Material Data System)

This standards system of the automobile industry and automobile parts industry is used to collect and transmit information such as included chemical substances for parts and materials used in automobiles. The system can be used by companies worldwide. If a company registers, they can enter, send, and receive data on the web.

IMDS website:

<https://public.mdsystem.com/ja/web/imds-public-pages/home>

■ JAPIA sheet

This is a format provided by the Japan Auto Parts Industries Association (JAPIA) dedicated to the collection and transmission of information such as materials and chemical substances in products. Information can be entered into a ledger (such as Excel), and data can be sent and received in the .csv format.

JAPIA website:

<https://www.japia.or.jp/work/kankyou/japiasheet/>

*A unique password is needed to use the JAPIA sheet. If you do not know the password when you are complying with a chemical-substance inspection, the Niterra Group can share the password separately, so please inform the Niterra Group in such a case.

■ chemSHERPA

This is a format provided by the Joint Article Management Promotion-consortium (JAMP) that is dedicated to the collection and transmission of information such as materials and chemical substances in products. This format is used in Japan mainly in the electrical and electronic industries, etc. Data can be input, sent, and received using dedicated tools for chemicals (CI) and finished products (AI).

chemSHERPA website:

<https://chemsherpa.net/>

■ Safety Data Sheet (SDS)

This document lists information related to the hazardous properties of chemical substances,

etc. The issuing and submission of SDSs is compulsory based on the regulations of each country when chemicals are transferred or provided.

■ **Restriction of the Use of Certain Hazardous Substances (RoHS) Directive**

This directive was issued by the EU to restrict use of specific toxic substances in electrical and electronic equipment. Since its revision in 2011, the use of a total of 10 toxic chemical substances in products has been regulated. Furthermore, exemptions have been set for some usage in which substitution is difficult.

■ **End-of-Life Vehicles Directive**

This directive was issued by the EU to reduce waste generated from used automobiles and reduce environmental burden. The use of a total of four types of toxic chemical substances in products is regulated for automobiles (including component parts and materials). Like the RoHS Directive, exemptions have been set for some usage. Furthermore, revisions to promote the introduction of recycled material have been considered in recent years.

■ **Stockholm Convention on Persistent Organic Pollutants**

This convention prescribes the abolition and restriction of manufacturing and use, the reduction of emissions, etc. for persistent organic pollutants (POPs), which have high persistence, toxicity, etc. in the environment and for which long-distance mobility is a concern. The member nations that signed this convention regulate chemical substances subject to regulation through their own laws. In Japan, regulation is enforced based on the Chemical Substances Control Law (Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances).

■ **Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)**

This regulation is enforced by the EU to confirm the characteristics of chemical substances, protect people and the environment, and strengthen the competitiveness of the European chemical industry. Primarily, the following enforcement is required as a measure for supply chain information transfer and chemical substance regulation.

Authorization

- If a substance subject to authorization does not have authorization, its use and release on the market is regulated in the EU region.
- When the content of a substance of very high concern (SVHC or CL substance) exceeds 0.1% by weight in a finished product, this information must be provided to downstream companies.

Restriction

- When the conditions for restricted use, etc. are met for a restricted substance or a finished product that includes restricted substances, release to the market and use is restricted.

■ **Chemical Substances Control Law (Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances)**

This Japanese law was enacted to restrict the manufacturing, import, use, etc. of chemical substances that may affect human health or the environment. For Class I specified chemical substances, Japanese manufacturing and importing is prohibited in principle, and restrictive measures are implemented on use. Furthermore, substances regulated by the Stockholm Convention on Persistent Organic Pollutants are listed in the specified chemical substances of the Chemical Substances Control Law.

■ **Industrial Safety and Health Act**

This Japanese law was enacted to protect the safety and health of workers, etc. Items that cause serious health impediments to workers or have the potential to do so are regulated as substances that are prohibited or permitted for manufacturing.

■ **Act on the Protection of the Ozone Layer Through the Control of Specified Substances and Other Measures**

This Japanese law establishes restriction measures for the manufacturing, importing, and use of ozone layer depleting substances (specified CFCs, etc.) prescribed by the Montreal Protocol to protect the ozone layer.

■ **GADSL (Global Automotive Declarable Substance List)**

This list establishes chemical substances in products that should be managed in the automotive industry and automotive parts industry. Substances are listed as Prohibited (P), Declarative (D), or Prohibited or Declarative (D/P). The GADSL is established as a controlled substance list in IMDS and JAPIA sheets.

GADSL website:

<https://www.gadsl.org/>

■ **Scope 1, 2, and 3 CO2 emissions quantity**

This is a section of the CO2 emissions methods established by the GHG protocol (an international standard that establishes methods when calculating and reporting greenhouse gas emission quantities).

- Scope 1: this is the direct emission quantity that is generated by fuel combustion, industrial processes, etc.
- Scope 2: this is the indirect emission quantity that is generated using electricity, heat, or steam supplied from another company.
- Scope 3: this is the emission quantity excluding Scope 1 and 2 that is emitted indirectly by businesses related to the business activities of the Nitterra Group and the users of products.

■ **Carbon footprint (CFP)**

This is an initiative to calculate and visualize the CO2 emission quantity for the entire lifecycle of target products from the procurement of raw materials to disposal. This initiative is implemented to lead to improvements particularly in processes with a large CO2 emissions burden based on the calculation results.

- **Circular economy**

An economic mechanism to treat discarded products and raw materials as new resources and circulate resources without creating waste. It has gathered attention worldwide as a new economic model to realize sustainable growth.

- **3Rs (reduce, reuse, recycle)**

This indicates three initiatives leading to waste reduction and the recycling of resources.

- Reduce: reducing waste
- Reuse: reusing waste
- Recycle: using waste effectively for resources, energy sources, etc.

- **Recycled material**

This is material that has been processed so that it can be reused for separate products, raw materials, etc. after collecting used products and waste from manufacturing processes.

- **Nature positive**

This means halting and reversing the loss of natural ecosystems. Initiatives that companies can take include initiatives to protect and restore coastal ecosystems such as seaweed beds with the cooperation of international nature conservation groups and initiatives to identify raw materials procured from regions with a high risk of deforestation, etc. with the cooperation of suppliers and demanding the introduction of a system that does not cause deforestation.