

SUBARU

Green Procurement Guidelines

Aerospace Company version



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I. Introduction

At SUBARU, we believe that amid concerns over environmental disruption due to global warming, it is the pressing responsibility of a corporation to address environmental issues for the improvement in the course of business activities toward building a sustainable society.

As a specific approach to these issues, SUBARU has established its Environmental Policy which sets striving for environmental preservation throughout our business activities as a group-wide goal.

As part of this, the SUBARU Purchasing Division has established CSR Procurement as the Fundamental Procurement Policy, and promote the procurement of environmentally-friendly parts, materials, and services from environmentally-conscious suppliers as our mission, through the business considering the environmental protection in our corporate social responsibility. In addition to this, we aim to reduce the environment load in all the stages of product life cycle from the procurement to design, development, production, transportation, sales, use, disposal, and recycle.

As action across the entire supply chain is required to achieve these initiatives, SUBARU has compiled specific requirements for suppliers on environmental matters in this document as the SUBARU Green Procurement Guidelines to be extended across the supply chain.

It will be appreciated if all suppliers take advantage of the guidelines to extend and promote environmental action, including among your own suppliers. In this revision, the environmental BCP response of our business partners have been added.

We hope for your understanding and cooperation in contributing together to the realization of a sustainable society and working for coexistence as “a compelling company with strong market presence.”

Supply Chain Management Department
Subaru Corporation

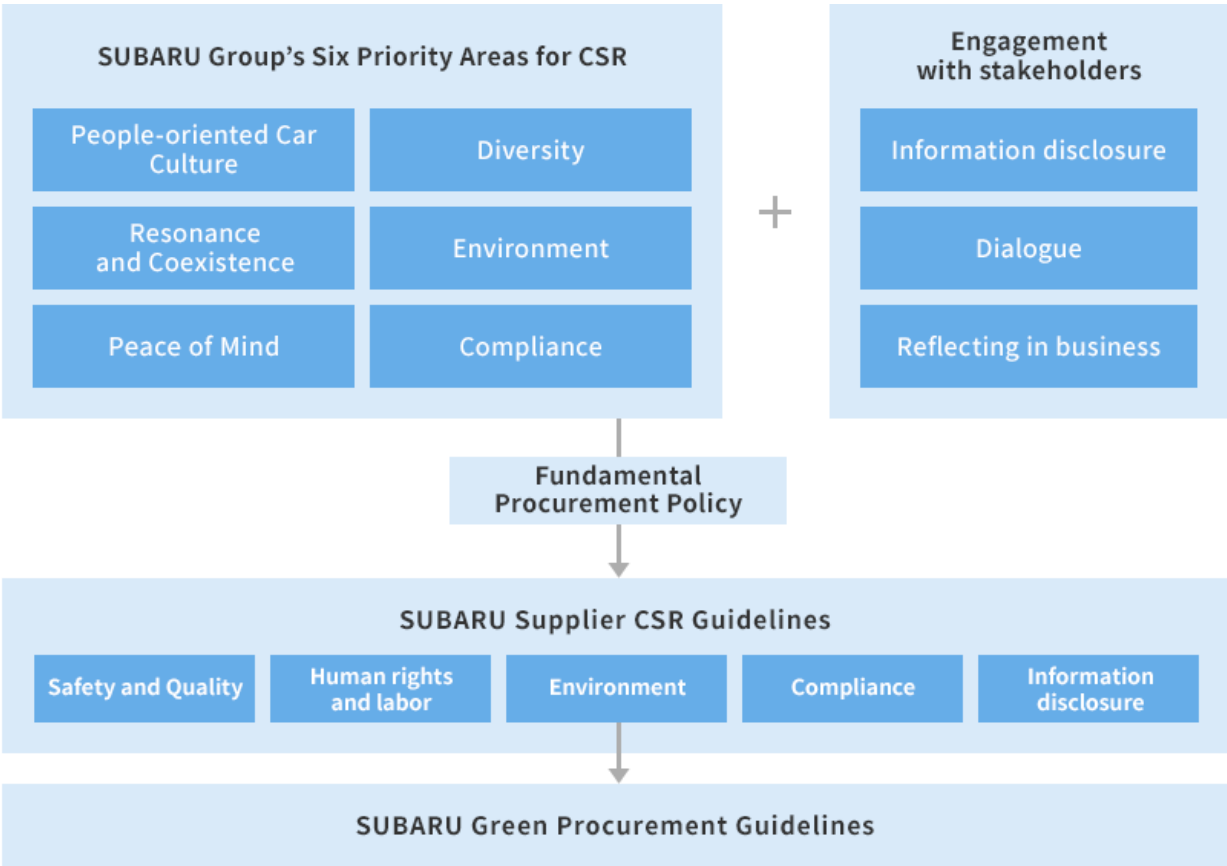
*These guidelines apply to suppliers of the direct materials, indirect materials, and outsourced processed products of Subaru Aerospace Company, Inc.

II. SUBARU Environmental Policy

1. Positioning of SUBARU Green Procurement Guidelines

We have compiled SUBARU’s Corporate Philosophy, Corporate Code of Conduct, CSR (Glossary 1) Policy, and the expectations we have of our suppliers concerning CSR in the separate publication SUBARU CSR Guidelines for Suppliers, so please refer to this.

The SUBARU Green Procurement Guidelines compile our specific requirements for our suppliers on the environmental matters in the SUBARU Supplier CSR Guidelines.



2. Fundamental Procurement Policy and Green Procurement

(1) Fundamental Procurement Policy

SUBARU Group promote the activity for sustainable procurement based on the following basic idea.

(a) CSR Procurement

We engage in procurement activities in a way to harmonize humankind, society and the environment and conduct transactions paying due care to comply legal and societal rules and to protect the environment.

(b) Establish Best Partnership

We establish “WIN-WIN” relationships with suppliers through transactions based on mutual trust under the doctrine of good faith.

(c) Fair and Open Way of Selecting Suppliers

In selecting suppliers, the door is wide-open to all firms, domestic and internationally, for fair and equitable business to procure goods and services with excellence from seven perspectives: quality, cost, delivery, technical development, management, environment and society (QCDDMES).

Revised in April 2020 SUBARU

(2) Definition of SUBARU Green Procurement

Green procurement is defined as procuring environmentally-friendly parts, materials, and services^{*2} from environmentally-conscious suppliers^{*1}.

*1 “Environmentally-conscious suppliers”: suppliers that comply with environmental laws and regulations, make efforts to reduce environmental impacts and have Environmental Management Systems (EMS) in place

*2 “Environmentally-friendly parts, materials and services”: parts, materials and services free from any specifically banned substances and those with low environmental impact, while considering the recycling of resources.

III. SUBARU Environmental Policies

1. SUBARU Sustainability Principles

“The earth, the sky and nature” are SUBARU’s fields of business.

With the automotive and aerospace businesses as the pillars of SUBARU’s operations, our fields of business are the earth, the sky and nature.

Preservation of the ecosystem of our planet, the earth, the sky and nature, is of utmost importance to ensure the future sustainability of both society and our organization. We align our business strategy to enhance these global goals in all of our operations.

- (1) We develop and deliver products to meet societal needs and contribute to the environment through advanced technologies.
By striving to create advanced technologies that put the environment and safety first, we will develop and deliver products that can contribute to protecting the earth’s environment.
- (2) We focus on efforts aimed at coexistence with nature.
Together with efforts to reduce carbon-dioxide emissions in all of our operations, we will promote active engagement with nature by stressing forest conservation.
- (3) We take on challenges as one through an all-SUBARU approach.
Utilizing our unique organizational character that allows us to oversee the entire supply chain, all of us together will take on the challenges of environmental protection of our planet through an all-SUBARU approach.

2. Environmental Principles

SUBARU’s fields of business are the earth, the sky and nature.

SUBARU understands that the health and preservation of biodiversity and controlling climate change are critical to ensuring a sustainable future for our planet earth, nature, communities and businesses.

| | |
|------------|---|
| Products | : We develop our products and conduct R&D in light of the life cycle environmental impacts of our products. |
| Purchasing | : Our purchasing activities reflect consideration for biodiversity and other aspects of environmental protection. |
| Production | : We strive to minimize our environmental impact through improving energy efficiency and waste management. |
| Logistics | : We strive to minimize our environmental impact through enhancing energy efficiency and promoting pollution prevention. |
| Sales | : We endeavor to recycle resources efficiently and reduce waste. |
| Management | : We will strive to improve our sustainability program through contributions that meet societal needs and by publicizing our activities as Team SUBARU. |

Established in April 1998 SUBARU
Revised in April 2017 SUBARU

IV. Requirements for Suppliers

◆ Requirements concerning Suppliers' Environmental Management

1. Compliance with Environmental Laws and Regulations

SUBARU complies with the environmental laws, regulations, and standards in each country and hopes to fulfill its corporate social responsibility with the aim of reducing environmental impact.

We ask our business partners to comply with environment-related laws and regulations in their business activities.

In addition, in the environmental emergency such as a violation of environmental laws or environmental accidents, in accordance with the Procurement Division's action guideline, "Bad News 1st," we ask that you provide us with the first report as well as respond to the following BCP items.

① Definition of environmental accidents

Complaints about the environment, outflow of liquid, muddy, powdery, solid matter (outside and inside the premises), and the exceeding voluntary standards at factory boundaries.

② Definition of environmental emergencies

"Outflow, leakage, or underground seepage of liquid substances from storage facilities due to accidents or failures", "Outflow/leakage during transportation/loading, outflow to/from the premises", "Excessive release of air pollutants" and "Usage of prohibited substances contained in our products" and "Violation of environmental laws and regulations".

③ Assumed risk

1) Suppliers

Suspensions of production, failures to ship, the loss of profit, criticisms from the market, administrative guidance, and bankruptcy.

2) SUBARU

Suspensions of production, failures to ship, the loss of profit and the SUBARU brand, and bankruptcy.

④ Corrective action

Cause identification, mitigation/removal/corrective action, recurrence prevention/preventive action for similar incidents, effectiveness confirmation, the education and thorough dissemination, and records keeping.

In addition, depending on the situations, it would need you to submit a report.

2. Establishment of Environmental Management Systems

Suppliers are required to establish Environmental Management Systems (EMS) basically endorsed by ISO 14001 certification.

Where it is difficult to acquire the certification, either of the following alternatives will be regarded as having EMS in place, but suppliers are required to keep working to acquire ISO 14001 certification.

- 1) Japanese "Eco Action 21" certification acquired (applicable to domestic suppliers only)
- 2) SUBARU-specified internal audit passed

Note:

We ask you to submit a "Voluntary Diagnosis Report on the Environmental Management System".

In addition, we may make inquiries and conduct audits for suppliers who have passed the voluntary diagnosis. In addition, we ask that you continue to work toward the acquisition of external certification.

■Requirements for Status Reports on EMS Establishment

Suppliers are required to report the status of EMS establishment when commencing business with SUBARU, when acquiring and renewing certification and when individually requested by SUBARU to submit a report. Whichever of the documents (1) through (3) applicable should be submitted.

- (1) Suppliers who have already obtained external certifications such as ISO14001 should submit a "Report on Environmental Management System".
- (2) Suppliers who plan to obtain external certifications such as ISO14001 should submit a "Report on Environmental Management System" to report their acquisition plan, and also submit a "Voluntary Diagnosis Report on Environmental Management System." At the time of obtaining external certification, please resubmit the "Report on Environmental Management System" to report the acquisition of external certification.
- (3) Suppliers not covered by (1) or (2) above
An EMS Internal Audit Report should be submitted.
Continued efforts aimed at the acquisition of external certification as soon as possible are still required.
We may conduct on-site inspections as necessary to confirm the status of the construction of the environmental management system of our business partners.

3. Registration of Environment Manager Forms

SUBARU requires suppliers to register a person in charge of environment-related matters (Environment Manager) as the point of contact who will work with SUBARU to promote related programs and activities.

4. Improved Environmental Performance

Suppliers are required to make efforts to improve environmental performance in the following areas.

- (1) Reductions in greenhouse gas emissions, such as CO₂;
- (2) Reduce environmentally hazardous substances;
- (3) Reductions in VOC (Glossary 4) emissions;
- (4) Reductions in emissions of substances subject to the PRTR system in Japan (Glossary 5);
- (5) Reductions in disposed waste volume;
- (6) Promotion of recycle-oriented design for higher recycling

◆Requirement for the Activity Considering Entire Life Cycle

5. Reduction of CO₂ emissions

SUBARU recognizes that climate change is one of the most pressing global issues, and respects the goal of the Paris Agreement to hold the increase in the global average temperature to well below 2°C above pre-industrial levels. SUBARU will contribute to this goal by reducing CO₂ emissions from its products, factories and offices to help decarbonize society. SUBARU has set long-term and medium-term goals as milestones for its target of carbon neutrality in 2050. To achieve these goals, SUBARU engages in reducing CO₂ emissions. In addition, we initiate for measurement and reduction of CO₂ emissions in the entire life cycle (from production to use, disposal, and transportation), complying with Japan Automobile Manufacturers Association's policy.

Plants and offices (Scopes 1 and 2)

- By FYE2051, achieve carbon neutrality
- By FYE2036, reduce CO₂ emissions by 60% compared to 2016

We require our suppliers to understand our long-term and mid-term goals, grasp the impact of their own business activities on energy use and CO₂ emissions and make systematic efforts to measure and reduce these emissions.

6. Promotion of Resource Recycling

For the SUBARU Group, the establishment of a recycling society (resource efficiency in the distribution of goods and distribution-based business activities) is an important theme that is closely related to us as a manufacturing company.

The SUBARU Group is committed to building a recycling-oriented society and aims to achieve efficient resource recycling throughout the entire life cycle of its products, to continue to achieve zero landfill at domestic and overseas production sites, and to implement the integrated 3Rs (Reduce, Reuse, and Recycle) at a higher level.

In addition, make effective use of limited resources, SUBARU is working on the effective use of resources throughout their entire lifecycle, from raw material procurement to disposal.

<Medium-Term and long-Term targets for production>

- Achieve zero emissions at production plants in Japan and overseas (zero landfill waste either directly or indirectly).

Business partners are requested to understand SUBARU's Medium-Term and long-Term targets and proactively make proposals on following initiatives and daily work to us. We will check on utilization ratio of the recycling materials or the achievements of other initiatives where necessary.

7. Appropriate Use of Water Resources

Water is an indispensable resource for the SUBARU Group's business activities. The risk of droughts, floods, and other disasters is increasing, however, due to climate change, while global population growth and economic development are increasing demand for water and raising the risk of water shortages and pollution.

To help alleviate these risks, the SUBARU Group is committed to the proper management of water consumption, as well as to minimizing the environmental impact of its discharged water. We are also actively engaging in activities to conserve forests that have a water storage function.

We require our suppliers their effective use of water resources and appropriate control of drain.

8. Activity for Biodiversity

SUBARU promotes biodiversity preservation through our business activities, aiming to achieve coexistence with nature. We also ensure ongoing, biodiversity-friendly business activities by establishing the Guidelines on Biodiversity,

SUBARU Guidelines on Biodiversity

Our society is supported by biodiversity, which is the source of various blessings from nature.

On the other hand, "biodiversity" is rapidly being lost on a global scale.

We promote biodiversity preservation through our business activities and contribute to the environmental protection of our planet while aiming to coexist with "the earth, the sky and nature."

1. We grasp the impact of business activities on biodiversity and reduce their impact. We also promote initiatives leading to further recovery.
2. We strive to raise awareness of biodiversity.
3. We respect international rules concerning biodiversity.
4. We cooperate with stakeholders and strive for preservation of biodiversity.
5. We proactively disclose information on activities regarding biodiversity.

Established in April 2019 SUBARU

We require our suppliers to understand our Guidelines on Biodiversity and to work on their biodiversity-friendly business activities, in and out of their office.

◆Requirements for Parts, Materials, and Services supplied to SUBARU

9. Management of Substances of Concern

SUBARU complies with laws and regulations related to environmentally hazardous substances in each country.

Suppliers are required to comply with the relevant laws and regulations in addition to cooperating with industry standards and voluntary controls.

It is a prerequisite for transactions that all parts and materials delivered to us do not contain prohibited substances specified in the "Standards for the Use of Chemical Substances in Aerospace Companies."

It should be noted that if any banned substances are found in supplied parts and materials, business with the offending supplier may be reviewed.

(1) Reducing or prohibiting the use of substances in products

Among the substances contained in direct materials, indirect materials, and outsourced processed products, we designate and manage the minimum substances that are considered to have a large environmental impact as the "Standards for the Use of Chemical Substances in the SUBARU Aerospace Company."

If the direct materials, indirect materials, or outsourced processed products delivered to us contain substances listed in this "Standards for the Use of Chemical Substances in SUBARU Aerospace Companies," please report the content.

(2) Increasing recycling rates, etc.

Suppliers are required to make efforts to preserve the environment and use resources effectively, including promoting recycling-oriented design for higher recycling rates, and reductions in environmental impact, including CO₂ emissions.

(3) Managing Substances of Concern in Raw Materials and Indirect Materials Used in Plants

In addition to ensuring legal compliance, SUBARU has been eliminating or reducing substances of concern used in plants including production lines at its own initiative.

■ Suppliers of raw materials, indirect materials or equipment used in SUBARU plants as well as those who offer construction, cleaning or landscaping services under contract with SUBARU, are all required to submit an SDS (Glossary 4) for materials supplied or brought to SUBARU sites at the time of delivery, changing the content of deliveries, and when individually requested by SUBARU to submit an SDS. Suppliers and companies providing services to domestic are required to comply with Japan's Industrial Safety and Health Act and PRTR Law (Glossary 5).

(4) Improve management of chemical substances contained in products

To comply with laws and regulations of each country which are being expanded and complicated, it is important to manage chemical substances contained in products and to share information appropriately. To achieve this, we require our suppliers to establish the policy and improve management of chemical substances contained to products.

10. Reduction of CO₂ Emissions and Packaging and Wrapping Materials in Logistics

While cooperating with other companies to improve transport efficiency, SUBARU is proactively involved in reducing CO₂ emissions in logistics with the aim of further CO₂ reductions. SUBARU promotes reductions in CO₂ emissions in conjunction with reductions in packaging and wrapping materials. Not only suppliers who directly deliver their parts and materials to SUBARU, but also those who handle logistics under contract from SUBARU is required to make efforts.

| | |---| | Support and Promotion of Green Procurement Efforts at Group Companies and in the Supply Chain | |---|

In the event that suppliers have global operations, companies with established systems are required to promote and support green procurement efforts among group companies.

Suppliers are also required to extend these guidelines to their own suppliers and make efforts to preserve the environment across the supply chain.

Glossary

1. CSR: Corporate Social Responsibility
2. VOC: Volatile Organic Compounds
3. PRTR system: Pollutant Release and Transfer Register
4. SDS: Safety Data Sheet
Records information required for the safe handling of raw materials that contain chemicals, etc.
5. PRTR Law: Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (Law concerning Pollutant Release and Transfer Register)



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