

Green Procurement Guidelines

Aerospace Company



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I. Introduction

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 purchasing division has established Compliance & Green Procurement as the Fundamental Procurement Policy, promoting the procurement of environmentally-friendly parts, materials, and services from environmentally-conscious suppliers as our mission.

Action across the entire supply chain is required to achieve these initiatives. Accordingly, 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.

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.”

Materials Division
Aerospace Company
Subaru Corporation

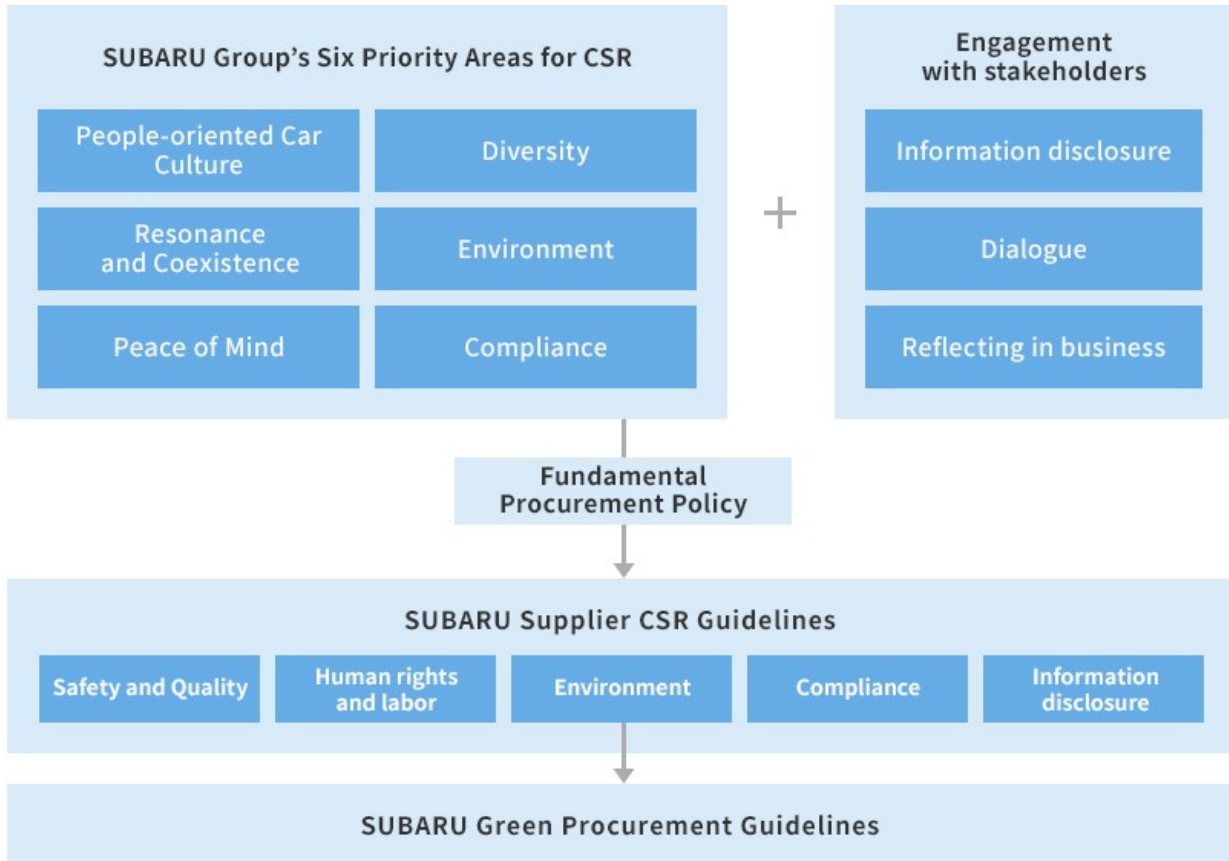
*These guidelines apply to suppliers of direct and indirect materials and outsourced processed products to the Aerospace Company at Subaru Corporation.

II. Aerospace Company Environmental Policy

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



2. Environmental Policy

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.

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 lifecycle 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.

3. Fundamental Procurement Policy and Green Procurement

(1) Fundamental Procurement Policy

(a) Compliance & Green Procurement

We engage in procurement activities in a way to harmonize humankind, society and the environment and conduct transactions paying due care to observe 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 six perspectives: quality, cost, delivery, technical development, management and environment (QCDDME).

(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

III. Requirements for Suppliers

The Aerospace Company has established green procurement as our Fundamental Procurement Policy, and we have made it one of the criteria for the selection of suppliers. Suppliers are required to undertake the initiatives listed below.

- (1) Establish Environmental Management Systems (EMS) basically endorsed by ISO 14001 certification
 - Suppliers are required to establish Environmental Management Systems (EMS) basically by acquiring external certification such as ISO 14001.
- (2) Manage Substances of Concern (Banned Substances and Substances to be Reduced)
 - Suppliers are required to manage substances of concern in accordance Schedule of Standards for Use of Chemical Substances at Aerospace Company.
- (3) Manage and Submit Data on Substances of Concern
 - Suppliers are required to make SDS (Glossary 2) submissions for non-metal materials in accordance with individual requests.
 - In relation to REACH (Glossary 3) regulations, suppliers are required to submit SVHV (Glossary 4) data in accordance with individual requests.
 - Suppliers are required to make reports in accordance with individual requests with regard to confirmation that minerals produced in areas of conflict are not used in accordance with Article 1502 of the United States' Dodd Frank Wall Street Reform and Consumer Protection Act.
- (4) Supply Chain
 - First-tier suppliers are required to manage second-tier, third-tier and lower suppliers.

◆ Requirements concerning Suppliers' Environmental Management

1. Compliance with Environmental Laws and Regulations

The Aerospace Company 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.

The Aerospace Company requires its suppliers to comply with environmental laws, regulations, and standards in their business.

2. Establishment of Environmental Management Systems

Suppliers are required to establish Environmental Management Systems (EMS) basically by acquiring external certification such as ISO 14001 and Eco Action 21.

Where it is difficult to acquire the certification, passing the Internal Audit stipulated by the Aerospace Company will be regarded as having EMS in place, but suppliers are required to keep working to acquire ISO 14001 certification.

* Suppliers who have scored "Yes" or "N/A" for at least 43 out of the 47 items, including all of the priority items, on the EMS Internal Audit Report will be judged as passing the audit. Suppliers who have passed the internal audit may be contacted for inquiries and audited by Subaru. Suppliers are still required to continue efforts aimed at acquiring external certification.

In some cases, the customers of the Aerospace Company require the acquisition of external certification, such as ISO 14001. In such cases, the Aerospace Company also requires the relevant suppliers to acquire certification.

■ Requirements for Status Reports on EMS Establishment

Suppliers are required to report the status of EMS establishment at the time of acquiring and renewing certification and when individually requested by Subaru to submit a report. Whichever of the documents (1) through (3) is applicable should be submitted.

(1) Suppliers with ISO 14001 or other external certification EMS Report

(2) Suppliers planning to acquire ISO 14001 or other external certification
EMS Report with an acquisition schedule filled in should be submitted together with an EMS Internal Audit Report.

When an external certification has been acquired, the EMS Report should be resubmitted to report 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.

The Aerospace Company may conduct onsite checks whenever necessary to confirm the status of suppliers' EMS establishment.

3. Submission of Environment Manager Registration 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. Improvement in Environmental Performance

Suppliers are required to make efforts to improve environmental performance in the following areas. Subaru is addressing LCA (Glossary 2) and Scope 3 (Glossary 3) through the supply chain.

- (1) Reductions in greenhouse gas emissions, such as CO₂;
- (2) Reductions in VOC (Glossary 5) emissions;
- (3) Reductions in emissions of substances subject to PRTR in Japan (Glossary 6) and TRI in the U.S.A. (Glossary 7);
- (4) Reductions in disposed waste volume;
- (5) Promotion of recycle-oriented design for higher recycling rates.

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

5. Management of Substances of Concern

The Aerospace Company complies with laws and regulations concerning substances of concern in each country, including REACH (Glossary 3).

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

It is an essential prerequisite for business with suppliers that all parts and materials supplied to the Aerospace Company do not contain any of the Banned Substances under Standards for Use (indicated by ●) specified in Schedule of Standards for Use of Chemical Substances at Aerospace Company.

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) Banned Substances and Substances to be Reduced in Products

The Aerospace Company designates and manages the minimum substances contained in direct materials, indirect materials, and outsourced processed products which are considered to have a significant environmental impact as specified in Standards for Use of Chemical Substances at Aerospace Company.

In the event that direct materials, indirect materials, and outsourced processed products supplied to the Aerospace Company contain substances indicated in Standards for Use of Chemical Substances at Aerospace Company, suppliers are required to report the content.

(2) Compliance with REACH (raw materials and products for Europe)

For products shipped to Europe, in accordance with REACH, when the SVHC content of molded goods exceeds 0.1 wt%, there is an obligation to provide information to allow the molded item to be used safely.

Suppliers are required to submit an SVHC Content Study Results Report when requested to do so by the Aerospace Company.

(3) Improvement in recycling rate, 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.

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

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

While cooperating with other companies to improve transport efficiency, the Aerospace Company is proactively involved in reducing CO₂ emissions in logistics with the aim of further CO₂ reductions. The Aerospace Company 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 the Aerospace Company, but also those who handle logistics under contract from the Aerospace Company are 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.

1. CSR: Corporate Social Responsibility
2. SDS: Safety Data Sheet
Records information required for the safe handling of raw materials that contain chemicals, etc.
3. REACH: The Registration, Evaluation, and Restriction of Chemicals
Regulation on the registration, evaluation, approval, and restriction of chemicals
4. SVHC: Substances of Very High Concern
5. VOC: Volatile Organic Compounds
6. PRTR: Pollutant Release and Transfer Register
7. TRI: Toxic Release Inventory



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Subaru Corporation
Materials Division
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