

**(Reference Material 1)**

## **Guidelines for Green Procurement Promotion (Provisional Edition)**

**– Promotion of value chain management –**

“Green procurement” promoted by the following guidelines refers to environmentally-conscious procurement activities, encompassing not only the evaluation of environmental requirements for individual products, but also the assessment of the environmental management of all business partners.

Furthermore, in order to ensure job security and eradicate child labor and poverty, it is advised to include social aspects in the procurement criteria. With regard to social aspects, please refer to the accompanying documents.

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**Ministry of the Environment**

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“The Guidelines for Green Procurement Promotion” (this document) has been prepared for the following two main purposes.

(i) To promote suppliers’ environmental management and prompt response to green procurement.

The Guidelines helps suppliers understand the need for strategic implementation of environmental management and also increase their motivations to actively implement environmental management.

(ii) To promote value chain management through further diffusion of green procurement.

Promotion of green procurement utilizing the Guidelines enhances business partners' environmental management and allows them to implement environmental management (value chain management) with a view to the entire life cycles of business activities.

## Introduction

Our planet Earth is faced with a serious crisis deriving from various environmental problems such as global warming, biodiversity loss and mass disposal. These environmental problems can further worsen in the future due to population increase, economic growth and other factors. Much of the environmental impacts that cause environmental problems are generated by corporate activities. Therefore, voluntary environmentally-conscious corporate management activities are expected to help improve environmental problems in the future.

Furthermore, environmental problems could produce new business opportunities as well as risks for companies. For instance, reinforcement of environmental regulations concerning chemical substances could create business opportunities for companies that are capable of responding to stricter regulations. But, companies that cannot cope with such regulations will face the risk of not being able to carry on their business activities. Also, rising environmental awareness among customers, employees, etc. will expand the opportunities for marketing environmentally-friendly products; however, it could also result in closer scrutiny of products in the market by society.

As such, environmental issues are critical concerns for companies whose management is closely associated with the “environment.” Even for companies that are not closely associated with the “environment” at present, there is a possibility that the “environment” is or potentially will become an important issue in the future. Hence, company management must address environmental problems from a medium-/long-term perspective and strategically respond to important issues that can lead to business opportunities or risks, in order to achieve management stability and company growth.

Furthermore, by expanding environmental management to directly associated business partners as well as to companies in the upstream of the supply chain, a procuring company can reduce the environmental impacts of the entire product life cycle ranging from raw materials procurement to product use and disposal, and also maximize added values (value chain management). To promote value chain management, it is essential to assess the environmental management of business partners through green procurement.

For suppliers, responding to the value chain management of business partners and promoting environmental management can allow exploitation of business opportunities and evasion of risks. Furthermore, the wide diffusion of green procurement to a greater number of companies will make the entire social system more sympathetic to the environment, thus resulting in the formation of a sustainable society.

It is our hope that the following guidelines will promote green procurement and enhance environmental management.

## 1. Significance of promoting green procurement

(What is green procurement?)

Green procurement refers to procuring companies' selective purchases of products and services with minimum environmental impacts from environmentally-conscious suppliers. Green procurement is implemented in line with the environmental policy or business strategy of each procuring company.

When conducting business transactions with procuring companies, suppliers must understand the procuring companies' green procurement policies and purchasing criteria for product/service, then appropriately meet the specified requirements.

(Necessity of green procurement)

Companies generally implement green procurement as part of their value chain<sup>1</sup> management (VCM). The main purpose of VCM is to reduce environmental impacts and enhance added values, with a view to the entire life cycle of business activities, encompassing raw materials procurement companies, suppliers and upstream to downstream companies that are involved in the manufacture of relevant products, and also including product use and disposal.

For example, if a procuring company formulates a strategy to manufacture and market products with minimal environmental impacts (e.g., use of resources and energy, CO<sub>2</sub> emissions, etc.), it specifies in its green procurement standards the requirements that help reduce the environmental impacts of products, and observes the standards when ordering and purchasing materials and parts from suppliers.

Green procurement can respond to the following necessities:

(i) Necessity for procuring companies

For a procuring company to exploit business opportunities by converting their products to more environmentally-friendly products and expanding product sales, green procurement is necessary for ensuring compliance with stricter laws and regulations concerning chemical substances in order to evade risks.

(ii) Necessity for suppliers

Implementation of green procurement allows suppliers to gain an understanding of the business strategies of procuring companies to which they supply materials, parts, etc. and also respond accurately to their environment-related requirements. As a result, suppliers can not only gain a higher level of trust from the procuring companies, but also capture business opportunities and evade risks.

In view of the above, green procurement can be considered as a tool that can be utilized by each and every company to increase its competitiveness and enhance business continuity.

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<sup>1</sup> A value chain refers to economic entities or economic activities involved in or conducted in all business processes ranging from the creation of added values in business activities to the use of products. It encompasses a series of activities and entities pertaining to business activities such as raw materials mining, procurement, production, sales, transportation, use and disposal.

## 2. Trend and effects of green procurement

(Trend of green procurement)

The following distinctive points can be observed in the trend of green procurement (refer to Annex 2).

- (i) While green procurement standards are generally established by proactive procuring companies, many procuring companies with annual sales of about 100 billion yen do not have green procurement standards.
- (ii) The scope of environmental management assessment conducted by the majority of proactive procuring companies is limited to primary suppliers. However, some companies realize the need to expand the scope in the future to include secondary and tertiary suppliers as assessment targets.
- (iii) Many procuring companies assess suppliers' environmental management from the perspectives of "legal compliance" and "business continuity," and only a few procuring companies conduct assessments from the perspective of "management strategy" or "medium-/long-term financial impact."
- (iv) Many procuring companies believe that suppliers' environmental management leads to "reduced risks" and "stronger relationships with suppliers," and only a few procuring companies think that suppliers' environmental management is effective for "reducing costs" and "acquiring growth opportunities."
- (v) With regard to companies that must comply with the European regulations on chemical substances (manufacturers of electric devices, transportation equipment, etc.), information on chemical substances is managed by the industry group.

(Effects resulting from promotion of green procurement)

Suppliers' implementation of environmental management through green procurement can produce the following effects:

- (i) Green procurement enables both procuring companies and suppliers to confirm the environmentally-friendliness of products, thus helping them gain mutual understanding and share information.
- (ii) Green procurement allows the evaluation and improvement of the environmental aspect of products, thus making it possible to manufacture environmentally superior products.
- (iii) Green procurement contributes to the stable supply of products through value chains (supply chains), which was a much discussed issue after the Great East Japan Earthquake disaster.
- (iv) Collaboration between suppliers and procuring companies as well as repeated trial-and-error activities result in the accumulation of know-how for strategic promotion of environmental management.

(Issues pertaining to green procurement)

Although green procurement is expected to diffuse among many suppliers, the following

issues can impede the implementation of green procurement by suppliers.

- (i) Suppliers do not have sufficient funds or human resources necessary for addressing environmental management.
- (ii) Suppliers have difficulties in responding to the many requirements imposed by procuring companies.
- (iii) There is no established system for collecting environmental information.
- (iv) Procuring companies have not established procedures for assessing suppliers' environmental management.

To resolve these problems, procuring companies should cooperate with suppliers, promote collaboration through the relevant industry group, and utilize eco-friendly loans and others offered by financial institutions.

The following discusses the efforts required for the promotion of green procurement from the viewpoint of each supplier and manufacturing company.

### **3. Suppliers' viewpoint**

#### **(1) Benefits resulting from green procurement implemented by suppliers**

The following describes benefits resulting from the strategic implementation of environmental management through green procurement.

##### **(i) Risk evasion**

In Europe, for instance, companies are required to generate data on chemical substances used in products and others in accordance with the RoHS Directive<sup>2</sup> and REACH Regulations<sup>3</sup>, and also to comply strictly with the water pollution and air pollution prevention laws. As environmental regulations will become increasingly stringent in the future, it will be necessary to take various response actions throughout the value chains.

If a company cannot comply appropriately with these regulations, it may be ordered to pay a fine, suffer damage to its reputation and/or face the suspension of business transaction with business partners.

##### **(ii) Enhancement of added values**

As suppliers become more aware of the relationships between the acquisition of business opportunities and evasion of risks through the implementation of environmental management, they can enhance added values and reduce environmental impacts at the same time. Since enhancement of added values is achieved by the expansion of sales and the reduction of costs, it is necessary to pay heed to financial effects when addressing environmental activities.

For example, the reduced use of resources or energy achieves a cost reduction and improves the capability to respond to resource constraint needs. It is effective to actively propose improvement measures at business sites and aggressively conduct activities that are both environmentally and financially beneficial.

##### **(iii) Continual business association and expansion of business**

By actively promoting environmental management, suppliers can increase the level of business partners' trust in their general business management, thus solidifying the business relationships with the procuring companies. It also becomes possible to capture latent business opportunities and evade risks by setting sights on the entire value chain. Furthermore, by addressing those issues with the cooperation of business partners, suppliers gain opportunities for business expansion. This benefits both suppliers and their business partners.

##### **(iv) Higher company evaluation by other parties**

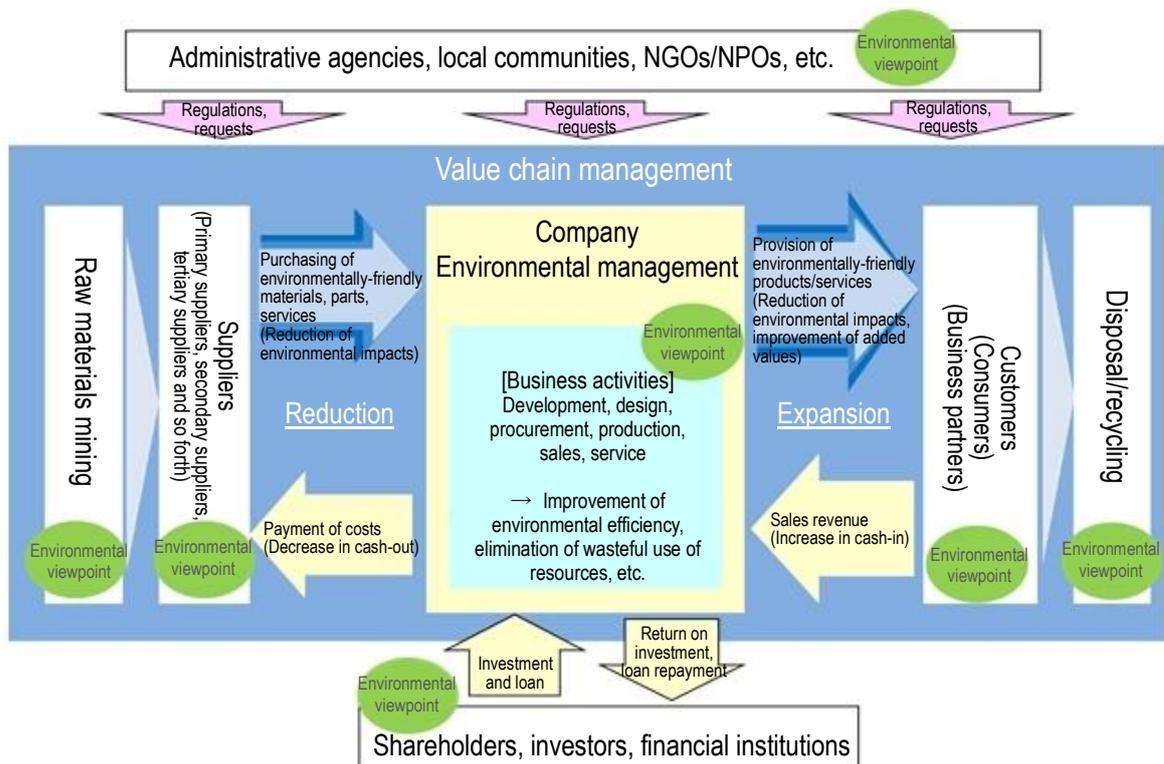
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<sup>2</sup> RoHS Directive: RoHS stands for Restriction of the use of certain Hazardous Substances in electrical and electronic equipment. The RoHS Directive prohibits the use of specified hazardous substances in electrical and electronic products. As of July 1, 2006, the RoHS Directive prohibits sales of electrical/electronic equipment that contains more than the specified quantities of the six specified substances (mercury, cadmium, lead, hexavalent chromium, polybrominated biphenyls, polybrominated diphenyl ethers).

<sup>3</sup> REACH Regulations: REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals. REACH is a European Union regulation concerning the registration, evaluation, authorization and restriction of chemical substances enacted on June 1, 2007.

Responding to the requests and expectations of stakeholders<sup>4</sup> surrounding the company allows for accurate understanding of market needs and reliable acquisition of profit-making opportunities. Moreover, publication of environmental reports and so forth strengthens the image of being an environmentally-conscious company, thus raising the social confidence in the supplier, and can also lead to the preferred selection of the company by students seeking employment and of its products by consumers.

### Schematic of environmental management



(Explanation of the schematic)

Companies purchase parts and so forth from suppliers, provide products, etc. to customers, collect payments for the sales of products, etc., and make payments to suppliers. Decreasing inputs such as raw materials and increasing outputs (added values) to customers are common environmental and management objectives of companies. For example, decrease of the quantities of parts purchased, utilization of recycled products, and improvement of quality lead to the reduction of environmental impacts by curtailing the use of resources and energy. In development, production and sales activities, such efforts and activities can lead to the improvement of quality and efficiency.

Emissions of environmental impact substances are subject to regulations concerning the environment and social issues and are also monitored closely by society. Thus, reducing environmental impacts helps circumvent risks. Furthermore, financial institutions are charged with the role of providing financial assistance to companies striving to reduce environmental impacts and helping them conduct such activities smoothly.

<sup>4</sup> Stakeholders refer to individuals or groups who affect and are affected by an organization and its actions. Stakeholders can include consumers, shareholders, investors, financial institutions, administrative agencies, local communities, NGOs/NPOs, researchers and students.

## **(2) Towards strategic implementation of environmental management**

To strategically implement environmental management, it is necessary to identify critical environmental issues and strategically respond to such issues. The following shows an example of the general flow of such activities.

I.	Understanding of inputs (use of resources, energy, water, etc.) and outputs (generation of environmental impacts) over the life cycles of products, etc.
II.	Identification of critical issues based on the effects on company management. (Gaining the understanding of critical issues by responding to stakeholders' requests, etc.)
III.	Establishment of policies and business strategies for responding to critical issues.
IV.	Establishment of short-/medium- and long-term plans.
V.	Appropriate implementation of organizational systems (including EMS) and their dissemination among all employees.
VI.	Understanding and evaluation of achievements by management executives, and implementation of improvement measures.

For the identification of critical issues, it is necessary to give comprehensive consideration to the following.

Financial effects (profit-making opportunities and risks) and their estimated durations
Effects, policies and directions of legal regulations
Common issues for companies in the same trade and response actions of other companies
Stakeholders' requests and social concerns
Physical effects of natural disasters, accidents, etc.

To thoroughly understand critical issues, it is necessary to grasp the use of resources and energy as well as the generation of environmental impacts by activity type.

Reference: Environmental management development steps

For your reference, models of environmental management development steps based on time axis, scope and strategy are shown below. Business operators are advised to work toward achieving a higher level of environmental management.



Level	I	II	III
Type	Fulfillment of business requirements such as external requirements	Focused implementation of environmental management in the short term and in a limited scope	Strategic implementation of environmental management in the medium- and long-term and in a broader scope
Example	Implementation of in-house environmentally-conscious activities in a narrow scope according to the legal requirements concerning water, air, chemical substances as well as the requests of business partners	Implementation of environmentally-conscious activities that tend to produce short-term effects, such as reductions of energy use, resource use and waste generation, within the range of business activities	Identification of medium-/long-term critical issues for the entire value chain, incorporation of those issues in the management strategy, and implementation of response measures with the cooperation of business partners

[Explanation] As the level increases from I to III, the companies' environmentally-conscious activities (in green) become more integrated with management activities and the range of activities also expands and encompasses the value chain ( $\Leftrightarrow$ ). Furthermore, conducting more advanced environmentally-conscious activities, such as extending the time schedule of activities and trying to achieve total optimization of response actions to multiple environmental issues, is expected to advance the environmental management closer toward the ideal state of environmental management.

**(3) Efforts required from suppliers**

The following should be addressed with increased efforts in accordance with the future direction of environmental management. Each company should select focus areas from those shown below, and address them in phases. For concrete examples of efforts and activities, refer to the accompanying documents.

(i) Leaderships of management executives and administrators

The leaderships of management executives are especially important for strategic implementation of environmental management for promoting green procurement. Management executives must play the important role of clearly presenting to people inside and outside the company their commitment (promise) to taking actions for environmental issues.

To promote environmental management effectively, administrators of companies should

acquire knowledge pertaining to environmental aspects, recognize business opportunities and risks, and encourage management executives to take response actions.

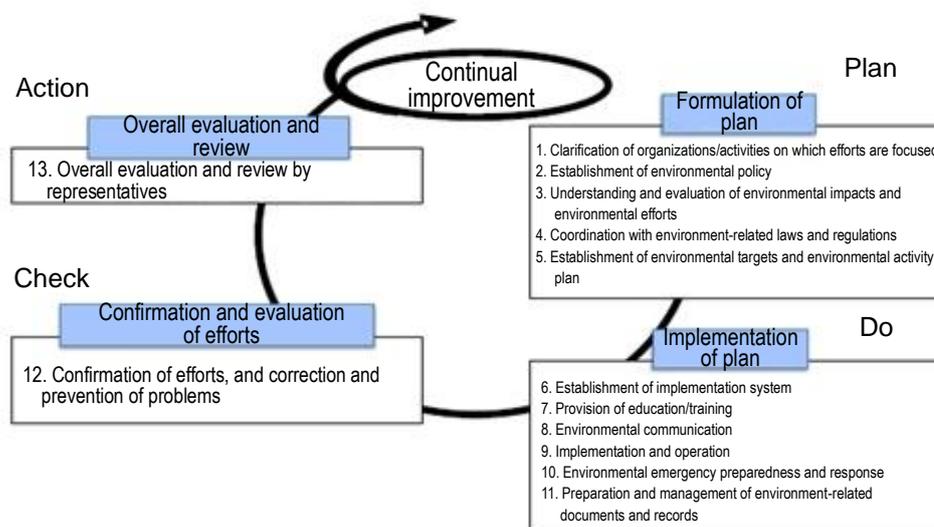
(ii) Incorporation of environmental viewpoint into management activities (strategic response)

Under the leaderships of management executives, incidents that occur in ordinary business activities and can create business opportunities or risks in terms of environmental, financial and social aspects should be extracted as critical issues. Then, policies and strategies for those issues should be formulated and implemented strategically and systematically. Also, it is advisable to address those issues from the medium-/long-term viewpoint.

(iii) Establishment and implementation of organizational system

Strategic promotion of environmental management requires the establishment of an appropriate organizational system. This means clarification of the roles, responsibility and authority of organizations, their positions in the company, control procedures, etc. In particular, integrated management and environmental efforts require close collaboration between the management or personnel in charge of management strategies and personnel in charge of environmental activities, for example, positioning of the environment function within the administration department [see i) in Annex 4].

The environmental management system<sup>5</sup> (EMS) is essential for ensuring appropriate operation of the organizational system for environmental management. EMS allows continual communication with employees and helps realize employees' improvement plans and proposals.



**Figure: Environmental management system and PDCA cycle**

(iv) Environmental risk management (preventive response)

To comply with the laws and regulations concerning chemical substances and to take preventive actions against natural disasters, accidents and so forth, it is imperative to thoroughly manage environmental risks. To that end, it is recommended to establish a risk management system from the medium-/long-term viewpoint in order to ensure legal compliance and the

<sup>5</sup> Such as ISO 14001 and Eco-Action 21

stable supply of goods by the value chains (supply chains). Also, note that business continuity management (BCM) is also effective.

(v) Establishment of appropriate information gathering system

To make the management system effective, environmental information pertaining to business activities needs to be accurate. To that end, information and communication technology (ICT) and others should be utilized to establish an in-house information gathering system.

For value chain management, environmental information must be interlinked and communicated from upstream companies to downstream companies. It is necessary to keep in mind the provision of accurate information to procuring companies.

(vi) Employees' competence (environmental education)

To conduct strategic environmental management, it is necessary to position competent personnel, such as those who can decide on environmental activities to be conducted from the viewpoint of management executives and those who can execute environmental activities at the field level, in the right places in the organization. Therefore, it is important to develop personnel capable of properly executing environmental management (see Annex 3).

Incorporating environmental aspects into the achievement evaluation and personnel assessment allows proactive assessment of administrators and personnel in the field. Such evaluation systems motivate employees to promote environmental management [see ii) in Annex 4].

(vii) Internal audit

Internal audits conducted with a special focus on high risk issues are effective. In particular, periodic or ad-hoc checks of efforts and activities conducted mutually by relevant departments in the company can solidify the management system. This also promotes mutual understanding and closer communication, and vitalizes proposal making to improve the quality of activities.

Companies are also expected to conduct internal audits on the reliability of important environmental information. Seeking advice from inspectors for ISO 14001 and Eco-Action 21 within an allowable range is also effective.

(viii) Response to stakeholders

Companies should gain a good understanding of stakeholders such as customers, shareholders, financial institutions, business partners, employees, investors, local communities, administrative agencies, NGOs/NPOs, knowledgeable persons and students, and sincerely respond to their requests and expectations.

In order to respond to stakeholders, it is desirable to conduct and promote customer relations activities, surveys on employees' satisfaction, exchange meetings with business partners, dialogue, collaborative business activities, etc. as part of routine management activities. The results of responses to stakeholders should be reflected in business activities and decision-making [see iii) in Annex 4].

(ix) Value chain management

The responsibility of business operators is expected to grow in the future. Therefore, it is necessary to take into consideration the effects of environmental impacts of business activities

on individuals and communities. Environmental impacts can cause a wide range of effects in various fields, such as constraint on the use of resources and energy, climate change, water pollution, chemical substance management, air pollution, forestry preservation, and biodiversity conservation. By responding to stakeholders, companies can accurately understand incidents that could be critical issues for them.

(x) Consideration of financial effects

When a company makes important decisions or determines the direction of environmental activities by giving consideration to the conditions of environmental impacts generated and their effects on the company, it is advised to also take financial effects into consideration. Specifically, a company may choose to prioritize activities that will lead to cost reductions, avoidance of financial risks, and sales increases [see iv) in Annex 4].

(xi) Consideration of social effects

Environment-related issues can create social problems. It is necessary to make sure that business transactions will not generate problems such as child labor in other countries. Caution shall be exercised in order to prevent the use of illegally collected raw materials (see Annex 6).

(Reference) Value chain management

It is also important to manage business opportunities and risks throughout the value chain, for example, by using a list of numerical data for individual activity ranges similar to the table below.

Activity range	Main organization	Region	Use of resources/energy	Resources recycling	Product and generated environmental impacts	Business opportunity/risk
Raw materials, development	External organization					
Raw materials transportation	Subsidiary*					
Materials processing	Subsidiary*					
Manufacturing	In-house*					
Product transportation	In-house*					
Use	Customer					
Disposal	Entrusted party*					

Use approximate numerical data for management

\* Within the scope of EMS requirements

#### **4. Viewpoint of procuring companies**

##### **(1) Preparation of green procurement standards**

###### **(i) Preparation of green procurement standards**

To implement green procurement, each company should identify its green procurement policy and details, produce a green procurement standards document, and disseminate it throughout the company.

###### **(ii) Implementation of green procurement standards**

If there is any change in a pertinent law, the change must be reflected in the green procurement standards. In addition, it is advised to periodically feed back implementation results and revise the green procurement standards as needed, in order to effectively implement green procurement.

(Reference) For companies that offer a diverse range of products, details of green procurement may vary depending on business transactions. In such cases, the green procurement standards may present only the concept such as the green procurement policy. Then, after the green procurement standards are disseminated throughout the company, concrete details can be determined and implemented by the procurement department and other related departments based on the established standards.

##### **(2) Expectations from procuring companies**

###### **(i) Requirements, etc.**

Green procurement requirements vary depending on the characteristics of companies. To prompt business partners to implement strategic environmental management through green procurement and achieve maximum effects from it, it is advised to establish green procurement standards by referring to each item described in “3. (3) Efforts required from suppliers.”

###### **(ii) Step-by-step implementation and guidance**

For some suppliers, green procurement may be difficult to implement immediately due to limited personnel and/or funds. In such cases, it can be implemented in steps. For example, compliance-related requirements, request for the establishment of EMS, collaborative environmental efforts, etc. can be responded to and conducted in phases. This approach is very effective for improving suppliers' environmental management.

To improve the levels of suppliers' environmental management through business transactions, it is recommended to provide guidance and cooperation within a possible range.

(Reference)

The following gives examples of green procurement implementation methods.

(i) Agreement document

An agreement or contract can be used to request the implementation of green procurement. The agreement makes clear the terms and conditions pertaining to green procurement that are mutually agreed between the two companies, thus allowing both companies to confirm the compliance to agreed items at anytime. This helps ensure reliable execution.

(ii) Factors to be considered in the selection of suppliers

Green procurement may be used as a key factor for selecting suppliers, just as the price and quality are. For instance, procuring companies may select suppliers based on conditions such as nonuse of prohibited chemicals and establishment of environmental management systems by suppliers. The use of green procurement as a key factor for selecting suppliers serves as a catalyst to promote not only directly associated suppliers, but also secondary suppliers to address environmental management more energetically.

**(3) Relation to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors**

Implementation of green procurement imposes the possibility of violating the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (hereinafter referred to as the “Subcontractor Act”). The following describes the significance of the Subcontractor Act and key points in implementing green procurement.

(i) What is the Subcontractor Act<sup>6</sup>?

The Subcontractor Act aims to make transactions of parental entrepreneurs with subcontractors fair and to protect the interests of the subcontractors by preventing parental entrepreneurs from abusing their superior positions against subcontractors.

(ii) Factors to consider in green procurement

- Commissioning of manufacture to another company is subject to the Subcontractor Act.
- When green procurement is specified as a requirement in the agreement or contract, it is important to make sure that the agreement or contract does not specify requirements pertaining to activities that the Subcontractor Act prohibits the company in the superior position from conducting. Improper agreements can violate the law even if the companies are not aware of their illegality.

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<sup>6</sup> Regarding the Subcontractor Act, refer to the following URL.  
<http://www.jftc.go.jp/sitauke/> (Official website of the Japan Fair Trade Commission)

**<Annex 1> Overview of green procurement standards (example)**

The following shows an overview of green procurement standards.

Item	Description	Remarks
1. Need for value chain management	- Environmental issues recognized by the procuring company and main environmental efforts - Need for value chain's efforts	The procuring company describes the need for addressing green procurement in order to raise the awareness of its necessity among suppliers.
2. Environmental policy, etc.	Corporate environmental philosophy, environmental policy, action guidelines, etc.	The procuring company communicates the concept of its environmental management in order to enable suppliers to appropriately respond to green procurement.
3. Concept of green procurement	- Green procurement implementation policy - Scope of green procurement application (specific range of delivered goods, etc.)	It is necessary to clarify the green procurement policy and application scope for appropriate implementation of green procurement.
4. Concrete description of requirements	- Annex 5: Environmental management assessment checklist (example) - Annex 6: Social and other matters (examples)	- See “(3) Efforts required from suppliers” in “3. Suppliers' viewpoint” as consideration items if required. Also, refer to Annex 5. - Companies sometimes make specific requirements such as prohibition of use of certain chemical substances <sup>7</sup> . (In recent years, companies' efforts have extended beyond green procurement and include the promotion of CSR, in order to fulfill their social responsibilities. Social and other matters to be considered are described in Annex 6.)

<sup>7</sup> The electrical/electronic equipment industry and automobile industry already manage information of materials using unified forms. For example, the information communication sheet standardized by JAMP (Joint Article Management Promotion-consortium) is used by supply chains for managing information of chemical substances (refer to the following URL).

<http://www.biz.jemai.or.jp/JAMP-GP/>

**<Annex 2> Results of survey on business operators' awareness (excerpt)**

**<Annex 3> Career advancement of environmental management personnel (example)**

**<Annex 4> Examples of environmental management efforts**

i) Examples of organizational system for strategic promotion of environmental management

- An organization system for CSR is established for the entire company group, encompassing the company presidents, business sites and group companies, and management issues detected through activities are deliberated by board members and reflected in the activities planned for the following fiscal year.

- To strengthen CSR management, a CSR Department is established by integrating the Environmental Management Department, the Quality Management Department and the personnel function of the General Affairs and Personnel Department. The personnel in the CSR Department who are in charge of planning take charge of discussion and formulation of schemes for individual issues related to the environment, quality, etc. in the CSR Committee meeting chaired by the company president.

ii) Example of inclusion of environmental aspects in personnel evaluation

Long-term management targets are established from the following three perspectives: “financial axis” such as profit, “environmental axis” such as global warming prevention, and “social axis” such as compliance reinforcement. These targets are incorporated into departmental targets every fiscal year, and the levels of achievement of the targets for the three axes are evaluated and reflected in determining the salaries and bonuses for the department managers and employees in higher positions.

iii) Example of collaboration with business partners

When a company selects a new supplier, its representative visits the supplier. If the representative of the procuring company detects inadequate environmental data collection at the supplier's site and determines that the supplier's EMS is inadequate, the procuring company's trainer provides environmental education and guidance to the procurement department of the new supplier using the procuring company's original program. To ensure reliable implementation of the program, the procuring company gives explanation directly to the management of the supplier and obtains consent at the time of supplier registration.

iv) Example of environmentally-conscious activities implemented with consideration given to their financial effects

The procuring company works together with the suppliers regarding energy saving, resource conservation, use of recycled materials, and other environment-related matters when purchasing materials and parts, and also addresses the rationalization of costs at the same time. The company also shares the information on successful efforts with the suppliers in order to promote horizontal deployment of environmental efforts.

**<Annex 5> Environmental management assessment checklist (example)**

**<Annex 6> Social and other matters (examples)**