

Green Procurement Standards

April 2020

DAIDO KOGYO CO., LTD.

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Introduction

We at Daido Kogyo Co., Ltd, are committed to maintaining and improving the environment through our corporate activities, in line with our “environmental policy”.

These “Green Procurement Standards” set out the “standards governing the approach to the environment” for the suppliers from whom we procure goods and services, with the aim of creating products and services that help achieve a recycling-oriented society, and reducing our overall environmental impact.

We ask you to understand that your continued environmental improvement activities are essential in reducing the environmental impact associated with our products and services, and to cooperate with our approach.

DAIDO KOGYO CO., LTD.
Administration Division Procurement Department

1. Aim of Green Procurement

In order to achieve a recycling-oriented society and protect the global environment, we in the manufacturing industry must build and execute plans to reduce our environmental impact by paying attention to all product stages. This starts from the design of products, procurement of materials, manufacture, use by the customer, and up to recycling/disposal of the product by the customer.

Additionally, legislation relating to the use of chemical substances is advancing in each country, notably the European ELV and RoHS2 directives and REACH regulations, and corporate activities that comply with relevant laws are required.

As part of Green Procurement, the Daido Kogyo Group hereby defines prohibited substances and control standards regarding chemical substances included in the raw materials and parts comprising Daido Kogyo products. By cutting down on substances of environmental concern contained in Daido Kogyo products, we aim to contribute to society. The Group will also promote the preferential purchase of environmentally friendly items from suppliers who are implementing activities to improve the environment.

2. Applicability of Green Procurement

- 1) Green procurement applies to all procured items, and their suppliers, that are involved with products that Daido Kogyo manufactures and sells.
- 2) “Procured items” covers completed goods, completed parts, and production materials (parts, raw materials, indirect materials, auxiliary materials)

3. Definitions of Terms

- 1) Prohibited substances: Substances whose use is restricted by regulations (P)
- 2) Notification substances: Substances where there is a legal obligation to notify the amount used (P/D)
- 3) Monitored substances: Substances that are required to be declared when their use exceeds a threshold (D)
(For details on the three substance categories indicated above, refer to “Daido Kogyo Guidelines on Chemical Substances GD001”.)
- 4) Intentional Inclusion
Intentional adding or inclusion of a substance in a manufacturing process in order to maintain the characteristics, quality, functions or appearance of a material, etc.
- 5) Homogeneous materials
This refers to single materials that cannot be mechanically separated.
- 6) Threshold
The permissible density/weight ratio for judging inclusion. Substances of intentional inclusion are to be controlled /reduced even if within the threshold.
- 7) Evidence
The actual data that proves the inclusion of chemical substances, such as composition tables for chemical substances, mill test reports, and analysis data.
- 8) Supply chain
The flow of materials from procurement, manufacture, sales, physical distribution, until the final product reaches the end user. In green procurement, substances of environmental concern must be traceable back to the raw materials throughout the supply chain (from material procurement down to the final product).
- 9) SDS (Safety Data Sheet)
A record of the information necessary to safely handle chemical substances, raw materials that contain chemical substances, etc.

4. Requirements of Suppliers

The requirements we request suppliers to observe in order to advance green procurement are indicated below. We ask for your understanding of our perspective toward the environment and for your cooperation.

1) Submission of green procurement/supplier survey slip

This survey slip is for suppliers to inform us of their approach toward the environment.

The slip is to be submitted as follows.

<Submission Timing>

New suppliers: Upon opening of trading account (Form GR001)

Suppliers already trading with us: Every 3 years

(On the date specified by Daido Kogyo for checking the supplier survey slip)

2) Survey of procured items

The survey shall cover the status of the supplier's approach to the environment, and whether or not there is any inclusion of prohibited substances (P), notification substances (P/D), or monitored substances (D) as specified in "Daido Kogyo Guidelines on Chemical Substances GD001", and the evidence therefor. Under these green procurement standards, items that do not pass out of Daido Kogyo sites (office supplies, some facility equipment, etc.) are not subject to survey. Where the supplier is a trading company or agency, we ask that either they have the company that manufactured the delivered procured goods conduct and fill in the survey, or that the supplier conduct the survey and report on their own responsibility.

<Documents to be Submitted>

(1) Certificate of non-inclusion of prohibited substances (P) (GR001-2)···Mandatory

(2) Prohibited substance (P) / notification substance (P/D) / monitored substance (D)
inclusion report (GR001-3)···Mandatory

(3) SDS (Safety Data Sheet)···Mandatory for chemical industry products

(4) Evidence of prohibited substances···To be submitted when requested by Daido Kogyo

* Daido Kogyo may request evidence of non-inclusion of substances restricted under the ELV and RoHS2 directives upon customer request. In such case, please submit analysis data in addition to (1) and (2).

(If inclusion has been found in qualitative analysis, be sure to conduct quantitative analysis as well.)

<Submission Timing>

New suppliers: Upon opening of trading account

Suppliers already trading with us: (1) When a new trade item (first piece) is added

(2) When the Daido Kogyo Guidelines on Chemical Substances
(GD001) are updated

3) Responses to individual survey requests

We may ask for a survey on an individual chemical substance upon customer request. In such cases we appreciate your prompt response.

<Daido Kogyo forms to be individually submitted>

(1) Contained chemical substance composition table (GR003)

(2) SVHC inclusion survey sheet (GR004)···We will send the latest form upon survey request.

* If there is any inclusion of substances of very high concern (SVHC) pursuant to REACH regulations, there is an obligation to provide information on the inclusion to customers.

4) Requirement to build an environmental management system (EMS)

In order to fulfill environmental responsibilities, we request suppliers to build an environmental management system (EMS) and acquire certification under either the ISO 14001 international standard or an equivalent standard, or to implement activities of an equal nature.

5) Evaluation and control of substances of environmental concern throughout the supply chain

We request suppliers to evaluate and control substances of environmental concern throughout the supply chain to ensure that none are contained in the products delivered to Daido Kogyo.

6) Regulatory and other compliance requirements

Daido Kogyo complies with legal and regulatory requirements, along with customers' requirements. Accordingly, suppliers are also requested to ensure that items delivered to Daido Kogyo comply with applicable laws and regulations.

7) Cooperation with auditing

In order to check your responses, we may ask to carry out an on-site audit at your premises or for submission of documents.

5. Handling of Information

Daido Kogyo will not disclose any company information or personal information acquired in the course of green procurement activities without prior consent. This however shall not apply to cases where disclosure is necessitated such as due to legal request.

Information regarding substances of environmental concern (analytical data, SDS, etc.), or documented information, may be disclosed to customers as Daido Kogyo product information, while being treated as confidential information with adequate consideration given to preventing its leakage.

6. Green Procurement: Group Companies

The companies that participate in Daido Kogyo's environmental management system are listed below.

Company Name	Department Name
Daido General Service Co., Ltd.	Sales Department Service Department
Daido Techno Co., Ltd.	Machine Tool Maintenance Department No. 1 Manufacturing Department No. 2 Manufacturing Department Machine Tool Department

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This document is subject to revision without prior notice.

For the latest edition, please refer to our company website.