

Green Procurement Guidelines

(Requests for "Responsible Procurement")

Ver. 3.0

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■ Outline of chemical substance control at Nihon Parkerizing

April 1, 2022
Nihon Parkerizing Co., Ltd.
Masayuki Yoshida,
Director, General Manager of Technical Division

"The 2030 Agenda for Sustainable Development Goals (SDGs)" were adopted at a UN General Assembly on September 25, 2015. People worldwide have an eye for crises such as environmental destruction and human rights abuse. Nihon Parkerizing Co., Ltd. is also engaging in CSR activities as we recognize the social responsibilities of corporations and aim to communicate with and contribute to the neighborhood. At the same time, we try to minimize any adverse impacts on the environment and people in our day-to-day activities.

After analyzing the potential impacts of our business on the environment and people, we have concluded that we are concerned about the manufacturing, sale and use of chemical products, which is one of our core businesses. That is why we have initiated "Chemical Substances Control activities" in addition to our quality and environmental management activities. These initiatives have been ongoing since 2014.

Furthermore, Nihon Parkerizing's chemical substances control covers the entire lifecycle of chemical substances (product supply chain). They are raw materials procurement (including their manufacture by suppliers and the preceding stage), research and development, manufacturing, and use by our customers and end-users for the disposal of chemical substances. The ultimate goal is to reduce a wide range of risks throughout the life cycle mentioned above, including eliminating hazards and toxicity to people and the environment, improving the work environment and protecting human rights. We need inputs from suppliers to ensure whether substances are highly hazardous or concerned to humans or the environment. To achieve the ultimate goal, Nihon Parkerizing published its "Green Procurement Guidelines" and related documents on October 1, 2018.

For some time, Nihon Parkerizing posted a "Prohibited and Controlled Substances for Packaging" list on our website. The company has recently extended the scope of the management of chemical substances to the packaging materials for our products, as well as for raw materials, to respond to changes in social conditions and the requirements of our customers. From now on, we will also survey raw materials used in our products and raw materials packaging containers for our products. We would appreciate your understanding and cooperation.

Nihon Parkerizing publishes these Green Procurement Guidelines and related documents on our website and updates them as necessary with social conditions. We will continue to engage in chemical substance management activities as these are important for accumulating scientific knowledge and responding to changing social conditions. Therefore, we would like to ask our suppliers and other stakeholders to check the latest information as necessary and immediately report any new information to our company.

■ Definitions

The definitions of each term in these guidelines will be as follows;

- Raw material
Materials and commodities procured for use in the products of Nihon Parkerizing.
- Container
All containers, packages and packaging materials used for raw materials procured by the company and used for the products manufactured by the company.

E.g., Craft paper bags, cloth bags, cardboard boxes, flexible containers, plastic containers, steel pails and drums, IBC containers, ISO containers, tank lorry tanks, and all other packaging containers.

- Suppliers

- ① All suppliers deliver products and commodities to Nihon Parkerizing, whether directly or indirectly (through an agent).
- ② Suppliers who deliver containers to be used for packaging the products of Nihon Parkerizing.

- Self-diagnosis Report

This means the "Self-diagnosis Report on Management of Chemical Substances Contained".

■What does "the Green Procurement" means?

The Green procurement here means we preferentially procure raw materials and containers from suppliers with a low environmental load. It also means working together with each supplier to reduce the use of dangerous and hazardous substances.

■Request to suppliers

We request our suppliers to implement the following measures for our Green Procurement.

Please submit the "Self-diagnosis Report on Management of Chemical Substances" in Item 1 in the list below. We will not inspect Items from 2 to 7 below. A conclusion of the "Memorandum on Management of Chemical Substances" in Item 8 will substitute item 2 to item 7.

In August 2017, we requested that distributors submit updated SDS and labels. For distributors who have already submitted the latest editions, there is no need to resubmit these in case the details have not changed.

1. Submit a Self-diagnosis Report on the Management of Chemical Substances
2. Comply with the Nihon Parkerizing Chemical Substance Management Standards
3. Comply with Prohibited and Controlled Substances for Packaging List
4. Submit Safety Data Sheets (SDS) in compliance with GHS (Japanese)
5. Affix labels
6. Provide prior notice
7. Prevent leakage
8. Conclude a Memorandum on Management of Chemical Substances

■Explanations of each request

Please download the formats for items below, marked as "See Website" and substances list from the Nihon Parkerizing website.

URL: https://www.parker.co.jp/CSR/s_with_customers.html

1. Submit a Self-diagnosis Report on Management of Chemical Substances (See website)

This document aims to learn the state of management of chemical substances at each supplier and check whether the control of the chemical substance is ongoing. Suppliers, who have already submitted this Self-diagnosis Report as part of registering a raw material, do not need to resubmit the report. We will review the information previously submitted.

Nihon Parkerizing will review the report received. If the review results indicate that a supplier is qualified, we will continue with the transactions. We may continue the transactions even if the review results indicate the supplier is not permitted. However, the transactions will be "conditional". We may request improvements, and we would appreciate your cooperation. (Please refer to the flow chart on Page 7 and on.)

1.1 If a supplier cannot satisfy the requirements of Nihon Parkerizing:

- (1) If a supplier cannot satisfy the requirements of Nihon Parkerizing, we will issue a "Request for Improvements" to the supplier.
- (2) Please resubmit the Self-diagnosis Report by the deadline specified in the Request for Improvements*.
- (3) If the results of the review of the resubmitted Self-diagnosis Report indicate that the supplier satisfies the requirements of Nihon Parkerizing, we will continue transactions. If the results do not meet the criteria of Nihon Parkerizing, we will conduct a Process Audit.
- (4) We will continue transactions when a supplier meets the requirements of the Process Audit. If the supplier fails the audit, the transactions will be "conditional". We will take measures such as inspecting the production lot at all delivery or adding inspection items.
- (5) If transactions with a supplier become "conditional", we will once again send a "Request for Improvements" to a supplier after a certain period so that we can resume regular transactions. We would appreciate your cooperation with this process.

Note: The improvement deadline is six months after receiving a "Request for Improvements". However, this will be within three months in the case of critical items.

1.2 Self-diagnosis Report for distributors

The Self-diagnosis Report for distributors confirms views of chemical substances management, and we presume that distributors are qualified. We do not anticipate that a distributor will fail. Even if the Self-diagnosis Report submitted by a distributor is unsatisfactory, it will be considered to meet the chemical substances management criteria of Nihon Parkerizing as long as the supplier's Self-diagnosis Report is qualified.

2. Compliance with the Nihon Parkerizing Chemical Substance Management Standards* (see website)

Please comply with the Chemical Substance Management Standards established by Nihon Parkerizing. Please refer to the attached "Nihon Parkerizing Chemical Substance Management Standards". The management standards are based on the regulations on the management of chemical substances in Japan and overseas and scientific knowledge on the hazards of chemical substances. Then, Nihon Parkerizing has selected substances that it has deemed banned or to be reduced or controlled. The Company has disclosed its views on chemical substances management and a list of prohibited substances and substances to be reduced or controlled. We post the latest version of the NP Chemical Substance Management Standards on our website. Please check the Nihon Parkerizing Chemical Substance Management Standards as necessary and endeavor to control products (commodities) and containers in according with our Standards. Please let us know without delay if anything arises that we must learn.

2.1 Nonuse of banned chemical substances in products supplied to us

Do not use the banned chemical substances listed in the Nihon Parkerizing Chemical Substance Management Standards. If a banned substance is detected in products delivered to Nihon Parkerizing or its customers, the deliveries of such products will be temporarily suspended. Substances with defined threshold values should be controlled not to exceed those ranges. Similarly, if the point has exceeded the specified range, the deliveries will be temporarily suspended.

2.2 Chemical substances to be reduced or controlled

We have selected target chemicals to be reduced from among chemicals that the Nihon Parkerizing consumes a large amount of and may pose a risk to people and the environment. As to chemical substances to be controlled, we have selected substances that the company needs to rule based on regulations in Japan and overseas and from the perspective of social responsibility.

We will prohibit the use of toxic or hazardous chemicals to people or the environment in the same way as the banned chemical substances in Section 2.1 and establish thresholds. Unintentional contamination should be foreseen and monitored to the same extent as prohibited chemical substances.

3. Comply with Prohibited and Controlled Substances for Packaging List (See website)

Please comply with the List of Prohibited and Controlled Substances for Packaging established by Nihon Parkerizing. Please check that the prohibited substances are not contained in packaging materials (bags, cans, drums, and plastic drums). If packaging materials contain banned substances, there is a risk that such substances may leach out and contaminate the product delivered.

Nihon Parkerizing will approve the Company to use such packaging material.

- i. If the surface of the packaging material in contact with the product is coated with a protective coating
- ii. and such coating does not contain a prohibited substance, even though such packaging material contains a prohibited substance,
- iii. and in case Nihon Parkerizing determines there is no leaching out.

Please check the List of Prohibited and Controlled Substances for Packaging on the website of Nihon Parkerizing.

4. Submit Safety Data Sheets (SDS) in compliance with GHS (Japanese)

SDSs must be submitted as they contain information for handling the delivered products, such as the chemical and physical characteristics, applicable laws and regulations, toxicity and emergency procedures. (No need to resubmit if already submitted.)

As our main business is manufacturing and selling chemical products using chemical products and commodities procured from suppliers, we are required to constantly obtain the latest information and communicate it to our customers and society through our supply chain. Therefore, when revisions are made to SDS, please submit the revised version promptly to our Procurement Group. In addition, please submit SDS that conform to the latest GHS based on the most up-to-date information possible.

If there is an undisclosed CAS No. for an ingredient, please provide a separate report on the relevant ingredient's hazards, toxicity, and handling precautions.

5. Labelling

Please affix labels that meet the content of the SDS. If an SDS is revised, please check the details written on labels and update the labels if necessary. For products already in the trade,

please check the content of the label and SDS and submit a sample of the revised label if changes are required. Submit a revised SDS to the Procurement Group if revisions are made.

6. Advance notice

A decision on whether or not to continue using the substance will be made based on a comprehensive assessment of the name of the substance, the amount contained and other details. If you make any changes (changes in raw materials or manufacturing processes) that conflict with our Chemical Substance Management Standards, please notify the Procurement Group at least six months in advance. Please inform the Procurement Group at least six months in advance if you change SDS and labels. Depending on the timing of amendments to relevant laws and regulations, it may not be possible to give six months' notice, in which case, please give information without delay.

7. Preventing leakage

The packaging of raw materials should be made of materials that will not leak during transport to our company, during acceptance, and after acceptance, until used in manufacture by our company. Pallets should also be inspected when making a shipment to prevent damage to the cargo and leakage during transport.

In addition, the adhesion of raw materials to the outside package may cause contamination inside our factories after acceptance. Please ensure that raw materials do not adhere to the outside container during filling.

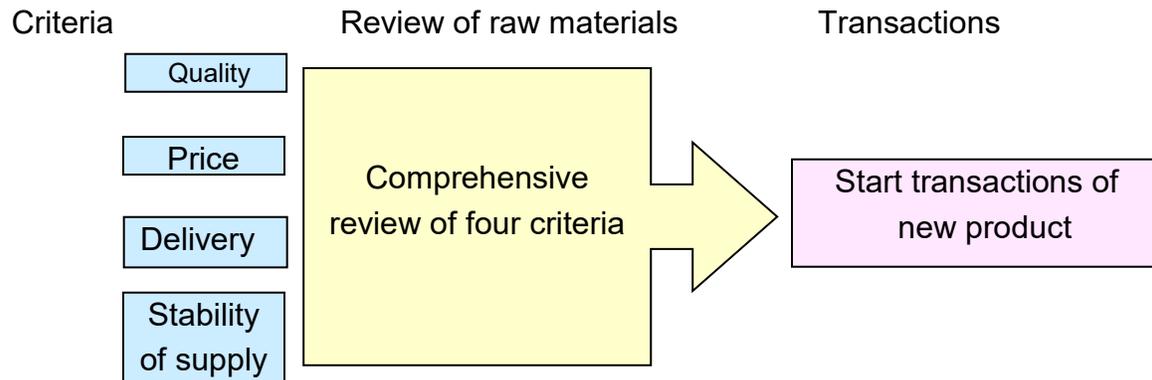
8. Conclusion of a "Memorandum on Management of Chemical Substances Contained" (hereinafter a "Memorandum")

After receiving a Self-Diagnosis Report and ascertaining other relevant information, we will conclude a Memorandum on Management of Chemical Substances Contained. The details in the Memorandum will be decided based on the status of Green Procurement activities. The company will disclose the Memorandum in advance. Please confirm the content before concluding the Memorandum. This form is not posted on the company's website. It will be sent separately.

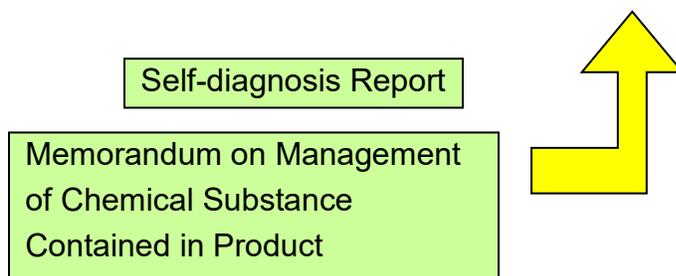
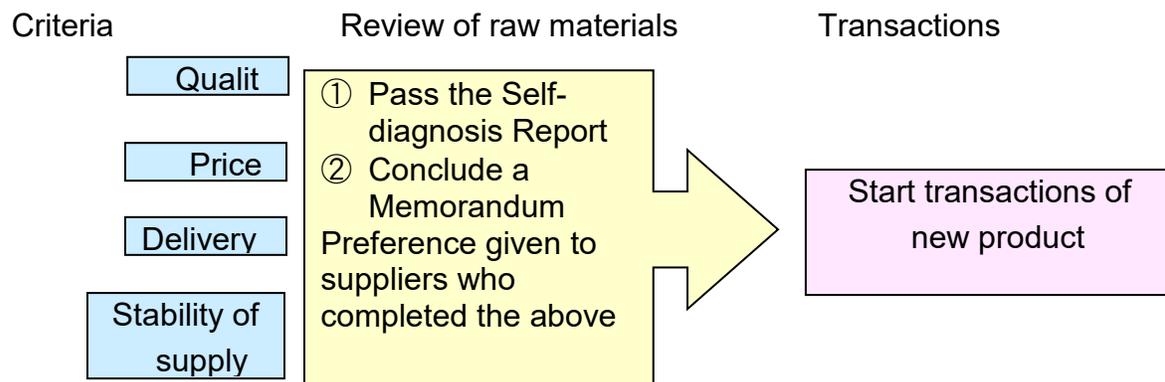
Transaction flow chart

Following is a flow chart of transactions. Preference will be given to suppliers who have passed the Self-diagnosis Report and concluded a Memorandum with Nihon Parkerizing.

Before



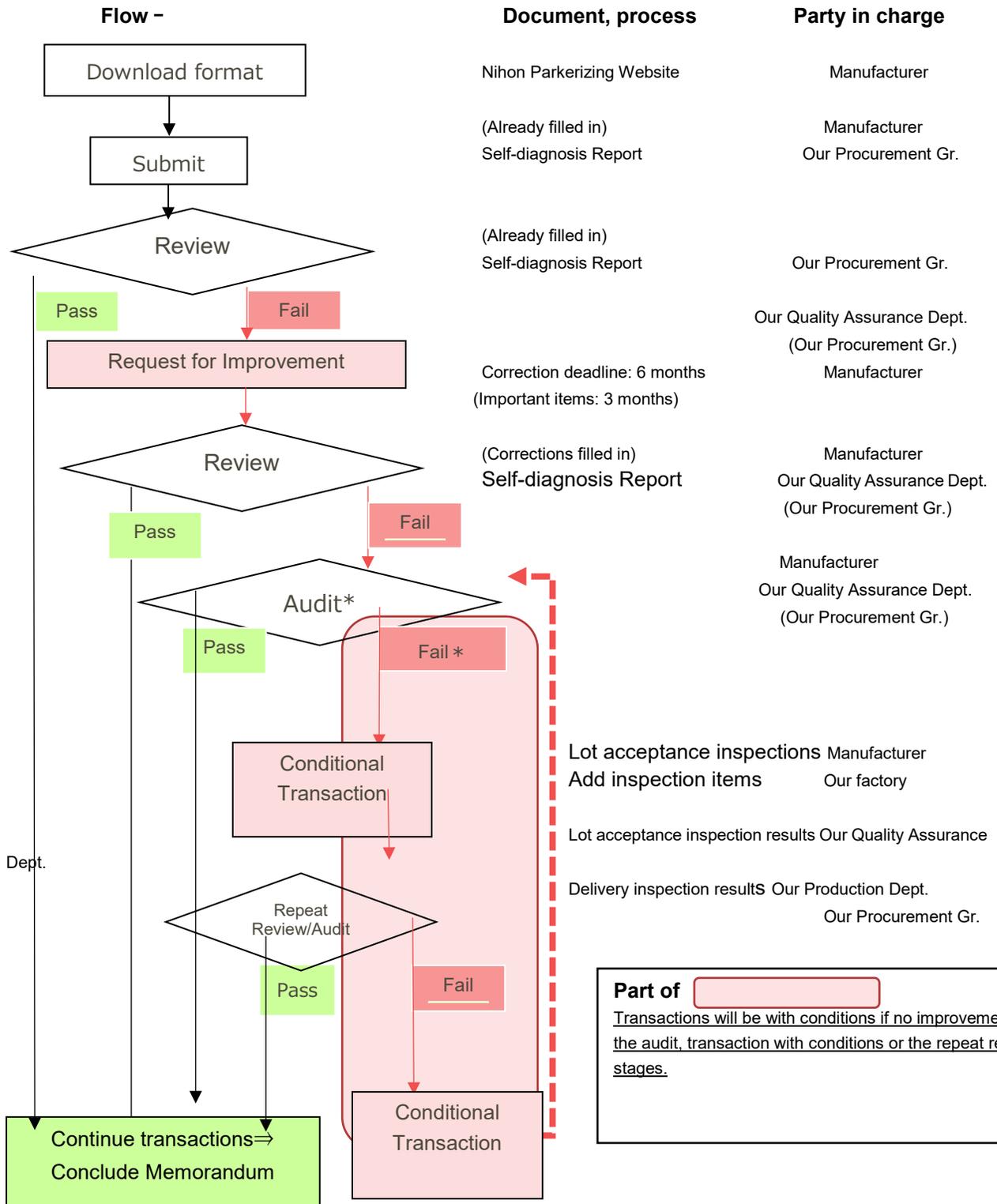
After the introduction of Green Procurement Guidelines



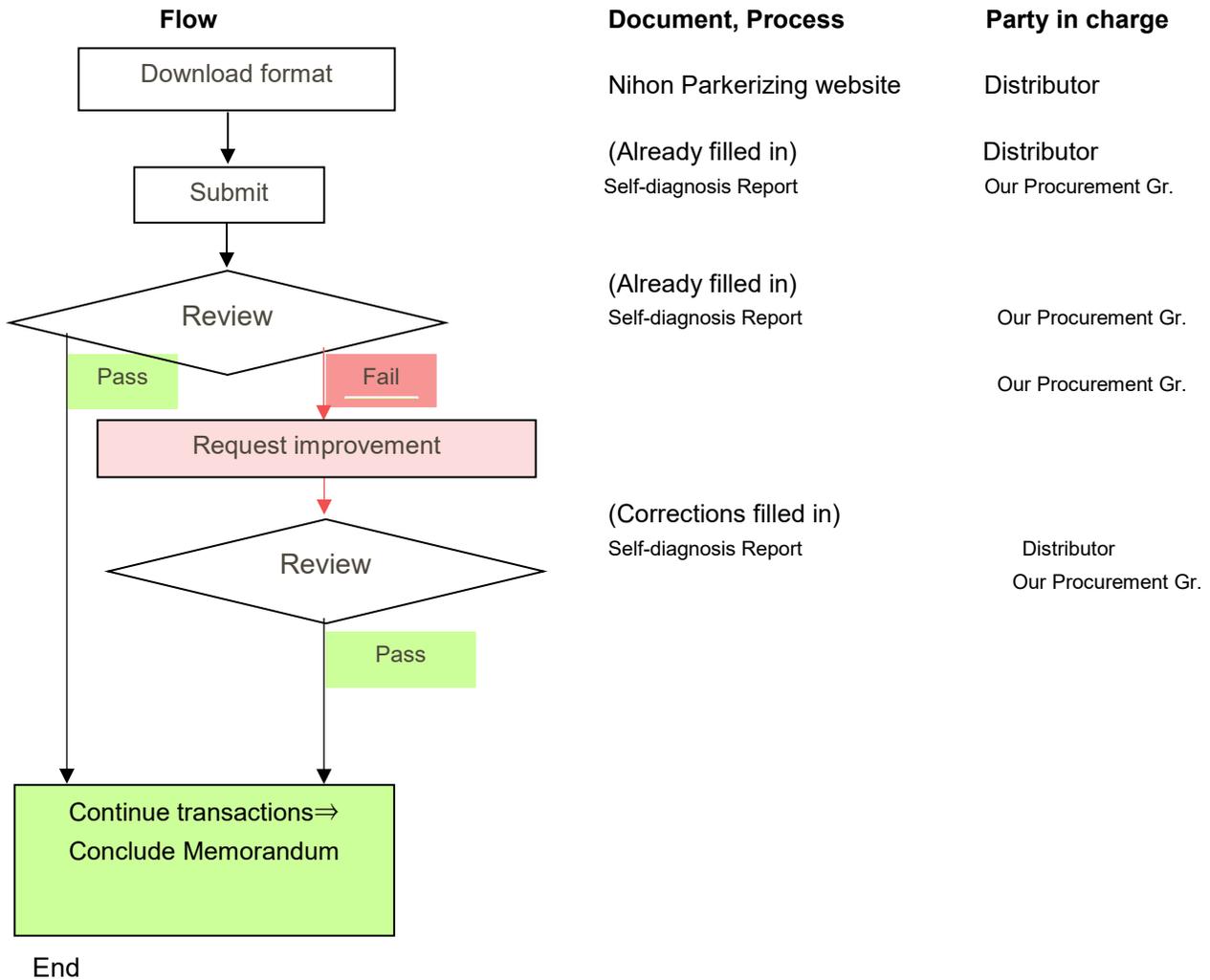
■ Flow charts

1. Flow charts for Self-diagnosis Report on Management of Chemical Substances Contained and Transactions with Conditions

(For Manufacturer)



2. Self-diagnosis Report (For Distributors)



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Thank you for your understanding and cooperation.