

Komatsu

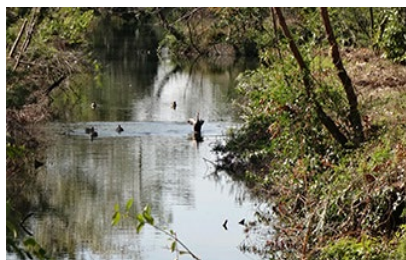
Green Procurement Guidelines



Satoyama Park...Osaka Plant (in Hirakata-shi, Osaka)



Komatsu no Mori (Satoyama Park)...Komatsu training center (in Komatsu city, Ishikawa)



Biotope in Oyama Plant



Biotope in Koriyama Plant

April 2023
Procurement Division

KOMATSU

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1. Preface

We would like to express our sincere gratitude for your continued cooperation with the production and procurement activities of the Komatsu Group.

Komatsu believes that "Corporate Value represents the total sum of trust the general society and our stakeholders place in Komatsu" and forms the foundation of its management approach. To further build the trust that society and our stakeholders have in us and ensure compliance throughout the Group, we adhere to the principles and rules of the United Nations Global Compact, which we joined in 2008, Komatsu's Code of Conduct, which was established in 1998, and the Komatsu Way, which summarizes our universal philosophy.

In August 2011, we published and distributed our CSR Procurement Guidelines to share Komatsu's "Approach to Corporate Social Responsibility (CSR)" with our suppliers and fulfill our social responsibilities.

In terms of the environment, we have asked our suppliers to reduce their environmental impact in line with the "Komatsu Earth and Environment Policy" established in 1992. However, our natural environment has changed dramatically in recent years, with the urgent need to address climate change, tight energy supply and demand, and increasingly stringent chemical substance management requiring that further efforts are made throughout the supply chain.

These Green Procurement Guidelines are being published and distributed to clarify various environmental management issues and responses from the CSR Procurement Guidelines. In this revision, we have added to and revised the content to address emerging issues.

We would like to ask for your further cooperation in strengthening CSR and environmental management based on our CSR Procurement Guidelines and Green Procurement Guidelines. This will allow you to fulfill your social responsibilities and by extending these practices to your suppliers, you can enhance your corporate value and strengthen your risk management.

April 2023
President, Procurement Division, Production Division
Goro Senda

2. Komatsu Earth and Environment Policy

(June 2022 revision)

We, at the Komatsu Group clearly defines the basic policies of environmental conservation, which will be the guidelines of business activities, when engaging in business activities while working to realize a sustainable society, and promotes environmental conservation activities.

Komatsu Earth and Environment Policy	
Corporate Principles	
<p>1. Contributions to Realization of a Sustainable Society</p> <p>Humankind must not only promote the further development of a prosperous and comfortable society but also pass down our planet earth and its indispensable environment to future generations in a sound and healthy condition.</p> <p>We at the Komatsu Group define environmental conservation efforts as one of the highest priority management tasks, and endeavor to contribute to the sustainable growth of society by integrating advanced technologies into environmental conservation efforts in all our business activities. We also aim to achieve carbon neutrality with net zero CO2 emissions by 2050, and contribute to sustainable development through efforts to reduce CO2 emissions from products and in our manufacturing, and to establish a recycling-oriented society.</p> <p>2. Simultaneous Realization of Environmental and Economic Performance</p> <p>As a group of companies working to improve our manufacturing for the satisfaction of our customers, we at the Komatsu Group are committed to improving both our environmental performance and economic efficiency. To this end, we are constantly engaged in technology innovation to provide economical products, services and solutions through improving fuel efficiency at our customers' workplaces and strengthening their cyclical businesses, while striving to minimize the environmental impacts related to the entire lifecycle of products from production to disposal.</p> <p>3. Observance of Corporate Social Responsibility</p> <p>We at the Komatsu Group promote environmental conservation by not only complying with the applicable laws and regulations of our host communities, regions and countries but also by establishing our own voluntary standards addressing global and local environmental concerns. Each company of the Group also strives to fulfill our collective corporate social responsibility and create value toward a sustainable planet and future through participating in environmental conservation activities in each region, disclosing environment-related information to society, and maintaining close communications with our stakeholders.</p>	
Guidelines for Corporate Activity	
<p>1. Initiatives for the Earth and Environment</p> <p>We at the Komatsu Group contribute to sustainable development and climate change mitigation and adaptation through the following initiatives.</p> <p>1)Response to Climate Change</p> <p>We will reduce the amount of energy used and greenhouse gas emissions generated across the entire lifecycle of our business. We do not limit ourselves to cutting emissions from our bases and from the use of our products. Rather, we broaden the target to include customer workplaces in their entirety.</p> <p>2)Establishment of a Recycling-oriented Society</p> <p>Through our business processes, we work to minimize the use of natural resources such as materials and water, promote their reuse, or recycle them as much as possible. At the same time, we ensure the comprehensive reduction of waste in all business areas. We also contribute to the establishment of a recycling-oriented society by strengthening our forestry machinery business, which supports a sustainable forest management cycle of planting, cultivating and harvesting, as well as our remanufacturing (Reman) operations, which involve the refurbishment and reuse of components.</p> <p>3)Conservation of Air, Water and Other Natural Systems as well as Management of Chemical Substances</p> <p>We comply with not only local laws and regulations but also with our own established standards concerning the conservation of water quality and the prevention of air pollution, noise and vibrations.</p> <p>As much as possible, we also ensure the comprehensive management of chemical substances used in our business activities, while continuously working to reduce the use of potentially harmful chemical substances or replace them with alternatives for the discontinuation of their use.</p> <p>4)Response to Biodiversity</p> <p>We recognize biodiversity as an important environmental issue, evaluate, understand and analyze impacts on it in all our business areas, and work on our tasks according to the criteria of highest impact and/or most effective actions.</p> <p>2. Framework of Global, Group-wide Environmental Management System</p> <p>Komatsu and major companies of the Komatsu Group will establish an Environmental Management System, and will work to maintain and improve environmental activities. Other group companies and suppliers will also work to establish environmental management systems that help to maintain and improve environmental activities.</p> <p>Each company or business unit of the Komatsu Group will set its own Mid- and Long-term Targets in accordance with the Mid- and Long-term Targets set based on the Komatsu Mid-term Management Plan, and will develop and implement specific activity plans. Top management will regularly review targets, activity plans and status, and work on continuous improvement.</p> <p>Environmental Education and Communication</p> <p>We at the Komatsu Group believe that it is important to enhance the environmental awareness of each employee. To this end, we will actively promote environmental awareness and education programs among all employees.</p> <p>We will gather environment-related information from each company or business unit of the Komatsu Group, and strive to disclose information concerning all business activities. We will also facilitate proactive dialogues with all our stakeholders, such as customers, employees, local communities and suppliers, thereby further improving the content of our environmental communication.</p>	

Revised in June 2022
This policy has been approved by the Sustainability Promotion Committee.

Mid- and Long-term target

Komatsu has been moving forward under the new mid-term management plan from 2022. We set new ESG targets and expressed our commitment to sustainable growth through a positive cycle of profit improvement through growth strategies and initiatives for ESG issues.

Our 2030 target is to reduce CO₂ emissions from product operation and production by 50%. In addition, as a new indicator, we decided to aim for a ratio of 50% of renewable energy power (RE ratio) by 2030.

The 2030 target, including other indicators, is as follows:

Area	Application	Object	Index	Base Year	2030 Targets
Products	Construction Equipment Mining Equipment Forest machines etc.	CO ₂	Fuel Consumption Reduction	2010	50% reduction
Production	Domestic and overseas production bases	CO ₂	Improvement rate of basic unit	2010	50% reduction
		Electricity	Ratio of renewable energy in total electricity usage	-	50%
		Water	Improvement rate of basic unit	2010	60% reduction
		Waste	Improvement rate of basic unit	2010	40% reduction
Logistics	Japan	CO ₂	Improvement rate of basic unit	2006	39% reduction
	Overseas	CO ₂	Improvement rate of basic unit	2011	22% reduction

3. Green Procurement Guidelines: Supplier

Expectations

To provide environmentally friendly products to our customers, we must ensure we procure environmentally friendly raw materials, components, parts, and other important production elements.

We promote Green Procurement, or environmentally friendly procurement, through the following two measures:

1. Prioritizing the procurement of goods and products with a lower environmental impact.
2. Prioritizing procurement from suppliers that have established an environmentally friendly management system.

We ask our supply chain business partners to take the actions outlined in Table 1 to promote Green Procurement. We will check the status of each supplier's efforts as necessary through business operations; as such, we would appreciate your understanding and cooperation.

Table 1. Requests to our business partners

Activities			Business area				Page	Note
			Products and parts	Materials and secondary materials	Facility and construction* ⁶	Logistics* ⁷		
	1	Compliance with environmental laws and regulations	○	○	○	○	-	Compliance with the laws and regulations of each country and region, including government and ministerial ordinances, notices, ordinances/regulations, and other regulations, is a prerequisite for the promotion of the following activities.

	2	Establishment of an environmental management system	Obtain and renew third-party certification ^{*1}	○	△	△	△	Page 6	*1: ISO 14001, etc. (see below) is recommended. We request that all Midori-kai member companies obtain this certification within three years of joining the Midori-kai.
			Promote environmental management throughout the life cycle ^{*2}	○	○	○	○		*2: The entire period from procurement of raw materials, in-house manufacturing, and customer use to disposal and recycling.
	3	Reduction of greenhouse gas (GHG) emissions	Reduce CO ₂ emissions throughout the life cycle (setting targets in accordance with SBT ^{*3} is desirable)	○	○	○	○		*3: Science-based Target, a reduction target set by a company that is consistent with the level required by the 2015 Paris Agreement.
	4	Promotion of resource recycling	Use resources effectively and reduce inputs	○	○	○	○	Page 7	
			Reduce waste	○	○	○	○		
	5	Reduction of water risk	Reduce water consumption	○	○	○	○	Page 8	
			Prevent water pollution	○	○	○	○		
	6	Response to biodiversity		○	○	○	○		
Efforts in parts, raw materials, packaging materials, etc. supplied to us	7	Management of chemical substances ^{*4}	Manage/reduce/replace/report substance of concern	○	○	○	○	Page 8	*4: EU REACH regulation, etc.
	8	and conflict minerals ^{*5}	Avoid using conflict minerals and establish a management system	○	○	○	○	Page 9	*5: Tantalum, tin, tungsten, and gold produced in the Democratic Republic of Congo and 9 neighboring countries are subject to regulation.

○: Required for all business partners;

△: Required for some business partners on a case-by-case basis;

*6: Includes contracted services (cleaning, landscaping, storage, etc.) at our business premises.

*7: Includes logistics delivered to us and logistics consigned by us.

3-1: Establishment of an environmental management system

Komatsu is systematically managing its environmental conservation activities and promoting continuous improvement.

We expect our business partners to promote environmental conservation activities and establish a system for continuous improvement. To promote such activities, we request our business partners to acquire and continuously renew one of the certifications offered by the third-party certification organizations listed below.

The following third-party certifications are recommended:

- (1) ISO 14001 (International Organization for Standardization)
- (2) Ecostage (Ecostage institute: <https://www.ecostage.org/>)

If any special circumstances make it difficult to obtain the above third-party certifications, we request our business partners obtain one of the following:

- (3) Eco Action 21 (Ministry of the Environment: <https://www.ea21.jp/ea21/>)
- (4) KES Environmental Management System Standard
(KES: <https://www.keskyoto.org/index.html>)
- (5) Other certifications operated by public offices/municipalities, etc.

3-2: Reduction of greenhouse gas (GHG) emissions

Komatsu is working to reduce greenhouse gas (GHG) emissions in its production activities and throughout the lifecycle of its products and services.

We expect our business partners to take proactive steps to prevent global warming by assessing the GHG emissions of their products and services throughout their lifecycles, setting emissions reduction targets at each business site, and horizontally deploying improvement initiatives.

1) All business partners

We ask that our business partners take steps to save energy (including reducing electricity consumption by improving production efficiency) and reduce GHG (CO₂, CFCs, etc.) emissions in their business activities. We also ask that Midori-kai member companies continue their efforts to reduce CO₂ emissions by 2.5% per year (per basic unit as compared with 2020) from FY2023.

2) Business partners involved in outsourced logistics

6 We ask our business partners to record and report the amount of CO₂ emissions generated by the distribution of Komatsu's products and parts, as well as basic unit indices, to allow us accurately manage and improve the CO₂ emissions generated by our logistics activities. We also expect our partners to promote efforts to reduce CO₂ emissions.

3-3: Promotion of resource recycling

Komatsu is working to minimize the use of natural resources, such as materials and water, in its production activities and to promote recycling to the greatest extent possible through the Reman business, which recycles and reuses parts and components. We are also committed to waste reduction in all areas of our business. We expect our business partners to also take proactive steps toward the effective utilization and recycling of resources.

1) All business partners

To ensure the effective use of resources, we request that our business partners to take the following actions:

- Reduction of the use of materials
- Reduction of waste by promoting the recycling and reuse of resources, and proper disposal of waste (prevention of illegal dumping, etc.)
- Promotion of the use of recycled materials
- Reduction of the packaging materials used for the transportation of products, parts, raw materials, and sub-materials

3-4: Water risk reduction

There is growing concern about the future depletion of water resources due to the increase in the global population and climate change.

To reduce this risk, Komatsu is striving to reduce the use of water and reuse water in its production activities and to manage and improve wastewater quality.

We expect our business partners to also reduce the risk of water depletion.

1) All business partners

We ask all business partners to take the following actions to safeguard the global water supply:

- Reduction of water consumption, recycling and reuse of water at business sites, and use of rainwater
- Thorough water quality control and improvement of wastewater quality
- Conservation of water intake sources

3-5: Response to biodiversity

Biodiversity refers to the 30 million species of animals and plant life on Earth, each of which has its own unique characteristics and survives through direct and indirect interactions with other species.

Recognizing that our business activities depend on and influence biodiversity, Komatsu shares society's alarm at the threats posed to the Earth's biodiversity and is promoting efforts to contribute to biodiversity conservation.

We expect our business partners to share our concern for biodiversity and take steps to protect nature and conserve biodiversity.

1) All business partners

We ask all business partners to take the following actions to conserve biodiversity:

- Reduction of the environmental impact of their products and business sites
- Consideration of biodiversity when using land
- Contribution to biodiversity conservation through social contribution activities

3-6: Management of chemical substances and conflict minerals

1. Management of chemical substances

Komatsu is committed to not only complying with laws and regulations on the management of chemical substances but also to reducing the use and emissions of substances that may have a significant impact on the environment.

We ask our business partners to engage in the following practices to comprehensively manage their environmental risks.

1) All business partners

We ask all business partners to comply with environmental laws and regulations and comprehensively manage environmental risks under the environmental management system.

2) Business partners supplying products, parts, raw materials, and sub-materials

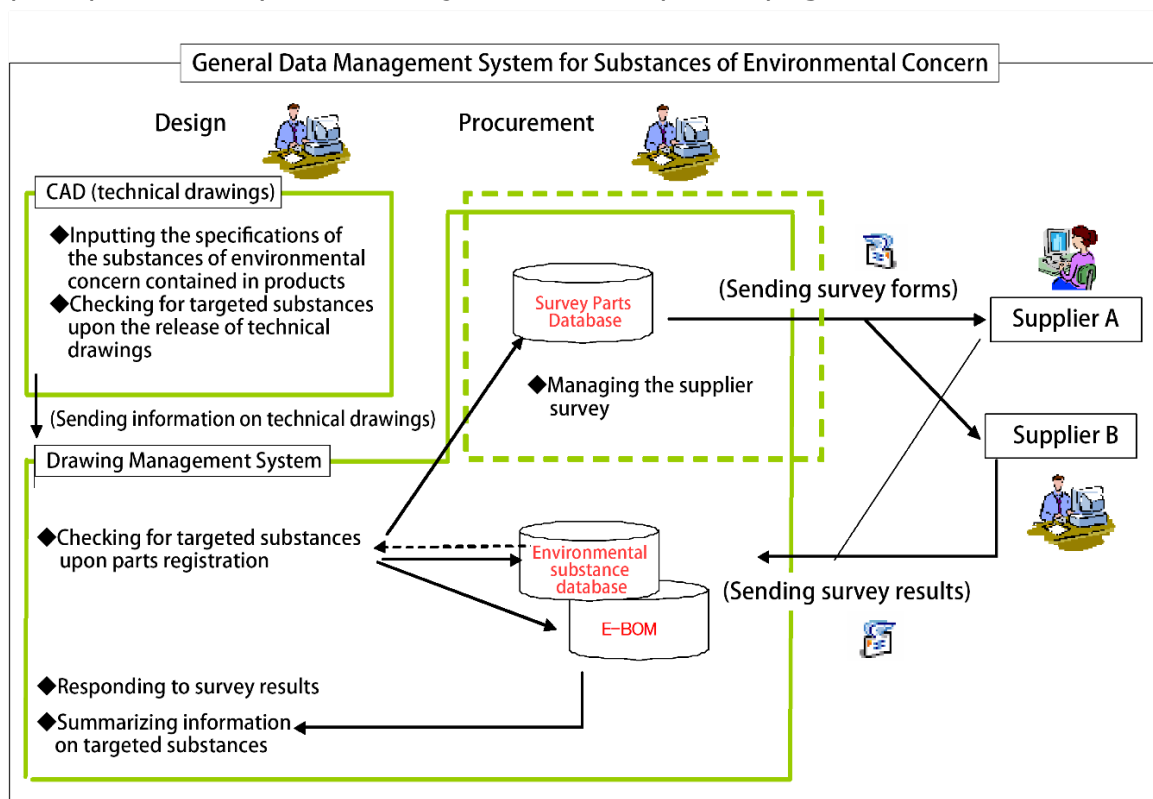
1. Business partners are asked to comply with Komatsu's technical standards (KES 07.000.1 "Restriction of the use of environmentally hazardous substances in products") regarding the use and non-use of environmentally hazardous substances.
2. Business partners that deal with certain products, parts, raw materials and sub-materials identified by Komatsu are asked to register them on Komatsu's General Data Management System for Substances of Environmental Concern (GDMS) by using one of the following data sheets.

a. JAPIA sheet (Japan Auto Parts Industries Association (JAPIA), JAPIA Standard Material Datasheet)

https://www.cema.or.jp/general/system_document/japia/index.html

b. IMDS sheet (International Material Data System datasheet)

<https://public.mdssystem.com/ja/web/imds-public-pages>



2. Management of conflict minerals

As part of its CSR activities, Komatsu has signed the United Nations Global Compact and is committed to human rights, labor, environmental, and anti-corruption activities.

Among these activities, Komatsu is promoting efforts to prevent the use of conflict minerals in its products. Conflict minerals are raw materials produced in regions where conflict may impact the mining and trading of these minerals posing a risk to human rights. We also ask our business partners to take proactive measures to prevent the use of conflict minerals in their products.

1) All business partners

1. We ask all business partners to refrain from using raw materials in their products that pose a risk to human rights, specifically, the conflict minerals (gold, tin, tungsten, and tantalum) produced in the Democratic Republic of the Congo and its nine neighboring countries^{※1} as stipulated in the US's Dodd-Frank Act (DFA).

2. If necessary, we may ask our business partners to investigate and report on the content and country of origin (refiner) of minerals produced by the nine countries covered by the DFA and high-risk areas^{*2} and found in the products, parts, and materials delivered to us.

*1: South Sudan, Central African Republic, Republic of Congo, Uganda, Rwanda, Burundi, Tanzania, Angola, Zambia

*2: Regulated areas in the EU (Conflict Affected and High-Risk Areas (CAHRAs))

For inquiries, please contact

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