

SUBARU
Green Procurement Guidelines



SUBARU

June 2008

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Attachments (See page 12 for any inquires)

- Attachment 1 Environmental Manager Registration Form
(a copy each in Japanese and in English)
- Attachment 2 EMS Report (a copy each in Japanese and in English)
- Attachment 3 EMS Internal Audit Report
(2 copies each in Japanese and in English)
EMS Internal Audit Guideline
(2 copies each in Japanese and in English)

Reference Materials (See page 11 for inquiries on the latest versions)

- Reference 1 Control List of Chemicals in Parts and Materials on Completed Vehicles 【TS104-09-14】(A copy each in Japanese and in English)
- Reference 2 Control of Chemicals Used in Plants (Banned/Reduction Substances) 【BR Environment Section 046】---Applicable only to plant consumables delivered to FHI
- Reference 3 Declaration of Non-Use of Substances Banned in the EU-ELV Directive
(A copy each in Japanese and in English)
- Reference 4 IMDS Entry Guide【TS104-09-13】
(A copy each in Japanese and in English)
- Reference 5 Prohibition of the Use of Hazardous Substances of Concern and its Notification 【TS103-00-42】
(A copy each in Japanese and in English)

Note: The asterisked(*) abbreviations are explained in Glossary, Page11.

I. Introduction

Environmental issues resulting from global warming have increasingly been a matter of great concern to peoples world-wide. Under such circumstances, it is the responsibility of a corporation to partake in building a sustainable society harmonious with the nature and pass it to future generations.

We, SUBARU, are now engaged in “the 4th Environment Voluntary Plan”, a voluntary program for 2007 through 2011 for environmental preservation. Under the plan, efforts have been focused on delivering environment-clean products to our customers from our clean plants through a clean network of logistics and dealers, thus serving the society through environment-oriented products.

In the spring of 2008, we released new models with the world’s first horizontally-opposed or boxer diesel engine in European markets, which excels in fuel economy and friendly to the environment, demonstrating our dedication to promoting “Environment on Wheels”.

On the occasion of updating our SUBARU Green Procurement Guidelines, we have renewed our determination to cope more proactively with environmental issues in the face of new developments led by Europe for tighter regulations over fuel economy and use of chemicals as seen in the EU-ELV Directive and REACH. We are stepping up our efforts to press on as a SUBARU group in concert with Subaru of Indiana Automotive, Inc. (SIA).

Without the understanding and cooperation of all our suppliers as business partners, “Green Procurement” and “Fusion of SUBARU’s Originality and Ingenuity with the Global Environment” will end up simply as self-serving propositions. It is SUBARU’s strong determination to push forward such far-reaching activities with all of you. Your joining hands in this endeavor will be much appreciated.

June, 2008

Takashi Ishihara
Corporate Senior Vice President
Subaru Purchasing Div.

II. Basic Philosophy

1. Corporate Philosophy

- (1) We will strive to create advanced technology on an ongoing basis and provide consumers with distinctive products with the highest level of quality and customers satisfaction.
- (2) We will aim to continuously promote harmony among people, society, and environment while contributing to the prosperity of society.
- (3) We will look to the future with a global perspective and aim to foster a vibrant, progressive company.

2. Corporate Code of Conduct

- (1) We will develop and provide creative products and services while paying sufficient attention to the environment and safety.
- (2) We will respect the rights and individuality of people.
- (3) We will promote harmony with society and contribute to the prosperity of society.
- (4) We will meet social norms and act honestly and fairly.
- (5) We will maintain global perspective and aim to be in harmony with international society.

3. CSR Policy

Subaru views that Corporate Social Responsibility (CSR) is a reflection of corporate philosophy or the very activities of a corporation, and thus the CSR policy is identified with the Corporate Philosophy itself. We have embarked on CSR activities along the Code of Conduct based on the Corporate Philosophy.

(Source: FHI's Social and Environmental Report)



4. Environmental Policy

(1). Environmental Policy

On solid recognition of the close relationship between the environment and business activities, SUBARU will keep working on creation of products and environment that are friendly to the earth, society, and people in pursuit of prosperous future.

(2). Operating Criteria for Environmental Conservation

SUBARU will:

- 1) **Commit itself to environmental conservation and be considerate to environmental impacts at every stage of product development from design, manufacture, sales, services to disposal;**
- 2) **Promote autonomous activities by setting its own environmental objectives and targets, faithfully observing relevant laws and regulations, agreements with communities and industry norms;**
- 3) **Encourage every employee to act with a sense of responsibility, being aware of the importance of continual improvements and pollution prevention;**
- 4) **Promote environmental consciousness firmly rooted among employees through job- and skill-specific trainings;**
- 5) **Enhance environmental conservation activities through systematic audits and diagnoses.**
- 6) **Promote interactions with communities and the society as their member in environmental conservation programs.**

5. SUBARU's Basic Policy for Procurement and Definition/Scope of Green Procurement

(1) Basic Policy for Procurement

1) Compliance and green procurement

Subaru will deploy procurement efforts, all oriented toward maintaining harmony among the people, society and environment with due consideration to legal requirements, social norms and environmental preservation.

2) Building the best partnership

Subaru will work to build "win-win" relationship with our business partners based on mutual trust under the doctrine of good faith.

3) Fair and open selection of suppliers

In selecting business partners, Subaru leave the door always wide-open to all domestic and overseas suppliers to be fair and equitable in an effort to procure goods and services, the best in six areas :Quality, Cost, Delivery, Development, Management and Eco-friendliness (QCDDME).

(2) Definition of Green Procurement

1) Definition of green procurement

Green procurement is defined as procuring environmentally friendly parts and materials from environmentally conscious suppliers.

2) Definition of terms

- a. **Environmentally conscious suppliers: Suppliers with Environmental Management Systems (EMS) already in place**
- b. **Environmentally friendly parts and materials: Parts and materials free from any specifically banned substances and those with low-impact to the environment**

(3) Application Time and Scope of Green Procurement

1) Time

The guidelines will be applicable from 2008.

2) Scope

- a. Suppliers of parts and materials (direct and supplemental**) used on completed vehicles will be subject to the guidelines as well as those who provide indirect materials and services such as plant consumables, equipment, construction works, cleaning, landscaping and logistics.
- b. The guidelines will also be applied to suppliers of SIA.

See Chapter III and IV for details.

**Supplemental materials include gasoline, oil, and chlorofluorocarbon used on completed vehicles.

III. Summary of Requirements

Requirements to Suppliers

(1) Establishment of EMS basically endorsed by ISO14001 certification

This applies to all suppliers of FHI and SIA, and particularly is a must for those who supply direct and supplemental materials.

Refer to the next Chapter IV for specific procedures.

(2) Management to reduce substances of concern

This requirement also applies to all FHI and SIA suppliers. Some suppliers of plant consumables, equipment, construction works, cleaning, landscaping and logistics services will also be required to comply with.

Refer to the next Chapter IV for specific procedures.

(3) Control and submission of data on substances of concern

- Suppliers are required to enter input data on direct/supplemental materials into IMDS (*3) based on individual requests from SUBARU at the time of drawing release.

- For plant consumables, submission of MSDS(*4) is required. Complying with requirements of PRTR(*5) in Japan and TRI(*6) in the USA is also required.

(4) Management of chemicals

- For both direct and supplemental materials, Reduction Standard of Substances of Concern [GIS1901] was reviewed based on GADSL(*7) and revised to Control List of Chemicals in Parts and Materials on Completed Vehicles [TS104-09-14]. Suppliers are required to control such substances according to Reference 1.

- Plant consumables are required to be controlled according to Reference 2.

- Please contact for any inquiries on above-mentioned documents.

(5) Supply chains

- The first-tier suppliers are required to manage the second and subsequent tier suppliers down in supply channels.

See Chapter IV for details of the requirements in this chapter.

IV. Enhancing and Reinforcing Environmental Management

SUBARU requires its suppliers to deliver good parts and materials at competitive price in a timely and stable manner, complying with all legal requirements and social norms with due care to the environment. This requirement calls for development and manufacturing of parts from the perspective of SUBARU customers. The matrix in Table 1 shows the environmental related activities required to be taken by suppliers. Be aware that applicable items vary by type of business/products.

Suppliers' involvement in such environmental conservation efforts will be reviewed in terms of effectiveness of their systems for applicable type of parts, materials and services, of which results will be reflected in evaluating their performance.

Type of Supplier's Business	Environmental Activity							
	Establishing Environmental Management Systems				Management to reduce SOC in parts and Materials delivered to SUBARU		Reduction of CO ₂ emission and packaging and wrapping materials logistics	
	Banning of use of 4SOC	Control of substances other than the 4SOC	Control of recycling rates	Parts and materials which constitute vehicles	Control of SOC in raw and supplemental materials used in plants	Logistics under the contract with SUBARU	Delivery by Supplier to SUBARU	Environmental initiatives by supplier in business activities
Parts and materials for mass production (direct materials)	●	●	●	●			●	●
Supplemental materials*1)	●	●	●	●	●		●	●
Plant consumables, equipment, construction, cleaning & landscaping*2)	*3) ●				●			●
Logistics	●					●		●

*1) Indirect materials which constitute or accompany completed vehicles (Oil, chlorofluorocarbon, adhesives, paint markers)

*2) Indirect materials other than those in the above *1), which are used in plant, but not on completed vehicles

*3) Some suppliers of these goods and services will also be required to take applicable actions denoted by dot in parenthesis.

1. Establishing Environmental Management Systems

Suppliers are required to establish Environmental Management Systems (EMS) basically endorsed by ISO14001 certification.

Where it is difficult to acquire the certification, either of the following alternatives will be regarded as having EMS in place, but suppliers are still required to keep working to acquire ISO14001 certification.

1) Japanese “Eco Action 21” already acquired (applicable to FHI’s suppliers only)

2) SUBARU-specified internal audit already passed

Suppliers who have scored “Yes” or “N/A” at least for 36 self-diagnosis items out of 41 in EMS Internal Audit Report (Attachment 3) will be judged as “Pass”.

Suppliers who have passed the internal audit may be contacted for inquiries and audited by SUBARU. They are still required to strive for certification by an external organization.

(1). Registration of Environmental Manager

Suppliers are required to register a person in charge of environmental related matters (Environmental Manager) as the contact who will work with SUBARU to promote related programs and activities.

He/She is required to submit “Environmental Manager Registration Form (Attachment 1). The form must be resubmitted whenever he/she is replaced with any other person as shown in the matrix of Table 2.

(2). Requirements for status reports on EMS establishment

Suppliers are required to report the updated status of EMS establishment every April with applicable documents (Attachments 1 to 3) below, according to Table 2 in Page 8.

1) Suppliers with ISO14001 or other external certification :

Environmental Manager Registration Form (Attachment 1), EMS Report (Attachment 2)

2) Suppliers planning to acquire ISO14001 or other external certification:

Environmental Manager Registration Form (Attachment 1), EMS Report (Attachment 2) with an acquisition schedule filled in and EMS Internal Audit Report (Attachment 3).

When an external certification has been granted, resubmit EMS Report (Attachment 2) for confirmation.

3) Other suppliers:

Environmental Manager Registration Form (Attachment 1) and EMS Internal Audit Report (Attachment 3)

Continued efforts for the earliest acquisition of an external certification are still required.

Some suppliers of plant consumables, equipment, construction works, cleaning, landscaping and logistics will also be contacted for specific actions to be taken.

However, SIA will start with direct and supplemental materials.

See page 12 for any inquiries on EMS establishment.

2. Management to Reduce Substances of Concern in Products and Materials Supplied to SUBARU

Suppliers are required to comply with pertinent legal requirements, industry norms and voluntary controls. SUBARU has identified Substances of Concern (SOC*8) which are considered to cause large impacts on the environment in Control List of Chemicals in Parts and Materials on Completed Vehicles[TS104-09-14](Reference 1), which are screened from the parts and materials used on completed SUBARU vehicles. In addition, they are required to submit SOC-specific control reports.

It is a prerequisite for doing business with SUBARU that all the parts and materials delivered to SUBARU are free from any of the banned substances as designated in the list. It should be noted that if any banned substances are found in supplied parts and materials, the business with an offending supplier may be reviewed for termination.

Table 2 - REQUIREMENT FOR STATUS REPORTS ON EMS ESTABLISHMENT

Document Business Type		Environmental Manager Registration Form (Attachment #1)	EMS Report (Attachment #2)	EMS Internal Audit Report (Attachment #3)	Declaration of Non-usage of 4SOC in EC-ELV Directive (Reference #3)	Materials Data (Entry to IMDS)
Production parts and materials (direct materials)	Suppliers with external certification	●	●		●	●
	Suppliers scheduled for external certification	●	●	●		
	Suppliers with no certification schedule	●		●		
Supplemental materials	Suppliers with external certification	●	●		●	●
	Suppliers scheduled for external certification	●	●	●		
	Suppliers with no certification schedule	●		●		
Plant consumables, equipment construction, cleaning & landscaping services		*1) (●)	*1) (●)	*1) (●)		
Logistics		*1) (●)	*1) (●)	*1) (●)		
When to submit		Annually Every April or Whenever Changed	Annually Every April or Certification to ISO 14001 or Equivalent	Annually Every April	When requested by SUBARU	When requested by SUBARU

*1) Some suppliers of these goods and services will also be required to submit applicable documents (denoted by dot in parenthesis).

The substances which are banned and subject to the reduction management are elaborated as follows.

(1) Elimination of four Substances of Concern (4SOC): lead, hexavalent chromium, mercury and cadmium)

SUBARU is pressing on with elimination of the 4SOC of which use are prohibited by the EU-ELV Directive (*2) and an early elimination of these substances in line with the EU-ELV Directive even in regions, domestic and overseas, where there are no legal requirements.

Upon SUBARU's request, suppliers are required to submit Declaration of Non-use of Substances of Concern Banned in EU-ELV Directive (Reference 3) to guarantee that their parts/materials are free from the 4SOC. Refer to Table 2 for documents to be submitted.

(2). Reduction of substances of concern other than the 4SOC

SUBARU is proceeding with eliminating or reducing the substances of concern listed in Control List of Chemicals in Parts and Materials on Completed Vehicles【TS104-09-14】(Reference 1). In addition to thoroughly controlling and continually reducing substances of concern and VOCs (*9) inside the vehicle, suppliers are required to expedite designs for higher recycling rates, reduction of environmental burdens including CO₂ and effective use of resources under the guidelines.

(3). Entry to IMDS

Timely entry to IMDS is required for parts and materials on individual requests from SUBARU at the time of drawing release.

Refer to IMDS Entry Guide (Reference 4) for the entry procedure. This entry to IMDS on SUBARU's individual requests is a must not only to control recycling rates and substances of concern, but also to address the requirements of the REACH regulations (*10).

(4). Response to EU-REACH regulations (*10) for products and raw materials to Europe)

SUBARU will require the designated suppliers to take the necessary action individually.

(5). Control of SOC in raw and supplemental materials used in plants

To say nothing of legal compliance, SUBARU has been eliminating or reducing SOC used in plants including production lines at its own initiative. Suppliers of raw materials, supplemental materials or equipment used in SUBARU plants as well as those who offer construction, cleaning or landscaping services under contract with SUBARU, are all required to submit MSDS. Complying with requirements of PRTR(*5) in Japan and TRI(*6) in the USA is also required.

See page 12 for any inquiries on MSDS, PRTR and TRI.

(6). Support from affiliated companies for reduction of SOC

If a supplier already has global operations with affiliates overseas, an arrangement to have any qualified member company(s) offer support to bolster green delivery of parts and materials to SUBARU.

See page 12 for any inquiries on reduction management of SOC.

3. Reduction of CO₂ Emission and Packaging and Wrapping Materials in Logistics

While cooperating with parties outside to improve transport efficiency, SUBARU is proactively involved in reducing CO₂ emissions in logistics including packaging and wrapping materials. Not only suppliers who deliver directly their parts and materials to SUBARU, but those who handle logistics commissioned by SUBARU are required to fall in line.

See page 12 for any inquiries on this section.

4. Environmental Initiatives by Suppliers in Business Activities

SUBARU is engaged in multifaceted environmental improvements as part of its green procurement activities. Suppliers are also required to aggressively pursue for better environment in day-to-day operations.

(1). Compliance with laws and regulations

Suppliers are required to comply with environmental related laws and regulations in conducting business.

(2). Improvement of environmental performance

Suppliers are also required to work on improving environmental performance in the following areas:

- 1) Reduction of CO₂ emissions
- 2) Reduction of VOC emissions
- 3) Reduction of substances subject to PRTR in Japan and TRI in the USA
- 4) Reduction of disposed wastes
- 5) Promotion of recycle-oriented design for higher recycling rates

SUBARU is exerting efforts in compliance and risk management as part of CSR activities. Understanding and cooperation of suppliers are much appreciated in such efforts.

See page 12 for any inquiries on this section.

Glossary

***1 CSR: Corporate Social Responsibility**

***2 ELV Directive: End-of-Life Vehicles Directive**

The European directive which regulates the usage of lead, hexavalent chromium, mercury and cadmium

***3 IMDS: International Material Data System**

Material data collection system by means of the internet run by the automotive industries of Japan, the US and Europe to comply with the EU directive.

***4 MSDS: Material Safety Data Sheet**

Data sheet which provides necessary information for safe handling of materials containing particular chemicals

***5 PRTR: Pollutant Release and Transfer Register**

***6 TRI: Toxic Release Inventory**

List of toxic chemicals (US Regulations)

***7 GADSL: Global Automotive Declarable Substance List**

List which shows the chemicals prohibited and regulated under laws and regulations world-wide

***8 SOC: Substances of Concern**

***9 VOC: Volatile Organic Compounds**

***10 REACH: The Registration, Evaluation, Authorization and Restriction of Chemicals**

Contacts for Inquiries:

FHI: Purchasing Administration Sec.

Purchasing Planning Dept.

SUBARU Purchasing Div.

Fuji Heavy Industries Ltd.

Call +81(Country code)-276-26-2254 (w/o country code in Japan)

SIA: SIA Purchasing Division

Subaru of Indiana Automotive, Inc.

Call +1(Country code)-756-449-6374 (w/o country code in the US)

Notes:

- 1. Reports and any other materials submitted by suppliers will not be disclosed to any third parties.**
- 2. The contents of the guidelines are subject to change in line with revisions of applicable laws and regulations, internal and any other rules.**
- 3. Please direct any inquiries on the guidelines to:**

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Purchasing Planning Dept., Subaru Purchasing Div.

CSR & Environmental Affairs Promotion Office, General Administration Dept.

SUBARU of Indiana Automotive, Inc.

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