

Ferrotec Group

Green Procurement Guidelines



– English Ver.00-

Ferrotec Holdings Corporation
Green Procurement Promotion Committee

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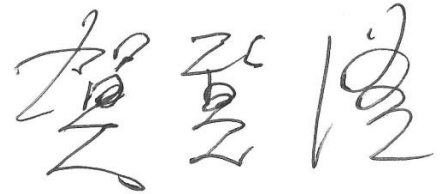
1. Introduction

Ferrotec Holdings Corporation (hereafter "Ferrotec") defines the "Environmental policy" and regards environmental conservation activities such as the prevention of environmental contamination through the proper management of chemicals contained in products and the formation of a recycling society through the reduction and recycling of waste materials as one of the important issues in corporate management.

Ferrotec has issued the revised "Green Procurement Guidelines" to promote environmentally friendly material procurement activities for the provision of environmentally conscious products.

Together with our suppliers, Ferrotec will work toward the fulfillment of its obligations and responsibilities for environmental conservation. We appreciate your understanding and continued cooperation.

January 1, 2023
Ferrotec Holdings Corporation
Representative Director and President
He Xian Han

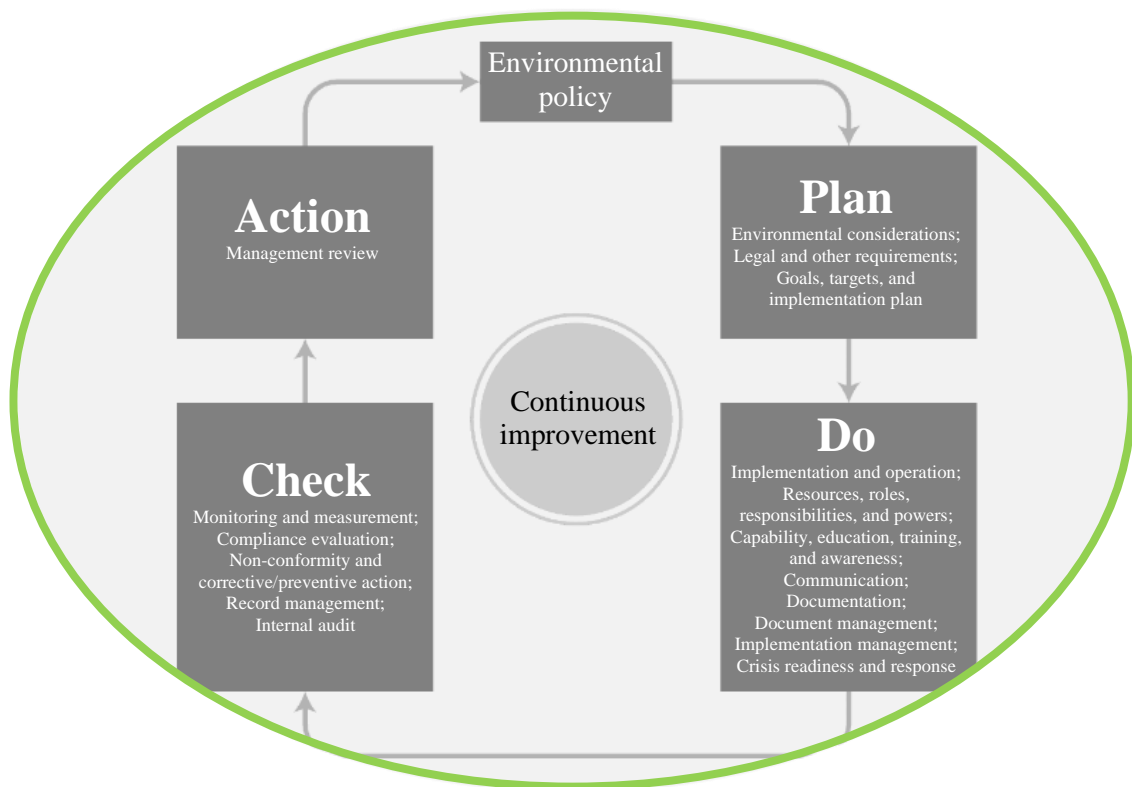


2. Environmental policy

The Ferrotec Group recognizes that protecting the global environment is one of the major challenges of humankind. We aim to minimize the impact on the global environment by promoting environment-friendly production activities and product offerings based on our environmental management system.

1. Our company will try to reduce environmental impact by understanding the impact of business activities on the environment and implementing continuous improvement of environmental protection activities.
2. Our company will strive to conserve the environment by complying with environment-related laws and regulations.
3. Our company will widely contribute to society through an approach to environmental conservation activities ranging from the community to global scale by obtaining the cooperation of all employees and business partners.
4. This environmental policy will be publicly announced as well as notifying employees.

Environmental management system framework



3. Terms and Definitions

No.	Term	Definition
1	Product	Something that a subsidiary or affiliate of Ferrotec delivers to its customers.
2	Environmentally hazardous substance	General term for hazardous substances that have negative effects on the global environment and the human body.
3	CiP	Chemicals contained in products. (Chemicals in Products)
4	EHS	An acronym for Environment, Health, and Safety.
5	(M) SDS	(Material) Safety Data Sheet.
6	chemSHERPA	Information communication tool for handling information on chemical substances contained in products throughout the entire supply chain, from upstream companies to downstream companies. (chemical information SHaring and Exchange under Reporting PARTnership in supply chain) by JAMP
7	Manager	A person who has the management rights of a subsidiary or affiliate of Ferrotec.
8	Part/Material	Everything that comprises the product (including OEM). In addition to packaging materials and auxiliary packaging materials, solder, plating, ink, paint/coating agent, and included items (manuals, storage media, cushioning materials, cardboard, sticks, labels, etc.) attached or fixed to a part are included.
9	Chemical substance	An element or its compound that is formed naturally or can be obtained in any manufacturing process.
10	Mixture	Mixture can be obtained by mixing two or more chemical substances. (Example) Paint/coating agent, ink, alloy ingot, solder, resin pellet, etc.
11	Article	Refers to an item with a specific shape, appearance, or design that is given during production which substantially determines the functions of the item in final use rather than its chemical composition. (Example) Metal plates, gear wheels, integrated circuits, electrical products, transport machineries, etc.

4. Requests to Suppliers

4-1: Introduction

Ferrotec has been promoting activities to comply with the laws and regulations related to environmentally hazardous substances and reduce the environmental impacts. We ask our suppliers to cooperate in our EHS management and CiP management in transactions with the subsidiaries and affiliates of Ferrotec.

4-2: Scope

Parts/materials, equipment/jigs/measuring instruments, packaging/packing materials, and services delivered to the subsidiaries and affiliates of Ferrotec

4-3: Exclusion

If any of the requirements of this guideline cannot be applied due to the subsidiaries and affiliates of Ferrotec or the nature of their parts/materials, the exclusion of the requirement may be considered. No requirement that has any effect on the capability or responsibility to provide products that satisfy the requirements of the subsidiaries and affiliates of Ferrotec or applicable laws and regulations may be excluded.

4-4: Considerations in selecting a supplier

- (1) In addition to the supplier's conformance to the quality requirements, we focus on the efforts toward EHS management and CiP management.
- (2) We also take into consideration positive cooperation in CiP management described in "5. CiP Management of Ferrotec" specified by Ferrotec.

4-5: Requests before a transaction

- (1) Before a transaction, we will ask you to sign a basic transaction agreement, quality assurance agreement, non-disclosure agreement, and environmental protection memorandum.
- (2) We may check the status of EHS management and CiP management (site survey/paper survey). We may ask you to resolve issues found, if any.
- (3) We ask you to submit and disclose any of the following information for the part/material to be delivered.

No.	Information	Description
1	Written declaration	Document (including contractual documents) that declare the conformity with the CiP management criteria
2	Composition table	(M) SDS, Mill Test Report
3	Measurement data	Measurement results of high-precision analysis (e.g., ICP-MS)
4	Monitoring data	Measurement results of simplified analysis based on its own measurement criteria
5	List using tools of the industry	- chemSHERPA data (AI) entry support tool for articles (JAMP) - chemSHERPA data (AI) entry support tool for chemical products (JAMP) Please follow the link here: chemSHERPA Data entry support tool

- (4) Change information: Before making any change to the manufacturing conditions such as materials and processes, please contact the contact person of the subsidiary or affiliate of Ferrotec for approval (suggestion of a replacement, etc.).

5. CiP Management of Ferrotec

5-1: Purpose

This guideline defines Ferrotec's philosophy of environmentally friendly procurement and manufacturing management.

It also seeks the understanding of our suppliers regarding the philosophy and efforts of Ferrotec and promotes positive environmental activities.

5-2: Scope

It applies to the subsidiaries and affiliates of Ferrotec.

5-3: CiP management system

The subsidiaries and affiliates of Ferrotec shall ensure that the operation and management satisfy the management system as described in "5-3: " and onwards. Special requirements of the customer shall be conformed to, if any.

The subsidiaries and affiliates of Ferrotec shall operate and manage the CiP management system so that it coexists with, and does not contradict, the quality management system and environment management system.

5-3-1: Policy management

Ferrotec shall develop a plan and implement CiP management properly based on the environmental policy.

5-3-2: Target

The subsidiaries and affiliates of Ferrotec shall target the following based on the environmental policy. Ferrotec shall review the target.

■ **Legal violation = 0 per year**

5-3-3: Chemical substances subject to CiP management

The chemical substances subject to CiP management of the subsidiaries and affiliates of Ferrotec shall be as follows.

No.	Declarable substance
1	RoHS directive Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment (2011/65/EU)
2	REACH regulation Regulation concerning the Registration, Evaluation, Authorisation, and Restriction of Chemicals (REACH), establishing a European Chemicals Agency (REACH) ((EC) No. 1907/2006)
3	Latest laws, regulations, and industry standards chemSHERPA declarable substance list (recommended)
4	Customer requested standard

5-3-4: CiP management list

The subsidiaries and affiliates of Ferrotec shall document the chemical substances subject to CiP management.

- (1) chemSHERPA declarable substance list (recommended)
Please follow the link here: [Data entry support tool – chemSHERPA by JAMP](#)
- (2) The subsidiaries and affiliates of Ferrotec shall clearly define the CiP management criteria (etc.) for prohibited and restricted chemical substances in the CiP management list. The chemical substances specified by the subsidiaries and affiliates of Ferrotec shall be included in the list.
- (3) The CiP management list shall reflect the latest laws, regulations, industry standards, customer requested standards, and special requirements.

5-3-5: Clarification of scope

The subsidiaries and affiliates of Ferrotec shall clarify the scope of the CiP management list.

5-3-6: Planning

The subsidiaries and affiliates of Ferrotec shall establish and implement a system for CiP management. The plan shall be reviewed if there is any change to the target, laws, regulations, industry standards, customer requested standards, and special requirements.

5-3-7: Clarification of the organizational structure, responsibilities, and authorities

The manager shall define the responsibilities and authorities of related roles and communicate them throughout the organization to implement effective CiP management.

5-3-8: Product design

The subsidiaries and affiliates of Ferrotec shall preferentially select parts and materials with no environmentally hazardous substance or less environmentally hazardous substances.

5-3-9: Process design

The subsidiaries and affiliates of Ferrotec shall preferentially select secondary materials with no environmentally hazardous substance or less environmentally hazardous substances.

5-3-10: Supplier management

5-3-10-1: Example of supplier evaluation (new/existing)

- (1) Evaluation method
The subsidiaries and affiliates of Ferrotec shall establish a method of supplier evaluation by taking into account the CiP management status and contamination risk levels of parts and materials.

- (2) CiP management system
The subsidiaries and affiliates of Ferrotec shall check the CiP management system of the supplier.
- (3) Contamination risk
The subsidiaries and affiliates of Ferrotec shall evaluate risks related to the parts and materials of the supplier.
- (4) Management level
The subsidiaries and affiliates of Ferrotec shall define the evaluation criteria.
- (5) Management method
The subsidiaries and affiliates of Ferrotec shall establish the selection criteria and management method for supplier evaluation.

5-3-10-2: List of acceptable suppliers

The subsidiaries and affiliates of Ferrotec shall maintain and update the list of suppliers successfully meeting the selection criteria.

5-3-10-3: Management of manufacturing subcontractors

The subsidiaries and affiliates of Ferrotec shall check and record the CiP management status before subcontracting the manufacturing. Requirements and changes shall be indicated in writing.


5-3-10-4: Mass production approval

(If mass production approval is required by the supplier)

The subsidiaries and affiliates of Ferrotec shall require and approve mass production approval documents (CiP information of first articles, etc.).

5-3-10-5: CiP information

CiP information of the subsidiaries and affiliates of Ferrotec shall be as follows.

No.	CiP information	Description
1	Written declaration	Document (including contractual documents) that declares the conformity with the CiP management criteria
2	Composition table	(M) SDS, Mill Test Report
3	Measurement data	Measurement results of high-precision analysis (e.g., ICP-MS)
4	Monitoring data	Measurement results of simplified analysis based on its own measurement criteria
5	List using tools of the industry	<ul style="list-style-type: none"> - chemSHERPA data (AI) entry support tool for articles (JAMP) - chemSHERPA data (AI) entry support tool for chemical products (JAMP) Please follow the link here  chemSHERPA Data entry support tool

5-3-10-6: Management of CiP information of parts and materials

The subsidiaries and affiliates of Ferrotec shall identify and manage the parts and materials that require CiP management.

5-3-11: High-precision analysis

The subsidiaries and affiliates of Ferrotec shall clarify the chemical substances to be measured and establish the measurement method for the detection limits that satisfy the standard requirement values of the CiP management list, or commission it to a third-party institution.

5-3-12: Acceptance inspection

A method of acceptance according to the risks of the part/material shall be established and implemented.

The result of the acceptance inspection shall be retained as documented information.

5-3-13: Process management

The subsidiaries and affiliates of Ferrotec shall manage manufacturing processes based on the management criteria related to CiP in the manufacturing processes and retain the result as documented information.

5-3-13-1: Prevention of misuse and contamination

The subsidiaries and affiliates of Ferrotec shall clarify the management method and target processes to prevent misuse and contamination.

5-3-13-2: Reaction process

The subsidiaries and affiliates of Ferrotec shall clarify the management method and reaction processes requiring attention to prevent unintended change in the composition or concentration so that no environmentally hazardous substance remains or is generated in the product.

5-3-13-3: Production equipment

Proper management (cleaning, signs, etc.) shall be implemented to prevent misuse, mixing, and contamination due to "production equipment, jigs and tools, and measuring instruments" attached to (in contact with) parts/materials containing the substances subject to CiP management (including parts/materials not confirmed to contain the substances subject to CiP management).

5-3-14: Checks before product shipment

Products shall be shipped after the approval of records indicating that the processes from acceptance to shipment of the part/material have been completed as specified.

5-3-15: Traceability

The subsidiaries and affiliates of Ferrotec shall bi-directionally trace the acceptance lot, production lot, production location (line), and manufacturing subcontractor of the part/material from the product to keep track of CiP information so that it can be used, disclosed, and communicated.

5-3-16: Communication (provision of CiP information)

The subsidiaries and affiliates of Ferrotec shall establish an effective mechanism for communicating with the customer and supplier and retain the result of communication as documented information. If any change occurs in CiP information, the information shall be communicated in advance at the timing agreed with the customer.

5-3-17: Change management

The subsidiaries and affiliates of Ferrotec shall clarify changes that may affect the chemical substances subject to the CiP management criteria in the processes of the supplier, manufacturing subcontractor, and its own processes.

5-3-18: Action in the case of a non-conformity

The subsidiaries and affiliates of Ferrotec shall promptly report to the organization, supplier, manufacturing subcontractor, and customer in the case of a non-conformity in CiP. The communication method shall be determined in agreements, etc. in advance.

The handling method and its result in the case of a non-conformity shall be retained as documented information. The handling method includes an investigation of the cause to prevent recurrence.

5-3-19: Education and training

The subsidiaries and affiliates of Ferrotec shall plan and implement education and training of CiP personnel required for CiP management, and retain it as documented information.

5-3-20: Management of documents and records

The subsidiaries and affiliates of Ferrotec shall establish and implement rules on the maintenance of the latest version and changes, distribution, and storage of documents for documents related to CiP.

5-3-21: Evaluation and improvement of performance (implementation status)

The person in charge of CiP management shall check the status of CiP management activities and the effectiveness of the CiP management system via monitoring and auditing. Any issues found shall be resolved on a continuous basis.

5-3-22: Management review

The person in charge of CiP management shall report to the manager about information regarding the performance and effectiveness of the CiP management. The frequency and content of reports for management reviews shall be retained as documented information.

The manager shall indicate the required instructions as documented information as outputs related to CiP.

6. Revision History

Version	Date	Description
00	January 1, 2023	- First edition (Complete revision of the previous Green Procurement Guidelines Version 1.10)

About this document

This guideline includes our interpretations of the laws and regulations, and the management method herein is unique. Note that the laws and management methods may change, and the information is as of the time of its release.

If you have any questions about transactions, please check with the contact person of the subsidiary or affiliate of Ferrotec.