

# Environmental Management

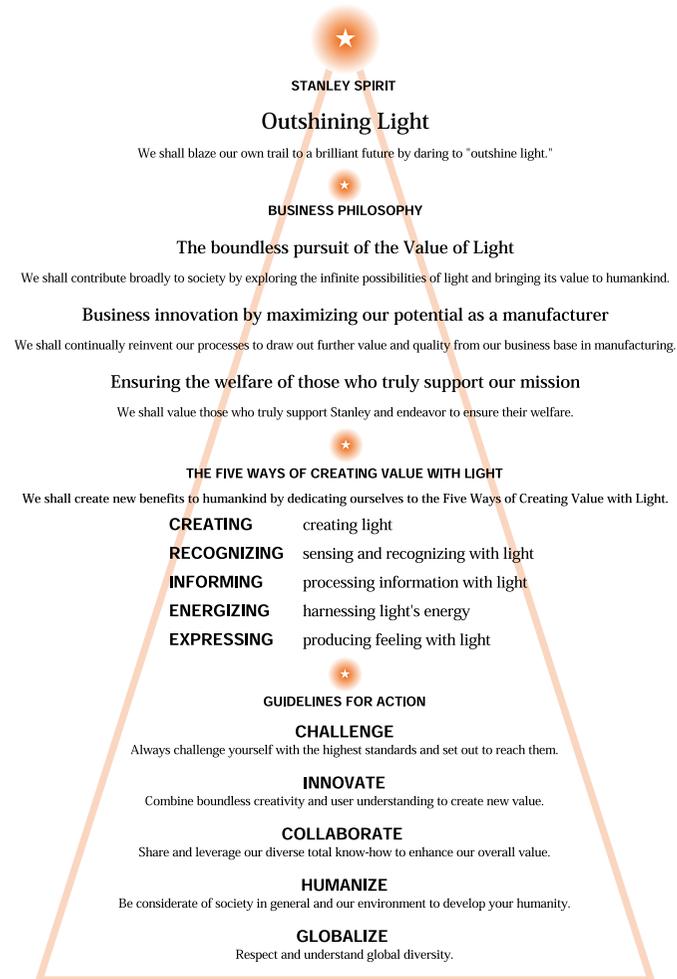
## Stanley Group Vision

In April 2000 the Stanley Group enacted the Stanley Group Vision, which establishes our basic values, the significance of our role in society, and our lasting mission in aiming for a sustainable society. In realizing the vision, it is essential to collaborate and cooperate with many stakeholders while sharing values, and by sharing the vision with the entire group we fully exploit the total power of the group, thereby addressing the challenge of creating a sustainable society through business activities.

## Environmental Management

With our business base in manufacturing with a mastery of the boundless possibilities of light under the Stanley Group Vision, the Stanley Group provides products considered necessary by society while promoting environmental management designed to pass on the immeasurably rich and momentous blessings of our Earth to the next generation in a healthy state.

### Stanley Group Vision



## Basic Stance on Environmental Management

Under the Stanley Group Vision we have enacted our Basic Environmental Philosophy, Environmental Proclamation, and Environmental Policies, through which we are proactively working to address environmental conservation.

The Stanley Group seeks to reduce its environmental impact and aspires to achieve both environmental protection and economic development.

### Environmental Activities of the Stanley Group



### Underlying Concepts of Ecological Activities

Under our Basic Environmental Philosophy, the Stanley Group aims for the sustainable development of society and business. In addition, through the implementation of our Environmental Policies, we are working towards the conservation of the Earth's environment. Curbing emissions of greenhouse gases to prevent global warming, resource conservation activities that aim for a recycling-oriented society, curbing emissions of harmful chemical substances, and the development of environmentally friendly products are among the activities that we promote.

#### Basic Environmental Philosophy

Stanley Group, will strive to "create new values in harmony with the environment" through all our corporate activities by reducing the environmental impact to a bare minimum, so that we can pass on the immeasurably rich blessings of our earth and its ecosystem to the next generation in a healthy state.

#### Environmental Proclamation

We, Stanley, strive to become an Earth friendly corporation by practicing the "non-use, non-emission and non-disposing" of environmentally harmful substances.

#### Environmental Policies

**In all our corporate activities, Stanley Group will follow our Basic Environmental Philosophy, with each member of our company aware of his or her roles and responsibilities regarding environmental conservation.**

1. Throughout the lifecycle of our business operations, products and services, we promote activities such as the conservation of natural resources and energy, pollution prevention thereby reducing the environmental impact globally.
2. In addition to essentially observing the environmental laws and regulations of each country and region as well as other environmental agreements we conclude with other parties, when necessary, we apply voluntary environmental standards of our own on the basis of those regulations and agreements.
3. To implement our Environmental Policies, we specify environmental objectives, set up environmental targets, and regularly or extraordinarily reexamine the objectives and targets in view of current progress, thus ensuring continuous and proactive improvement.
4. We communicate our Basic Environmental Philosophy and Environmental Policies to all the persons working for Stanley Group, and we also gain the understanding and cooperation of our suppliers through informational efforts.
5. We make our Basic Environmental Philosophy and Environmental Policies accessible to the general public, and we report the progress of our environmental activities in order to increase communication with the local community, when requested.
6. We actively participate in the environmental conservation activities of the local communities in collaboration with governmental agencies or other local or affiliated organizations.

## Environmental Long-Term Management Plan

In order to achieve the sustainable development of society and business, we have formulated an Environmental Long-Term Management Plan (April 2010 to March 2020) in order to promote environmental management, and are working to address environmental challenges such as the prevention of global warming.

### Environmental Activities of the Stanley Group

#### Basic Environmental Philosophy

Environmental Proclamation

#### Environmental Policies

#### Environmental Long-Term Management Plan

#### Activities that Aim for the Sustainable Development of Society and Business

Strengthening management systems

Prevention of global warming

Resource recycling / waste reduction

Prevention of pollution

Phase IV Environmental Mid-Term Management Plan (April 2010 to March 2014)

Phase V Environmental Mid-Term Management Plan (April 2014 to March 2017)

Phase VI Environmental Mid-Term Management Plan (April 2017 to March 2020)

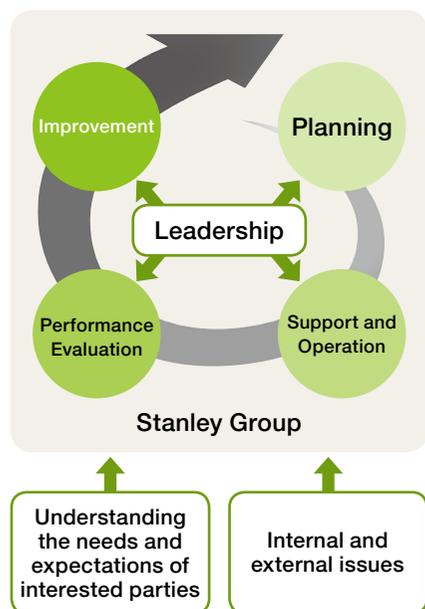
### The Stanley Group's Second Environmental Long-Term Management Plan

	Phase IV Environmental Mid-Term Management Plan (April 2010 to March 2014)	Phase V Environmental Mid-Term Management Plan (April 2014 to March 2017)	Phase VI Environmental Mid-Term Management Plan (April 2017 to March 2020)
Second Environmental Long-Term Management Plan	Achieve sustainable development for society and business/carry out manufacturing that contributes to the Earth's environment to achieve both social contribution and profit creation.		
	Create a foundation for environmental management	Promote environmental management and start expanding it globally	Promote the global expansion of environmental management
Strengthening initiatives for our Environmental Management System (EMS)	Regulate a global Environmental Management System		
	<b>Domestic</b> Improve the efficiency of operation through EMS integration	Strengthen the regulated EMS activities	Promote self-sufficient EMS activities at each base
	<b>Overseas</b> Prepare for global EMS integration	Promote global EMS	Promote self-sufficient EMS activities globally
Initiatives for environmental regulations	Continue complying with regulations related to business activities		
Design for Environment	Offer products designed for the environment that will contribute to the Earth's environment (continuously)		
Prevention of global warming	Promote the prevention of global warming / reduce greenhouse gas emissions through business processes		
	<b>Domestic</b> Reductions of 1% a year or more relative to FY 2009 in basic added value units	<b>Overseas</b> Reductions of 1% a year or more relative to FY 2013 in basic added value units	
	<Distribution region> Reductions of 1% a year or more relative to FY 2009 in sales basic units	<Distribution region> Reductions of 1% a year or more relative to FY 2012 in sales basic units	
Resource recycling / waste reduction	Deploy and strive for activities that do not generate waste globally Continue with zero emissions		
	Reduce waste - Reductions of 1% a year or more relative to FY 2009 in basic added value units	Reduce waste - Reductions of 1% a year or more relative to FY 2012 in basic added value units	
Prevention of pollution /product environment	Completely eliminate environmental accidents by thoroughly ensuring that no substances of environmental concern are used		
	Strengthen management foundations to accommodate global expansion	Continue with zero environmental defects	
Initiatives for biodiversity	Actively contribute to regional ecosystem protection activities		

\* In 2013 we revised our Environmental Long-Term Management Plan so that Phase V started from April 2014.

## Environmental Management System

The Stanley Group has erected an Environmental Management System (EMS) based upon ISO 14001 international standards and promotes long-term environmental management plans and addresses environmental activities based on our Environmental Policies across the group as a whole.



## Environmental Management Structure

We have created an environmental management structure with an environmental board director as its highest officer under the president. What is more, we have set up the Environmental Planning & Management Department as a department to promote environmental management, and we work to ensure administrative control. We also established the Global Environmental Conservation Activity Committee in order to oversee the Stanley Group as a whole to promote environmental activities through the combined efforts of our domestic and overseas group companies.



\*These are the informal names of our overseas group companies. See P04 for their official names.

<b>Global Environmental Conservation Activity Committee</b>	Discusses environmental strategies and regulatory affairs from a global standpoint; optimizes and maintains the environmental management system to realize the Basic Environmental Philosophy and the Environmental Policies.
<b>Energy Conservation Working Group</b>	Facilitates energy conservation by drafting and promoting policies related to the Stanley Group's energy management.
<b>EMS Working Group</b>	Optimizes and makes continuous improvements to environmental management systems with a view towards galvanizing and increasing the efficiency of environmental activities and strengthening monitoring functions.
<b>Environmental Planning &amp; Management Department</b>	Advances the environmental management system of the whole Stanley Group, including domestic and overseas subsidiaries, and works to plan and undertake administrative control for the full spectrum of our environmental activities.

## Environmental Education

We provide environmental education divided into the categories of training according to personnel position and job type, training according to occupational abilities (strategic education) such as certification education for internal environmental auditors, and training according to occupational abilities (function segmented education) which is aimed at employees engaged in operations related to the environment.

### Trainings by personnel position, job type

**New manager training**

Management of environment related laws and regulations and our environmental challenges

**New supervisors training**

General environmental knowledge and awareness, and environment al knowledge pertaining to environment-related laws and regulations and duties as a supervisor

**Mid-career recruits trainings**

General environmental knowledge and awareness, and environmental knowledge pertaining to duties

**New recruits training**

General environmental knowledge and awareness required of employees as members of society

### Trainings by work skill (strategic education)

**Qualification training for in-house environmental auditors**

Understanding of ISO 14001 requirements and learning auditing techniques

**Skill-up training for in-house environmental auditors**

Auditing expertise training for sustained environmental improvements and improving auditing techniques

**Train environmental regulations**

Understanding of environmental regulations

**Train substances of environmental concern investigation instructors**

Gaining of skills to analyze and detect substances of environmental concern in products

### Trainings by work skill (functional education)

**EMS education & training**

- Education based on the divisional education plan
- Seminars outside the company
- Jobs relating to education/training
  - Jobs with the potential to cause a considerable environmental impact
- Education relating to awareness (policies, objectives, emergency actions, etc.)
  - Subject to all employees, outside personnel working at Stanley, personnel of commissioned agents
- Education & training for qualification
  - Jobs that have a considerable environmental impact (i.e. designated environmental jobs)

## Environmental Management Auditing

We consider Environmental Management System (EMS) auditing to be essential for the sake of continuously improving the EMS. The Stanley Group conducts auditing through internal environmental auditors, as well as external audits through third party certifying agencies.

### Internal Environmental Audits

#### Striving to maintain and improve our level of environmental management

We carry out internal environmental audits by forming independent in-house auditor teams comprised of internal environmental auditors who have been certified internally. Our domestic group companies implement audits by environmental management supervisors at each base on a reciprocal basis to promote the maintenance and improvement of the EMS level at each base.

### External Audits

#### Checking to confirm items that need improvement through regular external audits

Our domestic group companies have received integrated authentication as Stanley Electric Co., Ltd., and include all of our factories and laboratories, our head office, branch offices, and affiliates in Japan. These companies and our overseas group companies undergo external audits regularly once per year, as well as renewal inspections once every three years at each base, through third party certifying agencies.

The results of an external audit from FY 2018 indicated that issues that had previously been pointed out had already been completely corrected, and we have finished deploying these corrections laterally at each base around the globe.

## Environmental Risk Management

### Initiatives for Environmental Risk Management

#### Observing domestic and foreign regulations and promoting the reduction and elimination of harmful chemical substances

We observe all domestic and foreign environmental regulations, and work to reduce and eliminate harmful chemical substances (substances which are contained in products and those which are used during their manufacture). One such initiative is to carry out development, design, and purchasing management for products that do not contain harmful chemical substances on the basis of management criteria for substances of environmental concern.

With regard to regulations and controls, we are promoting compliance with the PRTR Law and the revised Law concerning the Rational Use of Energy, as well as the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and others. To prevent environmental accidents in advance, we have instituted environmental patrols and checks during internal environmental audits.

### Management of Substances of Environmental Concern

#### Gathering information on related regulations and customer demands, and promoting sound regulatory compliance

In recent years, laws and regulations on chemical substance management have been growing stricter and stricter around the world as the globalization of regulations advances.

The Stanley Group gathers and complies with information on related regulations and customer demands, and promotes the initiatives listed on the right for the sake of sound regulatory compliance.

#### Internal Structure for Managing Information on Substances of Environmental Concern

- Promoting the Development of Design for the Environment through the Use of a Database of Substances of Environmental Concern

We meticulously collect and confirm the suitability of information on the substances of environmental concern contained in the parts and raw materials that make up our products with the understanding and cooperation of our suppliers. Moreover, by recording this information on the substances of environmental concern to an internal database and sharing this we make efforts to select components that do not contain such harmful chemical substances, while also working to design and develop environmentally conscious products.

- Establish and Strengthen a Structure for Managing Substances of Environmental Concern

We periodically carry out audits on our structure for managing substances of environmental concern at our production bases in Japan and overseas and promote initiatives to strengthen this.

### Major Initiatives for FY 2018

- Centralized management of SDSs

Safety Data Sheets (SDSs) are used to record information related to the physicochemical properties of chemical substances, as well as their dangerous and hazardous properties and handling methods. The Stanley Group has created a structure for obtaining and recording SDS information through the use of our internal systems, which has enabled us to manage this in a centralized manner via a database. This has made it easier to perform latest version management and eliminate waste caused by the discrete management performed at each base. At the same time, being able to determine the chemical substances used at all of our bases allows us to conduct thorough risk management. In addition, we offer safety education to our workers through the use of the latest version of the SDS, and work to thoroughly notify them of information on risks and hazards by posting these SDSs in the workplace.

- Making progress on ridding our products of substances of environmental concern

To ensure that the chemical substances contained in our products do not adversely affect the environment, the Stanley Group uses a database of substances of environmental concern in working to determine the usage status of these substances and cut down on them.

In July 2019, four types of phthalates will be added as newly restricted substances under the RoHS Directives targeting electrical and electronic products. As a result, our Group went through and selected the parts that contain these substances, which include automotive products, from our database of substances of environmental concern and has been promoting their systematic replacement. In FY 2018 we finished replacing these in our mass-produced products, which had been given precedence.

## Initiatives through Our Supply Chain

### Promoting our Green Procurement Guidelines

For our environmental conservation activities, we must reduce the environmental impact over the entire lifecycle of our products, from the procurement of materials through to their production, sale, use, disposal, and recycling. As it is not enough to work towards this through the initiatives of individual companies alone, the Stanley Group actively engages in the procurement of environmentally friendly products and promotes the reduction of our environmental impact through mutual cooperation with our suppliers.

We have established Green Procurement Guidelines for the Stanley Group to allow us to continue promoting initiatives through our supply chain, and work to reduce our environmental impact through coordination with our suppliers.

In our Green Procurement Guidelines, we primarily ask the following six requests of our suppliers.

1. Understand and cooperate with our environmental goals, targets, and requirements
2. Establish an environmental management system (EMS)
3. Thoroughly manage substances of environmental concern
4. Promote initiatives to determine and reduce emissions of greenhouse gases (GHG)
5. Promote initiatives to reduce the amount of waste generated and the amount of water used
6. Promote the recycling of resources

## Green Procurement Policies

### Holding yearly meetings to explain our purchasing policies

Stanley Electric holds yearly meetings to explain our purchasing policies to our major suppliers based on our green procurement policies, and continues to further strengthen and promote environmental initiatives and green procurement.

As for our activities to reduce greenhouse gas emissions starting in FY 2015, we are making efforts designed to reduce our basic units for CO<sub>2</sub> emission by 1% or more over the entirety of our supply chain.

Continuing on from the previous fiscal year, in FY 2018 we commended two of our suppliers that reduced CO<sub>2</sub> emissions by 1% or more on a basic unit-basis and carried out outstanding initiatives to improve the environment during the target period with our Green Procurement Award. We will continue to enhance reductions over the entirety of our supply chain.



## Environmental Risk Management

### PRTR Substances

We reduced the amount of chemical substances we used by 40.4% YOY, thus achieving our basic unit target

Pursuant to the PRTR Law, we determine the emissions and transfer of chemical substances which are subject to said law. In FY 2018 our emissions and amount transferred came to 33.9t (decrease of 4.8% YOY) and 10.5t (decrease of 3.7% YOY), respectively.

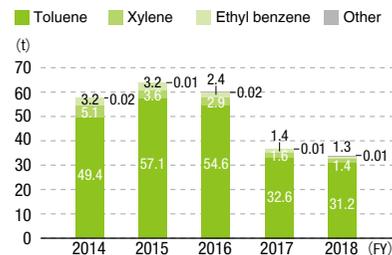
Furthermore, we adopted basic unit management for chemical substances, including substances subject to PRTR.

We worked towards our goal of 1.09t/1 billion yen or less for basic added value units for FY 2018 (decrease relative to FY 2014), which we achieved by coming in at 0.65t/1 billion yen (decrease of 40.4% relative to FY 2014).

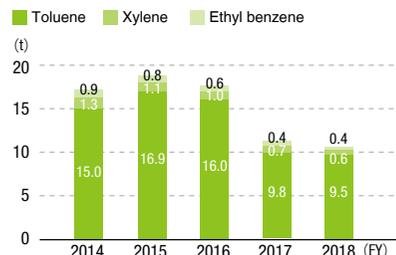
#### Records of PRTR-designated Class 1 Chemicals (Data from Notifying Factories) (t)

		Objective	FY2014	FY2015	FY2016	FY2017	FY2018
Emissions	Atmospheric emissions		57.8	63.9	59.9	35.6	33.9
	Emissions into public water systems		0.0	0.0	0.0	0.0	0.0
	Emissions into the soil on premises		0.0	0.0	0.0	0.0	0.0
	Landfill disposal on premises		0.0	0.0	0.0	0.0	0.0
	Total emissions		57.8	63.9	59.9	35.6	33.9
Amount transferred	Transfer to sewage		0.0	0.0	0.0	0.0	0.0
	Transfer to outside		17.1	18.9	17.6	10.9	10.5
	Total amount transferred		17.1	18.9	17.6	10.9	10.5

#### Changes in Emissions by Type of Substance Requiring Notification under PRTR



#### Changes in the Amount Transferred by Type of Substance Requiring Notification under PRTR



### Management of Polychlorinated Biphenyl (PCB)

#### Management and treatment pursuant to law

We promote rigorous storage, control, and treatment of PCB pursuant to the Special Measures Law for the Proper Treatment of Polychlorinated Biphenyl Wastes.

In FY 2018, treatment of one transformer was completed and our storage status is shown in the table on the right. We have already finished registering the treatment of PCB wastes with regard to the storage equipment with a waste treatment contractor, and will treat this in sequence.

#### PCB storage equipment

Equipment	No. of units
Capacitor	109
Stabilizer	16
Total	125

### Soil Contamination Surveys

#### A survey was carried out at one location

The survey results for FY 2018 are listed below.

For the future, we will continue to carry out surveys and confirm the soil contamination conditions, which we will cope with based on laws and ordinances.

Branch	Survey results
Hatano Factory	A survey was conducted on the basis of the Soil Pollution Countermeasures Act following the replacement of equipment and the plan to construct the Light Tunnel Tower at the adjacent site. As a result, it was confirmed that there was no soil pollution.

### Responding to complaints

#### Working to coexist with local communities at one location

In FY 2018 we received the following environmental complaint from a neighboring area, for which we promptly took countermeasures.

Branch	Occurrence period (countermeasure implementation period)	Details of the complaint	Response results
Hatano Factory	May 2018 (May 2018)	Noise / vibration	We made changes to the heavy machinery and installed ditches as a result of the demolition work for the former inorganic waste treatment building in an effort to reduce noise and vibration. We also thoroughly explained the details of the construction work.

## Compliance with Laws and Ordinances

### We regularly confirm our compliance status

Our domestic group companies perform internal audits at each base based on the Checklist of Environmental Laws and Regulations prepared by our Environmental Planning & Management Department to confirm their compliance status. In addition, each of our bases performs reciprocal internal environmental audits on one another in an effort to thoroughly ensure compliance with laws and regulations.

For our overseas group companies, starting in FY 2016, our Environmental Planning & Management Department in Japan began using external agencies to get a grasp of legal and regulatory trends in different countries. A checklist is prepared based on this which is then used to regularly confirm their legal and regulatory compliance status in order to strengthen management for said compliance.

In addition, both our domestic and overseas group companies check to confirm whether the results of their legal and regulatory checks are appropriate via external audits in aiming to thoroughly ensure compliance.

## Environment-related Awards

### Appraisal for our environmental initiatives

At the Stanley Group, for the sake of environmental risk management we undertake various initiatives to prevent environmental accidents at each of our offices and to reduce our impact on the environment.

In FY 2018 our day-to-day activities were commended by relevant agencies as described below.

#### Thank-you letter from the Mayor of Higashihiroshima

For the torrential downpours in July 2018, Stanley Electric donated a combined total of 10 million yen to Higashihiroshima City in Hiroshima Prefecture and Kurashiki City in Okayama Prefecture to be put to use to support all of the victims of the disaster and for the reconstruction of the afflicted region.

In response to this, the Mayor of Higashihiroshima visited our Hiroshima Factory and presented us with a thank-you letter. Moreover, many of the employees from our Hiroshima Factory, which is located in the afflicted region, participated by serving as disaster volunteers and carried out environmental maintenance and improvements. It is our heartfelt hope that the afflicted region will recover as quickly as possible.



#### Thai Stanley won the Environmental Award (E-Award)

In March 2019, Thai Stanley won the E-Award from Honda Thailand at its 25th All Honda Thai Suppliers Conference. This was awarded exclusively to Thai Stanley from among all of the eligible suppliers for the company's overall score with respect to environmental management, low-



carbon activities, supply chain conditions, and onsite verification based on Honda Thailand's environmental perspective. Thai Stanley has instituted a variety of energy-saving activities in an ongoing manner, including promoting shared use of the exhaust fans in its machinery zones, reassessing the heights of the ceilings in its air-conditioned areas, and converting its molding machines from hydraulic to electric types. This positive appraisal of Thai Stanley's environmental activities has furnished it with the vitality to further promote its environmental activities.

#### Results of the Nikkei Environmental Management Survey

Every year, Nikkei Inc. performs the Nikkei Environmental Management Survey on major companies in Japan to assess their corporate initiatives for balancing environmental measures with business management. The results of this are released as both a score and a ranking.

There are five evaluation indicators: Structure for promoting environmental management, pollution countermeasures and handling of biodiversity, resource recycling, product measures, and countermeasures against global warming. Each of these is evaluated out of 100 points for a total score of 500 points.

The Stanley Group replies to this survey every year. For the FY 2018 survey we increased our score to a total of 445 points, coming in at 54th place out of 360 companies (this is an improvement in our ranking by 55 places from FY 2017). This was largely due to the praise we received from the contributions we made to cutting CO<sub>2</sub> emissions by using solar power to generate our own power and our initiatives for the SDGs, among others. For the future, we will continue to use this as one indicator for objectively assessing the status of the Stanley Group's environmental activities as we work to improve the environment.