

Supply Chain Management



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Basic Approach

We share our corporate vision of Isuzu will always mean the best. A leader in *transportation*, commercial vehicles and diesel engines, supporting our customers and respecting the environment with our business partners and cooperate with them while engaging in procurement activities. We conduct open and fair transactions and maintain mutual communication with the various business partners involved in our supply chain to build relationships based on trust.

Basic Approach behind Procurement Activities

Isuzu recognizes that gaining the cooperation and trust of its stakeholders, including its business partners, in the areas of Isuzu's activity such as the environment, quality, compliance, and community/social contributions, is extremely important for earning the trust of society and contributing to the sustainable development of society as well as fulfilling its corporate social responsibility. To this end, it is working to address a variety of issues.

Many of the parts and other items used in Isuzu's products are purchased from external business partners. The occurrence of a quality problem in a purchased product may cause significant inconvenience to customers using our products. Preventing such problems requires us to consistently secure good items. So Isuzu builds a system for assuring the quality of purchased products while forging relationships of trust with our business partners. Going forward, Isuzu will continue its quality improvement activities with its business partners and strive to strengthen its supply chain. In addition, Isuzu established Purchasing Basic Vision and Purchasing Basic Policy in 1997 to show the basic direction of its procurement activities and maintain their consistency. Our Purchasing Basic Vision and Purchasing Basic Policy are thoroughly communicated to new recruits and, through introductory training, to transferees from outside the Purchasing Division.

Basic Purchasing Vision

We would like to support smooth production through procurement activities. To this end, we guarantee satisfactory quality as well as timely delivery and accurate quantities of purchased products, and we cooperate with the provision of new technologies through purchasing markets, contributing to Company profits. We believe that these actions will help establish interactive communication built on mutual trust with our business partners.

(Established: July 1997, last revised: April 2008)

Basic Purchasing Policy

- 1 With quality as our first priority, Isuzu aims to build a system for creating and delivering products that satisfy its customers.
- 2 Isuzu aims to procure parts based on fair and equitable competition, whether in Japan or overseas, so long as they are satisfactory in terms of quality, pricing, and delivery.
- 3 Isuzu works to enhance its corporate competitiveness while developing procurement activities aimed at win-win relationships with our business partners.

Purchasing Slogan

OPEN (Optimum Procurement to Embody the Needs)

Isuzu will match market needs and establish optimum procurement routes by encouraging procurement reforms.

The procurement slogan depicts an image of the reform so that it is recognizable internally and externally (established July 2010). It is also displayed on materials distributed inside and outside of the Company, as well as on business cards.

* The name "OPEN" also indicates transparency of procurement



Thorough Enforcement of the Basic Purchasing Vision and Basic Policy among Purchasing Division Members

Our Purchasing Basic Vision and Purchasing Basic Policy are written in the Purchasing Division Compliance Guidebook which is available on our in-house database for viewing by members of the Purchasing Division at any time.

Explanation about our Purchasing Basic Vision and Purchasing Basic Policy was added to the introductory training for transferees to the Purchasing Division in FY2022. In this way, all employees of the division are thoroughly educated on the Basic Vision and Policy.

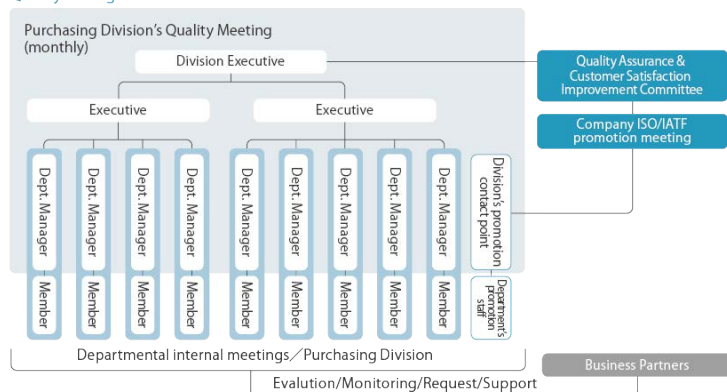
In addition, a seminar on the Act Against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors and the Guidelines for Appropriate Trade in the Automobile Industry is held in an effort to encourage understanding about and compliance with the Act and the Guidelines which members of the Purchasing Division must know well.

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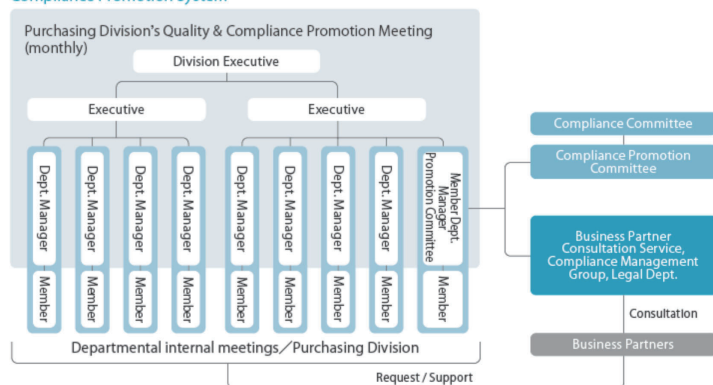
Management Structure

Isuzu holds a Purchasing Division's Quality Meeting once a month for reporting and discussion on topics such as the quality of the previous month's purchased parts, results of audits on new business partners and results of internal audits and external assessments related to ISO and IATF. The Purchasing Division holds a Quality and Compliance Promotion Meeting and an Environmental Meeting once a month each. Information from these committees is passed to all departments within the Purchasing Division. The Purchasing Division's policy on activities related to compliance and the environment is determined at these meetings.

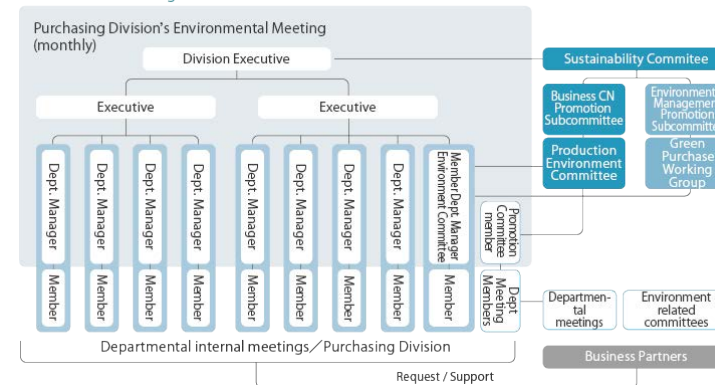
Quality Management Structure



Compliance Promotion System



Environmental Management Structure



Implementation of Departmental Education

New employees and other employees newly assigned to the Purchasing Division receive introductory training on compliance and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. All division members are provided with e-learning on sustainability and business and human rights seminar.

Business Partner Consultation Service

We maintain a Business Partner Consultation Service in our Legal Department's Compliance Management Group. It offers impartial consultations to our business partners. We are available for consultation from Business Partners regarding compliance issues.

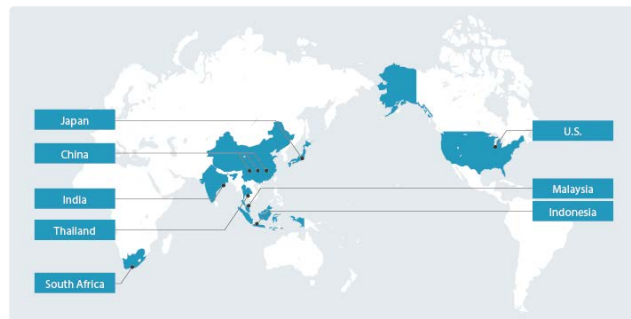
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Initiatives

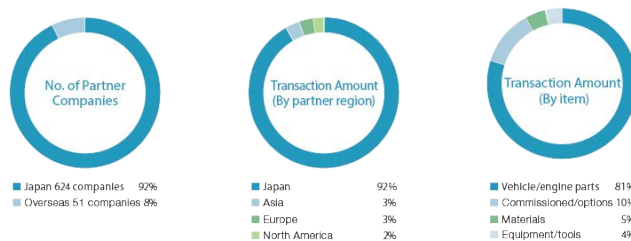
Isuzu Supply Chain

Isuzu chooses its Business Partners according to a fair and equitable selection process regardless of whether they are based in Japan or overseas. In our procurement activities, we pursue win-win relationships with our business partners and apply the same activities to our global supply bases to enhance our corporate competitiveness. Isuzu Group companies in Japan have a total of 675 domestic and overseas business partners. About 90% of these partners are based in Japan. In terms of transaction amount, the procurement of vehicle and engine parts makes up about 80% of the total.

Main Global Supply Hubs



Transactions in Japan



Regional Development and Job Creation

In the countries and regions where Isuzu operates, Isuzu promotes the use of local parts to contribute to the development of the local automotive industry and employment.

Various Guidelines for Business Partners

Isuzu Supplier CSR Guidelines

Isuzu has established the Isuzu Supplier CSR Guidelines, which summarize our requests to our business partners regarding issues such as our CSR activities, corporate vision and Purchasing Basic Vision. These guidelines are based on the Supplier CSR Guidelines issued by Japan Automobile Manufacturers Association, Inc. and the CSR Guidebook by the Japan Auto Parts Industries Association. (Last revised in March 2018) In March 2018, we added a section on conflict minerals.

* Conflict minerals: Minerals mined in and around the Democratic Republic of the Congo (cassiterite, wolframite, coltan, and gold ore), which are used to finance militant forces

Overview of Isuzu Supplier CSR Guidelines

1) Safety and Quality

- (1) Supply of products and services to meet consumer and customer needs
- (2) Supply of appropriate information related to products and services
- (3) Assurance of safety regarding products and services
- (4) Assurance of quality regarding products and services



2) Human Rights and Labor

- (1) Elimination of discrimination
- (2) Respect for human rights
- (3) Prohibition of child labor
- (4) Prohibition of forced or compulsory labor
- (5) Handling of conflict minerals
- (6) Wages
- (7) Working hours
- (8) Conversations and discussions with employees
- (9) Safe and healthy working environments



3) Environment

- (1) Environmental management
- (2) Reduction of greenhouse gas emissions
- (3) Prevention of air, water, land, and other types of environmental pollution
- (4) Resource conservation and waste reduction
- (5) Chemical substance management



4) Compliance

- (1) Legal compliance
- (2) Compliance with competition laws
- (3) Prevention of corruption
- (4) Management and protection of confidential information
- (5) Export transaction control
- (6) Protection of intellectual properties



5) Information Disclosure

- (1) Disclosure of information to stakeholders



6) Social Contributions

- (1) Harmony with local communities



> [Isuzu Supplier CSR Guidelines](#)

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Isuzu Green Procurement Guideline

The Isuzu Group has established the Isuzu Green Procurement Guideline, which introduce our Charter on the Global Environment and summarize the environment related requests we have for our business partners by type of industry. (Last revised: October 2017) Through these Isuzu Green Procurement Guideline, we obtain an understanding of Isuzu's environmental initiatives from our business partners, and at the same time request that they promote environmental activities.

> Isuzu Green Procurement Guideline 

Communication with Business Partners

Isuzu is strengthening communication with its business partners through briefings and meetings. Today, meeting each other face to face is difficult due to COVID-19. We try to maintain communication by sending information with the use of web tools and the distribution of documents. Also, we try to remain respectful in communicating with our business partners. We believe that interactive communication built on mutual trust with our business partners will strengthen our supply chain.

Main Opportunities for Communication with Business Partners

- ▶ Procurement policy briefing
- ▶ Production briefing
- ▶ Quality policy briefing
- ▶ Isuzu Kyowakai*

* Isuzu Kyowakai: A cooperative association comprising Isuzu's business partners

Deployment of ISUZU Supplier CSR Guidelines and ISUZU Green Procurement Guideline

The failure of a business partner to fulfill its corporate social responsibilities would significantly and adversely affect Isuzu's image and its production activities. For example, the occurrence of misconduct—such as falsification of inspection data or human rights-related problems—from our business partner would adversely affect Isuzu's image and, through actions such as discontinuation of supply of purchased parts, Isuzu's production activities. This would inconvenience the customers who use Isuzu's products. To avoid such risks, we ask our business partners to follow our CSR guidelines. When contracting with new business partners, we request that they follow the ISUZU Supplier CSR Guidelines, which include human rights, the environment, and anti-corruption measures such as restrictions on unfair business dealings and prohibitions on offering entertainment, gifts, and money. Additionally, through the ISUZU Green Procurement Guideline, we ask our Business Partners to learn about Isuzu's environmental initiatives and promote environmental activities. Guidelines are posted on the Isuzu Supplier Portal Site and the Isuzu website to inform Business Partners.

Monitoring the Efforts of Our Business Partners

Quality

To monitor the delivery quality and market quality of our business partners, we calculate a monthly evaluation score based on factors such as the number of defect occurrences, the number of defects, and the severity of defects. If a business partner fails to meet a certain standard of quality in its delivery, it is categorized into a company subject to management. A business partner that is close to becoming a company subject to management is considered as a company subject to observation. We strive to improve delivery quality through efforts such as holding monthly quality meetings. In FY2022, the quality of the deliveries improved and approximately 90% of our business partners attained the standard score of delivery quality evaluation. None of the business partners was determined to be a company subject to management by failing to attain a certain standard of quality evaluation. However, some fell within the definition of a company subject to observation. We joined these business partners in their improvement activities and encouraged them to strive for better quality. In addition, we conduct an on-site audit of certain business partners when they undergo a triennial assessment for the renewal of a direct supply contract, to keep updated on their quality management structure operations. We conduct an on-site audit of our new business partners before starting business relationships with them and evaluate the effectiveness of their quality management structures to see if they meet requirements for trading with us.

BCP

Regarding crisis management, it is difficult to monitor crisis management monthly, so management issues are only noticed after an environmental accident or disaster has occurred. Therefore, Isuzu recognizes that it is vital to understand in advance the magnitude of the risks that our business partners are facing and to encourage activities that can eliminate/avoid/reduce the frequency of risks as necessary. Specifically, we regularly conduct crisis management surveys of our business partners. For those business partners that we have identified as high-risk, we check their production sites and offer advice for improvements. Additionally, the company conducts educational activities on holding a large inventory of finished products and parts and on preparedness for natural disasters. We are also promoting the establishment of a BCP/BCM system to verify the supply chain and minimize the disruption of operations in the event of a disaster. In the event of a disaster or other calamity, we will compose an initial response, cooperate with our business partners to achieve a quick recovery, and establish a system to minimize the impact on the sale of Isuzu products.

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Environment

Isuzu requests that its business partners report their activities related to the promotion of environmental management structures through the Voluntary Assessment Report on Environmental Management. For the Voluntary Assessment Report on Environmental Management for FY2022, we asked 364 business partners to conduct voluntary assessments. The evaluation results showed a record-high response rate, as in the previous year, and a record-high average score. We confirmed that the number of business partners engaged in these activities is increasing. Regarding improvements, the number of examples of energy-saving activities and reduction of water consumption increased, and the number of business partners engaged in the acquisition of environmental management structure certification, waste reduction activities, and management and reduction of environmentally hazardous substances also increased, confirming that awareness of environmental activities among our Business Partners has grown. Isuzu recognizes that promoting environmental activities is vital for strengthening its supply chain and will continue to bolster these activities in the future.

Main voluntary environmental assessment items

1. Environmental management structures
2. Notification of environmental personnel
3. Compliance with environment-related laws and regulations
4. Promotion of energy-saving activities
5. Reduction of water consumption
6. Reduction and appropriate treatment of waste
7. Reduction of emissions of regulated chemical substances
8. Submission of voluntary environmental management structure evaluation report
9. Managing environmentally hazardous substances
10. Reduction of CO₂ emissions and packaging/shipping materials in logistics

Human Rights

Since FY2022, we have been asking our business partners to answer the CSR Procurement Self-Assessment Questionnaire issued by the Global Compact Network Japan to confirm the status of their sustainability initiatives, including the use of conflict minerals and human rights initiatives. In FY2022, we asked about 300 major business partners to complete the survey and received responses from about 95% of them.

Environment Activity Seminars

In FY2022, we also held carbon neutral seminars and carbon neutral workshops for our business partners to improve environmental initiatives across the entire supply chain. Based on the results of these seminars and workshops, we will continue to visit our business partners and hold environmental seminars to boost environmental initiatives across our supply chain.

Human Rights Seminars

To promote human rights due diligence initiatives in our business partners' supply chains, we held an online seminar on business and human rights with external experts. In FY2023, we will raise the level of our efforts and further promote understanding of human rights issues among our business partners. Additionally, we will revise the Isuzu Supplier CSR Guidelines in response to the formulation of the Isuzu Human Rights Policy and promote further commitment by our business partners.

Handling of Conflict Minerals

Isuzu considers the use of conflict minerals to be a serious problem in the supply chain as these minerals cause human rights infringements, environmental destruction, and illegal mining in conflict zones, and are used to finance militant forces. Isuzu Supplier CSR Guidelines require that conflict minerals not be used. In FY2022, we launched a survey on the use of conflict minerals in our business partners' supply chains and the status of their initiatives for responsible mineral sourcing. We will continue to request our Business Partners and urge them to discontinue the use of conflict minerals.