



Supply Chain Management

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Basic Policy

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.

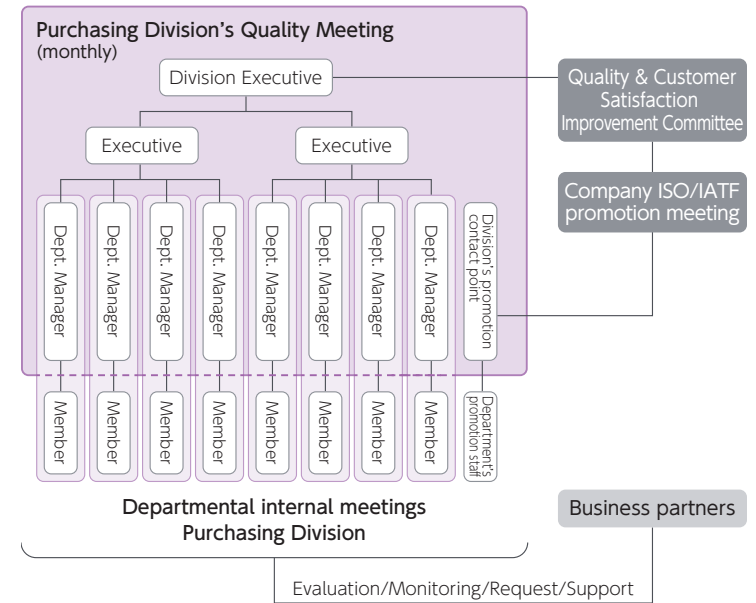
Purchasing Promotion System

The Purchasing Division holds Quality Meetings once a month. Reports are made and discussions are carried out on topics such as the state of the quality of the previous month’s purchased parts, audit results for new business partners, and the results of internal audits and external assessments related to ISO and IATF.

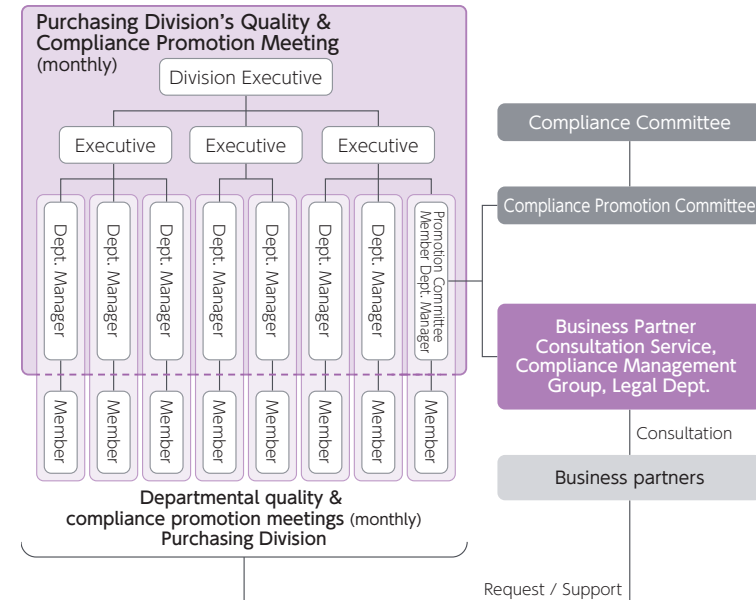
The Purchasing Division holds both Quality and Compliance Promotion Meetings and Environmental Meetings once a month. Information from these committees is passed on to all the departments within Purchasing Division. The Purchasing Division’s policy on activities related to compliance and the environment is determined at these meetings.

We have also established a Business Partner Consultation Service within our Legal Department’s Compliance Management Group, providing impartial consultations for our business partners on compliance-related matters.

Quality Management System



Compliance Promotion System





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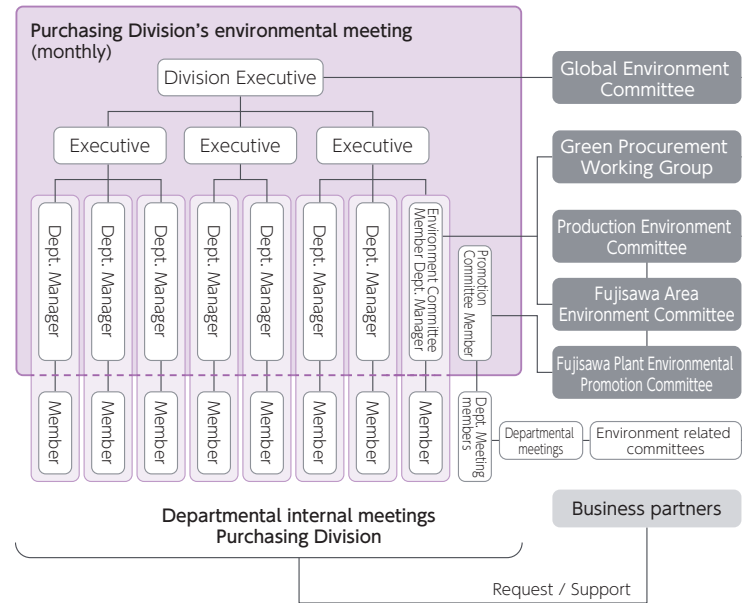
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Environmental Management System



Basic Mindset Behind Procurement Activities

In addition to fulfilling its obligations to society as a company, Isuzu recognizes that gaining the cooperation and trust of its stakeholders, including its business partners, in its areas of activity, such as the environment, quality, compliance, and community/social contributions, is extremely important for earning society's trust and contributing to sustainable societal development. 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. When quality problems occur in purchased products, significant inconvenience is placed on customers using our products.

It is important to provide our plants with a stable supply of quality items, and we build a quality assurance system for purchased products while forging trusting relationships with our business partners. Going forward, we will continue to undertake quality improvement activities with our business partners and strive toward strengthening our supply chain.

In addition, Isuzu established our Purchasing Basic Vision and Purchasing Basic Policy in 1997 to show the basic direction of our procurement activities and maintain consistency. Our Purchasing Basic Vision and Purchasing Basic Policy are included as part of introductory training for new recruits and when personnel from other divisions are assigned to the Purchasing Division to ensure thorough understanding.



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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

The Purchasing Basic Vision and Basic Policy are indicated in the Purchasing Division Compliance Guidebook, which is available in the in-house database so that Purchasing Division members can access them whenever necessary.

Explanations of the Purchasing Basic Vision and Basic Policy were included as part of introductory training for personnel assigned to the Purchasing Division in FY2019 as well, for thorough understanding by all members.

In addition, a seminar on both the Act Against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors and the Guidelines for Appropriate Trade in the Automobile Industry --essential knowledge for Purchasing Division members --was conducted in an effort to encourage understanding and compliance.



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Isuzu Supply Chain

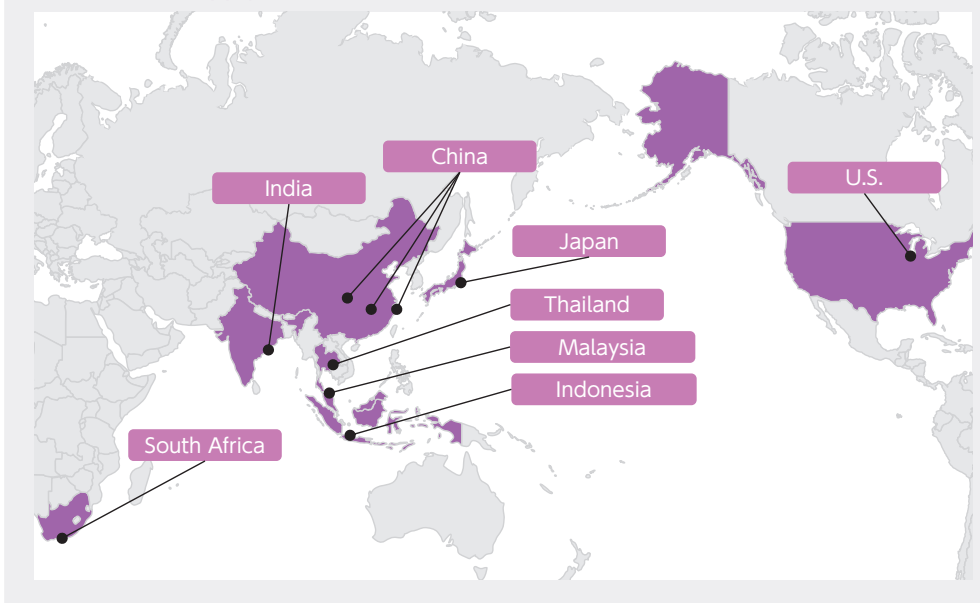
Isuzu chooses its suppliers according to a fair and equitable selection process regardless of whether in Japan or overseas. In our procurement activities, we keep in mind building win-win relationships with our business partners and engage in the same activities at our global supply bases as well so that we can work to enhance our corporate competitiveness. Isuzu Group companies in Japan have a total of 671 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.

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. Business partners that do not meet a certain standard in their delivery quality evaluation scores are selected to be companies subject to management, and business partners that are close to becoming companies subject to management are selected as companies subject to observation. For these companies, we strive to improve delivery quality such as by holding quality meetings with them each month.

In FY2019, improvement in delivery quality was recognized, and approximately 90% of our business partners satisfied the delivery quality evaluation score requirements. While no companies were selected as companies subject to management, some were chosen for observation, and improvement activities were carried out for these business partners in an effort to elevate quality. In addition, we conduct an on-site audit for some business partners at the time of the direct supply contract renewal assessment, implemented every three years, to verify their quality management system operations. With new business partners, we conduct an on-site audit before starting our business relationship with them and evaluate the effectiveness of their quality management systems to see if they meet requirements for trading with us.

We are also making progress with creating a BCP/BCM system and carrying out measures to reconfirm our supply chain and minimize the time it takes to restart operations in the event of an emergency. By improving the speed of our initial response and cooperating with our business partners, we are working to facilitate rapid recovery and creating a system that minimizes the impact on Isuzu product sales.

Main Global Supply Hubs





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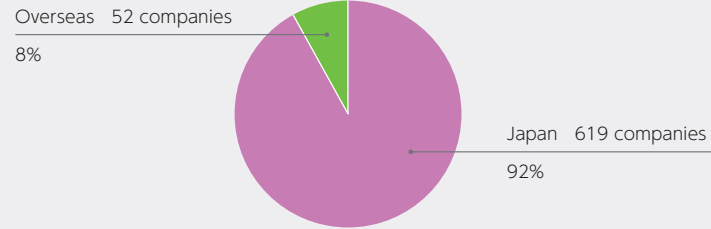
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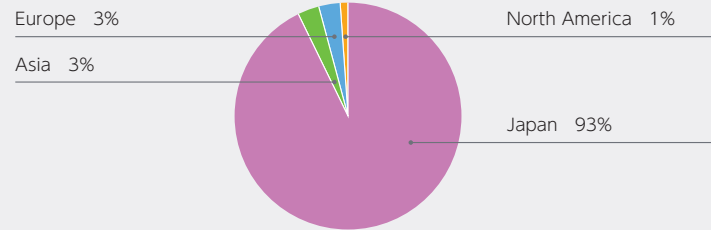
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Transaction Performance in Japan

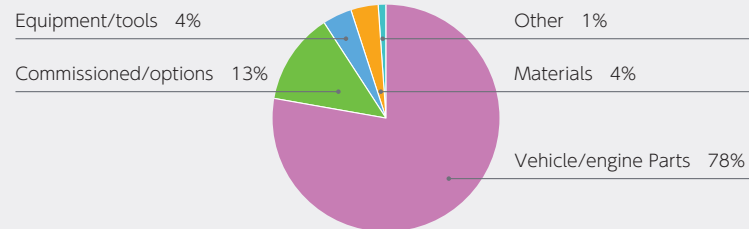
No. of Partner Companies



Value of Trade (By partner region)



Transaction Amount (By item)





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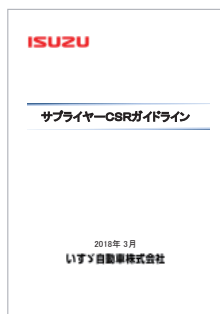
Isuzu Supplier CSR Guidelines


Isuzu has established the Isuzu Supplier CSR Guidelines, which summarize the requests we have of our business partners regarding our CSR activities, corporate vision, purchasing basic vision, and so on. These guidelines were developed 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 March 2018)

The major points reviewed in the Isuzu Supplier CSR Guidelines published in March 2018 are as follows:

- ▶ Added provisions concerning the handling of conflict minerals*

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



 Isuzu Supplier CSR Guidelines
https://www.isuzu.co.jp/world/csr/supplychain/pdf/isuzu_csr_guideline.pdf

◆ Requests for Our Business Partners

Our business partners are expected to carry out activities in accordance with the Isuzu Supplier CSR Guidelines. Even new business partners are requested to carry out initiatives in accordance with the CSR Guidelines when contracts are made.

Not only will there be a negative impact on Isuzu's image if our business partners do not fulfill their corporate social responsibilities, but there will also be a major impact on our production activities. For example, should there be an occurrence of an environmental accident or misconduct—such as falsification of inspection data—with one of our business partners, not only would Isuzu's image be negatively affected, but our production


activities would be impacted as well, such as when there is a stop to the supply of our purchased parts. This would inconvenience the customers who are using our trucks. To avoid such risks, we request that our business partners undertake initiatives according to our CSR guidelines.

With regard to quality, we monitor the situation with our business partners through our monthly delivery quality and market quality evaluations, but monthly monitoring is difficult when it comes to the environment and risk management, with issues coming to our attention only when an environmental accident or disaster has occurred. We recognize the importance of conducting surveys to understand the scale of risks beforehand and conducting activities as necessary to eliminate risk, avoid risk, or reduce the risk of accidents occurring. We conduct surveys on the environment and risk management once a year, and for business partners determined to be high-risk, we conduct production site visits and provide advice that leads to improvements.

We plan to implement similar activities in FY2020.

In principle, for Tier 2 business partners and below, we request that our Tier 1 business partners manage and guide them. However, for special processes related to important security parts, we go directly to business partners in Tier 2 and below to conduct audits on the state of their process management.

Business partners in Tier 2 and below are also requested, through Tier 1 business partners, to comply with the Isuzu Supplier CSR Guidelines.

 Product Quality Improvement
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Handling of Conflict Minerals

The use of conflict minerals—which cause human rights infringements, environmental destruction, and illegal mining in conflict zones, and are used to finance militant forces—is viewed as a serious problem in Isuzu's supply chain. Isuzu requires putting a stop to the use of conflict minerals through our CSR guidelines. Going forward, we will continue to make this request of our business partners and seek to end the use of conflict minerals.



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◆ Overview of Isuzu Supplier CSR Guidelines

We aim to carry out procurement activities with full consideration for human rights and work environments.

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 Green Procurement Guideline

Isuzu Group has established the Isuzu Green Procurement Guidelines, 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 Guidelines, we obtain an understanding of Isuzu's environmental initiatives from our business partners, and at the same time request that they promote environmental activities.

The major points reviewed in the Isuzu Green Procurement Guidelines published in October 2017 are as follows:

- (1) Updated the URL of IMDS
- (2) Changes made to the procedures to register personnel responsible for environmental initiatives

The Isuzu Green Procurement Guidelines are published on the company website and shared through the Isuzu Supplier's portal system to promote them among our business partners.



Isuzu Green Procurement Guideline
https://www.isuzu.co.jp/world/csr/supplychain/pdf/isuzu_green_procurement.pdf



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◆ Requests for our Business Partners

Self-Evaluation of Environmental Management Systems

Our business partners are expected to report the conditions of their environmental management systems through surveys. We are aware that promoting awareness of environmental initiatives is extremely important, and we will continue these activities in the future.

[Main evaluation items]

- ▶ Environmental management systems
- ▶ Compliance with related environmental laws and regulations
- ▶ Promotion of energy-saving activities
- ▶ Reduction of water consumption
- ▶ Reduction and appropriate treatment of waste
- ▶ Reduction of emissions of regulated chemical substances
- ▶ Managing environmentally hazardous substances (revised questions)
- ▶ Reduction of CO₂ emissions and packaging/shipping materials in logistics

[Actions in response to the results]

In view of FY2018's survey results, focus was placed on chemical substance management in FY2019 as well, and on-site verification activities were conducted for our business partners. Visits were made to verify aspects such as clarification of chemical substance management standards, management conditions, prevention of prohibited substance inclusion in the manufacturing process, and the status of implementation for internal training. Together with applying information obtained from the verification activities of business partners actively working on chemical substance management to our future activities, we will continue to provide advice to those business partners who are not as active.

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Creation/Promotion Activities for Chemical Substance Management System in the Supply Chain

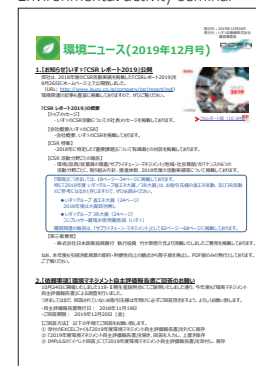
The Isuzu Group is taking action to clarify the mechanisms for improving the accuracy of its chemical substance information and for improving trust, as well as working to create a management system in the supply chain.

In FY2019, we held an “Environmental Activities Seminar” for our business partners. This seminar featured a lecture by a representative from Mizuho Information & Research Institute, Inc. on “Legal Regulations and Responses Related to Chemical Substances Contained in Products,” and it introduced the latest developments of the Japan Automobile Manufacturers Association.

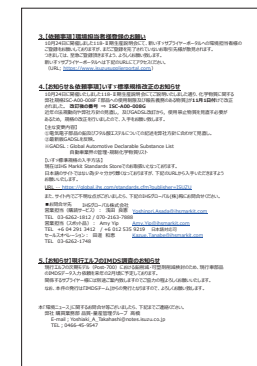
We published our environmental news in December 2019, featuring topics such as an overview of our “2019 CSR Report” and revisions to Isuzu's standard specifications.



Environmental activity seminar



Environmental News





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Communication with Business Partners

Isuzu intends to strengthen communication with its business partners through briefing sessions and meetings. We also pay close attention to communicating respectfully with our business partners on a daily basis. We believe that interactive communication built on mutual trust with our business partners will lead to the strengthening of our supply chain.

Main Opportunities for Communication with Business Partners

- ▶ Procurement policy briefing
- ▶ Production briefing
- ▶ Quality policy briefing
- ▶ Isuzu Kyowakai※ (regular general meeting, joint committee, executive round-table discussion, etc.)

* Isuzu Kyowakai: A cooperative association composed of Isuzu's business partners

Establishment of Business Partner Consultation Service

We have established a Business Partner Consultation Service within our Legal Department's Compliance Management Group that provides impartial consultations for our business partners.

Future Initiatives

We are continuing to request that our business partners build their BCP/BCM systems and comply with our risk management guidelines for business partners based on the theme of deepening our supply chain. Going forward, we will continue to further deepen our activities in quality, the environment, and risk management so as to build a resilient supply chain.

Our surveys on the status of initiative execution by our business partners reveal that there are large differences in execution status depending on the business partner. In order to improve the overall execution level, we will hold interviews on execution status and check the conditions at production sites while also continuing to gain an understanding of the level of execution through surveys, and we will apply these results to future activities.

By introducing examples of improvements achieved from these interviews and surveys, we will promote the activities of our business partners.

We will review the content of the Isuzu Green Procurement Guidelines and Isuzu Supplier CSR Guidelines as necessary while also continuing activities to raise awareness of these guidelines.



Procurement policy briefing



Production briefing



Isuzu Kyowakai (regular general meeting)



Isuzu Kyowakai (joint committee meeting)