

Supply Chain Management



Supply Chain Management

Basic Approach

We will work together with our business partners, sharing and collaborating on the new corporate vision "Moving the World - for You," which goes beyond the framework of the conventional corporate vision "A Leader in Transportation," as we engage 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 to 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, human rights, and community/social contributions, is extremely important to earning the trust of society, contributing to the sustainable development of society, and fulfilling its corporate social responsibility. To this end, it is working to address a variety of issues.

Isuzu established the Purchasing Basic Vision and Purchasing Basic Policy in 1997 to illustrate the direction of its procurement activities and maintain consistency across these activities. Our Basic Purchasing Vision and Basic Purchasing Policy are thoroughly communicated to new recruits and, through introductory training, to transferees from outside the Purchasing Division.

Many of the parts and other items used in Isuzu's products are purchased from external business partners. The occurrence of a quality problem with purchased items or the manifestation of environmental, social, or business continuity risks affecting the supply may cause significant inconvenience to customers using our products. To prevent such situations, Isuzu is strengthening its monitoring system regarding quality management, as well as environmental, social, and business continuity measures. Going forward, Isuzu will continue its purchasing activities based on mutual trust with its business partners and will aim to establish a more resilient supply chain to ensure the stable procurement of quality products.

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 FY2023. 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.

Supply Chain Management

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.

Implementation of Departmental Education

New employees and other employees newly assigned to the Purchasing Division receive introductory training on compliance and sustainability. All division members are provided with seminars on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. Furthermore, we conduct an EV battery seminar as part of our organization's efforts to deepen knowledge about zero-emission vehicles and work toward achieving a decarbonized society.

Business Partner Consultation Service

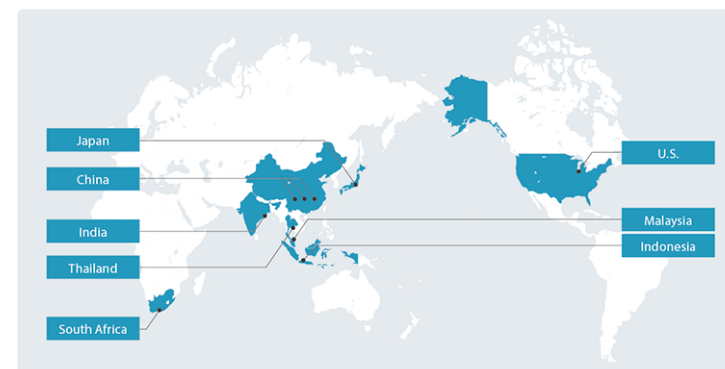
We maintain a Business Partner Consultation Service as part of our Risk Management Division's Compliance Management Group. It offers impartial consultations to our business partners. We are available for consultation with business partners regarding compliance issues.

Initiatives

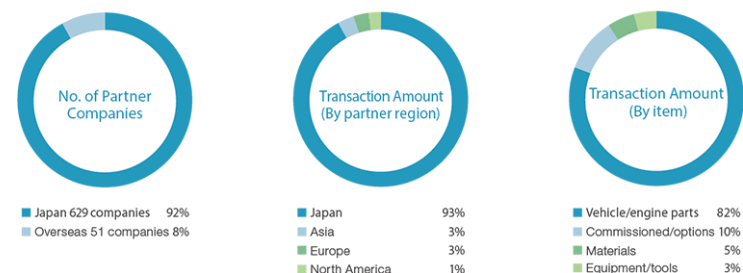
Isuzu Supply Chain

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 in Japan have a total of 680 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.

Supply Chain Management

Various Guidelines for Business Partners

Isuzu Supplier Sustainability Guidelines

Until recently, Isuzu has been conducting socially responsible procurement activities in collaboration with our business partners based on the Supplier CSR Guidelines. However, considering the changing trends in sustainability and the expectations of our stakeholders, in December 2022, we revised and updated the guidelines to create the Isuzu Supplier Sustainability Guidelines (hereafter the Guidelines). In this revision, we have enhanced the content to promote the shared value of sustainability, including environmental and human rights aspects, throughout Isuzu's supply chain. Based on the Isuzu Group Human Rights Policy formulated in February of the same year, we encourage the use of the Guidelines to advance your human rights efforts, and we also request your cooperation in disseminating and considering the Guidelines not only within your organization but also across your supply chain. We kindly ask our business partners to agree with Isuzu's principles and confirm their commitment to complying with the requirements of the Guidelines for all products and services supplied to Isuzu by signing an agreement. As of July 2023, we have received signatures from our business partners, representing about 90% of our annual purchase volume. Furthermore, we have created a Self-Assessment Questionnaire (SAQ) to evaluate whether initiatives aligned with the revised Guidelines are being implemented. We will commence the survey in FY2024. As of July 2023, we have received signatures from business partners that represent approximately 90% of the annual purchase volume. Where any risks are identified, we plan to conduct interviews and on-site audits with our business partners to implement improvement measures.

> [Isuzu Supplier Sustainability Guidelines](#) 

Isuzu Green Procurement Guideline

The 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 the 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.

> [Isuzu Green Procurement Guideline](#) 

Communication with Business Partners

Isuzu is strengthening communication with its business partners through briefings and meetings. Despite the COVID-19 pandemic and in response to the changing situation, during FY2023, we gradually increased in-person information dissemination while also utilizing web tools. 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

- New Year's business leaders' forums
- Procurement policy briefings
- Production briefings
- Quality policy briefings
- Isuzu Kyowakai*

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

Deployment of Isuzu Supplier Sustainability Guidelines and ISUZU Green Procurement Guidelines

The failure of a business partner to fulfill its corporate social responsibilities would significantly and adversely affect Isuzu's reputation 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 Sustainability guidelines. When contracting with new business partners, we request that they follow the Isuzu Supplier Sustainability 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.

The 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. As a result, business partners whose evaluation scores and defect counts do not meet a certain standard are selected to be companies subject to management, and business partners whose evaluation scores meet a certain threshold but have defect counts exceeding a specific limit are selected as companies subject to observation, indicating a need for improvement in delivery quality. We strive to improve delivery quality through efforts such as holding monthly quality meetings. In FY2023, 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

From the perspective of business continuity, numerous challenges need to be addressed regarding our future production activities both in the short and medium-to-long term. These challenges include shortages in parts supply, infectious diseases, production plan changes due to natural disasters, and operational adjustments, among others. Furthermore, it is essential to be mindful of geopolitical risks. In FY2023, due to the spread of COVID-19 and the need to quarantine plants, procurement risks became evident. As a result, we have been considering measures to hold larger inventories and explore operations that allow sourcing from areas outside high-risk regions. We are also promoting the establishment of a BCP/BCM system to verify the supply chain and will tackle the new challenge of visualizing the supply chain. In the event of a natural disaster, we utilize our system to promptly request that business partners responsible for reporting the extent of the delivery impacts they are facing. We have formed a Crisis Management Team as part of our efforts to minimize the time required to resume operations. 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.

Supply Chain Management

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. We asked 365 business partners to conduct voluntary assessments for the Voluntary Assessment Report on Environmental Management for FY2023. 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 environmental 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. Additionally, we have joined to the CDP Supply Chain Program from FY2023 to promote efforts related to climate change and to track our business partners' GHG emissions. We received responses from suppliers representing approximately 90% of our annual purchases. Isuzu recognizes that promoting environmental activities is vital to strengthening its supply chain and will continue to work towards the gradual reduction of GHG emissions.

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 FY2023, we received responses from business partners that account for approximately 90% of the annual purchase volume. From FY2024, we plan to use a new Self-Assessment Questionnaire (SAQ) aligned with the Isuzu Supplier Sustainability Guidelines to identify, evaluate, and implement improvements concerning human rights risks.

Cybersecurity

Since FY2022, we have been reviewing the JAMA/JAPIA cybersecurity guidelines of our business partners to confirm and improve their cybersecurity measures. Additionally, we kindly request that our business partners conduct a self-check using the Automotive Industry Security Check Sheet. Moreover, starting in FY2023, we have conducted cybersecurity management system establishment and operational status checks for 28 business partners handling products subject to UN-R155 and domestic regulations (Road Transport Vehicle Law Safety Standards) to ensure they comply with vehicle product cybersecurity requirements. In the future, we will continue to promote comprehensive cybersecurity measures among our business partners. To achieve this, we will conduct regular surveys to assess their improvement status and provide appropriate support from Isuzu as needed. Furthermore, to ensure compliance with regulations, we will conduct checks on the vehicle product cybersecurity management systems of the relevant business partners.

Environmental Activity Seminars

In FY2023, we disseminated information about our environmental initiatives, activities plan, chemical substances regulations, and Isuzu's policies to our business partners through the production briefing. Furthermore, to enhance the supply chain, we encouraged the use of self-assessment sheets created by relevant industry groups for product substance management. In FY2024, we will adapt to the changing situation, 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 entitled "...in FY2023, following the human rights webinar for suppliers in FY2022 previous year and held an online seminar entitled "The Approach to 'Human Rights' in the Supply Chain." For this seminar, we invited external experts to discuss the human rights due diligence expected from companies and issues related to foreign workers in Japan. Additionally, we revised the Isuzu Supplier CSR Guidelines in response to the formulation of the Isuzu Human Rights Policy and issued the "Isuzu Supplier Sustainability Guidelines" in December 2022. In FY2024, we will raise the level of our efforts and further promote understanding of human rights issues among our business partners.

Responsible Mineral and Raw Material Sourcing

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. Therefore, we request confirmation of non-involvement in conflicts upstream in the supply chain through the "Isuzu Supplier Sustainability Guidelines." 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. The survey has been conducted since FY2023 using the unified format provided by Responsible Minerals Initiative (RMI). We will continue to ask our business partners to promote responsible mineral sourcing.

Interview with Technical Intern Trainees

At Isuzu, we are addressing issues related to foreign workers, including overseas technical intern trainees, as a significant human rights issue. In FY2023, we conducted interviews with overseas technical intern trainees at two of our business partners with the assistance of a third-party organization (the Caux Round Table Japan).

> Human Rights