

Supply Chain Management

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.



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Management Approaches

Basic Policy

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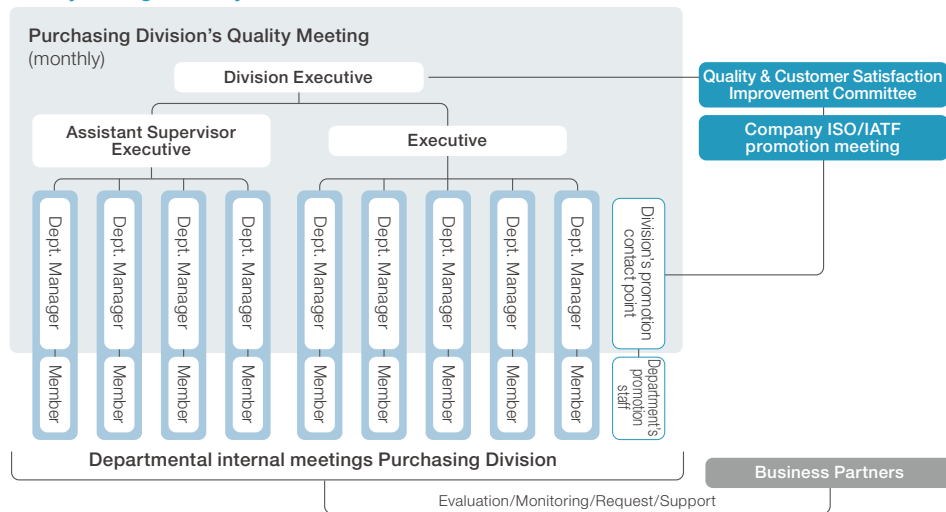
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Purchasing Promotion System

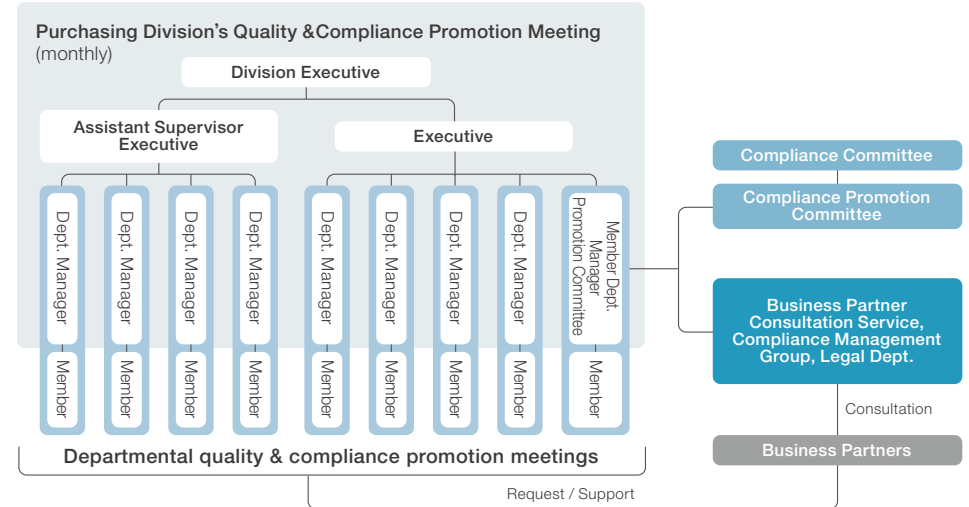
Isuzu holds a Purchasing Division's Quality Meeting once a month for reporting and discussion on topics such as the quality of the previous month's purchased parts, results of audits on new business partners and results of internal audits and external assessments related to ISO and IATF. The Purchasing 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.

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

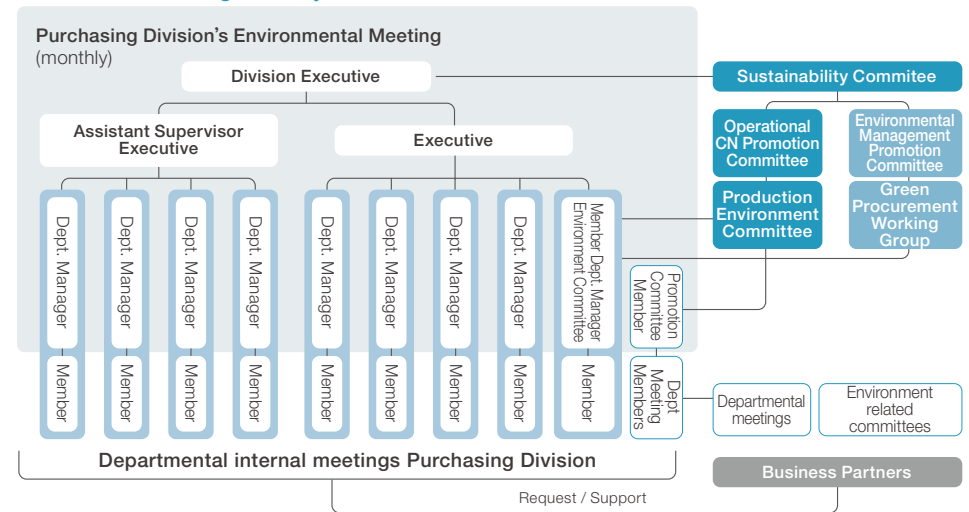
Quality Management System



Compliance Promotion System



Environmental Management System



Management Approaches

Basic Mindset 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 FY2020. 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.

Activity Report

Isuzu Supply Chain

Isuzu chooses its suppliers 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 666 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.

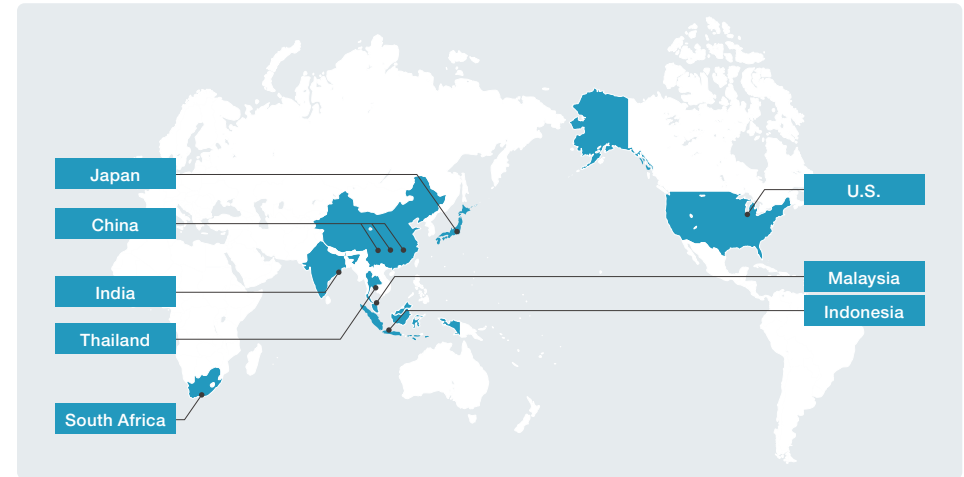
To monitor the delivery quality and market quality of our business partners, we calculate a monthly evaluation score based on factors such as the number of defect occurrences, the number of defects, and the severity of defects. If a business partner fails to meet a certain standard of quality in its 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 FY2020, 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.

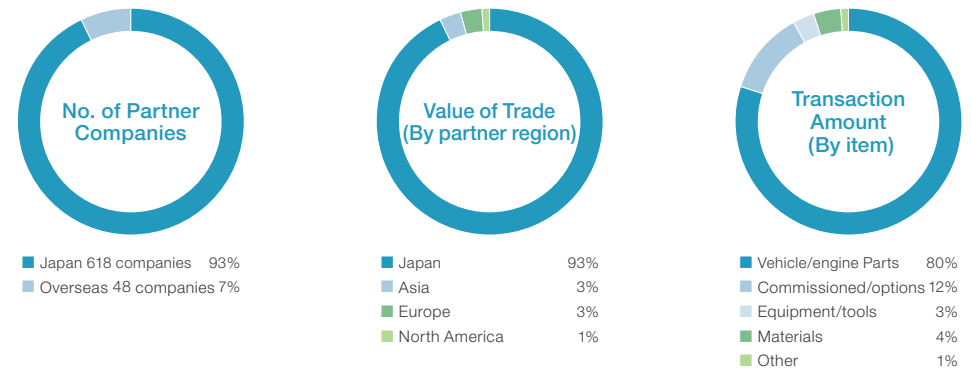
In addition, we conduct an on-site audit of certain business partners when they undergo a triennial assessment for the renewal of a direct supply contract, to keep updated on their quality management system operations. We conduct an on-site audit of our new business partners before starting business relationships with them and evaluate the effectiveness of their quality management systems to see if they meet requirements for trading with us.

We are also creating a BCP/BCM system and are working to review our supply chain and minimize the time it takes to resume operations in the event of an emergency. We are building a system to ensure that, in the event of a disaster or any other emergency, we would be able to take an initial response early, facilitate rapid recovery in cooperation with our business partners and minimize the impact on Isuzu product sales.

Main Global Supply Hubs



Transactions in Japan



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)

The main point of the review of the Isuzu Supplier CSR Guidelines, revised in March 2018

► Addition of provisions concerning the handling of 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

Requests to Our Business Partners

Our business partners are requested to follow the Isuzu Supplier CSR Guidelines. Our new business partners are requested to follow the CSR Guidelines when they conclude a contract with us.

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.

We can monitor our business partners in terms of quality on the basis of our monthly delivery quality and market quality evaluations. Because of the difficulties in monitoring environmental activities and risk management on a monthly basis, however, problems in risk management systems can be overlooked until an environmental accident or disaster occurs. We recognize the importance of proactively identifying the size of the risks our business partners have and encouraging the elimination, avoidance and reduction of the frequency of risks. We conduct annual surveys of our business partners' environmental activities and risk management. Those business partners that are found to be at high risk undergo an inspection of their production site and receive advice for improvements.

More than 90% of our business partners responded to the FY2020 survey. Infectious diseases and natural disasters are common risk factors that are important. Moreover, we have found that they are increasingly aware of the risks of fire and equipment failure.

Continuous follow-up has been shown to effectively foster improvements. So we will continue similar activities throughout FY2021.

In principle, we request our Tier 1 business partners to manage and guide Tier 2 business partners and below. However, we visit Tier 2 business partners and below to audit special processes related to important security parts. Of course, business partners in Tier 2 and below

are also requested, through Tier 1 business partners, to comply with the Isuzu Supplier CSR Guidelines.

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 CSR Guidelines require that conflict minerals not be used. Going forward, we will continue to ask our business partners not to use conflict minerals.

 https://www.isuzu.co.jp/world/company/sustainability/pdf/isuzu_csr_guideline.pdf



Various Guidelines for Business Partners

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)

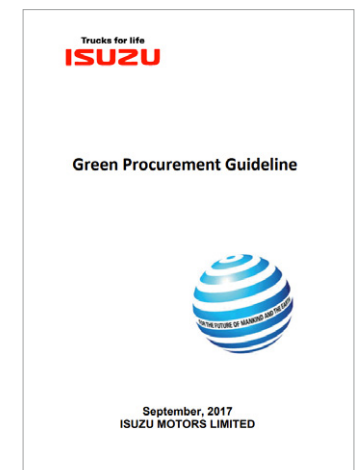
Through these Isuzu Green Procurement Guidelines, we obtain an understanding of Isuzu's environmental initiatives from our business partners, and at the same time request that they promote environmental activities. The major points reviewed in the Isuzu Green Procurement Guidelines published in October 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.

 https://www.isuzu.co.jp/world/company/sustainability/pdf/isuzu_green_procurement.pdf



Various Guidelines for Business Partners

Purchasing (Green Purchase Working Group)

Self-evaluation of Environmental Management Systems

By responding to a questionnaire, Isuzu's business partners are asked to report the facts about their environmental management systems. Isuzu recognizes the importance of raising awareness about environmental initiatives, and will continue their awareness-raising activities.

Main Evaluation Items

- ▶ Environmental management systems
- ▶ Compliance with environment-related 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 question)
- ▶ Reduction of CO₂ emissions and packaging/shipping materials in logistics

Actions In Response to the Results

- ▶ In view of FY2019's survey results, we planned to keep focusing on chemical substance management in FY2020 and to visit our business partners' sites for inspection. In FY2020, however, the visits to business partners had to be cancelled after the declaration of state of emergency was issued by the government to prevent the spread of COVID-19. They will be resumed in FY2021. The visiting inspections in FY2021 will be based on this fiscal year's survey results and will see how the business partners clarify chemical substance management standards, manage their suppliers, prevent the addition of prohibited substances during manufacturing processes, and conduct in-house training. Information obtained from the visiting inspections of business partners actively working on chemical substance management will be applied to our future activities. We will also continue to provide advice to business partners who are doing less with regard to chemical substance management.

Environment Activity Seminars

In October 2020, Isuzu held an Environment Activity Seminar to improve its business partners' environmental activities. Held during the COVID-19 pandemic, the seminar ensured social distancing and followed the infection prevention guidelines. Thirty-seven persons participated from 36 business partners that are motivated to raise the level of their environmental activities. As with last year, we invited a speaker from Mizuho Information & Research Institute, Inc. to speak about laws, regulations and actions concerning chemical substances contained in products. Attendees from our business partners said they would fully apply what they learned to their environmental activities.

Three hundred and sixty-five of our business partners were asked to cooperate in the FY2020 self-assessment report on environmental management. The average score was close to last year's level. However, the response rate exceeded last year's figure, rising to a record high. We learned that environmental management activities were spreading among our business partners. The good news is that more of our business partners achieved their self-set targets in energy saving and reduction of water consumption and are working to request their own suppliers to strengthen environmental activities, reduce waste and control and reduce environmentally hazardous substances. We learned that they were becoming increasingly motivated to engage in environmental activities. Given these results, we will continue with our visits to business partners and environmental seminars in an effort to raise the level of environmental initiatives throughout our supply chain.

Communication with Business Partners

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

Monitoring the Efforts of our Business Partners

Isuzu issues Supplier CSR Guidelines for the whole supply chain to work on human rights, labor and environmental issues. Through the guidelines, our business partners understand Isuzu's commitment to CSR and we share the efforts we want our business partners to make.

In 2021, we will begin monitoring our business partners' use of conflict minerals and their commitment to human rights. More specifically, our business partners are requested to fill in a self-assessment questionnaire and return it to Isuzu. In this way, we keep updated on the potential risks the business partners have and will conduct monitoring of factors that we judge as entailing a risk that should be removed. Training sessions will also be held as necessary.

Intra-departmental Training

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.

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.