

**CSR FOCUS AREAS**

- Customer Satisfaction and Quality Management (Car Maker/ General Customers and Dealers)
- Employee Health and Safety Management
- Climate Change and GHG Management
- Employee Value Creation
- Integrated Environmental Management
- Community Involvement and Development
- Transparency and Business Ethics

**Focus 08**

Win-win Supply Chain Partnership

**Supplier selection**

The business stability of our suppliers leads directly to our own, and their CSR management is a critical element for achieving shared growth. In response, we have been working on expanding the scope of supplier CSR management from our primary to our secondary suppliers.

**Selecting suppliers considering CSR elements**

Promoting win-win relationships with suppliers is essential to achieving sustainability in our businesses. In 2018, we completed CSR assessment for 151 primary suppliers. To promote our CSR policy, we prepared guidelines for distribution to suppliers when signing a contract. For critical primary suppliers, we developed a template that allows them to identify the CSR management status of their key secondary suppliers. For those who do not have criteria for secondary supplier management, guidance on minimum requirements was provided. In 2019, we will work on the refinement of this template and distribute it to suppliers for more transparent supply chain management.

**The 2018 on-site CSR audit**

Target	Domestic machinery suppliers	
Audit areas	CSR management system	· CSR policy; responsibility; system operation; and communication
	Human rights and labor	· Human rights policy and management; and training · Freedom of association and collective bargaining; working hours and minimum wage; and employment contracts · Prohibition of child/forced labor/discrimination/violence; and prevention of sexual harassment · Grievance channels
	Ethics management	· Ethics management system; responsibility; and policy · Code of ethics; code of conduct; and training · Monitoring; disciplinary actions; whistleblowing system; and disclosure · Information security policy, responsibility and training; and information security system monitoring
	Corporate philanthropy	· Corporate philanthropy policy; responsibility; and activities
	Health and safety	· Health and safety policy; working environment measurement and improvement; and chemical management · Safety responsibility, inspection and training; disclosure of industrial accidents; and the Safety and Health Committee · Safety gear · Firefighting management; and responsibility
	Environment and climate change	· Environmental management system; and conflict minerals · Environment/water/air pollution/waste management; and prevention of soil contamination · Low-carbon management; and energy/GHG emissions management
	Supplier CSR management	· Supplier CSR policy; and communication · Human rights management; ethics management; safety control; and environmental management
Corrective action plans	· Wearing safety gear (hard helmets, gas masks, and masks) and providing them to visitors · Setting up grievance/whistleblowing channels that anyone can report in anonymity · Establishing and promoting internal code of ethics	· Upgrading the equipment for preventing chemicals and oil leakage in the storage of toxic materials · Conducting fire drills on a regular basis

**Supplier capacity building**

We are offering a wide range of supplier capacity-building programs, including on-site audits, to support them to strengthen competitiveness.

**Conducted on-site CSR audit**

The scope of on-site CSR audit has been expanded from raw material to machinery suppliers. Our CSR Team supported suppliers in the review of audit results and planning of improvement measures. These activities have helped us to more fully understand the operations of our suppliers. In 2019, we plan to establish a process for conducting systematic on-site audits.

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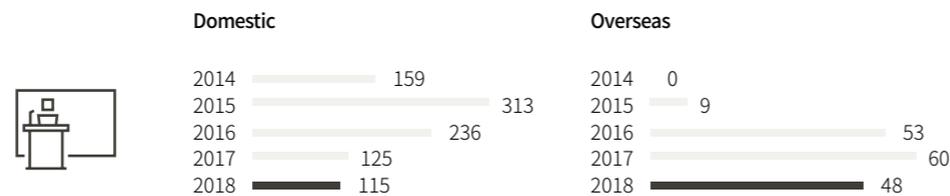
**Supplier ESG management**

We do our utmost to minimize the environmental impact across the entire product lifecycle. In particular, the impact of the transportation process is a key element that needs to be considered.

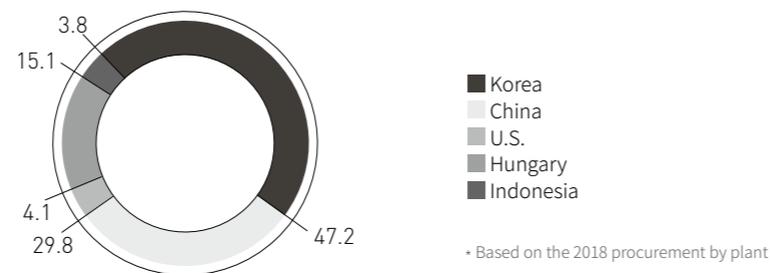
**Minimizing environmental impact during transportation**

We contract with third-party logistics companies for shipping and transportation of finished products. This limits our ability to adjust the mode of transportation as needed. When we sampled and analyzed the results of a product lifecycle assessment, it turned out that the environmental impact of shipping and transportation accounted for a mere 0.3%. In response, we elected to focus our efforts on areas with a greater impact and to plan new targets and tasks. Meanwhile, we will continue our efforts at GHG emissions reductions by optimizing the transportation routes of finished products.

**Suppliers assessed in CSR (unit: company)**



**Procurement by region (unit: %)**



**CSR assessment items<sup>1)</sup>**

Category	Details
Human rights, labor, and non-discrimination	Human rights · Freedom of association; and collective bargaining
	Labor · Prohibition of child/forced labor; compliance with legal working hours, minimum wage and employment contracts; and implementation of whistleblowing channels
	discrimination · Non-discrimination; no violence; and prevention of sexual harassment
Ethics	System and its implementation · Establishment of the code of ethics; training; anti-corruption; no bribery ; and social contribution activities
	Monitoring and disciplinary actions · Regular audit and monitoring; and disciplinary actions for violation
	Data protection · Information security of customers
Safety and health	Safety · Safety inspection; safety gears; Safety and Health Committee; and supplier safety management
	Firefighting · Fire prevention activities
	Health · Work environment measurement and improvement; and chemical management
Environment and GHG emissions	Environment · Environmental management; prevention of soil contamination; and waste management
	GHG emissions · Energy and GHG emissions management

1) In selecting new suppliers and renewing contracts, suppliers whose CSR grade is Y (60 points) or higher are given priority. In addition, we are working on improvement measures for suppliers with R grade (less than 60 points or not assessed)

**Our critical suppliers**

We group our key suppliers into two categories considering their business relevance and dependency and the significance of the items supplied. For raw material suppliers, our selection criteria are: technology-intensiveness; whether only a limited number or exclusive companies exist; and tire cord manufacturers. Regarding machinery, since maintenance issues require considerable time to address once they occur, we identify and manage suppliers who could affect our production continuity.