

Procurement

Establishing Mutually Beneficial Relationships with Business Partners

Basic Approach to Procurement

Following its corporate principles, FHI aims to procure environment-friendly parts, materials, and equipment with high quality and excellent cost performance. To realize this aim, it is important to establish mutually beneficial relationships with our business partners, whereby we can trust each other and improve ourselves on an equal footing.

Promoting Fair-Trade

We have been working to faithfully observe laws and regulations related to the procurement business such as the Anti-Monopoly Act and the Act against Delay in Payment of Subcontract Proceeds, etc. We also are promoting programs for fair business transactions along the "Fair Trade Guidelines of the Automotive Industry" announced by the Ministry of Economy, Trade and Industry in June 2007. As a part of the promotion, consultation service is provided to suppliers in our supply chains.

Fundamental Procurement Policy

FHI has been promoting procurement activities under the following basic policy.

1 Compliance & Green Procurement

We will engage in procurement activities in a way to harmonize man, society and the environment and conduct transactions paying due care to observe legal and societal rules and to protect the environment.

2 Establish Best Partnership

We will establish "WIN-WIN" relationships with suppliers through transactions based on mutual trust under the doctrine of good faith.

3 Fair and Open Way of Selecting Suppliers

In selecting suppliers, the door will be wide-open to all firms, domestic and overseas, for fair and equitable business to procure goods and services most excellent from six perspectives: quality, cost, delivery, technical development, management and environment.

Approaches to CSR Procurement

To promote our CSR activities throughout the supply chain, we have created the *SUBARU Supplier CSR Guidelines* that cover issues concerning safety and quality, human rights and labor, the environment, compliance, and information disclosure. The Guidelines were also distributed to business partners of SUBARU Automotive Business. Many of the stipulations in the Guidelines have already been in practice under the trust between SUBARU and its business partners, however, we believe that documenting such practices will help our partners to clearly understand SUBARU's stance concerning CSR and implement our level of standards in their own businesses. Our aim is to fulfill CSR, working together with all parties in the supply chain.

Issuance of the CSR Guidelines for Suppliers is being prepared in the Aerospace Company and Industrial Products Company following SUBARU Automotive Business. FHI will further promote CSR-based procurement.

Overview of the SUBARU CSR Guidelines for Suppliers

Based on the JAMA CSR Guidelines for Suppliers, we have created the SUBARU CSR Guidelines for Suppliers by incorporating our CSR policy for the business partners of SUBARU Automotive Business. We expect these guidelines will help our partners to conduct further CSR activities and expand such activities jointly with their own business partners.

Five Topics in the SUBARU CSR Guidelines for Suppliers

1 Safety and Quality

- Providing products and services that meet consumer and customer needs
- Providing appropriate information concerning products and services
- Ensuring safety of products and services ● Ensuring quality of products and services

2 Human Rights and Labor Issues

- Striving to avoid discrimination ● Respecting human rights ● Prohibiting child labor
- Prohibiting forced labor ● Compliance with the law on remuneration
- Compliance with the law on working hours
- Practicing dialogue and consultation with employees
- Ensuring a safe and healthy working environment ● Providing human resource training

3 Environment

- Implementing environmental management ● Reducing greenhouse gas emissions
- Preventing air, water, and soil pollution ● Saving resources and reducing waste
- Managing chemical substances ● Conservation of the eco system

4 Compliance

- Compliance with laws ● Compliance with competition laws ● Preventing corruption
- Managing and protecting confidential information ● Managing export trading
- Protecting intellectual property

5 Information disclosure

- Disclosing information to stakeholders

Please refer to the FHI website for the *SUBARU CSR Guidelines for Suppliers*.

<http://www.fhi.co.jp/english/envi/csr/csr/procurement.html>