

Our Approach to Procurement

In keeping with our Corporate Philosophy, the FHI Group strives to procure high quality, environmentally friendly parts, materials, and equipment that offer excellent cost performance. To realize this goal, it is necessary for us to establish relationships with our business partners based on equality, trust, mutual benefit, and dedication to continuous improvement.

Fundamental Procurement Policy

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

- ① **Compliance & Green Procurement**
We 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 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 is 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.

Promotional System for Appropriate Business Practices and CSR Procurement

In the past, the procurement departments of the Subaru Automobile Business, Aerospace Company, and Industrial Products Company participated in the Procurement Environmental Committee, which strived to solve environmental issues that arose in the area of procurement. In FY2012, the committee changed its name to the Purchasing Committee and expanded its mission to include both environmental and CSR issues.

The policy of the Purchasing Committee is to facilitate fair procurement practices and encourage CSR at suppliers, thereby helping to ensure fair trade with business partners and cooperative CSR-based procurement throughout the FHI supply chain.

Promoting Fair Trade

FHI strictly observes the Antimonopoly Act, the Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors, and other laws and regulations related to procurement. We are also engaged in fair trade programs in support of the Fair Trade Guidelines for the Automotive Industry issued by the Ministry of Economy, Trade and Industry in June 2007. As part of these efforts, we offer a hotline for business partners in our supply chain to call in should they have any questions or concerns about FHI's fair trade practices.

Even for employees, FHI provides legal and regulatory training for those in charge of procurement and transmits alerts on our intranet to ensure that business is conducted properly.

 [Consultation service for promoting fair-trade \[PDF: 381KB\]](#)
(Japanese version only)

Employee Training on Fair Trade in FY2016

SUBARU Automotive Business

- Reception training for transferees (11 employees)
- Training session on Fair Trade Guidelines (90 employees)
- Test to check understanding of Subcontract Act (1H: 140 employees, 2H: 138 employees)
- Checks on carrying of Subcontract Act compliance cards (checked that all target employees were carrying the cards)

Aerospace Company

- Reception training for transferees (5 employees)
- Procurement process training (168 employees)
- Material department EMS* promotion staff training (113 employees)
- Briefings on progress status of purchasing reforms (205 employees)

*EMS: an acronym for Environmental Management System

Industrial Products Company

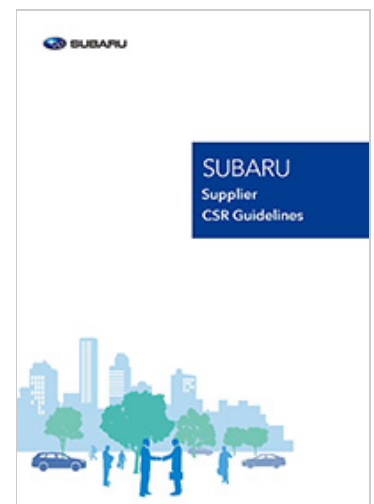
- Reception training for new recruits (3 employees)
- Supplier training (publicizing of environmental action and procurement guidelines) (108 companies, 113 trainees)
- Departmental environment training (23 employees)

CSR Guidelines for Suppliers

In FY2014, these guidelines were made company-wide to cover all suppliers of the SUBARU Automotive Business, the Industrial Products Company and the Aerospace Company. In FY2015, we revised the content to incorporate the non-use of raw materials that engender social problems, such as conflict minerals.* We are also conducting supplier surveys related to conflict minerals. Similarly, in FY2016, we revised the guidelines in the form of a joint edition with SIA, our local production plant in the U.S., and we have confirmed the integration of purchasing policy.

Compliance with the guidelines is one of the conditions for the selection of suppliers, and FHI obviously requests not only our own business partners but also their suppliers to deploy and promote CSR. Going forward, FHI will continue to promote CSR procurement efforts.

*Conflict minerals: Minerals produced as a source of funding for the activities of armed insurgents in the Democratic Republic of the Congo and surrounding countries.



SUBARU Supplier CSR Guidelines

 [SUBARU Supplier CSR Guidelines \[PDF: 1.25MB\]](#)

 [SUBARU Green Procurement Guidelines* \[PDF: 2.25MB\]](#)

 [Green Procurement Guidelines Industrial Products Company* \[PDF: 2.22MB\]](#)

 [Green Procurement Guidelines Aerospace Company* \[PDF: 1.09MB\]](#)

*The SUBARU Green Procurement Guidelines and Green Procurement are embodiments of the SUBARU Supplier CSR Guidelines, "(3) Environment."

Five Topics in the SUBARU Supplier CSR Guidelines

FHI promotes supplier activities based on the following approach.

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
- Non-use of raw materials that engender social problems
- 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

Basic Policy on Conflict Minerals

Some of the minerals (tin, tantalum, tungsten, and gold) produced in the Democratic Republic of the Congo and surrounding countries are said to provide a source of funding for armed insurgents engaged in the infringement of human rights and environmental destruction in the region. As there are concerns that they assist conflict, they are termed conflict minerals.

The FHI Group has no intention of colluding in the infringement of human rights and environmental destruction by procuring and using conflict minerals. Going forward, we will address the issue of conflict minerals in partnership with our customers and suppliers as our social responsibility in procurement activities.

Communication with Partners

In an effort to communalize with partners our mid- to long-term management strategies and our sales, production and procurement policies, FHI has been hosting "Purchasing Policy Briefings" every spring. We also periodically exchange information by participating in "Cooperation Meetings" comprised of our partners.

Once a year, FHI awards those partners that have particularly contributed to technology and quality.



"General Cooperation Meeting" for SUBARU Automotive Business suppliers



Plant tour for Aerospace Company suppliers conducted through a "Cooperation Meeting"