CSR Procurement

Our Approach

In keeping with our Corporate Philosophy and to contribute to building a sustainable society, the Subaru 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

Subaru group has been promoting activities for sustainable procurement under the following basic policy.

1. CSR Procurement
   We engage in procurement activities in a way to harmonize people, society and the environment, and carry out our corporate social responsibility in such ways as conducting transactions paying due care to observe legal and societal rules and to protect human rights and 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 seven perspectives: quality, cost, delivery, technical development, management, environment and society (QCDDMES).

Revised in April 2020

Management System

At Subaru, the Procurement Departments of Automotive Business and Aerospace Company participate in the Purchasing Committee, which promotes Subaru's CSR procurement initiatives. The action policy of the Purchasing Committee is to facilitate fair procurement practices and encourage CSR at suppliers, thereby helping to ensure fair trade between Subaru and its business partners and cooperative CSR-based procurement throughout the supply chain.

Initiatives

Promoting Fair Trade

Subaru has observed the laws and regulations, including the Antimonopoly Act and the Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors. Subaru also carries out fair trade promotion initiatives based on Automobile Industry Fair Trade Guidelines. As part of our efforts, Subaru has set up a consultation service targeting at suppliers in Subaru’s supply chain. In 2020, we took the Partnership Formation Oath for the purpose of coexistence and prosperity of both large companies and small to medium-sized enterprises.

For employees, we provide legal and regulatory training for those in charge of procurement and transmit alerts on our intranet to ensure that business is conducted properly.

Employee Training on Fair Trade in FYE2020

Automotive Business
- Training for new recruits (7 employees)
- Training for transferees (24 employees)
- Comprehension tests for compliance (152 employees)

Aerospace Company
- Training for new recruits (6 employees)
- Consumption Tax Act: Tax system revision course (62 employees)
- CSR information session (98 employees)

Consultation service for promoting fair-trade (Japanese version only)
Partnership Formation Oath (Japanese version only)
Supplier CSR Guidelines

To promote Subaru CSR procurement and help our suppliers conduct CSR activities, we created, and in FYE2012 began application of, the SUBARU Supplier CSR Guidelines. They are based on the CSR Guidelines for Suppliers of the Japan Automobile Manufacturers Association, Inc. (JAMA), and incorporate our CSR policy. In FYE2014, these guidelines were made company-wide, including all suppliers of the Aerospace Company, and in FYE2016, Subaru revised the content to incorporate the non-use of raw materials that engender social problems, such as conflict minerals.¹ In the same year in FYE2016, Subaru revised the guidelines in the form of a joint edition with Subaru of Indiana Automotive, Inc. (SIA), our local production plant in the U.S., confirming the integration of the procurement policy. We incorporated the Subaru Global Sustainability Policy (a reformed version of the former CSR Policy) that was enacted in April of FYE2021 as well as our Human Rights Policy. At Subaru, compliance to these Guidelines is one of the criteria of our supplier selection. Subaru asks not only our suppliers but also their suppliers as well to develop and promote CSR.

¹ Minerals for which there is concern that they may be a source of funding for armed groups in the Democratic Republic of the Congo and surrounding countries.

Five Topics in the SUBARU Supplier CSR Guidelines

Subaru promotes its procurement activities based on the following basic 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 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
   - Conservation of the eco system
   - Saving resources and reducing waste
   - Managing chemical substances
   - Managing and protecting confidential information
   - Managing export trading
   - Protecting intellectual property

4. **Compliance**
   - Compliance with laws
   - Compliance with competition laws
   - Preventing corruption

5. **Information Disclosure**
   - Disclosing information to stakeholders

Business Partner CSR Briefing and CSR Survey

In FYE2020, we conducted the following initiatives for about 360 business partners involved in the automotive business for the purpose of promoting CSR in our supply chain.

- We held the Business Partner CSR Briefing, in which we explained the importance of promoting CSR, the details of the Subaru Group’s CSR, and made specific requests to business partners (such as compliance with the SUBARU Supplier CSR Guidelines).
- We investigated business partners’ CSR systems, CSR initiatives for their suppliers, and compliance with the SUBARU Supplier CSR Guidelines, and used the results as reference in selecting suppliers.
- We took a questionnaire on overseas employees at our business partners, and checked that there were no human right violations regarding overseas employees and technical training interns.

We plan to continue conducting these initiatives in FYE2021 and onward.

Conflict Minerals

The Subaru Group has no intention of colluding in the infringement of human rights and environmental destruction by procuring and using conflict minerals. In FYE2020, upon request from our customers, Subaru continued to conduct a conflict mineral survey targeting at about 210 suppliers of parts and materials.

Going forward, Subaru will make efforts for "No use of materials engendering social problems" including conflict minerals in partnership with our customers and suppliers as our social responsibility in procurement activities.

Green Procurement Guidelines

The Subaru environmental policies state that "Our purchasing activities reflect consideration for biodiversity and other aspects of environmental protection." We promote the procurement
of parts, materials, and services from business partners who implement business activities that consider the environment. In addition, Subaru has expressed in the “Subaru Green Procurement Guidelines” its expectations for business partners regarding environmental initiatives. The guidelines primarily request cooperation in the following six areas:

Requirements for Suppliers
Requirements concerning Suppliers’ Environmental Management
1. Compliance with Environmental Laws and Regulations
2. Establishment of Environmental Management System (EMS)
3. Submission of Environment Manager Registration Forms
4. Improved Environmental Performance

Requirements for Parts, Materials, and Services supplied to SUBARU
5. Management of Substances of Concern
6. Reduction of CO₂ Emissions and Packaging and Wrapping Materials in Logistics

Compliance to these guidelines is considered a necessary criterion for selecting business partners, and we recommend new business partners to formulate an environmental management system with the acquisition of ISO14001 third-party certification at its base. Currently, all of our Tier1 business partners have already acquired ISO14001 certification. In case our new business partners have difficulty acquiring ISO14001, we review their compliance status by having them submit reports on their voluntary assessment based on environmental guidelines, while supporting them with the acquisition of Eco Action 21
To those business partners who have passed our voluntary examination, Subaru make inquiries or perform audits as necessary and request them to continue efforts toward early acquisition of third-party certification for environmental management.

*1 International standard for environmental management systems (EMS) established by the International Organization for Standardization (ISO). It is a management system standard to certify that an organization considers the environment and has built a system for continuously reducing environmental impact.

*2 Companies that directly supply parts to car manufacturers. They are primary business partners. Tier2 business partners are companies that supply Tier1 with those parts that make up the Tier1 company parts.

*3 Environmental conservation activity promotion program for small- and medium-size enterprises formulated by the Ministry of the Environment, Japan. It is an environmental management system that addresses three areas: environmental management systems, environmental efforts, and environmental reporting, based on the guidelines.

Management and Reduction of Environmentally Hazardous Substances Contained in Parts
Subaru complies with laws and regulations concerning substances of concern in each country, including the REACH regulation*1 and ELV Directive*2. We perform usage surveys regarding chemical substances contained in parts to our business partners as necessary and continue to perform management of those substances. In addition, we are sequentially switching from materials that are prohibited by laws, regulations, or self-regulations such as industrial norms to alternative materials, and are working to reduce environmentally hazardous substances.

*1 European regulation on chemical substances, requiring all chemical substances to be subject to management or restriction measures commensurate to the risk that they pose to humans and the environment.

*2 The End-of-Life Vehicles Directive: European Union (EU) directive brought into force in 2000 to reduce the environmental impact from the scrapping of used vehicles in the EU. It aims to prohibit the use of hazardous substances and promote a reduction in waste products by encouraging the reuse or recycling of used vehicles and their parts.

Procurement with Consideration for Biodiversity
Subaru surveys the usages of the biological resources of leather and plant-derived materials to make sure that there is no negative impact on the ecosystem during the procurement of raw materials. In addition, our main office has switched to regenerated copy paper with 100% recycled paper pulp that does not use any new plant resources, and we completed rolling out this initiative to all domestic Subaru offices in April 2020.

Communication with Suppliers
In an effort to share with suppliers our mid- to long-term management strategies and our quality, procurement, production and sales policies, Subaru has been hosting “Policy Briefings” every spring, and in FYE2020 had 700 people from about 400 companies participating in the Briefings. Subaru also periodically exchanges information by participating in “Cooperation Meetings” comprised of our suppliers. Once a year, Subaru awards those that have particularly contributed to R&D, production, and quality improvement.