

Respect for
Human RightsQuality:
Automotive BusinessQuality:
Aerospace BusinessMaking Safe
VehiclesHuman
Resources

Customers

CSR
ProcurementCommunity
Engagement

CSR Procurement

Our Approach

The modern global society faces a variety of environmental and social issues, including global warming and human rights violations. In order for companies to tackle issues like these, they must not only take action within their own organizations, but also press for action in the entire supply chain, including their business partners.

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

The 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 the 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 maintains compliance with laws and regulations such as 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 and other programs for those in charge of procurement to elevate their understanding of proper business practices.

Employee Training on Fair Trade in FYE March 2021

Automotive Business

- Training for new recruits (9 employees)
- Training for transferees (22 employees)
- Comprehension tests for compliance (226 employees)
- CSR education (170 employees)

Aerospace Company

- Training for new recruits (4 employees)
- Training for transferees (8 employees)
- CSR education (89 employees)

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

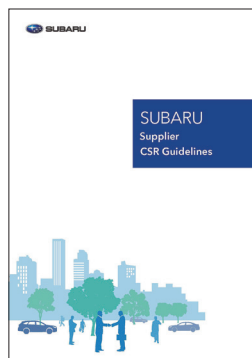
 [Partnership Formation Oath \(Japanese version only\)](#)

SUBARU Supplier CSR Guidelines

To promote SUBARU CSR procurement and help our suppliers conduct CSR activities, we created, and in FYE March 2012 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 FYE March 2014, these guidelines were made company-wide, including all suppliers of the Aerospace Company, and in FYE March 2016, 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 FYE March 2016, 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 that was enacted in April 2020 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.



SUBARU Supplier CSR Guidelines

*1 Conflict minerals: Minerals for which there is concern regarding participation in unjust acts, such as support for non-governmental armed groups, human rights violations, or illegal acts. In Dodd-Frank Act of the U.S., tin, tantalum, tungsten, and gold are specified as 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 our procurement activities based on the following basic approach.

<p>(1) Safety and Quality</p> <ul style="list-style-type: none"> • 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 	
<p>(2) Human Rights and Labor Issues</p> <ul style="list-style-type: none"> • 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 	
<p>(3) Environment</p> <ul style="list-style-type: none"> • 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 	
<p>(4) Compliance</p> <ul style="list-style-type: none"> • Compliance with laws • Compliance with competition laws • Preventing corruption • Managing and protecting confidential information • Managing export trading • Protecting intellectual property 	
<p>(5) Information Disclosure</p> <ul style="list-style-type: none"> • Disclosing information to stakeholders 	

Business Partner CSR Briefing and CSR Survey

At the Business Partner CSR Briefing, we present corporate policies such as our SUBARU Supplier CSR Guidelines in keeping with OECD Due Diligence Guidance for Responsible Business Conduct. In our annual Business Partner CSR Survey, we assess negative impact on our business partners and work with them to correct any issues discovered.

In FYE March 2021, we took the following actions with a scope of approximately 550 automobile-related business partner companies (including approximately 360 in parts and raw materials, and approximately 190 in equipment and jig tools).

- We held the Business Partner CSR Briefing online via video distribution to help prevent the spread of COVID-19. In this briefing, we presented the importance of promoting CSR, details about the Subaru Group's CSR activities, 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, referencing the results in supplier selection. In FYE March 2021, we found no issues with compliance among our business partners.
- We conducted questionnaires about non-Japanese employees at our business partners, and in FYE March 2021 we found no human rights violations regarding non-Japanese employees or technical training interns.

We plan to continue conducting these initiatives in FYE March 2022 and onward.

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Responsible Mineral Procurement

The Subaru Group has no intention of colluding in the infringement of human rights and environmental destruction by procuring and using conflict minerals. In FYE March 2021, upon request from our customers, SUBARU continued to conduct a conflict mineral survey targeting about 210 suppliers of parts and materials.

In this survey, we referenced the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, using the Conflict Minerals Reporting Template (CMRT), a questionnaire provided by the Responsible Minerals Initiative (RMI). We used this to trace through the supply chain and identify smelters, checking whether or not we are colluding in the infringement of human rights or contributing to sources of funding for armed groups.

In FYE March 2022, we will expand the scope of our conflict mineral survey to all suppliers of automotive components and raw materials. We will also work to roll out surveys regarding minerals other than conflict minerals (tin, tantalum, tungsten and gold) such as cobalt.

Going forward, SUBARU's policy is to work toward "No use of materials engendering social problems" 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 ten 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 Activities Considering the Entire Lifecycle

5. Reduction of greenhouse gases
6. Utilization of recycled resource materials
7. Appropriate management of water resources
8. Addressing biodiversity

Requirements for Parts, Materials, and Services Supplied to SUBARU

9. Management of substances of concern
10. 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 ISO 14001^{*2} third-party certification at its base. Currently, all of our Tier 1^{*3} business partners have already acquired ISO 14001 certification. In case our new business partners have difficulty acquiring ISO 14001, we review their compliance status by having them submit voluntary assessment reports based on our environmental management system, while supporting them with the acquisition of Eco Action 21^{*4}.

To those business partners who have passed our voluntary examination, SUBARU makes inquiries or performs audits as necessary and requests them to continue efforts toward early acquisition of third-party certification for environmental management.

*2 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.

*3 Companies that directly supply parts to car manufacturers. They are primary business partners. Tier 2 business partners are companies that supply Tier 1 with those parts that make up the Tier 1 company parts.

*4 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.

 [SUBARU Green Procurement Guidelines](#)^{*5}

 [Green Procurement Guidelines Aerospace Company Edition](#)^{*5}

*5 The SUBARU Green Procurement Guidelines and the Green Procurement Guidelines Aerospace Company Edition are concrete forms of the item "(3) Environment" in the SUBARU Supplier CSR Guidelines.

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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^{*6} and ELV Directive^{*7}. 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.

In addressing the REACH Regulation, we disclose information about substances of very high concern (candidate substances for regulation) on our homepage for users of SUBARU vehicles in Europe.

^{*6} 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.

^{*7} 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 biodiversity during the procurement of raw materials.

We are also taking measures to conserve resources, such as switching to recycled copy paper with 100% recycled paper pulp not derived from new plant resources and providing payment documents for our business partners online. As of FYE March 2022, we have switched our envelopes used in mailing

payment documents to those using recycled paper for those customers who require documents via mail.

Communication with Suppliers

In our Automotive Business Unit, we had been hosting Policy Briefings every spring to share policies on development, quality, procurement, and production with our business partners. The Policy Briefing to be held in the spring of FYE March 2021 was postponed due to the spread of COVID-19; in early autumn, when the situation had stabilized, this was integrated with and held alongside the Cooperation Meeting and business partner award events with thorough infection control measures in place. Going forward, we will bring new forms of information exchange in collaboration with the Cooperation Meeting, reconstructing forms of communication with our business partners with the premise of adapting to such environmental changes.

The Aerospace Company held the SUBARU Status Report Meeting with business partners in November 2020, followed by the 77 Business Partner and Company President Web Dialogue in January 2021.



Policy Briefing and General Cooperation Meeting (joint) held with Automotive Business Unit business partners



SUBARU Status Report Meeting held with Aerospace Company business partners