

Working with Suppliers **M**

Management Approach

Material Issues and Our Approach

Suppliers are valuable business partners of the Kawasaki Group in its business activities. It is essential that our procurement activities are conducted in line with our stance toward CSR, which includes consideration for compliance, human rights, labor issues, occupational safety and health, and the global environment. To this end, we must work in cooperation with not only the entire Group but also our suppliers to actively promote CSR activities throughout the supply chain.

Focus Activities and Medium-term Targets

We are committed to recognizing CSR risks throughout our supply chains and responding to the demands of our customers and society by working with our suppliers to advance our CSR activities.

● Goal for the MTBP 2019

- Carry out CSR procurement surveys of major suppliers in and outside Japan and increase their concern regarding CSR.

Progress, Results and Challenges

● Goal for Fiscal 2019

- Building on the revised CSR Procurement Guidelines and briefings held thus far, conduct a CSR procurement survey of major suppliers in Japan to understand their current CSR activities while working to raise awareness of Kawasaki Group CSR activities and CSR in general among suppliers.

● Fiscal 2019 Results

- Carried out a CSR procurement survey of major suppliers in Japan and secured responses from 480 companies
- Sent out a document titled “Toward the Further Promotion of CSR Activities Involving the Entire Supply Chain” to suppliers along with the following three documents to encourage them to engage in CSR initiatives
 1. Kawasaki Group Code of Conduct
 2. CSR Procurement Guidelines
 3. Kawasaki Group Human Rights Policy
- Held a briefing for suppliers of the Aerospace Systems Company’s Aerospace Division under the theme “CSR Activities to Be Undertaken in Tandem with Suppliers”

Note: Briefings for suppliers of other internal companies were conducted in fiscal 2018.

● Goals for Fiscal 2020

- Conduct a CSR procurement survey of major overseas suppliers like that conducted in fiscal 2018 to ascertain said suppliers’ current CSR activities while working to raise awareness of Kawasaki Group CSR activities and CSR in general among suppliers.
- Promote CSR procurement on a Group-wide basis by establishing various policies (e.g. material procurement policies and CSR procurement guidelines) that apply to the entire Kawasaki Group

Basic Policies for Material Procurement

● Kawasaki Group Policies for Material Procurement

[Basic Policies]

The Kawasaki Group conducts procurement activities based on the Kawasaki Group Mission Statement, the encapsulation of the Group’s management principles.

Fair and Impartial Procurement

We will provide broad and impartial opportunities for our business partners and will make selections with integrity and in good faith after conducting comprehensive and fair evaluations of quality, price, delivery schedule, technological development capabilities and other such factors.

Relationships with Business Partners

The Kawasaki Group will take a long-term perspective as it strives to build relationships of trust with business partners based on mutual respect for one another’s vision and position with the aim of mutual enhancement of competitiveness and prosperity.

Compliance

We will observe related statutes and regulations as well as social norms. We will place information gained through procurements under appropriate controls and will take thoroughgoing measures to protect confidential information and prevent leaks.

Consideration for Human Rights, Labor and Occupational Safety and Health

We will advance procurement activities with consideration for human rights, the work environment and occupational safety and health.

Harmony with the Global Environment through Green Procurement

We will advance procurement with consideration for the global environment with respect to the materials used in products.

In addition, our Basic Policies for Material Procurement and the Policy Regarding Procurement of Conflict Minerals are disclosed on our website to inform business partners of our basic stance toward material procurement.

● Scope of Policy Application

The Kawasaki Group and our suppliers



Kawasaki Group Policies for Material Procurement

https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/basic_policies.pdf

Policy Regarding Procurement of Conflict Minerals

<https://global.kawasaki.com/en/corp/sustainability/procurement/index.html>

Structure

Procurement activities in our daily operations are carried out under the responsibility and authority of each internal company or business division.

Once a year, the Procurement Division holds a cross-company Procurement Department Managers Meeting that Director in charge of procurement attends. At this meeting, participants follow up on the results for the previous year's procurement-related KPIs set by each internal company or business division, share their activity plans for that fiscal year and decide on common Group-wide procurement measures and policies, including those related to CSR procurement.

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Performance Data

CSR Procurement

CSR Procurement Initiatives

The Kawasaki Group CSR Procurement Guidelines, which outline the Group's approach to CSR procurement and expectations for its suppliers, were prepared in 2020 as an upgrade of the Company's former CSR Procurement Guidelines established in 2012, and are published on the Company website. Additionally, in fiscal 2016, we conducted a survey of our domestic suppliers to assess their compliance with these guidelines. About 1,400 suppliers responded to the survey. Based on the results of the survey, we will execute measures to strengthen CSR efforts throughout our entire supply chain. In fiscal 2018, we carried out a similar survey of 65 major overseas suppliers and, in fiscal 2019, another of 480 major suppliers in Japan.

Moreover, from fiscal 2018, we are providing briefings to directly explain our approach to CSR to suppliers. At these briefings, we explain human rights, environmental, and other important issues in supply chain management and request that suppliers strengthen their CSR initiatives. From fiscal 2018 through fiscal 2019, we held 10 such CSR-themed supplier briefings attended by a total of 1,000 people from 700 companies. Also, in fiscal 2019 we sent out a document titled "Toward the Further Promotion of CSR Activities Involving the Entire Supply Chain" to suppliers in Japan, aiming to facilitate collaborative CSR initiatives.

The basic agreements that Kawasaki forms with its suppliers include provisions recognizing the importance of corporate social responsibility on the part of both parties and stating that they will independently and proactively engage in business and social activities with due consideration given to the sustainable development of the environment and society. In fiscal 2020, we revised the aforementioned basic agreements to include clear provisions mandating that suppliers strive to comply with our CSR Procurement Guidelines. As a result, our collaboration with suppliers in terms of practicing CSR procurement is moving to a new level.

In addition, we hold lectures about CSR procurement as part of internal training for employees and are working to increase the CSR awareness of employees in relevant positions. Also, domestic and overseas Group companies that engage in material procurement disclose their CSR procurement policies on their websites in manners suitable to their specific businesses. Through such efforts, we pursue CSR procurement on a global and Group-wide basis. Going forward, the Kawasaki Group will continue to promote CSR initiatives throughout the supply chain in cooperation with its suppliers.



Kawasaki Group CSR Procurement Guidelines

https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Supply Chain Risk Assessment

In fiscal 2016, Kawasaki conducted a survey of domestic suppliers to assess their compliance with our CSR Procurement Guidelines and received responses from roughly 1,400 suppliers. In fiscal 2018, we carried out a survey of major overseas suppliers (65 companies) to ascertain their current CSR activities. In fiscal 2019, we conducted a similar survey of major suppliers (480 companies) in Japan. Moving forward, we will implement measures to strengthen CSR efforts throughout the supply chain based on the results of these surveys.

Capacity Building and Incentives for Suppliers

The Kawasaki Group's six internal companies procure materials across a wide range of fields. Each internal company and business division provides training and implements recognition systems as needed to improve suppliers' quality and delivery performance.

Thorough Compliance in Materials Procurement

Each year, Kawasaki holds group workshops for Group procurement divisions to ensure compliance with procurement-related laws and regulations, particularly the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the Subcontractors' Act) and the Construction Industry Law. Of note, we maintain proactive measures not limited to procurement divisions to promote awareness and knowledge of the Subcontractors' Act, as outlined below.

- In October 2009, we published a collection of examples of Subcontractors' Act violations, citing actual cases in which other companies had contravened this law.
- In April 2013, we posted a checklist for compliance self-auditing pursuant to the Subcontractors' Act on the Company intranet. This checklist functions as a tool for checking and correcting administrative activities prone to violations of the Subcontractors' Act.
- Since fiscal 2011, we have held training sessions, mainly for design and manufacturing divisions at works and major affiliated companies. In fiscal 2019, these training sessions attracted 953 participants. To date, 6,889 people have attended the sessions.

Conflict Minerals

In December 2013, the Kawasaki Group posted its Policy Regarding Procurement of Conflict Minerals on its website. This policy states that the Group has no intention whatsoever of being party to conflicts or inhumane acts in the Democratic Republic of the Congo and neighboring countries through the procurement or use of the tin, tantalum, tungsten and gold—so called conflict minerals—that are produced in these countries.

We also ask our suppliers to take similar efforts in the CSR Procurement Guidelines.



Policy Regarding Procurement of Conflict Minerals

<https://global.kawasaki.com/en/corp/sustainability/procurement/index.html>

Kawasaki Group CSR Procurement Guidelines

https://global.kawasaki.com/en/corp/sustainability/procurement/pdf/csr_tyoutatsu_guideline.pdf

Human Rights Efforts in the Supply Chain

Efforts to Improve the Practices of Suppliers

Kawasaki has created the CSR Procurement Guidelines, which outline its expectations for its suppliers, with the aim of promoting CSR, including human rights considerations and the prohibition of forced labor and child labor, throughout the supply chain. These guidelines are published on Kawasaki's website and distributed to suppliers. In fiscal 2020, we revised the basic agreements we form with our suppliers to include clear provisions mandating that they strive to comply with our CSR Procurement Guidelines. As such, we are asking our suppliers to step up their CSR initiatives, including those advocating for human rights, by conducting surveys of suppliers, hosting CSR-themed briefings, and updating the provisions of the basic agreements.



Kawasaki Group CSR Procurement Guidelines

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