

Working with Suppliers **M**

Management Approach

Material Issues and Our Approach

Suppliers are valuable business partners for the Kawasaki Group's 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

To enhance our CSR activities, we are committed to identifying CSR risks throughout our supply chains and responding to the demands of our customers and society by working with our suppliers.

● Goal for Fiscal 2019–2021

- Conduct CSR procurement surveys of major domestic and overseas suppliers to raise their awareness regarding CSR.

Progress, Results, and Challenges

● 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 among suppliers.
- Promote Group-wide CSR procurement by establishing various policies (e.g. Kawasaki Group Policies for Material Procurement and Kawasaki Group CSR Procurement Guidelines) that apply to the entire Kawasaki Group.

● Fiscal 2020 Results

- Surveyed major overseas suppliers and received replies from 37 companies in total.
- Established the Kawasaki Group Policies for Material Procurement and Kawasaki Group CSR Procurement Guidelines and worked to promote awareness of them throughout the Group, including at affiliates, in order to strengthen Group-wide governance and improve stakeholders' assessments of the Group.

● Goals for Fiscal 2021

- Conduct a CSR procurement survey of major domestic suppliers like that conducted in fiscal 2019 to ascertain said suppliers' current CSR activities while working to raise awareness of Kawasaki Group CSR activities among suppliers.
- Provide CSR procurement know-how to Group companies to promote similar initiatives.

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, we disclose the Kawasaki Group Policies for Material Procurement on our website to inform our business partners of our basic position on 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.

We hold a cross-company Procurement Department Head Meetings, which the Director in charge of procurement attends. At this meeting, participants monitor the procurement-related KPIs set by each internal company or business division, share their annual plans, 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, established in 2012 and revised in 2020, outline the Group's approach to CSR procurement and expectations for its suppliers. They are published on our website. Additionally, in fiscal 2016, we conducted a survey of our domestic suppliers to assess their compliance based on these guidelines. About 1,400 suppliers responded to the survey. We carried out similar surveys of 65 major overseas suppliers in fiscal 2018; 480 major suppliers in Japan in fiscal 2019; and 37 major overseas suppliers in fiscal 2020.

Moreover, since fiscal 2018, we have been providing briefings to directly explain our approach to CSR to our suppliers. At these briefings, we explain important issues in supply chain management, such as human rights and environmental problems, 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. Additionally, in fiscal 2019 we sent out a document titled "Toward the Further Promotion of CSR Activities Involving the Entire Supply Chain" to our suppliers in Japan, aiming to facilitate collaborative CSR initiatives.

The basic agreements that Kawasaki forms with its suppliers include provisions specifying that both parties should recognize the importance of corporate social responsibility and will voluntarily 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 by stipulating that suppliers should strive to comply with the Kawasaki Group CSR Procurement Guidelines. As a result, our collaboration with suppliers advanced and we are practicing CSR procurement at a new level.

In addition, we hold lectures about CSR procurement as part of in-house training, working to raise the CSR awareness of employees in relevant positions.

Also, domestic and overseas subsidiaries that engage in material procurement disclose their CSR procurement policies on their websites as suited to their specific businesses. Through such efforts, we pursue CSR procurement on a global and Group-wide basis. From now on, 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

Since fiscal 2016, Kawasaki has conducted surveys of domestic and overseas suppliers to assess their compliance with the Kawasaki Group CSR Procurement Guidelines and supply chain risk.

These 39-question surveys about suppliers' initiatives comprise seven sections, including CSR-related corporate governance, human rights and labor, the environment, fair corporate practices, and quality and safety.

Moving forward, we will implement measures to strengthen CSR initiatives throughout the supply chain based on the results of each section of these surveys.

Capacity Building and Incentives for Suppliers

The Kawasaki Group's five internal companies procure materials across a wide range of fields. Each internal company and business division provides training and implements recognition systems for the purpose of improving 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 our plants and major affiliated companies. In fiscal 2019, these training sessions attracted 953 participants. To date, 6,889 people have attended the sessions.

Note: In fiscal 2020, group workshops were postponed to prevent the spread of COVID-19. However, the Corporate Procurement Division continued to respond to inquiries from related divisions, striving to ensure thorough compliance.

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 make similar efforts in the Kawasaki Group CSR Procurement Guidelines.




Policy Regarding Procurement of Conflict Minerals
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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 Kawasaki Group CSR Procurement Guidelines, which outline its expectations for its suppliers, with the aim of promoting CSR issues throughout the supply chain, such as human rights considerations and the prohibition of forced labor and child labor. 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 the Kawasaki Group CSR Procurement Guidelines. Additionally, we are asking our suppliers to step up their CSR initiatives, including those advocating for human rights, by surveying our suppliers, hosting CSR-themed briefings, and updating the provisions of the basic agreements.



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