

Procurement**Jointly undertaking sustainability initiatives with suppliers**

Before trading with a new supplier, the AISIN Group carries out verifications based on accreditation, such as ISO9001, IATF16949 and ISO14001, along with a quality audit. While trading, we continue to work with the relevant departments to carry out inspections from perspectives such as quality, safety, the environment and earthquake-proofing.

With suppliers, we promote fair procurement activities based on the spirit of openness and fairness and mutually conclude basic transaction agreements focused on safety and health and pollution prevention, in addition to complying with the laws of competition, bribery prevention and elimination of antisocial forces.

We are also engaged in initiatives throughout the Group, such as making payments to all small- to medium-sized domestic suppliers in cash, with a view to achieving future-oriented trade practices with suppliers. Additionally, we have established a contact point for suppliers to make inquiries and seek advice on matters related to business ethics.

To address the recent appreciation of resource prices, we are interviewing suppliers to identify problems from their perspectives and working together with them toward solving the problems.

Supplier Sustainability Guidelines

In fiscal year 2023, we issued the Supplier Sustainability Guidelines, which present our requests to suppliers so that we can enhance our commitment to ESG especially toward realizing a sustainable society. The guidelines consist of the basic articles that we would like to work on together with suppliers through our transactions. We have been seeking suppliers' understanding of the guidelines by, for example, holding explanatory sessions for our main suppliers. We have suppliers sign their names on a confirmation form if they agree to comply with the guidelines.

We also call for suppliers through the AISIN Group Green Procurement Guidelines to reduce greenhouse gas emissions, including CO₂, recycle waste materials and resources, conserve water, and preserve biodiversity.

Risk assessment for and response to suppliers

In the AISIN Group, we conduct quality audits to improve the quality of our suppliers. In Japan, we conduct an audit at least every three years for 393 suppliers and check their quality management frameworks and compliance with the quality standards. These suppliers include those of parts requiring a high level of quality, such as safety parts, those that do not have IATF16949, and those selected based on our risk analysis in consideration of their past quality problems. In fiscal year 2022, we audited 20 suppliers. This audit is intended to confirm the suppliers' compliance with the relevant quality standards. If any problem is found, we ensure that its cause and corrective measures are incorporated in the relevant supplier's improvement plan, confirm each step according to the schedule, and continue to present advice until the problem is solved.

Today, we are facing not only risks of natural disasters and fires; infectious disease and geopolitical risks are also growing. We have a framework in place to handle risks that threaten the stability of our supply chain. We receive information from suppliers regarding the production processes of the materials and parts that we purchase, register the information in a dedicated system, and use it for taking the first action smoothly and implementing recovery measures promptly. If a disaster occurs, the supply chain information held by each of our group companies is used to quickly identify the impact on the group as a whole in a timely manner.

To respond to the recent acute shortage of semiconductors and resin materials, we ensure the necessary inventory while taking account of supply risk. We have taken measures from early on toward continuing supply.