

# Achieving a Sustainable Supply Chain



## Medium- to Long-Term Visions for Material Issues and FY2021 Results

	Risks	Opportunities	Direction of Responses
Long Term	<ul style="list-style-type: none"> <li>● We could lose social credibility if we were to infringe on human rights in our procurement of raw materials and parts.</li> <li>● We could be complicit in infringement on human rights or environmental destruction</li> </ul>	<ul style="list-style-type: none"> <li>● Maintain social credibility through responsible behavior in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>● CSR procurement (consideration on the ethics front)</li> </ul>

	External Environment	Stakeholders' Needs and Expectations	Medium-Term Targets
Medium Term	<ul style="list-style-type: none"> <li>● Growing awareness of human rights in international society</li> </ul>	<ul style="list-style-type: none"> <li>● Expectations of business continuity and enhanced trust</li> </ul>	<ul style="list-style-type: none"> <li>● Collaboration and communication with business partners</li> </ul>

Items	FY2021 Targets and Results	Self-Evaluation
<b>Reinforcement of CSR in the supply chain</b>	Support for supplier CSR evaluations by third-party organization: Explained the purpose of CSR evaluations to business partners, and conducted such evaluations at 70% of business partners (based on purchase amounts)	○

○: As planned    △: Delayed

### Basic Approach

In April 2018, MITSUBISHI MOTORS, Renault and Nissan established the APO (Alliance Purchasing Organization), a joint purchasing organization that integrates the three companies' purchasing functions. This organization carries out its activities with the three shared pillars of trust, respect, and transparency as its basic principles. The alliance members are exchanging information on CSR activities in the supply chain, as well, and moving forward with these activities.

The Company and its overseas production bases conduct business directly with around 800 compa-

nies, including suppliers of raw materials and parts and business partners providing services, advertising and logistics. We recognize that the Company's business activities have a significant impact on these companies, as well as on an even greater number of Tier 2 and other suppliers.

Based on this understanding, all processes, from the procurement of raw materials to the manufacture of parts and products to the end delivery, require responsible behavior that takes such factors as the environment and human rights into account.

To achieve sustainable growth throughout the supply chain, we have formulated Supplier CSR Guide-

lines and work together with all our business partners on CSR initiatives.

In response to one aspect of our CSR activities that become of particular importance in recent years, the environment, we have formulated Green Procurement Guidelines and are promoting initiatives throughout the supply chain. As compliance with both guidelines is a priority in our procurement activities, our executives take advantage of opportunities such as supplier briefings to request that the entire supply chain thoroughly comply with the guidelines.

For details on respect for human rights, please see P90.

Target  
3.9Targets  
8.7  
8.8Targets  
12.4  
12.5

## Management System

### Formulating Guidelines and Confirming Them through Agreements and Declarations of Conformity

To ensure compliance with its Supplier CSR Guidelines and Green Procurement Guidelines, MITSUBISHI MOTORS has business partners submit Supplier Commitment to the Supplier CSR Guidelines and Declarations of Conformity to Regulations on Substances of Concern to the Green Procurement Guidelines.

We ensure the effectiveness of our business partnerships by having new business partners submit these documents before commencing transactions, and by continuously confirming the status of the agreement afterwards.

### Communicating with Suppliers

Providing suppliers with appropriate information and two-way communication is essential for supply chain management. At the end of every fiscal year, we hold a Suppliers Meeting to make our policy for the next fiscal year well-known. Last fiscal year, this meeting was held on March 29, 2022 and attended by approximately 300 companies. We also participate in the MITSUBISHI MOTORS Cooperation Council, a voluntary organization of around 200 supplier companies that facilitates small-scale meetings between the management teams of suppliers and our own Company.

(These small-scale meetings were held a total of nine times, involving approximately 20 companies each time.) The meetings help foster closer communication at the management level.

### Establishing a Business Partner Helpline

As part of our efforts to adhere to the METI guidelines, we have established a Business Partner Helpline for the suppliers of our procurement division.

The helpline receives opinions and comments from business partners, quickly identifies compliance issues or concerns, such as legal or regulatory infractions or unfair practices in our procurement activities, and promptly rectifies them, striving to achieve even fairer business transactions.

### Ensuring Knowledge of the Guidelines within the Company

As part of managing the Supplier CSR Guidelines and the Green Procurement Guidelines, we work to ensure that the guidelines are known within the Company. As part of the education we provide, we conduct training for all new employees involved in procurement (both entry-level employees and new midcareer employees), as well as training when employees are transferred from other divisions to the procurement division.

## Supplier CSR Guidelines

### Expansion of Guidelines

Through the Supplier CSR Guidelines, we promote collaborative activities with our suppliers from the same point of view. The scope of these activities covers all domestic suppliers and includes labor practices, environment management, and compliance.

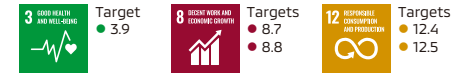
Having reestablished these guidelines in February 2019, we have clarified CSR evaluations of business partners and the actions to be taken in the event of noncompliance. We have expanded these efforts to include our major overseas bases—Mitsubishi Motors Thailand (MMTh), Mitsubishi Motors Krama Yudha Indonesia (MMKI) and Mitsubishi Motors Philippines Corporation (MMPC)—and received Supplier Commitment agreements from suppliers at our major overseas production bases.

**PDF** Supplier CSR Guidelines

### Policies on Conflict Minerals

The "conflict minerals" (tin, tantalum, tungsten and gold) and cobalt produced in the Democratic Republic of the Congo and neighboring countries have become a source of funding for armed groups, resulting in serious violations of human rights.

To ensure that we are not complicit in human rights abuses through the procurement of these conflict minerals, we promote responsible procurement by clearly specifying in our Supplier CSR Guidelines the prohibition of child labor, forced labor, and the non-use of conflict minerals as raw materials.



## Improving CSR Activities in the Supply Chain through Third-Party Evaluations

MITSUBISHI MOTORS conducts third-party evaluations in cooperation with Renault and Nissan, our alliance partners, with the aim of improving suppliers' CSR activities. In FY2021, many of our suppliers underwent third-party evaluations. Approximately 70% of suppliers have now been evaluated (based on purchasing amounts) since the start of these activities. We will further increase the number of suppliers undergoing evaluations in FY2022. We will also ask suppliers that have already been audited to improve/re-apply for audits in order to improve their evaluation scores.

### Third-party evaluation items

21 Sustainability Criteria			
ENVIRONMENT	LABOR & HUMAN RIGHTS	ETHICS	SUSTAINABLE PROCUREMENT
<b>Operations</b> <ul style="list-style-type: none"> <li>Energy Consumption &amp; GHGs</li> <li>Water</li> <li>Biodiversity</li> <li>Local &amp; Accidental Pollution</li> <li>Materials, Chemicals &amp; Waste</li> </ul> <b>Products</b> <ul style="list-style-type: none"> <li>Product Use</li> <li>Product End-of-Life</li> <li>Customer Health &amp; Safety</li> <li>Environmental Services &amp; Advocacy</li> </ul>	<b>Human Resources</b> <ul style="list-style-type: none"> <li>Employee Health &amp; Safety</li> <li>Working Conditions</li> <li>Social Dialogue</li> <li>Career Management &amp; Training</li> </ul> <b>Human Rights</b> <ul style="list-style-type: none"> <li>Child Labor, Forced Labor &amp; Human Trafficking</li> <li>Diversity, Discrimination &amp; Harassment</li> <li>External Stakeholder Human Rights</li> </ul>	<ul style="list-style-type: none"> <li>Corruption</li> <li>Anticompetitive Practices</li> <li>Responsible Information Management</li> </ul>	<ul style="list-style-type: none"> <li>Supplier Environmental Practices</li> <li>Supplier Social Practices</li> </ul>

Source: EcoVadis

## Efforts to Become Carbon Neutral throughout the Supply Chain

The Company aims to achieve carbon neutral by 2050. To do so, it is essential that our suppliers reduce CO<sub>2</sub> emissions.

In FY2021, we communicated with key suppliers about our directions for lowering CO<sub>2</sub> emissions.

By participating in the CDP\* supply chain program, in FY2022 we intend to increase our understanding of the status of business partners' initiatives, risks and opportunities, and to enhance communication through briefings for suppliers. Our goal is for these activities to provide a springboard for promoting CO<sub>2</sub> reduction activities among our suppliers.

\* An international environmental NGO that collects requests from institutional investors and others interested in environmental issues, and encourages major companies and organizations around the world to disclose and evaluate environmental information

## Green Procurement Guidelines

### Expansion of Guidelines

In its Green Procurement Guidelines, we ask business partners to acquire and renew external certifications of environment management systems, as well as to manage hazardous substances, promote the 3Rs (reduce, reuse and recycle), submit LCA data to allow us to understand the lifecycle environmental impact, reduce environmental impact in business activities, and reduce their environmental impact related to logistics.

In addition to Japan, we have introduced the Green Procurement Guidelines at overseas production bases, adjusting the guidelines to account for actual conditions in each country and operational details at each location. These companies are also applying the guidelines to their business partners.

[PDF](#) Green Procurement Guidelines

### Collection of Materials and Hazardous Substance Data through IMDS

To encourage the management and reduction of hazardous substances, we promote management under the International Material Data System (IMDS). For this reason, we ask business partners to disclose data on environmentally hazardous substances for materials and parts by inputting them into IMDS in accordance with the Green Procurement Guidelines. We also ask them to establish a management system for environmentally hazardous substances.

Through these processes, we confirm compliance with regulations regarding hazardous substances used in parts and materials for new vehicles and vehicles in ongoing production.

Target  
3.9Targets  
8.7  
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## Working with Suppliers to Improve Quality

MITSUBISHI MOTORS regularly conducts quality audits and quality self-check guidance with its suppliers as collaborative efforts to improve quality along the entire supply chain.

In FY2021, we conducted process audits for 41 suppliers at 47 plants, and indicated items were generally improved within three months. We conducted process audits remotely when COVID-19 made it difficult to suppliers' worksites in person. Quality self-checks were performed by 329 business partners. In these ways, we seek to enhance communication with business partners and increase quality.

We periodically issue Supplier Score Cards, which numerically represent suppliers' quality results. This approach has clarified issues for each company, making it easier to implement improvement measures quickly and accurately. In cases of particularly serious defects, we analyze the causes and examine the appropriateness of countermeasures in collaboration with business partners to prevent recurrence.

We cooperate on defect prevention activities to keep defective parts from being delivered and ensure we are able to provide new models with confidence.

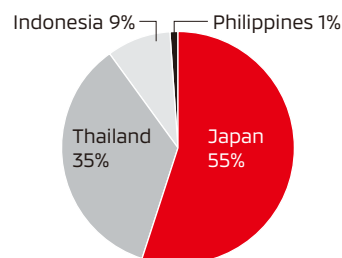
## Promotion of Localization

To optimize costs at overseas production bases, our basic policy is to source from local suppliers where possible, as long as such procurement is effective and the necessary technologies are in place.

For parts which are already locally procured, we also promote the local procurement of the components used within these parts, etc., to optimize costs further.

We conduct advance audits of the systems and structures of new business partners, evaluating items such as their development capabilities, production capabilities, and quality management capabilities and issuing improvement instructions if necessary. We also provide support to local business partners by serving as a go-between with Japanese business partners, joint ventures with local business partners, technical partnerships, and the like. We work to contribute to local regions by creating local jobs and improving local technical capabilities.

### Country-Specific Parts Procurement Ratios by Production Base (FY2021)



## Initiatives for Business Continuity Plans in the Supply Chain

A large-scale natural disaster, major outbreak of infectious disease, or shortage of specific parts or materials (such as semiconductors), could interrupt the flow of parts from our suppliers. We might then run the risk of business being suspended.

To avoid or mitigate such risks, as part of our business continuity plans (BCPs) in the supply chain we are taking measures to identify risks and impacts early on and to find alternative production options for each business partner and component.

Specifically, by having business partners register with our Supply Chain Risk Management System, we can monitor the status of damage and risk—not only at suppliers' plants, but also at Tier 2 and other suppliers.

In addition, we have registered suppliers with the Supplier Simultaneous Survey System so that in the event of an earthquake of intensity 5 or higher on the Japanese seismic intensity scale or other contingencies, we can assess the damage and risk, as well as the impact on our production.

## Participating in Outside Initiatives

Curbing and combating climate change require efforts that go beyond the scope of individual companies. Entire industries and their supply chains must work together to reduce CO<sub>2</sub> emissions.

As a member of the Japan Automobile Manufacturers Association, we participate via subcommittees in discussions on industrywide policies and measures in the area of procurement.