

Nurture relationships of trust with our suppliers

Principal Initiatives

As globalization progresses and economic activities are intricately linked to each other, we need to take social responsibility for not only our products and services, but also our supply chains. Daifuku's Group Code of Conduct stipulates our trading policy and regulates the compliance of all our executives and employees. Under the Code, we share the Basic Procurement Policy revised during fiscal 2017 with our suppliers to manage supply chains in a responsible manner along with our CSR procurement standards.

Initiative materiality and relationship to SDGs

Materiality

- Promotion of CSR procurement in the supply chains

CSR Action Plan KPIs and targets for 2020

- Supplier visitation rate: 80% (total)



SDGs pursued by Daifuku

Basic Procurement Policy

Our principles for dealing with suppliers are as outlined below, in keeping with the Management Policy and Corporate Code of Conduct.

1. Fairness, Impartiality

- (1) We will open the door wide, both in Japan and overseas, and provide opportunities for free competition.
- (2) We will select our business partners through the comprehensive evaluation of quality, technology development capabilities, economy and stable supply, as well as business conditions, etc.
- (3) We will establish a relationship of mutual trust with all our business partners and endeavor to conduct fair, impartial and transparent transactions.

2. Safety, Quality, Cost, Delivery

- (1) We will pursue the creation of a safe and healthy working environment.
- (2) We will pursue the optimization of procurement through the maintenance, improvement and enhancement of Q (quality), C (cost) and D (delivery).

3. CSR Procurement

- (1) We will conduct CSR activities to fulfill our social responsibility in terms of compliance, human rights, labor, environmental preservation, regional contribution and so on.

We have formulated the CSR procurement standards and will promote CSR activities with all business partners.

* CSR Procurement - the activities carried out by an enterprise in the entire supply chain in the procurement of products and materials in cooperation with suppliers through the addition of CSR elements such as compliance, human rights, labor, environmental preservation and regional contribution to existing elements such as safety, quality, performance, price and delivery period.

CSR procurement standards

1. Safety

- (1) To prevent labor accidents, etc., we will endeavor to secure the safety of employees, etc. by taking appropriate safety measures.
- (2) We will assess the state of labor accidents and work-related illness and take appropriate measures for the prevention of recurrence.
- (3) We will work on the creation of a safe and healthy working environment by placing top priority on ensuring safety and health at work.

2. Quality, Cost, Delivery

- (1) We will endeavor to maintain, improve and enhance quality, costs and delivery.
- (2) We will secure appropriate quality and delivery and pursue optimal costs.
- (3) We will endeavor to establish a production system that can provide stable supply and a crisis management system for incidents such as accidents.

3. Compliance

- (1) We will faithfully perform work according to laws and regulations, social norms and corporate ethics relating to all countries and regions in Japan and overseas.
- (2) We will properly manage confidential information and personal information and thoroughly ensure information security.
- (3) We will not provide benefits or facilities, including the grant and receipt of improper benefits and the demand for returns related to work.
- (4) We will not have any relationships with antisocial forces, including transactions, by taking a resolute attitude against them, and will conduct fair business.

4. Human Rights, Labor

- (1) We will understand the cultures and customs of countries and regions and work on the creation of a company where the human rights of all people are respected.
- (2) We will eliminate child labor, a poor environment, forced labor and working for long hours, and will work on the creation of a positive environment that is suitable for work.
- (3) We will endeavor to develop human resources with the knowledge, technologies and skills necessary to support business activities in Japan and overseas.

5. Environmental Preservation and Regional Contribution

- (1) We will promote environmentally friendly procurement. *The Green Procurement Guidelines (formulated in November 2005) shall apply to procurement in Japan.
- (2) We will conduct energy saving activities such as resource conservation and waste reduction.
- (3) We will live in harmony with the communities and society where we conduct business activities.
- (4) We will endeavor to participate actively in social support activities.

Promotion Framework

This initiative is promoted mainly by the administrative division under the CFO & CRO and procurement personnel of each business operation. We take measures to share our procurement policies with our suppliers by visiting them based on the results of their self-evaluation of CSR related items.

Through our cross-sectional organization called the Production Compliance Committee, we also provide lectures regarding statutory compliance in the fields of production and procurement for persons engaged in procurement. We also hold sessions to exchange information and share our policies with our suppliers.

Supply Chain Initiatives

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (212 KB)

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Management/Safety Policy and Production Trends Presentation



Daifuku has held this meeting every year under the name of Management and Production Trends Presentation inviting top executives from manufacturers, trading companies, processing, construction, service, design, and software development companies. However, from fiscal 2021, to prevent the spread of COVID-19, the name was changed to Management/Safety Policy and Production Trends and held jointly with the Health and Safety Seminar for Suppliers. We invited 263 business partners to the event after changing the format from in-person to live streaming.

Supplier Quality Development (S.Q.D.) Award

In fiscal 2003, Daifuku established a Supplier Evaluation System and launched the Supplier Quality Development (S.Q.D.) Award to commend outstanding goods-related suppliers (manufacturing subcontractors and goods purchasing), designers, construction and installation contractors, and others. In fiscal 2021, the S.Q.D. Award was presented to six suppliers at the Management/Safety Policy and Production Trends from among a total of 193 companies.

Supplier visitations

KPI

In fiscal 2020, we planned to visit 35 suppliers (visit rate target of 80%), but due to the pandemic, we switched from a visiting format to a questionnaire format midway through the term. As a result, we were able to achieve the target of 35 companies in total. (16 visits, 19 questionnaires)



Daifuku promotes its CSR initiatives throughout the entire supply chain by encouraging an understanding of the need for CSR, such as through CSR surveys (self-assessment check sheets) for suppliers and by on-site monitoring.

A visit in progress

Supplier Operations Verification System



We are using a system to confirm the operational status of our suppliers in an emergency as part of a scheme to strengthen our business continuity plan. In the event of an emergency, this system confirms damage status of suppliers and safety of personnel by e-mail. We use this system with the aim of ensuring quick recovery and return to normal operations of the whole supply chain by sharing information quickly and accurately.

Green Procurement



Daifuku believes that the manufacturing of environmentally friendly products is a mission it must achieve as a global company. Under the motto, "We will not buy, use, or sell any hazardous materials," we formulated our Green Procurement Guidelines in November 2005.