

# “SUPPLIERS”



TKM has continuously strived to work with its stakeholders to contribute to the sustainable development of the society and the earth by providing high quality and innovative products and services. Our suppliers play a crucial role in production of the faultless vehicle.

To build a reliable vehicle, the parts that go into making it have to be reliable and it is with this understanding that we deeply involve ourselves with the suppliers production process. TKM expects business partners to ensure long term, stable and sustainable procurement of the best products at competitive price in most speedy and timely manner, complying with all applicable laws, regulations and social norms in consideration of the environment.

We provide sustainable production practices among our suppliers by providing technical know-how to enhance productivity, and support in areas where suppliers can inculcate best and sustainable practices.

TKM maintains a healthy partnership with suppliers through two important modes, Toyota Kirloskar Suppliers Association (TKSA) and Supplier Support Centre.

In line with TMC's guiding principles and management philosophy, TKM has adopted its policies, values and code of conduct for the entire supply chain covering the suppliers, dealers, contractors and vendors.

The basic policies of Toyota purchasing focus primarily on

- » Fair competition based on an open-door policy
- » Mutual benefit based on mutual trust

- » Contributing to local economic vitality through localization: good corporate citizenship

Considering the increase in global expectations for enhancement of CSR activities, especially in the area of human rights and labour issues in the supply chain, Toyota has specifically issued "Supplier CSR guideline" with a focus towards:

- » Respect for our Employees and Monozukuri based on Genchi-Genbutsu
- » Safety, Quality, Productivity, Cost and Human Development
- » Legal Compliance, Human Rights/Labour, Local/Global Community

TKM has formalized its own detailed General Purchase Agreement (GPA) which is a summarized version of all Toyota's policies.

The basic principles of GPA are

- » Achieving "Customer Satisfaction" as a primary objective
- » Adopt TPS and JIT
- » Long standing business relationship based on the spirit of mutual trust
- » Comply with safety and environmental standards (Legal and TKM) and shall contribute to the sustainable development of society and promoting faithful and sound business activities

## GREEN PURCHASING GUIDELINES

TKM has developed "Green Purchasing Guideline" which explicitly describes the requirements and methodologies that expects the suppliers to adhere to as a part of Toyota's global commitment towards greening the supply chain. The major focus points include:

- » Acquisition or renewal of ISO14001 certification  
ISO certification has been expanded from OE parts suppliers to Raw material suppliers
- » Management of Product and Material delivered to Toyota (SoC and Banned Substances)  
Number of SoC's have been increased from 4 SoC's to 10 and are Lead (Pb), Cadmium (Cd), Mercury (Hg), Chromium VI (Cr 6+), Poly Brominated Biphenyl (PBB), Poly Brominated Diphenyl Ether (PBDE), Deca - Brominated Diphenyl Ether (D-BDE), Hexabromo Cyclododecane (HBCD), Perfluorinated Sulfonic Acids (PFOS) and Asbestos
- » Environmental initiatives related to supplier business activities
- » Reduction of CO<sub>2</sub> emission and packaging material in logistics



100% suppliers certified to ISO14001

All the 104 eligible suppliers are ISO certified

100% compliance with the banned substance management

From January 2014 all the parts procured are SoC free

100% compliance to legal requirements

118 MT of packaging materials were reduced by doing innovative design changes in packaging material

**ALL THE PARTS  
USED IN NEW  
COROLLA  
ARE SOC FREE**



### GREEN PURCHASE GUIDELINE TRAINING

After the launch of New GPG, training on new guidelines was conducted. The training was held to create awareness among suppliers and make them understand the importance of these guidelines so that they would comply with the requirement.

As a part of Kaizen promotion in environmental activities, a Kaizen showcase among all suppliers was conducted to share the best practices and for further improvement.

GPG training for suppliers at TKM



Gemba during GPG training





**QUALITY CIRCLE COMPETITION:**

QCC is a best platform to extract quality from the grass root level, where Employees are motivated towards identifying the problematic areas, involved in problem solving and ease the work and results in improving the efficiency of the supplier companies. Suppliers association facilitates Gemba, Regional and Final QCC. Suppliers Association's QCC 2013 was successfully completed with 92% participation. Future plan is to achieve 100 % participation in QCC.



QCC final winners of FY13

**BENCHMARKING VISIT TO OVERSEAS SUPPLIER COMPANIES:**

TKSA organised bench marking visit for supplier representatives to the TMAP, Toyota Co-operation club and other Thailand Suppliers during June 2013.

Key learnings from the visit are Safety culture promotion, Built in Quality through system standardisation, Low cost automation, Productivity and Delivery control and TPS stimulations to impart better employee training.

Suppliers were delighted with the learning opportunity provided to them and future plan is to organise many such visits based on suppliers requirement.



Benchmarking visit to overseas supplier companies

# TOYOTA KIRLOSKAR SUPPLIER ASSOCIATION

The Suppliers Association consisting parts and components suppliers of TKM and TKAP was established in 2002 with an objective of "Progress through Sharing". Suppliers Association plays a Key role in aligning supplier's activities in meeting TKM's targets on Safety, Quality, Cost, Delivery and project preparation and also to create a strong supply base which will lead to Global competitiveness. Suppliers association has taken many initiatives towards mutual development.

**KNOWLEDGE SEMINAR**

The FY 2013 was the toughest journey for TKM due to the downfall in the auto industry. Suppliers were also affected due to fluctuations in the production pattern.

Hence to overcome this we adopted strategies to cut down the cost and improve the efficiency. In line with this TKM organised a seminar to showcase best practices to suppliers and share knowledge on TKM's Simple and Sustainable measures.

Key issues discussed in the seminar:

- » Reduce fixed cost and minimise the loss
- » Improve vehicle profitability by enhancing minotake
- » Kaizen re-formation to achieve profitability through employ motivation
- » Achieve 98% line efficiency by practicing standard work



» Challenge the Gentan-I (Direct material and Manpower)

Suppliers are very happy with the learning opportunity provided by TKM. The concepts were well received by suppliers to further work on enhancing the profitability at their end. Future plan is to organise many such visits based on suppliers requirement.

### SHARING BEST PRACTICES

Region wise supplier companies with special achievements were identified and visit was organised for supplier representatives to learn and imbibe best practices in their respective operations.

Best practices showcased in the visit:

- » Tools maintenance system and pattern production system from MATE
- » Good practices in Daily work management from PPAP
- » TPS implementation from Gabriel
- » Best practices of quality and productivity from Wheels India
- » Associate Training, Change point Management from MSSL

Learnings were well appreciated by supplier members. Our plan is to continue with the programme by showcasing other suppliers best practices in the coming years.



TKM's best practices sharing with suppliers

### DEALER VISIT

Dealer visit was organised for suppliers to make them understand how dealer operates and handles customers. This will help suppliers to understand the customer view points and support TKM in achieving customer satisfaction.

Learnings from the visit:

- » Excellent Visualisation of Service flow
- » Timely response in vehicle delivery system
- » Express Maintenance System

Suppliers were happy to receive the voice of customers through dealers.



Learning at Gemba during dealership visit



Best practices sharing at model suppliers



Best practices sharing at model suppliers

### SOCIAL CONTRIBUTION INITIATIVES BY TKSA:

TKM continuously encourages its business partners to take up social contribution initiatives with an intention to empower the local community. Various social activities are conducted at regular intervals under TKSA. The efforts of TKSA also helped in motivating all the supplier partners to work towards community development.

#### 1. Education kits distribution

Educational kits (Bags, Notebooks, Socks and Shoes) were distributed for under privileged students of 3 Government schools around Bidadi during June 2013.



## 2. Tree Plantation

Avenue plantation was organised by TKSA involving TKM Top Management and Supplier Top Management near Motherson Sumi Systems, Bidadi. 50 saplings were planted during the event.

## 3. Sponsorship for Education

TKSA also sponsored the Education expenses for 5 Orphan girls residing at Sumangali Seva Ashrama. Rs. 12,000/- per student was sponsored per orphan girl towards their education expenses.



Plantation drive by TKSA

## SUPPLIER SUPPORT CENTRE (SSC)

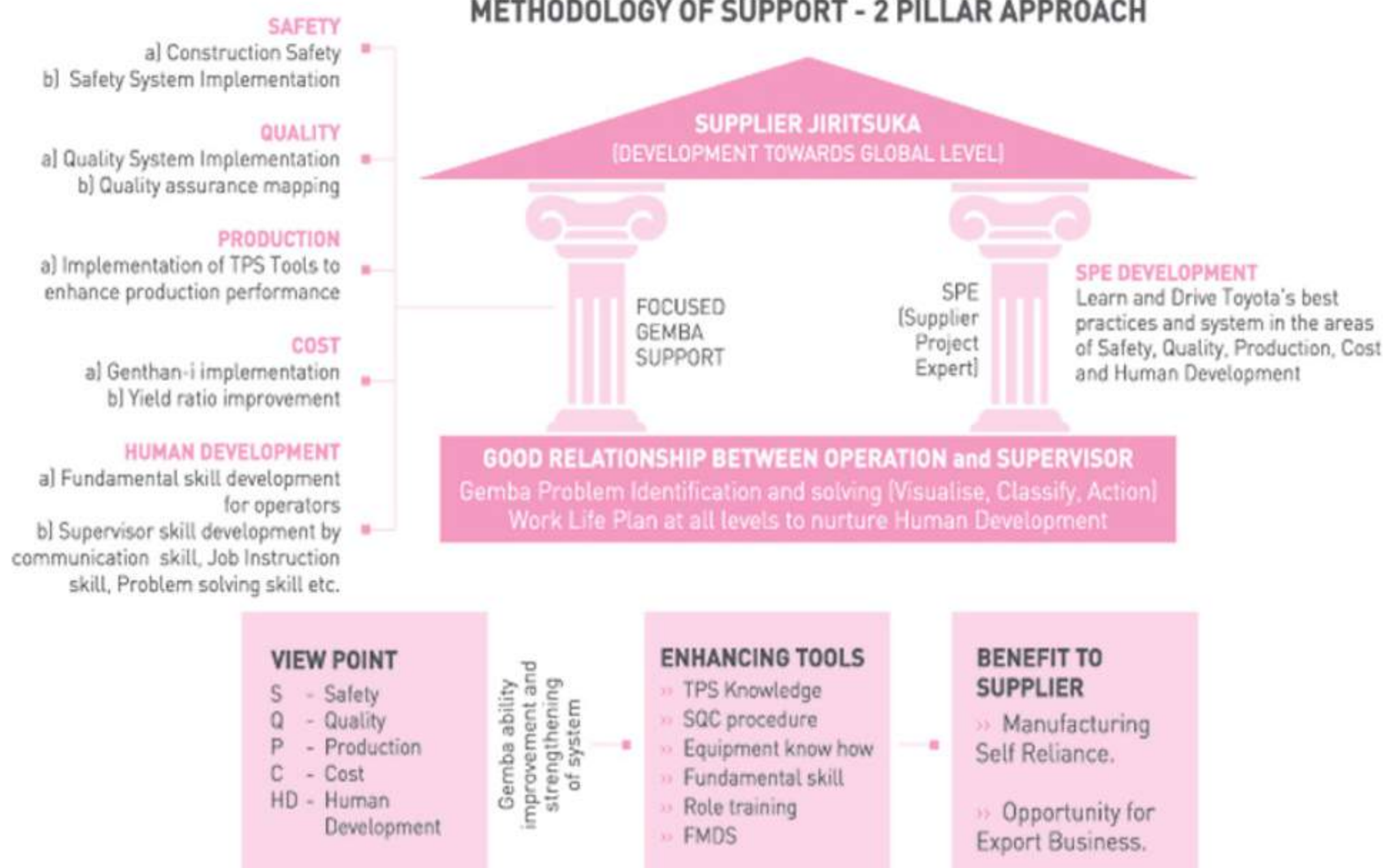
The Supplier Support Centre was set-up in month of January 2013 by TKM to strengthen overall shop capability and production management of its suppliers thereby contributing to Indian Industry and achieve Jiritsuka (Self reliance) in the future.

Ultimate aim of forming SSC is to level up TKM supplier's in line with Toyota global standards.

Objective of SSC is to support suppliers in the areas such as:

Safety	Inculcate "Safety First" approach through Human Development to ensure accident free operations
Quality	Ensure "Built in Quality culture" in manufacturing and Supply of 100% Quality Products
Productivity	Achieve right quantity at right time with right Quality
Cost	Produce cost competitive products
Human Development	Develop strong shop floor leaders for Gemba ability improvement and effective use of members skill

## METHODOLOGY OF SUPPORT - 2 PILLAR APPROACH



Focused Gemba support (working closely with supplier members at supplier's facility and improving shop floor condition, through human development) and SPE (Supplier Project Expert) one year training programme conducted at Toyota, where supplier member learns, practice and drive improvement at his company.



### ACTIVITIES DRIVEN UNDER PILLAR-1: FOCUSED GEMBA SUPPORT

Focused Gemba Support was set as a first pillar to support the suppliers to be in line with Toyota global standards, by working together with the supplier partners at supplier's facility and improving the shop floor condition.

TKM experts worked together with suppliers at their manufacturing site to identify problematic areas and the solutions are found with the combined efforts. Focused activities were carried out at 13 Suppliers to improve overall performance in the areas of Safety, Quality, Productivity, Cost and Human development.

### SAFETY AND ENVIRONMENT:

Our expert team worked with suppliers by promoting safety activities to bring-in a culture of "Member safety as priority". Creating awareness on construction safety requirements by involving supplier representatives in daily audit for weak area grasping and Yokoten of TKM's safety best practices are the focused activities.

We trained and certified 15 Anzen leaders utilising AP-Team Toyota Safety Committee. These leaders participated in TMAP-EM's safety training programmes, Construction safety Genchi observation and also in implementing activities in home companies during the process of development.



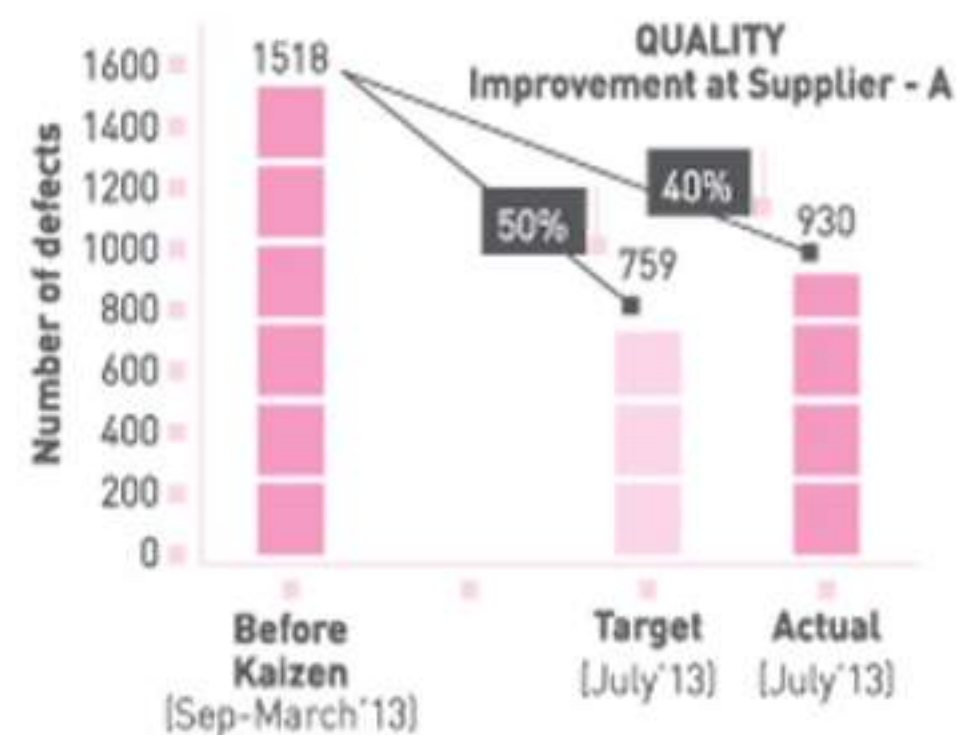
Daily audit involving all stakeholders for weak area grasping

The consistent efforts of TKM experts resulted in achieving 'Zero fatal accident at Suppliers'.

### QUALITY :

The SSC quality team worked closely with supplier partners to inculcate Toyota quality culture, "Production ownership to quality" through human development. Quality awareness was enhanced by developing operator's quality mind in manufacturing, middle management involvement and support for Quality management system establishment and its sustenance at supplier's facility.

Concept of JIDOKA Built-in quality was strongly driven across suppliers to ensure that no defect passes on to next process.



Supplier safety training at TKM



Review of quality management systems



Review of quality management systems



## PRODUCTIVITY

The SSC production experts worked towards enhancement of supplier's middle management capability in normal/abnormal condition management to build a strong shop floor management.

The team worked with supplier to implement basic TPS tools line, Parts and Information flow chart, Performance analysis board, 4-S etc. to have better visual control management at supplier's facility. Also, implementation of standardised work at supplier and pull production system enhanced the production capacity, reduction of inventory stock and ensured that products are manufactured as per next process (customer) requirements only.

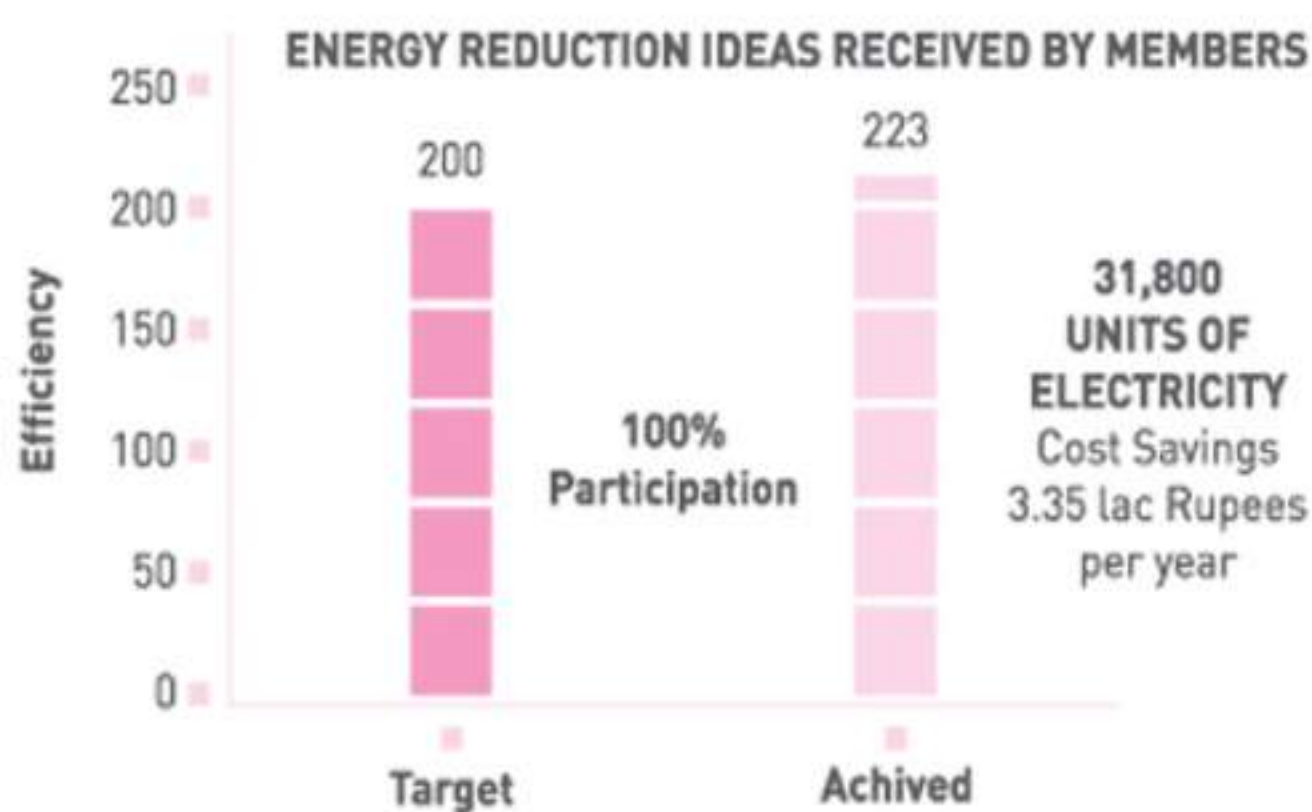


## COST

Activity was taken up by SSC experts with an objective to establish cost management system at one supplier and develop a model plant among Indian supplier partners.

Developing cost competitive shop floor management is the main focus of this activity. Cost awareness through human development of supplier's shop members was taken up as first step to bridge the gap in the cost monitoring.

Later, basic cost management system (Gentan-I) was established at shop floor for easy grasping of actual material consumption and control the consumption within Gentan-I targets. Also, theme based activities were carried out to achieve cost reduction.



Implementation of effective production systems



Implementation of effective production systems



Cost reduction activity review



Cost reduction activity review



## HUMAN DEVELOPMENT

Training on fundamental skills for operators is undertaken for developing strong shop floor leaders on gemba ability improvement. Fundamental skill training facility was setup to enhance accuracy of elemental work at supplier in the areas of

- >> Wire harness soldering
- >> Bolt tightening and riveting
- >> Greasing



Fundamental skill facility setup at supplier



Fundamental skill facility setup at supplier

## ACTIVITIES DRIVEN UNDER PILLAR-2: SUPPLIER PROJECT EXPERT

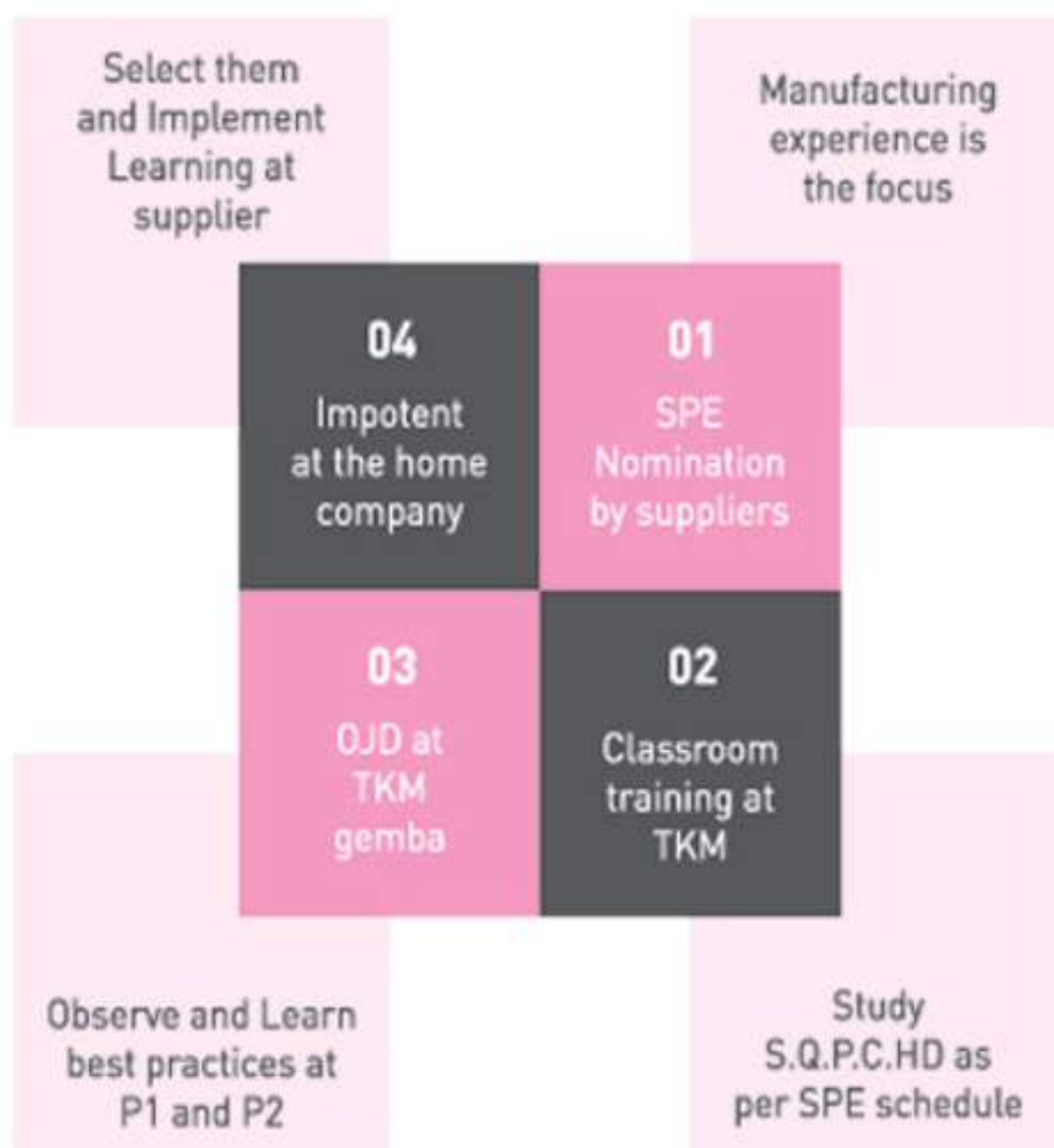
The development programme is designed based on Learn (at TKM), Perform (identify and implement kaizens) and Drive concept (develop systems at his own company and also to drive other suppliers).

The objective of the SPE program is to train atleast one person from each supplier company in line with SSC's objectives of Safety, Quality, Production, Cost and Human Development for about a year. Facility is provided at TKM for supplier members to understand the necessary skill and knowledge for managing production at the shop floor. Post training, SPE shall implement basic systems and sustain performance as a Kaizen Leader at their respective facilities.

## THINKING WAY



## METHODOLOGY OF SPE TRAINING



Class room training



Gemba training

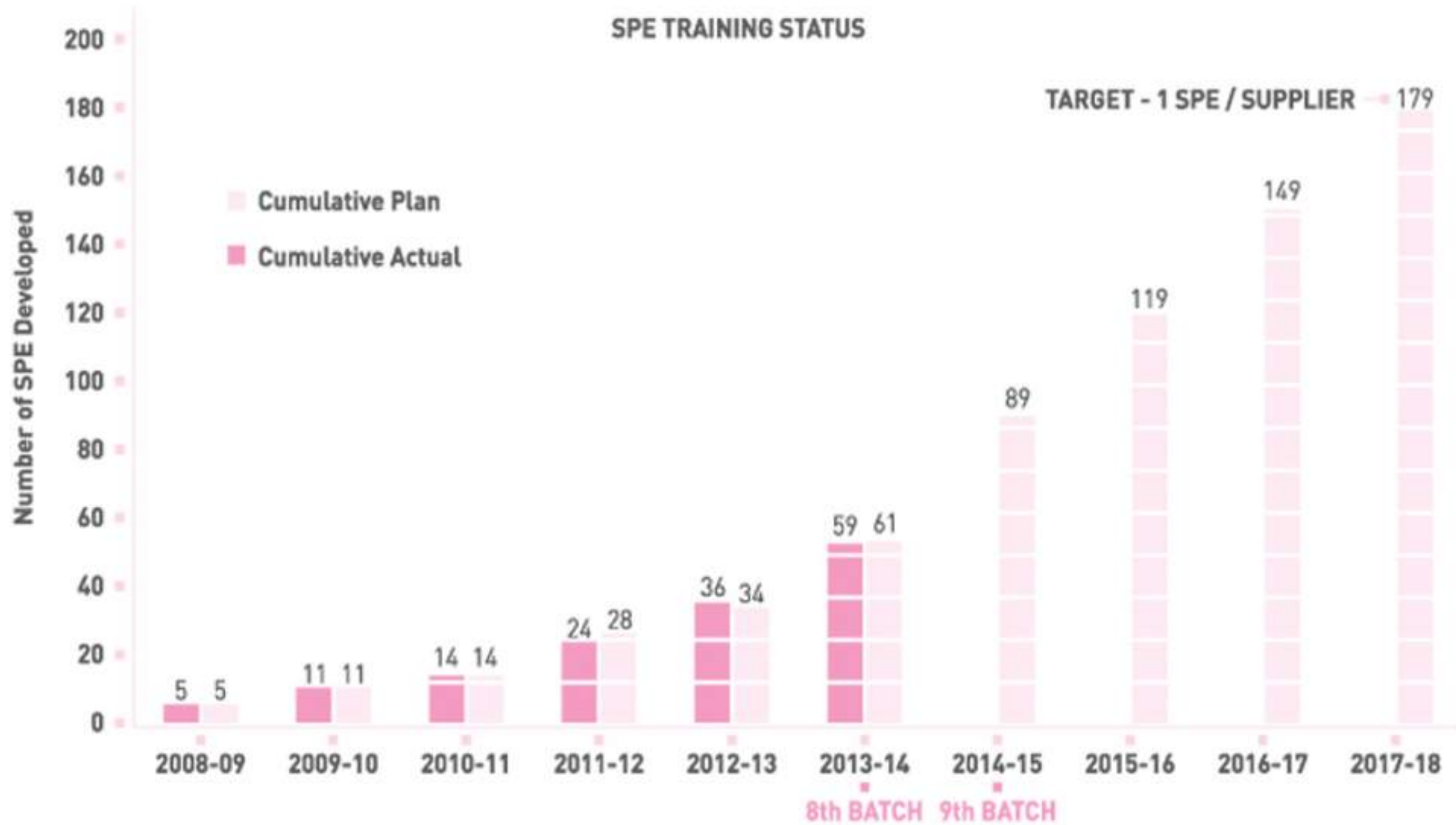


Interaction with MD San



SPE Activity review





### CUSTOMIZED CLASS ROOM TRAINING

Team SSC also conducts various short-term classroom training programmes to share the knowledge on Toyota global best practices called "Customized training". The training is imparted in the areas of Safety, Quality, Productivity, Cost and Human Development as part of knowledge sharing programme.

