

# Responsible Sourcing



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We believe integration of sustainability in supply chain, is crucial to deliver long-term profitability. We associate with business partners based on their overall strengths and realize mutual growth through mutual trust. With various development programs, we not only aim to create monetary benefits but provide significant competitive advantage for our suppliers in the rapidly changing market landscape.

## Supplier Guidelines

### Purchasing Policy

At Toyota, we ensure that we follow a fair policy for all suppliers evaluating and incorporating them at a similar platform. There are a few points which we believe stand at the crux of our values.

- Fair competition based on an open-door policy
- Realization of mutual benefit based on mutual trust
- Contributing to local economic vitality through localization and good corporate citizenship

## General Purchasing Agreement

We believe in having clear lines of communication so that suppliers have a clear idea about deliverables from their end to ensure uninterrupted and mutually beneficial transactions

- 'Customer Satisfaction' is of utmost importance
- Toyota Production System (TPS) and Just-In-Time (JIT) are to be adopted
- Relationship with suppliers based on mutual trust and conscious efforts to maintain the same over time.
- Total compliance with safety and environmental standards
- Contribute to the sustainable development of society
- Promote healthy business practices

## Supplier CSR guideline

In addition to these, TKM has formulated policies to cover aspects of climate change and social responsibility included as a part of 'Supplier CSR guideline' emphasizing on the following aspects

- Respect for employees and stakeholders
- Safety, Quality, Productivity, Cost and Human Development
- Legal Compliance, Human Rights/ Labor, Local or Global community

## Green Purchasing Guidelines

After the announcement of Toyota Environment Challenge 2050, Toyota revised its Green purchasing guidelines in 2016 to align supplier activities in line with the vision. TKM developed and communicated Green Purchasing guidelines through out the supplier network and handholding suppliers to implement the Green purchasing Guideline requirements.

The Green purchasing Guideline covers various aspects of Environment including Environment Management System, Green House Gas reduction, water conservation, resource optimization, Chemical management and compliance management.

## New Supplier Establishment System

We rely on our suppliers for the everchanging market needs. As procurement is very crucial for our business, managing supplier relations to assure a continuous supply without any delay in the delivery of products becomes imperative. We have established a system to identify the right suppliers for procurement of raw materials called 'New Supplier Establishment System'. Continuous engagement with suppliers through training and workshops help us maintain the synergy and manage risk and compliance to abide by organizational as well as industry specific regulations and compliances.

Before onboarding any supplier, we carry out a thorough background check of their Environment Social Governance parameters. The NSER includes 41 parameters ranging from labor practices, legal compliances to safety and environment.

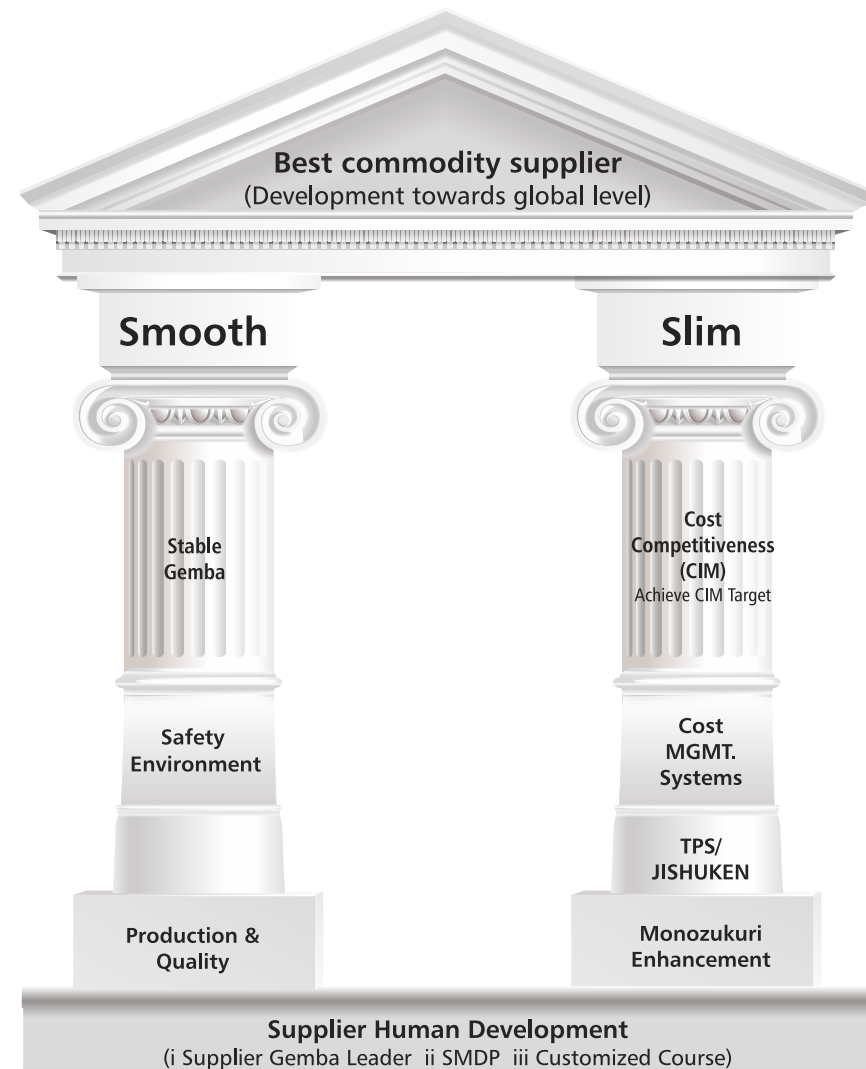


The environmental indicators are included in the evaluation in the reporting year.

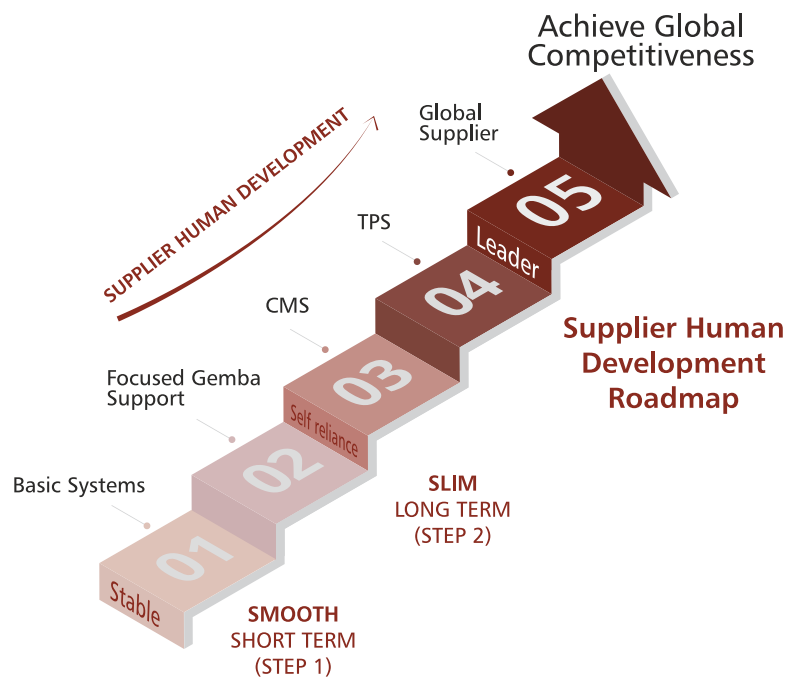
## Transforming Suppliers as Leaders

With the aim of transforming the suppliers as leaders, TKM assessed its suppliers to identify the gaps in the operational practices. We developed road map for enhancing the safety and sustainability of the suppliers with the following key strategies

- Supplier Human Development
- Smooth Operations with enhanced safety, productivity & quality
- Slim Operations with effective cost management and productivity

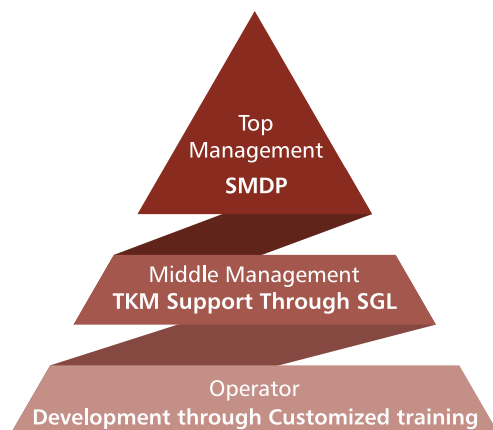


We support our suppliers to strengthen the overall shop floor capabilities through a stable and sustainable Gemba management. For this, we have Supplier management development program to enhance their Gemba management skills to make them self-reliant in Gemba management.



## Supplier Training Modules

TKM developed different training models to develop the skills of top management, middle management and operators.



## Supplier management development program

The Gemba skills of supplier top management are enhanced through Supplier Management Development Program (SMDP). To make them self-reliant in Gemba management, we follow a four-step development program based on Smooth-Simple-Slim-Smart.



Classroom Sessions



Shopfloor visits

## Supplier Gemba Leader

we provide focused Gemba support to the middle management (Manager Supervisors) through one-year Supplier Gemba Leader [SGL] program. Under this program, one window person from each supplier is trained at the TKM premises to implement the Toyota principles and best practices at their respective facilities.



## Customized training for Operators

In addition to this, we trained several supplier operators on aspects related to Safety, Productivity, Quality, Cost, Health & safety and Environment.



Customized trainings for supplier staff

## Smooth Operations

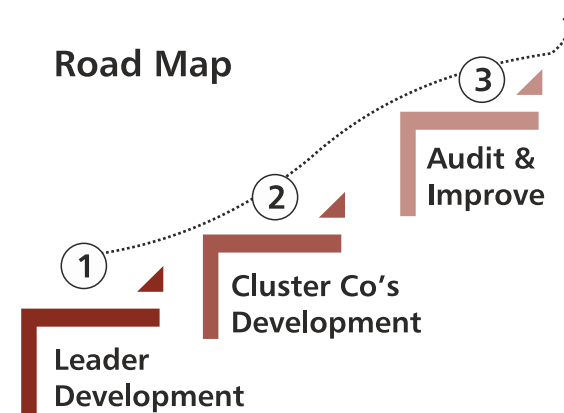
### Safety at Supplier Operations



Training and audits on safety at supplier operations

In 2017-18, a detailed audit was conducted to identify the critical suppliers related to safety and we identified 27 high risk suppliers. A three-step approach was adopted to level up the suppliers to address critical fire and safety risks.

### Road Map



In FY 2018-19, 16 of these suppliers have moved to medium risk and 2 suppliers have moved to the low risk.

Among 38 high risk suppliers for fire safety identified in FY 2017-18, 26 have moved to medium risk and 5 companies have moved to low risk.

## Enhancing Environmental Performance



The Environmental performance of suppliers is enhanced through the effective implementation of Green Purchasing Guidelines. In FY 2018-19, Green House Gas emission inventorization of supplier operations was taken up and voluntary target setting for CO<sub>2</sub> reduction among supplier was encouraged.



Environmental trainings and audits

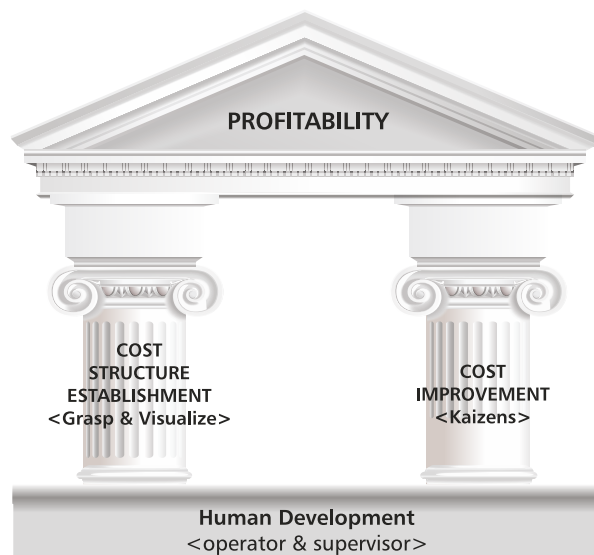
## Compliance graph



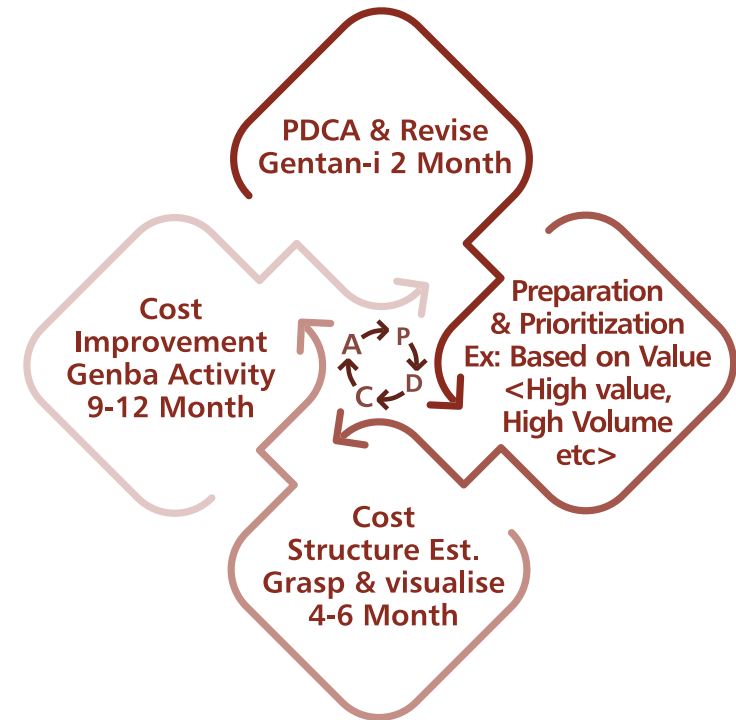
## Slim Operations

### Cost competitiveness

Life Cycle Costing is one of the key focus areas of TKM. Cost Competitiveness in Suppliers is one of the key factors to ensure the sustainability across the supply chain. TKM has taken up activities to enhance the cost competitiveness of the suppliers.



## Roadmap



We assisted our suppliers in developing the system to effectively grasp and visualize the cost data and promoted kaizens among suppliers to reduce the cost.

## Supplier Connect

### Quality Circle Competition [QCC]

The QCC is held annually at regional level followed by national Level and provides a platform for all suppliers to exchange their ideas and share experiences. With the theme 'Progress through Sharing' this year, we laid emphasis on embedding 'Quality' from the grass root level at suppliers. Suppliers from various regions actively participate in the event and the best performing circles are recognized.

## IR management at Suppliers

Our Supplier Kaizen Department observed that there were few instances of shortage in supply of parts due to poor labor relations at suppliers. The major challenges faced by our suppliers included issues with contract workmen and COD settlement.

Hence, reflections from the previous financial year, showed that there was no IR risk mapping and no logical analysis for the COD settlement at suppliers, leading to IR issues.

To ensure proper IR management at suppliers, our SKD along with HR department is jointly involved in IR foundation building at Suppliers and their expertized opinion is sought by the suppliers in case of IR turbulence at their base.



Meeting with supplier Top Management on IR Management

## Annual Supplier Convention

The annual supplier meets communicate TMC's expectation and targets.

The annual supplier meet is the platform through which we share previous year performance and our goals related to the supply chain are shared with the suppliers. The ASM is used for the effective connect between TKM and the suppliers and top management of suppliers will be attending the meet. The updates of the FY 2018-19 were shared in the ASM conducted in the month of 9th April 2019.



TKM top management addressing suppliers



## CSR

Our TKSA (Toyota Kirloskar Suppliers Association) team has always extended its support towards girl child education. Taking it further, we have sponsored education of 5 girls for one academic year. Apart from this, the educational kits were distributed for three Government schools followed by tree plantation activity to sensitize children on environment.



CSR Programmes conducted by TKSA

## Green Purchasing Guidelines:

The green purchasing Guidelines were revised post the announcement of Toyota Environment Challenge 2050 and the same has been communicated to all the suppliers. The Green Purchasing Guidelines are developed to handhold our suppliers in enhancing their environmental performance and align to the greater vision of Team Toyota.

The green Purchasing guideline guides the supplier on different environmental aspects including water management, CO2 reduction, chemical management etc. The suppliers are trained on the expectations of the Green Purchasing Guidelines and suppliers submit the updates on their progress.

