

# Supply Chain Management

## Policy

### KDDI CSR Procurement Policy

In order to fulfill our social responsibility as a general telecommunications carrier responsible for social infrastructure at a higher standard and avoid procurement risk in the supply chain as far as possible, amid concerns about growing risk with the increasing globalization of business, KDDI established the KDDI CSR Procurement Policy in February 2014 and began consolidating our grasp and management of risk in the entire supply chain.

The Procurement Policy requests that the business partners participate in initiatives under 7 themes in which KDDI involves, such as coexistence and co-prosperity with business partners, Environmental consideration, Consideration for Human Rights and Working Environment, Fair and Equitable Transactions, Appropriate Information Management, assurance of quality and safety, and symbiosis with society.

To provide satisfactory services to our customers and achieve the sustainable development of the company and society together with our business partners, we are extending our demands and support based on the policy to the entire KDDI supply chain.



KDDI CSR Procurement Policy

[Link](#) Website

## System

### KDDI Guidelines for CSR in Supply Chain and CSR Procurement Promotion System

In 2014, KDDI established the system for promoting CSR procurement. In March 2016, we established the KDDI Guidelines for CSR in Supply Chain as a guide to implementing the Procurement Policy, and published them on our website. The guidelines were formulated based on items that are prescribed in the Electronic Industry Citizenship Coalition (EICC) code of conduct and the Supply-Chain CSR Deployment Guidebook published by the Japan Electronics and Information Technology Industries Association (JEITA).

The guidelines provide criteria to consider when selecting business partners and procurement items, including factors such as contribution to the environment and society, in addition to quality, price, and stability of supply.

In addition, to maintain a high sense of ethics in procurement activities, KDDI conducts a variety of compliance training for all employees, including compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.

Furthermore, KDDI holds briefings and conducts questionnaires with our leading business partners, in order to provide education and support that ensures their understanding of the importance of our CSR procurement activities, and to communicate our situation and present the initiatives we are undertaking.

In response to business partners who commit compliance violations, KDDI identifies the causes, requests improvements, and provides guidance and support if necessary.



KDDI Guidelines for CSR in Supply Chain (Japanese)

[Link](#) Website

## Activity and Results

### CSR Procurement Questionnaire

In order to operate the Procurement Policy effectively, KDDI has, since FY2014, conducted questionnaires in which our leading business partners answer a CSR Procurement Check Sheet. The questionnaire, which is based on the Supply-Chain CSR Deployment Guidebook (Check Sheet) published by the Japan Electronics and Information Technology Industries Association, consists of 86 questions deemed pertinent to KDDI, related to the following seven themes: human rights/labor, safety/health, environment, fair trade/ethics, quality/safety, information security, and contribution to society.

In FY2015, the questionnaire was provided to our key business partners representing approximately the top 90% of the total value of orders, and we received a response from nearly 100% of them. For the purpose of exchanging opinions on how to improve activities for KDDI and our business partners, we held meetings with two companies to discuss feedback on the questionnaire results and confirm some details about their responses.

In response to these questionnaire results, KDDI will work to further the advancement of the CSR Procurement Policy, while striving to systemize the issues related to the promotion of CSR and pursue efforts that lead to concrete initiatives.

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## Activity and Results

### Conflict Minerals

The U.S. government requires companies listed in the United States to disclose the use in their products of minerals produced in the Democratic Republic of the Congo and other conflict-plagued regions (below "conflict minerals").\*

KDDI is not listed in the United States, but to fulfill its social responsibility in its procurement activities, it is working together with suppliers and implementing initiatives to ensure that it does not use conflict minerals.

In FY2015, KDDI conducted a CSR procurement questionnaire and found no conflict minerals used in our procured items.

\* Conflict minerals are tantalum, tin, gold, tungsten and other minerals designated as such by the U.S. Secretary of State.

## Activity and Results

### Cooperation and Support of Business Partners

#### ■ Reinforcement of Relationships with Business Partners

KDDI holds liaison meetings for business partners in order to obtain their understanding of our purchasing activities. KDDI invited 68 companies to the liaison meeting in February 2016, which provided an opportunity for participants to exchange opinions regarding the explanation of our situation and a presentation of the initiatives that we are undertaking. One business partner who attended commented that it was "good to have a frank exchange of opinions."

KDDI has expanded the KDDI Group's Business Ethics Helpline to business partners and we are striving to strengthen our relationships in the areas of business ethics and legal compliance.

#### ■ Educational Support to au Shop Staff

KDDI believes that training au shop staff is an essential element of its efforts to pursue customer satisfaction. We encourage au shop staff to learn efficiently and effectively by conducting group training for learning essential sales skills, and e-learning for new product information, where basic operational knowledge and rapid mastery are required.

We also implement a qualification and certification system to evaluate staff skills and conduct professional training, recognizing sales efforts that generate high levels of customer satisfaction as "au Advisors," "au Masters" and "au Experts."

#### ■ Support for Content Providers

KDDI works with content providers, who are our business partners, to offer proposals that provide attractive new value to customers. We have established a system that offers direct support to content providers on matters ranging from technical issues to operations, via a help counter for face-to-face advice and a help desk website for online inquiries.

#### ■ Efforts to Improve Logistical Efficiency

In January 2016, the newly established KDDI East Japan Logistics Center began operating the Free Rack Auto Pick System (FRAPS), a cloud-based picking system provided by Yamato Logistics Co., Ltd., which is a member of the Yamato Group led by Yamato Holdings Co., Ltd.

With the increased volume of au smartphone accessories and other peripheral products handled by KDDI, along with the nationwide expansion of au WALLET Market, there was a need for efforts to improve the efficiency of logistical operations and transport capabilities, with an eye toward the future.

In response, KDDI constructed a new large-scale logistics center, introduced the FRAPS system provided by Yamato Group, and established a high-speed transport network capable of small-lot high-frequency deliveries. In addition to enabling the combined shipment of multiple orders to the same shop, these measures resolve various issues for improving the distribution of products and services, by improving operational efficiency, improving transport capabilities, and integrating logistics bases. In addition, products are delivered more rapidly than ever before.

Moving forward, KDDI will continue its efforts to quickly deliver products to customers and pursue logistical innovations that provide even greater convenience.

## Supply Chain Management

### ■ Support for IT Utilization by SMEs

KDDI, PROJECT NIPPON CO., LTD. and KDDI Web Communications Inc., in partnership with the Micro Business and Individual Unit of the Japan Finance Corporation (JFC), are working on a "First-time Web User Project" to promote IT use by small and medium enterprises and support their business.

The number of SMEs in Japan has fallen to around 3.81 million from a peak of 5.33 million in 1986.<sup>[1]</sup> While approximately 80%<sup>[2]</sup> of SMEs consider strengthening of sales capabilities and increase in new customers as important business challenges, only 46%<sup>[3]</sup> of small-scale enterprises have created their own websites, an important means of growing business. To contribute to solving the challenges facing SMEs, the four companies mentioned above provide integrated support from website creation to effective utilization through this project.

In addition, in December 2014 KDDI formed a capital and business alliance with crowdsourcing giant LANCERS INC. with a view to expanding its area of SMEs support. Through this alliance, KDDI serves as LANCERS' only telecommunications carrier partner, and is focused on expanding crowdsourcing services<sup>[4]</sup> to address the shortage of IT manpower among SMEs.

The two companies will support the creation of healthy and prosperous regions by disseminating "diverse and flexible work styles" that are "irrespective of time or place" to individuals throughout the country. We will also promote IT utilization to reduce economic burdens, and support the creation of business opportunities and corporate growth of SMEs on an ongoing basis.

[1] As of July 2014. "2016 White Paper on Small and Medium Enterprises in Japan" published by the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry

[2] "Report on IT Utilization by Small and Medium Enterprises: Survey Report (September 2012)" published by the Japan Chamber of Commerce and Industry

[3] Small and medium enterprises before establishment and within one year of establishment

[4] Crowdsourcing service: An internet service that matches companies wanting work done with individuals willing to undertake the work

## Activity and Results

## Stakeholder Dialogues

## Deepening CSR Procurement and Green Procurement Efforts at KDDI

KDDI established the CSR Procurement Policy in February 2014 and conducts CSR procurement questionnaires with the leading business partners every year.

Experts and businesspeople with abundant knowledge and experience in the field of CSR procurement were invited to participate in this year's stakeholder dialogues, which focused on the topic of deepening our efforts in CSR procurement and green procurement.

## Invited experts

**Naoki Adach** (CEO, Response Ability, Inc.)

**Haruko Kanamaru** (General CSR Division Manager of Corporate Citizenship Department, AEON Co., Ltd.)

## Main opinions

## Mr. Adachi

- From the perspective of sustainable business, the supply chain is the most important factor. KDDI is expanding its business in Southeast Asia, where child labor is prevalent. There needs to be further education for vendors in these areas.
- The CSR procurement questionnaire is just a process for discovering problems, and the important thing is to decide how to respond to the issues that are identified. To ensure that suppliers make serious efforts, I would like for KDDI to properly calculate the resources that are needed and discuss the issues at the management level.
- It is correct to make efforts in terms of reviewing the manufacturing processes in CSR procurement. Questionnaire results showed that the actual implementation of CSR procurement led to improved productivity and reduced line stoppages at factories, and there are reported cases in which it led to improved competitiveness.
- The promotion of green procurement can inspire suppliers to develop technology, leading to new innovations and stronger competitiveness. Even though it may be more expensive to use eco-friendly products, I definitely want to see proactive efforts in that direction.
- CSR procurement is the most important factor in creating a foundation that earns the confidence of customers. Though it is difficult, I want to see further efforts.



## Ms. Kanamaru

- It is important that the subjects clearly understand the purpose and content of the CSR procurement questionnaire, so the questions need to be detailed and specific. At AEON, we conduct briefings for first-time suppliers to communicate our basic company philosophy and our approach to CSR procurement.
- When issues are discovered through the audits, we often work with the suppliers to make improvements. To establish the necessary relationship of trust while making improvements, it is important to visit the actual sites when providing support.
- As society changes and the company's situation evolves, the Green Procurement Guidelines need to be updated to boost their effectiveness.
- From the perspective of company management, ensuring that CSR procurement efforts are implemented across the entire company is an issue that every company faces. To ensure consistent awareness among management, it is effective to share information about risks and the activities of competitors. To promote the incorporation of CSR procurement into the company's management policy, it is important to deepen the conversation at the management level. Efforts toward CSR procurement will definitely help to enhance the company's standing and improve the brand.



## Activity and Results

## Stakeholder Dialogues

## Deepening CSR Procurement and Green Procurement Efforts at KDDI

## In response to the dialogue

- We regularly visit the suppliers, but due to limited resources, our challenge is to determine whether to look one, two, three, or more levels into the supply chain. First, we place priority on the primary suppliers and work to ensure that the large risks have been eliminated.
- In conducting audits and improving the issues that are identified, a very important aspect is to establish a relationship of trust with suppliers and listen to their opinions while pursuing our efforts. This has been our approach up to now, even for conventional purchasing activities, and we will continue implementing this approach moving forward.
- KDDI has implemented a process for procuring energy-efficient power supply equipment and air conditioning equipment based on the KDDI Green Procurement Guidelines, but we have not introduced a similar process for communication devices due to cost. We recognize the need to review the guideline standards and make further efforts.
- We recognize the need for management to deepen their consideration of CSR procurement as a company-wide issue, and we have reaffirmed the importance of working with business partners to make continuous step-by-step improvements with respect to each issue, for the actual products at the actual sites. Moving forward, KDDI will continue making efforts to thoroughly implement the PDCA cycle and steadily resolve issues one by one.



Link Website

Dialogue Archive