

Supply Chain Management

Policy

KDDI

KDDI's Approach (Supply Chain Management)

Globalization has advanced in modern business activities, and social issues in various countries worldwide have begun to influence procurement activities.

KDDI believes that strengthening not only the company, other CSR initiatives including supply chain can lead to more sustainable business activities. Due to this belief, KDDI aims to build a partnership system with our business partners in which human rights and safety and health labor issues do not occur, with the goal of further improvement of CSR procurement standards while collaborating with said business partners.

our business partners, we are extending our demands and support based on this policy to the entire KDDI supply chain. Additionally, KDDI investigates the scale, background, credibility, business conditions, financial conditions, etc. of potential business partners, and if they meet a predetermined standard, we open business with them.



System

KDDI

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

KDDI established the KDDI Guidelines for CSR in Supply Chain as a policy for implementing the Procurement Policy and published them on our website in Japanese and English. 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, delivery, 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, with the aim of providing 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 case of compliance violation committed by business partners, KDDI ask them to identify the causes and request improvement. We provide guidance and support action if necessary. KDDI does not perform transactions with anti-social forces.



Activity

KDDI

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 not to use conflict minerals.

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

Policy

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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, 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 defines our 7 themes of appropriate supply chain management, including Co-existence and Co-prosperity with Business Partners, Consideration of Global Environment, Considerations for Human Rights and Labor Environment, Fair and Equitable Trade, Fair Management of Information, Ensuring Quality and Safety, and Co-existence with Society.

To provide satisfactory services to our customers and achieve the sustainable development of the company and society together with

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Activity

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Promoting CSR Procurement

■ CSR Procurement Questionnaire for Business Partners

KDDI has conducted questionnaires in which our leading business partners answer a CSR Procurement Check Sheet since FY2014.

The questionnaire is based on the Supply-Chain CSR Deployment Guidebook (Check Sheet) published by JEITA. It consists of 130 questions deemed pertinent to KDDI, related to the seven themes of human rights and labor, safety and health, environment, fair trade and ethics, quality and safety, information security, and contribution to society. In FY2016, 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.

When confirmation of our business partners was required, detailed hearings were held separately.

As a result, it was confirmed that there were no issues in FY2016. Apart from these CSR procurement questionnaire results, visitation hearings of two companies were held with the objective of deepening exchange of opinions and collaborative relationships of CSR procurement.

■ Inspections of Industrial Waste Management Consigned

Companies

Using the KDDI Industrial Waste Management Guidelines, KDDI holds regular inspections of the industrial waste management companies that we have consigned to dispose of our industrial waste. The inspection includes financial information, systems, and operation conditions, and will be held together with the CSR procurement questionnaire in FY2017. After the inspection, we give feedback,

including improved items, and when revision is necessary, we create and action plan and request response.

■ Inspections of Mobile Phone Disassembly Consigned Companies

Once a year, KDDI holds on-site checks of industrial waste companies that perform mobile phone disassembly. In FY2016, we conducted inspections of five workplaces in Tokyo, Kanagawa, and Osaka, with a focus on workshop and storage site security. We give feedback to the consigned companies based on the inspection results. When revision is necessary, we create an action plan and request response, working together to discuss methods of improvement.

Policy and System

KDDI

Capacity Building

■ Enhancing Procurement Skills and Improvement of Purchasing Skills

In order to realize fair business dealings and sustainable procurement, KDDI is promoting initiatives to improve our various procurement and purchasing skills.

Target	Initiative Details
All employees	Educational activities on various compliances, including compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors
Procurement employees	<ul style="list-style-type: none"> • Training program for newly appointed purchasing managers • Compliance training for purchasing managers • Recommendation to pass the grade B exam for Certified Procurement Professional

■ Support for au Shops

At au shops and other distributors, customers have the opportunity to encounter au in person. KDDI considers improving the service levels of these distributors, especially au shops, are particularly important to provide positive customer experiences and maximize customer satisfaction. Therefore, we continue to provide support for them to improve these skills.

KDDI believes that training au shop staff is an essential element in improving the services of all distributors. We encourage the staff to learn efficiently and effectively by conducting group sales training and e-learning for basic operational knowledge and new product information. 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 with the titles "au Advisor," "au Master," and "au Expert." Additionally, each year in various locations in Japan, KDDI holds the "au CX AWARD", a customer service contest that recognizes excellent customer service and shares positive examples of customer service.

The au shop and staff service standards require a special in-house unit to improve distributor operations and strictly implement inspections and feedback based on inspection results, maintaining a service management system that ensures standards are above a fixed level.

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Providing Incentives

As an incentive for our main distributors, KDDI provides support for various business activities, this includes au shop opening support when opening or moving to new locations, staff organization support for shop management, and support for various training and qualification acquisition.

As non-financial incentives, we hold the “au CX AWARD” customer service contest that maintains and improves staff motivation, as well as rewarding staff with excellent performance and commending them for long-term service.

Activity and Results

KDDI

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 77 companies to the liaison meeting in 2016. At the meeting, we exchanged opinions regarding the explanation of our situation and a presentation of the initiatives that we are undertaking. One of the companies who participated commented that it was “good to have a frank exchange of opinions.”

KDDI has established the Business Ethics Helpline to strengthen our relationships in the areas of business ethics and legal compliance.