

# Supply chain management

## Responsibility for our supply chain

Mitsui Kinzoku Group recognizes that negative social and environmental impacts in our Group's supply chain may pose risks for our business. We will fulfill our responsibility by implementing initiatives for sustainability in the supply chain according to the requests from our stakeholders.

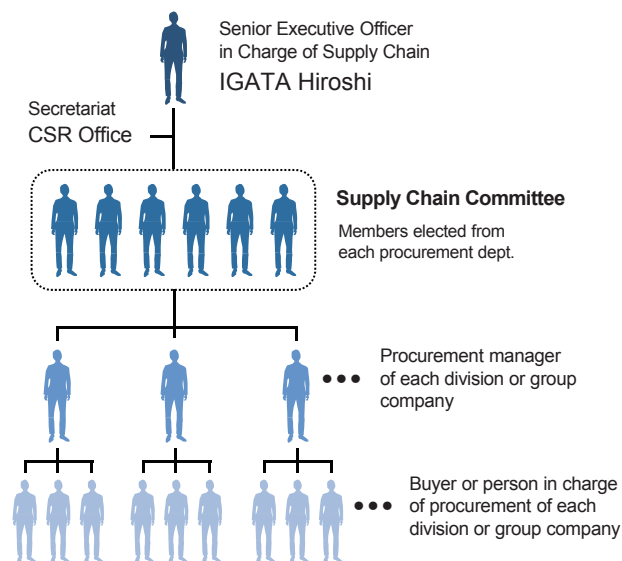
## The Procurement Policy

Mitsui Kinzoku Group respects the globally recognized codes and guidance, such as the United Nations Global Compact. We formulated the Mitsui Kinzoku Group procurement policy in which we declare to fulfill our social responsibilities in human rights and labor, health & safety, ethics, and on the environment, based on ensuring legal compliance throughout our procurement activities. The procurement policy consists of the basic procurement policy as our basic commitment and the procurement guidelines that gives specific instructions for executing the basic procurement policy. Detailed items in the guidelines follow the objectives of the RBA\* Code of Conduct.

\* RBA = The Responsible Business Alliance

## Supply chain management system

The supply chain management system is formulated as follows: The senior executive officer in charge of supply chain is appointed as chief person responsible for our procurement. The Supply Chain Committee of the Group has been organized under the chief person, which consists of the representatives of each department.



## Response to emergency in our supply chain

Mitsui Kinzoku Group is working to manage procurement risks to ensure continuous operation even in an emergency. In 2020, the spread of COVID-19 has affected production and logistics operations of manufacturing sites in our supply chain due to lock-down and other restrictions. To address procurement risks, we are regularly checking and reporting the conditions of supply from suppliers to watch out for any risk of delivery delay or supply disruption. In the case that there is any risk of delay or disruption, we are swiftly taking measures such as switching to another manufacturing site of supplier, procurement from multiple suppliers, searching for stock on the market, and adoption of alternatives, to minimize the impact on our production lines.

## Supplier due diligence

Mitsui Kinzoku Group conducts supplier due diligence to mitigate risks in our supply chain. We request suppliers to implement our procurement policy and assess their implementation status in the supplier due diligence.

## Medium- and long-term target

(the first cycle from FY2017 to the end of FY2020)

Rate of implementation of a Self-Assessment Questionnaire (SAQ) to the critical suppliers : **100%**

## Overview of our due diligence (scope/measures)

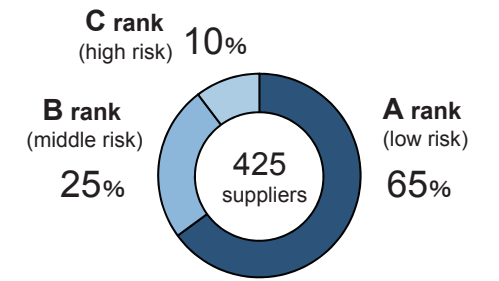
|  |   |
|--|---|
| All suppliers*1  | Notification of the procurement policy; request for the implementation of the policy in suppliers' operations   |
| Critical suppliers*2   | <ul style="list-style-type: none"> <li>Receipt of the signed agreement form to our procurement policy</li> <li>Assessment by utilizing the Self-Assessment Questionnaire (SAQ) *3</li> </ul>                        |
| Our procurement staff and others in charge of procurement operations | <ul style="list-style-type: none"> <li>Notification of the procurement policy; request for implementing the policy</li> <li>Assessment of implementation of the policy in the human rights due diligence</li> </ul> |

\* 1 : Including—in addition to raw material suppliers— indirect materials suppliers such as temporary staff agencies, contractors, outsourced services, carriers, warehouses, and equipment suppliers.

\* 2 : Suppliers with a critical impact on our Group's business, which meet the following criteria:  
 (1) Top 80% of suppliers by our procurement value  
 (2) Suppliers supplying products that have no alternatives or strategically important parts/components  
 (3) Suppliers operating in regions in which CSR risk is considered high

\* 3 : A questionnaire with 46 questions prepared in accordance with our procurement guidelines

## Result of supplier SAQ in FY2019



The SAQ was completed by 425 suppliers (80%) by FY2019. Of these suppliers, those ranked "C" were found to be underperforming particularly in the areas of ethics and the environment.



Suppliers meeting in Thailand (Mitsui Kinzoku ACT Corporation)

## [Performance in FY2019]

- Explained about the procurement policy in our Group: 180 participants
- Notified the procurement policy: 4,929 suppliers
- Received the signed agreement form: 511 critical suppliers
- Conducted supplier SAQ: 425 critical suppliers (including 97 indirect materials suppliers)
- SAQ completion rate among critical suppliers (progress on the target): 80%
- Implemented selection criteria for new suppliers: 4 trial suppliers

## [Plan for FY2020]

- Achieve 100% of SAQ completion rate among the critical suppliers
- Interview with C-ranked suppliers of SAQ and take necessary corrective actions
- Analyze SAQ results and risk assessment
- Set the new target for FY2021 to FY2024
- Notify the procurement policy to our suppliers and receive the signed agreement form from the critical suppliers
- Introduce the selection criteria for new suppliers

## Responsible minerals sourcing

As a corporate group in the minerals supply chain, Mitsui Kinzoku Group promotes responsible minerals sourcing. Along with the heightened global interest in responsible minerals procurement, relevant risks are expanding. The scope of target risks is expanding to environment and human rights issue, target areas are widening to CAHRAs\*4 and other minerals such as cobalt and silver are included as target minerals. Mitsui Kinzoku Group is addressing such emerging demands by working in close partnership with industry groups and other organizations, such as the RMI\*5. In October 2019, we formulated the "Responsible Mineral Sourcing Policy" as a comprehensive policy for our mineral sourcing, which covers the "Conflict Minerals Policy" \*6.

With regards to the tantalum smelting business, based on the RMAP\*7 by the RMI, we have been receiving third party audits every year since 2011 and have been acquiring RMAP Conformance status. We are also a member of ITSCI\*8, a program for achieving due diligence in the tantalum mineral supply chain and engaging with our suppliers.

\* 4 CAHRAs : Conflict Affected and High-Risk Areas

\* 5 RMI : Responsible Minerals Initiative

\* 6 Conflict Minerals Policy : Mitsui Kinzoku Group's policy on the way it responds to the issue of conflict minerals as defined in the U.S. Dodd-Frank Act. Under this policy, we are committed not to use any conflict minerals sourced from the Democratic Republic of the Congo or nine surrounding countries, which are a source of funds for armed groups accused of human rights abuses and violence.

\* 7 RMAP : Responsible Minerals Assurance Process

\* 8 ITSCI : International Tin Supply Chain Initiative

\* 9 LBMA : The London Bullion Market Association

In the smelting business of gold or silver, we defined the "Gold and Silver Supply Chain Policy" and are performing initiatives in accordance with the LBMA\*9's guidance that is based on the OECD Guidance. Regarding the target suppliers selected according to the LBMA's guidance, we conduct supplier evaluation every year by risk investigation and assessment, such as the check of the origin of mineral sourcing and the transportation route. An independent third party certifies that all the processed gold and silver in our plants have been sourced from areas that are not associated in any way with the conflict zones. The results of this audit are reported to the LBMA. The report of guarantee issued by the auditing company, and the report submitted to LBMA, are disclosed on our website.

For non-smelting business activities, we participate in the Responsible Minerals Trade Working Group by JEITA (Japan Electronics and Information Technology Industries Association) and engage with downstream companies in the supply chain, as well as global initiatives such as RMI through JEITA.