

Supply chain management

Responsibility for our supply chain

Mitsui Kinzoku Group recognizes that the impact of its business activities extends throughout the value chain. In particular, we believe that negative social and environmental impacts in our 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 globally recognized codes and guidance such as the United Nations Global Compact, and requests from our stakeholders.

We have formulated the Mitsui Kinzoku Group procurement policy in which we declare to fulfill legal compliance and our social responsibilities in human rights and labor, health & safety, ethics, and on the environment in our supply chain. The procurement policy consists of the basic procurement policy as our commitment and the procurement guidelines that give specific instructions for executing the policy. The guidelines follow the objectives of the RBA*1 Code of Conduct.

We have established a group-wide supply chain management system to manage risks and to implement our procurement policy in our supply chain. The senior executive officer in charge of our procurement is appointed as the person with the highest responsibility for our supply chain. The Supply Chain Committee of the Group has been organized, which consists of the representatives of each department.

Supply chain due diligence

Since FY2018, we have conducted supplier due diligence as part of its supply chain management, aiming to identify and address risks in its supply chain.

Within the Group, we hold SCM trainings for those in charge of procurement to ensure that they put our procurement policy into practice. We also evaluated implementation of the procurement policy in the framework of the internal human rights due diligence.

As for our supply chain, we request our tier 1 suppliers to implement the procurement policy and to manage their own suppliers. For the critical suppliers*2, we obtain their signed agreement forms to the policy and ask them to complete SAQ*3 to evaluate their policy implementation.

* 1 RBA : The Responsible Business Alliance

* 2 The critical suppliers : We have identified 784 critical suppliers as those having a major impact on the Group's business. They include 244 non-production goods suppliers such as temporary staff agencies, contractors, and service providers (e.g., transport, warehousing, and equipment). The critical suppliers of raw materials or products manufactures have been identified based on one of the following criteria.

- (1) Top 80% suppliers of amount procured
- (2) Suppliers supplying materials/products that have no alternatives or strategically important materials/products
- (3) Suppliers operating in regions in which CSR risk is considered high

* 3 SAQ (Self-Assessment Questionnaire) : A questionnaire with 46 questions prepared in line with our procurement guidelines

(1) Performance in the first cycle (FY2018-2020)

Medium- and long-term target

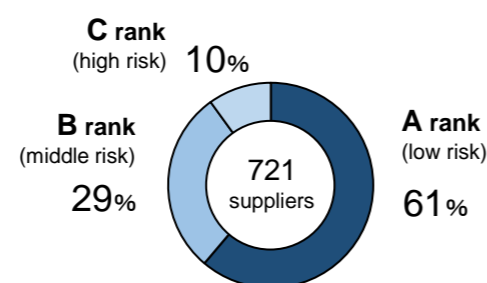
Implementation rate of SAQ to the critical suppliers :

100%

Performance

Implementation rate as of March 31, 2021 :

92% (721/784)



Result of supplier SAQ for the critical suppliers

Having defined the first cycle as the three years starting in FY2018, we have worked toward achieving the medium- and long-term target. We have identified 784 critical suppliers among the tier 1 suppliers and requested them to complete SAQ. Although we failed to reach the target rate (100%), 92% (721 suppliers) cooperated in this initiative. It was particularly difficult to approach suppliers outside Japan due to the COVID-19.

Among the 721 suppliers, 10% were C-ranked (at high risk). The scores were particularly low in the items on ethics, followed by those on the environment. We will focus our efforts on these sections when engaging with them and taking corrective actions.

We engaged with one of the C-ranked suppliers to discuss the identified risks and ways to improve them. We had the supplier identify high-priority items and make an improvement plan. We will regularly follow up on their progress according to the plan.

(2) Performance in FY2020 (single year)

Scope	Measures	Performance
All suppliers	Request to implement the procurement policy	3,032
Critical suppliers	Receipt signed agreement form	174
	Implement SAQ (fraction of 721)	266
C-ranked suppliers	Engagement & corrective actions	1
New suppliers	Use select standards (agreement form & SAQ)	14

(3) Initiatives in the second cycle (FY2021-2023)

In FY2020, along with the review of materiality, we also discussed our vision for 2024 of supply chain management.

Commitment (FY2024) :

Effectively implement supplier due diligence and reduce critical risks in the supply chain

Targets (KPIs) :

Achieve the 100% annual SAQ implementation rate for the target suppliers
Achieve the 100% engagement rate for corrective actions with C-ranked suppliers

Plans for FY2021 :

- 1) Have target suppliers identified through risk assessment complete SAQ
 - Temporary staff agencies
 - Top 80% suppliers of amount procured in contractors and outsourced services
 - Top 80% suppliers of duplicated suppliers based on the Group's amount procured
 - 2) Take corrective actions for the C-ranked during the first cycle
- We will also promote initiatives for new suppliers such as request to implement our procurement policy, obtaining signed agreements form, and having them complete SAQ.

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 sourcing, 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, silver, copper, zinc and lead are included as target minerals. Mitsui Kinzoku Group has developed its management system in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We are working in close partnership with international initiatives such as the RMI*5, LBMA*6, and the LME*7.

* 4 CAHRAs : Conflict Affected and High-Risk Areas

* 5 RMI : The Responsible Minerals Initiative

* 6 LBMA : London Bullion Market Association

* 7 LME : The London Metal Exchange

* 8 RMAP : The Responsible Minerals Assurance Process

* 9 ITSCI : International Tin Supply Chain Initiative

* 10 JEITA : Japan Electronics and Information Technology Industries Association

We have formulated the Responsible Mineral Sourcing Policy as a comprehensive policy. In February 2020, we revised the policy after reviewing the at-risk regions and target minerals based on global trends, including the enforcement of EU regulations.

Based on the policy, each smelting business obtains third-party certification as a responsible smelter and renews it every year.

With regards to the tantalum smelting business, based on the RMAP*8 by the RMI, we have been receiving third party audits every year since 2011 and have been acquiring RMAP Conformant status. We are also a member of ITSCI*9, a program for achieving due diligence in the tantalum mineral supply chain and engaging with our suppliers.

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's guidance. We conduct risk assessment every year, evaluating the suppliers of mineral raw materials as well as checking the areas of origin and transportation routes of mineral raw materials. Based on these evaluation results, an independent auditing company assures that mineral raw materials of our processed gold and silver have been sourced from areas not affected by any conflicts or any other risks. We submit the audit report to LBMA. The assurance reports issued by the auditing company and the report to LBMA are available on our website.

Having formulated the "Responsible Procurement Policy for Copper, Zinc, and Lead Ores," we have also been engaged in activities since January 2021 in line with the LME consultation on responsible sourcing. We conduct risk assessment, evaluating the suppliers of mineral raw materials as well as checking the places of origin and transportation routes of mineral raw materials. Based on these evaluation results, an independent auditing company will assure that mineral raw materials of our base metals registered at the LME are obtained from suppliers and areas of origin not affected by any conflicts and any other risks. We will submit the audit report to the LME, after all processes are completed.

In businesses other than smelting, we conduct supply chain due diligence in line with industry standards, based on customer requests. We participate in the Responsible Minerals Trade Working Group by JEITA*10 and engage with downstream companies as well as global initiatives such as RMI through JEITA.