

Risk management

Mitsui Kinzoku Group is strengthening its response to risks related to business that could threaten the continuation of its operations and corporate survival. In order to identify risks and eliminate or minimize their impact, we are working to improve the Group's risk management and operate it effectively.

Risk management system

Mitsui Kinzoku Group has built its risk management system based on its Risk Management Rules. We have appointed the Senior Managing Executive Officer in charge of the General Affairs Department as the person with the highest responsibility for risk management. We have also designated a department in charge of risk and crisis management at the Head Office to serve as the Secretariat and identified departments in charge of each risk category, under which relevant units and sites are positioned.

Our Risk Management Rules define risks that we need to respond to. We manage our risk control status through yearly PDCA activities implemented over a three-year operation cycle aligned with the periods of the Medium-Term Management Plan.

More specifically, we conduct a triennial risk survey for all sites and review and evaluate risks to create a risk map and plan countermeasures. Every year, we implement the countermeasures and review their progress and then update the risk map based on the current status. The Board of Directors reviews these initiatives once a year and as needed.

In FY2021, we conducted interviews and on-site surveys as needed in addition to a written risk survey targeting all sites. Based on the results, we evaluated risks as to impact on business and probability of occurrence and created a risk map for each sector. Furthermore, we checked the progress of risk countermeasures and took improvement measures for issues identified. We reported these efforts to the Board.

Risk survey cycles

First and second years of the Medium-Term Management Plan

① Check the status of risk control at each site based on the risk map managed at the Head Office

② Update the risk map, incorporating the check results as needed (rolling)

Last year of the Medium-Term Management Plan

③ Head Office sends the survey sheet to each sector

④ Each sector/site returns its response

⑤ Analyze risk control status at each site based on the response

⑥ Incorporate the aggregate results into the risk map, formulate a new plan, and incorporate it into the next Medium-Term Management Plan

Extracted risk categories/classifications

<Risks that are highly urgent when they become apparent>

- Large-scale epidemic of infectious diseases
- Large-scale natural disasters
- Information security

<Financial risks>

- Market fluctuations
- Exchange rate fluctuations
- Fund procurement
- Pension asset management

<Risk in each segment>

- Engineered Materials Segment (Decrease or stagnation in product market share)
- Metal Segment (Market and exchange rate fluctuations, operational problems)
- Automotive Parts & Components Segment (deterioration in market conditions)

<Cross-Segment Risks>

- Product quality
- Alliances with third parties
- Country risk
- Shortage of labor force

<ESG risks that may affect business results*1>

- Environment
- Social
- Governance

* 1 We have incorporated nine environmental, social, and governance risks from our materiality (P.17) into risks related to business as ESG risks that could affect our business performance.

Emergency response

To protect assets and make efforts for early recovery and business continuity while placing the highest priority on saving lives, Mitsui Kinzoku Group has set out rules for emergency response to be followed in an emergency. Moreover, we have built a system for possible emergencies and conduct business continuity management (BCM), under which we implement the PDCA cycle each fiscal year.

Each sector creates business continuity manuals, including an incident management plan (IMP) for incident response and business continuity plan (BCP) for supply continuity and resumption of production. In the event of an emergency, we will take appropriate measures based on the business continuity manuals to prevent the situation from spreading and causing secondary accidents. To make these plans more effective, we roll out simulation training to our major sites in a phased manner.

Respect for Human Rights

The Human Rights Policy and the Human Rights Standards

Mitsui Kinzoku Group approaches human rights issues based on our Human Rights Policy. We identify major human rights risks and stakeholders that can be particularly affected by the Group's business activities. We formulate the "Human Rights Standards" as guidelines for our due diligence. We conduct due diligence in order to evaluate the practices of the standards and to correct findings. In our due diligence process, we especially focus on the Group's employees, supply chain and mining business that have been identified as high risk.

[Human Rights Policy] [Human Rights Standards]
<https://www.mitsui-kinzoku.com/en/csr/society/humanrights/>

[Supply chain management] Pages 60-61
 [Mining business] Pages 62-63

Human rights due diligence

Since we identified target sites in the Mitsui Kinzoku Group in FY2016, we have been conducting human rights due diligence and we have completed the process at 59% of the target sites within and outside Japan by FY2021.

In FY2021, we conducted human rights due diligence at three sites including one overseas site. As a result, we did not find any major risks, including any forced labor or child labor risks. For areas that were found to require improvements, we provided feedback and implemented corrective measures.

In FY2022, we will continue to conduct human rights due diligence at sites within and outside Japan. Based on the past results, we will also reevaluate risks and identify human rights issues the Group should start addressing. For the newly identified issues, we will develop individual policies and procedures to build systems to address them properly. When conducting human rights due diligence, we use a self-check sheet (SAQ) with regard to all employees, including non-regular employees and indirect employees. The SAQ will be revised, taking account of these human rights issues, to ensure the effectiveness of the measures for human rights.

<Main areas that were improved>

- Improvement in the labor-management agreement on payroll deductions (Japanese sites)

Human rights training

We are conducting human rights training to increase awareness of our Group's Human Rights Policy and promote the correct understanding of human rights. In FY2021, we conducted training within Japan in the rank-based training and online training for three sites in Thailand. In FY2022, we plan to provide the program at major Asian sites. We will systematically review the formats and content of our human rights training.

Labor relations

Mitsui Kinzoku Group respects freedom of association and collective bargaining. Mitsui Kinzoku and major affiliates in Japan have a respective labor unions under the Mitsui Mining & Smelting Workers Union. Based on the union shop agreement, all general employees become members of the labor unions. About 70% of the other consolidated affiliates in Japan have labor unions. Labor unions are organized in 13 of the overseas consolidated companies. Labor-management council meetings and labor-management roundtables are held regularly to provide a forum for communication with workers.

In FY2021, there was one case of a strike lasting more than a week at an operation site in Peru, which was resolved through labor-management consultation. No lockouts occurred during the year.

	Sites in Japan	Overseas	Total
Employees covered by collective bargaining agreements	4,374	3,276	7,650
Total employees	6,519	6,471	12,990
Coverage rate	67%	51%	59%

※ Information on labor unions at several sites is unavailable due to legal requirements.

Compliance

Compliance management system

Mitsui Kinzoku Group identifies Senior General Manager of Corporate Planning & Control Sector as the person with the highest responsibility for compliance. The Legal Dept., the division in charge of compliance, plays a central role in enhancing compliance among officers and employees.

In addition, under the Internal Audit Committee, which reports directly to the Board of Directors, the Internal Audit Dept. audits the status of compliance. The results of the audits are reported by the Internal Audit Dept. to and shared by the Board of Directors.

Code of Conduct

We understand that compliance is not limited to observing laws and regulations, but also includes observing social norms, corporate ethics, common sense and morals, and other matters expected by society even if they are not explicitly stated.

We have established the Code of Conduct as a set of values and a code of conduct to be shared by all directors and employees. We have translated it into local languages and distributed it to all sites. The Compliance Guidebook, which explains the key actions, has been translated into local languages in cooperation with local staff to reflect the unique risks assumed from local business practices and cultural backgrounds. We are gradually rolling it out to overseas sites. In FY2021, we began editing the Indonesian version of the Guidebook at our site in Indonesia.

Compliance training

At our sites in Japan, we provide compliance training as part of rank-based training, including new employee training, and executive management training for directors and auditors of all affiliates. We also conduct compliance training for local staff at overseas sites.

In addition, we provide seminars on specific topics as needed. In FY2021, we provided online compliance training for our sites in Japan and China. In Japan, we provided more than 600 participants with training on topics such as trade secret management, the Antimonopoly Act, the Foreign Exchange Act (security export control), and harassment. More than 70 employees in China participated in training on topics such as trade secret management, embezzlement, bribery, and accounting fraud.

Internal and external whistle-blowing system

We have established a whistle-blowing system for both internal and external stakeholders. The system covers concerns about any violations of laws and regulations, including but not limited to unfair competition and bribery/corruption, as well as social risks, including but not limited to human rights, and environmental risks, in business activities and the workplace.

In order to thoroughly protect the whistleblower, the system ensures anonymity and strictly prohibits any disadvantageous treatment of the whistleblower. The details of the reports made via the whistle-blowing system are shared promptly with the Corporate Auditors. The Board of Directors also receives the details of reports on a regular basis.

We have Mitsui Kinzoku Hotline (MHL) for all officers and employees of the Group as an internal contact point and a third-party contact point (a law firm). We also have a Chinese-language hotline for our sites in China as a contact point at a Chinese law firm. We widely disseminate the contact points among officers and employees through compliance training and the Compliance Guidebook. In FY2020, we have made the whistle-blowing system a multi-line system. As a result of these activities, our employees recognition of the whistle-blowing system is improving, and the number of cases reported in FY2021 increased by 44% from the previous year.

We have set up "Compliance Consultation Desk" specialized for compliance and "Environmental and Social Risks Consultation Desk" on our website for external stakeholders to report concerns at any time.

Initiatives to prevent anti-competitive practices and bribery/corruption

Article 4 of the Group's Code of Conduct states "Fair Business Activities". In the Compliance Guidebook, we require all officers and employees to engage in appropriate activities based on free and fair competition. The guidebook specifically states that proper activities include (i) establishment of compliance system and thorough compliance with competition law, (ii) proper procurement activities and subcontracting transactions, (iii) maintenance of fair and transparent relationships, and (iv) prohibition of bribery and corruption. We have not received any legal action for anti-competitive practices or bribery/corruption in FY2021.

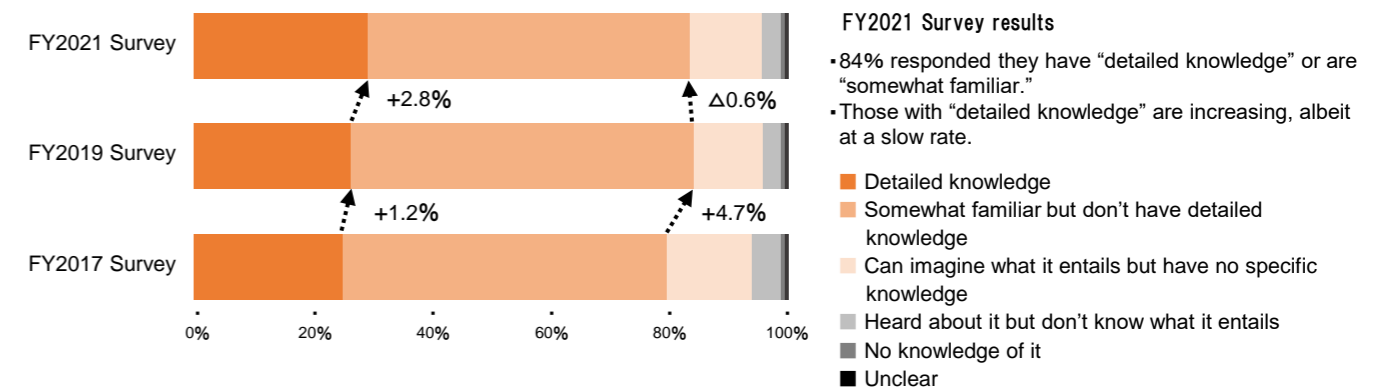
Compliance awareness survey

To measure the effectiveness of compliance initiatives, we have conducted biennial compliance awareness surveys with employees of Mitsui Kinzoku and consolidated subsidiaries since FY2017.

In FY2021, we surveyed approximately 7,000 employees on three items: recognition of compliance, dissemination of the Code of Conduct, and reliability of the whistle-blowing system (MHL). Compared with the results of the previous two surveys, we saw improvement for all items. Meanwhile, recognizing that improving the reliability of the MHL is a future challenge, we will continue to improve the system.

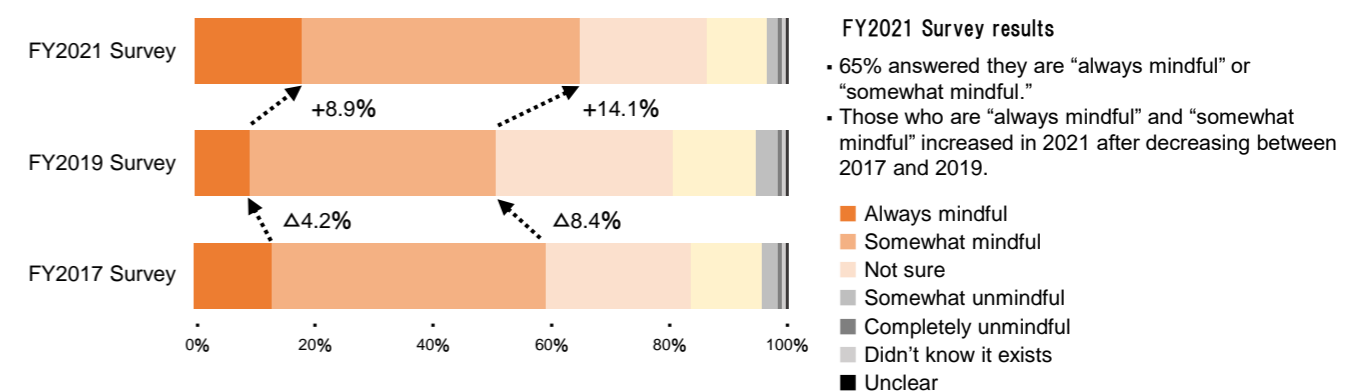
Recognition of compliance

Q. How familiar are you with "Compliance" ?



Dissemination of the Code of Conduct

Q. To what degree are you usually mindful of Mitsui Kinzoku Group's Code of Conduct?



Reliability of the internal whistle-blowing system (MHL)

Q. Would you use the MHL if you saw or heard about a compliance violation?

