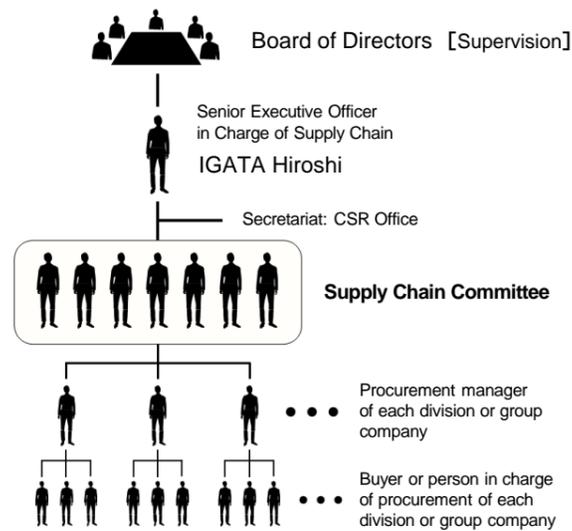


Supply chain management



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 training 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. In addition, for the critical suppliers*2 that have been evaluated as having a particularly large impact on the Group's business, we request that they submit their signed agreement forms to the policy and complete SAQ (Self-Assessment Questionnaire) consisting of 50 questions in five sections (Labor, Health and Safety, Environment, Ethics, and General) in accordance with procurement guidelines in order to assess the implementation status of the policy.

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

Commitment (FY2024):

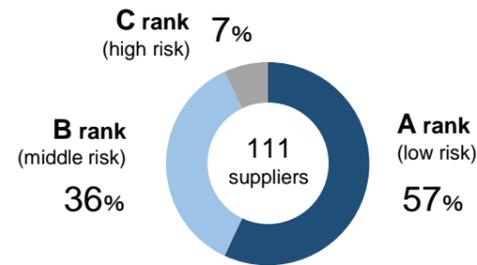
Effectively implement supplier due diligence and reduce critical risks in the supply chain

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

(2) Performance in FY2021

Having defined the second cycle as the three years starting from FY2021 to FY2023, we have promoted supply chain management initiatives. In FY2021, we requested target suppliers identified through risk assessment, which are comprised of: (1) temporary staff agencies, (2) top 80% suppliers of amount procured in contractors and outsourced services, and (3) top 80% suppliers of duplicated suppliers based on total amount procured across all sectors of the Group, to complete SAQ. We collected responses from 111 suppliers, so that the implementation rate as a KPI was 86%. According to the SAQ result, 7% of all suppliers were C-ranked (at high risk). By supplier category, the scores were low among contractors and outsourced services. Among five sections, the scores were low in the items on the environment. We engaged with C-ranked suppliers to discuss risks and ways to improve them based on the analysis results. When risks are identified, improvement plans will be developed to take corrective actions.



Result of supplier SAQ for the critical suppliers in FY2021

We identified critical suppliers that were subject to SAQ in FY2021 as follows;

- (1) Temporary staff agencies
- (2) Top 80% suppliers of amount procured in contractors and outsourced services
- (3) Top 80% suppliers of duplicated suppliers based on the Group's amount procured

Performance in FY2021 (single year)

Measures	Number of supplier responses*3
Request to implement the procurement policy	981
Receipt signed agreement form	194
Implement SAQ	169

Initiative in the Group	Participants
In-house briefing about the procurement policy	130

We also engaged with four suppliers ranked C as a result of SAQ in the first cycle (FY2018-2020). After discussing the identified risks and checking the current initiatives, we had the suppliers with identified risks determine high-priority items and make improvement plans. We will regularly follow up on their progress according to their improvement plans and provide opportunities for dialogue when needed. Meanwhile, as we did in the first cycle, we requested implementation of the procurement policy, collected signed agreement forms from critical suppliers, and asked new suppliers, as well as suppliers whose responses were not collected in the first cycle, to 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.

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.

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 will 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 in line with the LME consultation on responsible sourcing. 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 audit processes are completed. We will also timely disclose the assurance report issued by the independent auditing company and the report to the LME on our website.

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.

* 1 RBA : The Responsible Business Alliance

* 2 The critical suppliers : We have identified suppliers that meet any of the following criteria as critical suppliers.

They include non-production material suppliers of staffing, contracting/outsourcing, and service companies (transportation, warehousing, equipment, etc.).

- (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
- (4) Supplier group identified by other risk assessments

* 3 Including all existing/new suppliers that were not implemented in the first cycle (FY2018-2020).

The number of "Implement SAQ" includes 111 suppliers that were subject to SAQ in FY2021.

* 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