

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* 1 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 Mid-term 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 effect of these activities and management systems are reviewed once a year and as needed by the Board of Directors.

In FY2022, we performed a rolling update of the risk map to the latest version. We also reviewed the status and effect of risk reduction activities, and compiled the results into a risk management report, which was submitted to the Board of Directors through the Senior Managing Executive Officer in charge of the General Affairs Department.

* 1 As the person with the highest responsibility for risk management, the Senior Managing Executive Officer, a person independent of the Corporate Auditors, including a chair of the Board of Corporate Auditors, was appointed.

Risk management cycle

First and second years of the Mid-term 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 Mid-term Plan

- ③ Head Office sends the survey sheet to each sector in preparation for the next Mid-term Plan and each sector/site returns its response
- ④ Analyze risk control status at each site based on the response
- ⑤ Incorporate the aggregate results into the risk map, formulate a new plan, and incorporate it into the next Mid-term 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* 2 >

- Environment
- Social
- Governance

* 2 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 Basic Policy for Emergency Response. 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.

In FY2022, Hachinohe Smelting Co., Ltd. conducted a scenario-based disaster drill on the assumption of a major earthquake occurring in the waters off Kuji and causing damage to its smelting plant in Hachinohe. All the managers in the plant participated in the drill, engaging in simulation activities and identifying issues.



The scenario-based disaster drill in Hachinohe Smelting Co., Ltd.

Respect for Human Rights

In order to continue to exist, a business enterprise must be committed to respecting human rights. Based on this recognition, Mitsui Kinzoku Group addresses this issue according to its Human Rights Policy established in 2017 in reference to the UN Guiding Principles on Business and Human Rights. We have identified stakeholders that are highly likely to be affected by the business activities of Mitsui Kinzoku Group and its supply chains and the associated human rights risks, and formulated the Human Rights Standards as specific guidelines for implementing measures to address the risks identified.

The Human Rights Policy and the Human Rights Standards

Mitsui Kinzoku Group approaches human rights issues based on our Human Rights Policy. We assess human rights risks associated with the Group's business activities, and define the Group's employees, supply chains and local communities involved in the mining business as stakeholders that can be particularly affected by our business activities and a high-priority target to address. Also, we have specified 11 categories of human rights risk factors unique to or characteristic of the Group, including forced labor and child labor. In order to mitigate these risks, we formulated the Human Rights Standards as guidelines for conducting human rights due diligence (human rights DD). We conduct the human rights DD to confirm that each site is implementing the standards.

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

[Supply chain management] Pages 80-83

[Mining business] Pages 84-86

Management system

The President and Representative Director, who chairs the CSR Committee, is appointed as the person responsible for human right issues related to Mitsui Kinzoku Group as a whole. The overall structure for enforcing the Human Rights Policy and Human Rights Standards has been built by forming the Human Rights Subcommittee under the CSR Committee and creating the PDCA cycle format to implement human rights actions. Each site and group company appoints their person responsible for promoting the proper practice of the Human Rights Policy and the Human Rights Standards, conducting human rights DD, and monitoring the progress of improvements at each organization. The progress of implementation of the Group's action plans and issues found are reported by the Human Rights Subcommittee to the Board of Directors annually and on an as-needed basis.

Human rights due diligence

Since we identified target sites in the Mitsui Kinzoku Group in FY2016, we have been conducting human rights DD for all employees including non-regular and indirect employees utilizing our self-assessment questionnaire (SAQ). We have completed the process at 43 sites (75%) of the target 57 sites within and outside Japan by FY2022.

In FY2022, we revised the SAQ taking account of issues found in the past, and conducted human rights DD at seven major sites in Japan and three sites overseas. 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 FY2023 we will put the plan into practice and conduct human rights DD for outside Japan.

<Human rights issues identified through human rights DD and corrective measures taken>

- Improvement in the labor-management agreement on payroll deductions (Japanese sites)
- Improvement in disciplinary provisions in the work regulations (Japanese sites)

Additionally, in FY2022, we reviewed human rights issues based on the results of past due diligence and specified two target areas—human rights of foreign-national employees and human rights training for all personnel—where the Group should focus more intensely.

To address issues with respecting human rights of foreign-national employees, we will develop specific policies and procedures and implement measures appropriately as a responsible corporate group. In FY2023, we will begin surveys on the employment situation of foreign national employees sites in Japan.

Also, we plan to participate in the private-public cooperation platform comprised of business enterprises, industry groups, and related government agencies for promoting a responsible approach toward recruitment and employment of foreign nationals, as part of efforts to enhance stakeholder engagement.

We have established a grievance mechanism to deal with issues related to human rights of internal and external stakeholders. For details, please refer to the descriptions on "Internal and external whistle-blowing system" in the Compliance section (P. 66).

Human rights training

We are conducting human rights training for all employees of our Group in order to ensure proper understanding and awareness of the Human Rights Policy and Standards as well as human rights. We have conducted human rights training in our rank-based training and sustainability training programs. In FY2022, 67 employees attended human rights training. In FY2023, we plan to improve the formats and content of human rights training in a systematic fashion, in response to issues found in terms of effect of the current 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 80% 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. No strikes or lockouts lasting more than a week occurred in FY2022.

	Sites in Japan	Overseas	Total
Employees covered by collective bargaining agreements	4,476	3,548	8,024
Total employees	6,639	6,445	13,084
Coverage rate	67.4%	55.1%	61.3%

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

Compliance

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.

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

(1) Understanding and sharing 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 officers and employees. We have translated it into local languages and distributed it to all sites.

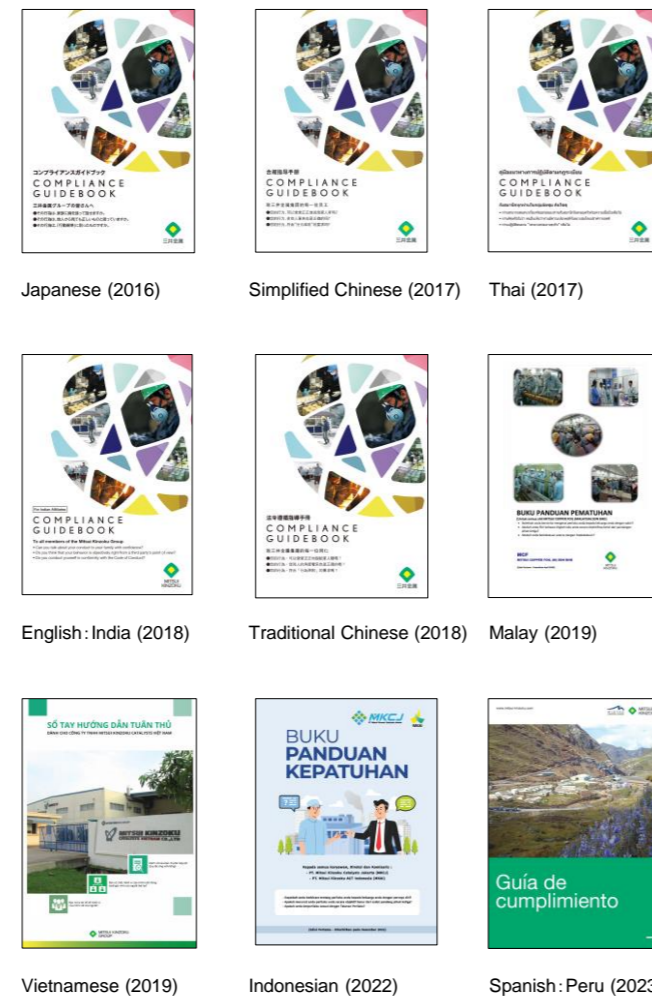
(2) Global rollout of Compliance Guidebook

We are gradually rolling out the Compliance Guidebook to overseas sites. After we have assessed the compliance-related risks in each country and region in which we operate and considering the possible impacts of such risks on our business activities, we are starting the rollout in Asia with priority, and plan to expand to other regions. 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. The rollout, which started in 2016, has now advanced to eight countries and regions: Japan, China, Taiwan, Thailand, India, Malaysia, Vietnam, and Indonesia.

The rollout in Indonesia, the latest location, was completed in FY2022, marking the end of the first phase of the compliance promotion initiative in Asia. In Indonesia, in addition to distributing the Guidebook to national staff, we engaged local law firms to provide employee education.

In FY2023, we plan to advance the rollout to Morocco, France, and Peru. As a preparatory step, we engaged local law firms to provide employee education at Moroccan and French sites in November and December 2022 while the Guidebook was being translated.

Global rollout of Compliance Guidebook (2016—2023)



The Code of Conduct/compliance training provided at overseas sites. In France (top) and Morocco (left)

To measure the understanding level of the Code of Conduct and the effectiveness of compliance initiatives, we have conducted biennial compliance awareness surveys with employees of Mitsui Kinzoku and consolidated domestic subsidiaries since FY2017. We recently conducted the surveys in FY2021 and plan next surveys during FY2023. 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.

Compliance training

Mitsui Kinzoku Group runs an array of training programs for executives and employees to ensure compliance. In FY2022, a total of 2,493 people attended compliance training programs.

(1) The Code of Conduct/compliance training

We regularly conduct training sessions to explain overall compliance based on the Code of Conduct. At our sites in Japan, we provide compliance training for all ranks including new employees, and executive management

training for directors and auditors of all affiliates. We also conduct compliance training for national staff at overseas sites.

In FY2022, we held local compliance training in France, Morocco, and two sites in Indonesia, with 87 participants.

(2) Theme-based seminars

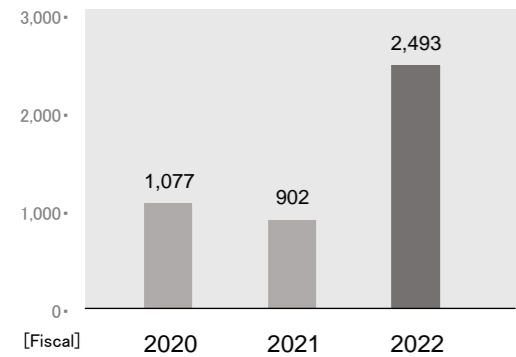
In addition to training for individual compliance issues related to safety and quality, we also provide seminars on various topics as needed, with the topics selected primarily by the Legal dept. in consideration of compliance risks specific to each site and local social conditions.

In FY2022, the Legal dept. hosted 17 seminars in total on topics such as: Act on Waste Management and Public Cleansing (Waste Management and Public Cleansing Act); trade secrets management; stamp duty; Antimonopoly Act; Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontract Act); and Foreign Exchange and Foreign Trade Act (Foreign Exchange Act, security export control). These seminars were attended by a total of 1,389 participants.

(3) MLP-based training

Some of the programs described in (1) and (2) above were provided under the MLP learning management system, which was introduced in FY2022 (P.36). A total of 1,086 participants have received MLP-based training.

Change in number of compliance training recipients



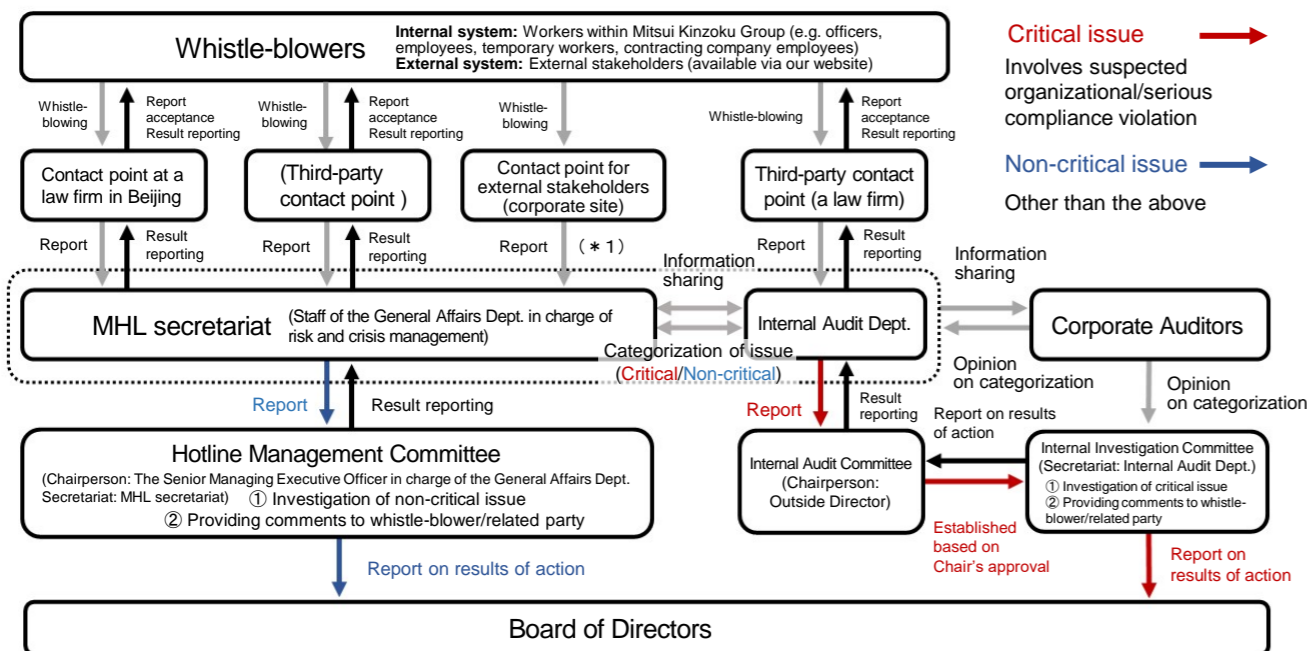
Note: The number of training programs included in the count was increased in FY2021

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

Mitsui Kinzoku Internal and external whistle-blowing system (MHL: Mitsui Kinzoku Hotline)



* 1 Report acceptance/result reporting: MHL secretariat (third-party contact point)

disadvantageous treatment of the whistleblower and witnesses to testify to the facts. The details of the whistle-blowing are shared promptly with the Corporate Auditors. The Board of Directors also receives the details of the whistle-blowing on 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 law firm in Beijing. 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, more employees have become aware of the whistle-blowing system and the number of whistle-blowing has risen accordingly in recent years, increasing 22% year on year in FY2022. In May 2023, we also outsourced an internal multilingual contact point to a third party in an effort to increase user convenience. Female staff have also been assigned to the response team in order to improve the usability of the system, especially for addressing sexual harassment.

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,



(Japanese Ver.) (English Ver.) (Simplified Chinese Ver.) (Traditional Chinese Ver.)

and (iv) prohibition of bribery and corruption.

With regard to competition law, we have created the Antitrust Compliance Policy as a separate volume of the Compliance Guidebook. The Policy was created in four versions (Japanese, English, simplified Chinese, and traditional Chinese) and distributed accordingly to ensure that internal procedures are properly performed.

To prevent bribery and other forms of corruption, as well as distributing the Compliance Guidebook globally we have facilitated each of our sites to conclude an anti-bribery/corruption agreement with its suppliers. The procurement department in each of domestic and overseas sites has asked its suppliers to sign contracts containing CSR provisions and pledges to respect the Code of Conduct in the efforts of the supply chain management lead by the Supply Chain Committee (p.80, "Supply Chain Management"). Related to these initiatives, the anti-bribery/corruption agreement contains more detailed conditions aimed at preventing bribery/corruption (e.g. prohibition of kickbacks, obligation to report identified violations, cancellation of the contract in case of a violation), and is particularly directed at companies in Asia.

Anti-bribery/corruption agreement concluded with suppliers (country and region, number of suppliers)

Thailand 297, China 353, Taiwan 143, Malaysia 36, Vietnam 51, Indonesia 101 Total 981

We periodically conduct legal audits of each site both on-site and in writing. The audits check for violations, review the compliance situation and confirm the effectiveness of measures to prevent anti-competitive practices and bribery/corruption described in the Code of Conduct.

We have received no legal action for anti-competitive practices or bribery/corruption in FY2022. We have also identified no cases where an employee has been subject to disciplinary action, including termination of employment, for engaging in anti-competitive practices or bribery/corruption of public officials.

In FY2022, Mitsui Kinzoku made no monetary or other forms of donation defined by the Political Funds Control Act to individual politicians, political parties, or political groups.

Initiatives for economic security

In response to the recent drive for economic security in society, Mitsui Kinzoku Group is implementing measures to address the issue, chiefly in terms of trade secrets management and export control.

(1) Trade secrets management

Mitsui Kinzoku Group manages its trade secrets in a systemized way. The primary framework consists of the Information Management Rules, Trade Secrets Management Detailed Rules, and other related regulations (all formulated in 2017), along with the Information Management Committee. The Committee reports to the Chief Information Management Officer, a position that is held by the Senior General Manager of the Corporate Planning & Control Sector. We have set up the Information Management Committee for the purpose of safeguarding our customer information, technical information, and business know-how.

In addition to basic framework, at each site, the head of the organization is appointed to serve as the site's Information Administrator, a role that is responsible for fulfilling a range of tasks. Such tasks include: identifying trade secrets; ensuring indication of such secrets; managing the use of and access to ICT tools; keeping records of data access and download history; providing education and training on a regular and ongoing basis; and confirming confidentiality agreements and pledges signed between our officers and employees and business partners. Furthermore, we perform audits of information management systems, invite representatives of law-enforcement agencies to give lectures, share successful pioneering practices among Group sites, and promote other activities to help improve the information management systems at each site.

(2) Export control (security export control)

In 1988, Mitsui Kinzoku created product export control rules based on the Foreign Exchange and Foreign Trade Act (Foreign Exchange Act), and registered the rules with the Ministry of Economy, Trade and Industry (METI) as its export control compliance program (CP). We have since formed the Export Screening Committee, chaired by the representative director. Reporting to the Committee, those in charge of each area of business planning, technology/engineering, and administration at each business division are assigned to operate the acceptance/rejection assessment and user check programs. Every year, the secretariat (Legal Dept.) audits the compliance status, and the results are reported to the METI. The Group's major subsidiaries in Japan also register their own CP with the METI to facilitate group-wide compliance with the Foreign Exchange Act.

In addition, we have made preparations to utilize databases provided by a third-party agency to conduct research on suspect companies in a bid to strengthen our export control.