

CSR-Conscious Procurement

The Hitachi Metals Group procures materials from suppliers in countries and regions around the world. Conscious of social responsibility and its impact, we have formulated our procurement policy with the aim of practicing fair and impartial procurement activities and, with the cooperation of many suppliers, engage in procurement that considers CSR.

Issuance of Hitachi Metals Group Supply Chain CSR Procurement Guideline

Hitachi Metals revised the Hitachi Metals Group Supply Chain CSR Procurement Guideline in May 2017 and published the revised version on its website. The Guideline encompasses a wide range of CSR concepts recognized as a company's social responsibility, including respect for human rights, consideration of the environment, fair trading and ethics, occupational health and safety, product quality and safety, information security, and social contributions. We distribute our CSR Procurement Guideline and checklist to major suppliers (excluding Hitachi Group companies) that account for 80% of the transaction amounts by business offices and affiliates in Japan, and confirm the compliance of each supplier. When a clear violation is discovered, a rule is put into

place requiring correction. When starting a new business relationship, we request compliance with the Guideline, and, at the same time, we conduct corporate surveys on bribery risks based on the Hitachi Metals Global Compliance Program (HMGCP) to reinforce supplier reviews.



Hitachi Metals Group
Supply Chain CSR Procurement Guideline
The 2nd Edition, May 2017
Hitachi Metals, Ltd.
Procurement & VEC Division,
CSR Management Office

Response to Globalization

The Hitachi Metals Group strives to establish a global procurement network across Europe, North America, and Asia, while expanding its procurement base. We are working to support the optimization of procurement activities overall and reinforcement of *monozukuri*, while enhancing CSR risk management and increasing concentration and consolidation of purchasing across the Group. We have also set up Global Procurement Offices (GPOs) in four locations—Europe, the United States, Asia, and China—to seek excellent suppliers in order to carry out transparent procurement activities from optimal suppliers worldwide. In fiscal 2019, we began periodically auditing the operations of each overseas Group company as a measure to strengthen the ongoing governance under which the GPOs use procurement standards common to our overseas Group companies.

Responsible Mineral Procurement

In January 2013, the United States enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), out of concern that minerals mined in the Democratic Republic of the Congo (DRC) and surrounding countries could

become fund sources for armed groups. The act designates the following four minerals (3TG) as conflict minerals: tantalum, tin, tungsten, and gold. In September 2013, the Hitachi Metals Group announced the Conflict Minerals Procurement Policy, which states that the Group has no intention of providing any benefit to armed groups and is committed to responsible procurement. Moreover, concerns have spread recently to the procurement of minerals originating in conflict regions other than the DRC and in areas with high risk of various illegal activities. The Hitachi Metals Group, in coordination with industry groups, is accelerating efforts group-wide to enhance the transparency of its supply chain.

To carry out responsible procurement, we conduct a survey using the Conflict Minerals Reporting Template (CMRT) and Cobalt Reporting Template (CRT), published by the Responsible Minerals Initiative (RMI), to specify the countries of origin and smelter of the minerals used in the supply chain, and request suppliers to procure minerals from certified conflict-free smelters (CFSs). Up to now, no cases of armed groups being funded or problematic uses of minerals have been found.

Periodic Audits of Operations

Acquiring correct and legal knowledge of operations is indispensable during procurement transactions. We regularly assemble our procurement specialists at business offices for training about laws and regulations. Additionally, all offices and Group companies in Japan perform annual mutual audits of operations. The auditors are procurement managers from

offices and Group companies, and executives from the Head Office. In fiscal 2020 as well, despite restrictions on movement due to the COVID-19 pandemic, we performed most mutual audits remotely for all offices and Group companies to monitor whether operations were being conducted in accordance with laws and regulations, as well as with Company regulations.

Green Procurement

In 1998, Hitachi Metals issued the "Green Procurement Guidelines" to share with our suppliers our views on environmental considerations, including the prevention of global warming, the recycling of resources, and the

conservation of biodiversity and ecosystems. Since then, we have repeatedly revised these guidelines in response to the latest laws and chemical regulations and have notified our suppliers of those changes.

Procurement BCP Initiatives

We engage in procurement BCP activities as preparation against risks that could halt our business, including earthquakes, wind and flood damage, and other natural disasters, as well as new strains of influenza, fires, and power

outages. We are working to minimize procurement risk by diversifying our sources of procurement, while asking our key suppliers to have their own BCP measures in place.