

# CSR-Conscious Procurement

The Proterial Group procures materials from suppliers around the world, including various countries and regions. While remaining aware of our 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 takes CSR into consideration.

## Raising Awareness of the Proterial Group Sustainable Procurement Guidelines

We published the Proterial Group Sustainable Procurement Guidelines on our website in January 2023. While based on the latest standards that have been acknowledged worldwide, the Guideline was created by encompassing 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. When a clear violation is discovered among any procurement partner, the Guideline stipulates that corrective measures must be taken. When starting a new business relationship, we request compliance

with our Sustainable Procurement Guidelines, and, at the same time, we conduct corporate surveys on bribery risks based on the Proterial Group Compliance Program (PGCP) to strengthen our screening of suppliers. FY2023, we conducted a questionnaire survey of our key suppliers to make them aware of the Proterial Group Sustainable Procurement Guidelines and to check the status of their compliance with them.



Proterial Group Sustainable Procurement Guidelines  
First edition, 2023 Procurement Division, Proterial, Ltd.

## Response to Globalization

The Proterial Group is striving to establish a global procurement network while augmenting our procurement base. We are working to support the optimization of procurement activities overall 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—where we are promoting transparent procurement activities from optimal suppliers worldwide, at the same time as strengthening governance at our overseas Group companies. As part of this, since FY2019 we have been pushing forward the standardization of procurement operation criteria for overseas Group companies, and in FY2023 worked to embed these standards through auditing and guidance carried out by GPOs.

### Responsible Mineral Procurement

In July 2010, 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, designating the following four minerals (3TG) as conflict minerals: tantalum, tin, tungsten, and gold. The region covered by the EU Conflict Minerals Regulation,

passed in July 2017, was expanded to include Conflict-Affected and High-Risk Areas (CAHRAs) when it came into force in January 2021. In recent years, there have been growing concerns about other aspects, including serious human rights violations and environmental pollution, in addition to conflict. In the wake of such developments, the Proterial Group announced the Conflict Minerals Procurement Policy in September 2013 and the Proterial Group's Policy for Responsible Mineral Procurement in January 2023. In coordination with industry groups, the Proterial Group has clarified that it is working to ensure responsible procurement that does not contribute to conflict and human rights violations, and is accelerating efforts in coordination with industry groups to enhance the transparency of its supply chain.

To carry out responsible procurement, we conduct activities including surveys using the Conflict Minerals Reporting Template (CMRT) and other tools published by the Responsible Minerals Initiative (RMI), to specify the countries of origin and smelters of the minerals used in the supply chain, and request suppliers to procure minerals from smelters that are compatible with the Responsible Minerals Assurance Process (RMAP). Up to now, no cases of armed groups being funded or problematic uses of minerals have been found.

## Periodic Audits of Operation

Acquiring correct and legal knowledge of operations is indispensable during procurement transactions. Utilizing online and other means, we provide our procurement specialists at business offices with 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 FY2023 as well, we performed mutual audits for all offices and Group companies to monitor whether operations were being conducted in accordance with laws and internal regulations as well as with Company regulations.

## Green Procurement

The Proterial Group procures products with a minimal environmental footprint from procurement partners which are working proactively on environmental conservation activities. 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 the latest information. In addition, in June 2021, we endorsed the TCFD recommendations; going forward, we will take up initiatives on reducing our environmental footprint (reduced resource consumption, reduced energy consumption, recycling and appropriate management of various chemicals contained in products), keeping in mind not only compliance with the law and responding to demands from our customers but also the transition towards a low-carbon society.

## 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 infectious diseases, fires, and power outages. We are working to

minimize procurement risk by diversifying and decentralizing our sources of procurement, while asking our key suppliers to have their own BCP measures in place.