

V. Report on Social Aspects

1. Together with Our Suppliers

(1) Basic Policy of CSR Procurement

Based on the Corporate Creed of contributing to society by being “the best enterprise,” Hitachi Metals has formulated its procurement policy to outline its basic concepts regarding material procurement, and published this policy on its website. As our business progresses globally, we share this procurement policy among all of the companies in the Hitachi Metals Group, in order to encourage them to contribute to society through their own business activities. We will continue striving to comply with laws and regulations as well as social norms, and to fulfill our social responsibility with consideration for human rights and the environment, while building a fair and impartial business culture based on relationships of trust with our suppliers.

Procurement Policy

Basic Concept of Material Procurement

- **Open global procurement**

We procure materials from suppliers regardless of their nationality, size, and performance based on the principle of free competition.

- **Fair clean trading**

We select suppliers on a fair and equitable basis according to their economic rationality such as quality, prices, delivery time, technologies, the credibility of management and services. We never receive any personal gifts or offers from them.

- **Maintain partnerships**

We cultivate fair business relations with all of our suppliers on an equal footing. We constantly strive to deepen mutual understanding and trust, and aim to achieve growth, development, and a working partnership with them from a long-term perspective.

- **Compliance with laws**

We conduct procurement activities in compliance with applicable laws and regulations as well as social norms. We are determined not to have any relations with antisocial forces that threaten the order and safety of civil society.

- **Take human rights, occupational safety, and health into consideration**

We take special care to ensure human rights, occupational safety, and health in our procurement activities. We also ask our suppliers to make the same efforts.

- **Maintain confidentiality**

We treat all confidential information of our suppliers obtained through procurement activities as being strictly private and confidential, by using the same degree of care we use to safeguard our own proprietary information. We do not disclose their information to a third party nor use it for purposes other than the original intent without their prior consent.

- **Preserve the environment**

We give priority to suppliers who positively work on environmental preservation as well as to environmentally friendly materials and components.

(a) Issuance of the 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. In addition, the Guideline includes a rule that requires correction when a clear violation is discovered. In fiscal 2018, to ensure the understanding of above content among our suppliers, we distributed our CSR Procurement Guideline and checklist to major suppliers (excluding Hitachi Group companies) accounting for 80% of the transaction amounts by business offices and affiliates in Japan, and confirmed the compliance of each. In fiscal 2019, we started sending and collecting check sheets for the CSR Procurement Guideline to our business partners in North America and China to increase awareness regarding the Guideline and to grasp issues. When starting new business relationships, we request compliance with the Guideline, and at the same time conduct corporate surveys regarding bribery risks based on the Hitachi Metals Global Compliance Program (HMGCP) to promote the strengthening of supplier reviews. In fiscal 2021, we will revise the CSR Procurement Guideline in response to progress in the implementation of human rights and environmental initiatives.

[WEB] Hitachi Metals Group Sustainable Procurement Guidelines

http://www.hitachi-metals.co.jp/e/corp/corp11_04.html

(b) Compliance

Acquiring knowledge of laws, regulations, and accurate business knowledge is of utmost importance in conducting procurement transactions. We regularly assemble the staffs at the procurement departments of business offices to provide seminars and study meetings to increase their awareness of laws and internal regulations. In addition to these activities, every year, we put together a list of the problems which has been pointed out during past internal audits and conduct mutual audits at all business offices and Group companies in Japan. We annually instruct auditors dispatched from the Head Office and other business offices to conduct such practical mutual audits to further improve the quality of our management levels.

The staffs of the procurement departments are continuously working on improving operations.

(c) Green Purchasing

In 1998, Hitachi Metals created its Green Procurement Guidelines in order to share our approach to environmental consciousness with our suppliers, including the prevention of climate change, recycling of resources, and conservation of biodiversity and ecosystems. Since then, we have revised these Guidelines repeatedly in response to the latest laws and regulations including those related to chemicals. We have notified our suppliers of the details of these revisions. We work to comply with laws and regulations, respond to customer demands, and reduce environmental impacts (conserving resources, saving energy, recycling, and appropriate management of chemical substances contained in products) by regularly sharing the latest information.

(d) Procurement BCP Initiatives

Hitachi Metals seeks to enhance its risk preparedness in the face of earthquakes, wind and flood damage, and other natural disasters, as well as new strains of influenza, fires, electrical outages, and other factors that could halt its business. For this reason, we engage in procurement BCP activities. We are working to minimize procurement risks by promoting procurement protection measures, such as diversifying our sources of procurement while asking our suppliers to establish their own BCP measures.

(2) 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—tasked with seeking out excellent suppliers with a focus on carrying out transparent procurement activities with optimal suppliers worldwide. In fiscal 2019, we started measures to strengthen governance which involve GPOs periodically conducting an audit on each overseas Group company that is based on the procurement standards common to overseas Group companies. In fiscal 2020, audits were conducted mainly in China.

In addition, the Hitachi Metals Group is working on responsible mineral procurement. We seek to make the supply chain transparent in response to the conflict mineral problem—an issue raising concerns of a serious human rights violation. The Group is conducting a survey to identify the country of origin and smelter of minerals. We strive to carry out responsible procurement activities, requiring our suppliers to procure from conflict-free smelters (CFSs)* that are certified as not using conflict minerals. Starting from fiscal 2019, we include cobalt in survey targets in response to requirements from customers.

* CFS (conflict-free smelter): A smelter that is certified as having no involvement in regional conflicts by the Responsible Minerals Initiative (RMI), established by RBA/GeSI.