

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 2018, the Head Office held a discussion with the GPOs and established common procurement standards for overseas Group companies. Starting in fiscal 2019, we plan to

have our GPOs audit the operations of each overseas Group company once every three years, in accordance with these standards, and thereby strengthen governance.

Additionally, in order to make our supply chain transparent in addressing conflict mineral issues, the Hitachi Metals Group identifies mineral producing countries and smelters, using the Conflict Minerals Reporting Template (CMRT), which has become an industry standard. We strive to carry out responsible procurement activities, requiring our suppliers to procure from conflict-free smelters (CFSs)* that are certified to not use conflict minerals.

* CFS (Conflict-Free Smelter): A smelter that is certified not to be involved in regional conflicts by the Responsible Minerals Initiative (RMI), established by RBA/GeSI.

Compliance

Believing that thorough obedience to laws, regulations, and social proprieties in our transactions with suppliers is essential, we call together our procurement specialists at business offices on a regular basis for education regarding laws and regulations. In fiscal 2018, we held a workshop for all procurers at all business offices and Group companies (27

sites) in Japan, which brought together the findings of past internal audits. We also had auditors dispatched from the Head Office and other business offices perform mutual audits to further improve our management level through practical auditing, and confirmed the status of corrective actions. We are continuing these audits in fiscal 2019 onward as well.

Green Procurement

Hitachi Metals issued the "Green Procurement Guidelines" in 1998, in order to share our views on environmental consideration with our suppliers, including prevention of global warming, recycling resources, and conservation of biodiversity and ecosystems. Since then, we have revised these guidelines repeatedly in response to the latest laws and regulations and chemical regulations. Version 9.0, which was

issued in 2018, includes revisions to banned substances due to changes in EU regulations, and we notified our suppliers thereof. We work to comply with laws and regulations, respond to customer demands, and reduce environmental impact (conserving resources, saving energy, recycling, and appropriate management of chemical substances contained in products) by constantly sharing the latest information.

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.