

CSR procurement promotion

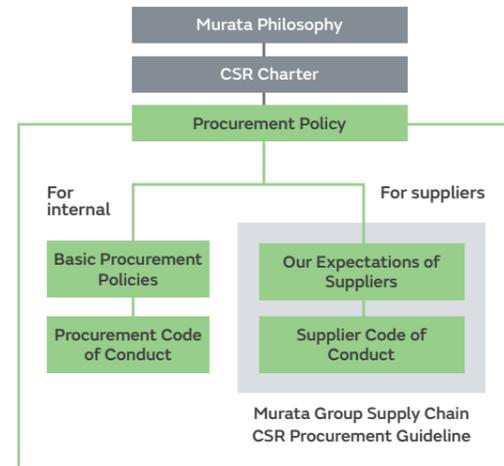
Basic view

Based on the Procurement Policy underpinned by the principles of honesty, fairness, and sincerity, Murata seeks to generate a continuous cycle of social value and economic value by working on environmental, social, and governance (ESG) issues throughout the supply chain to “contribute to the advancement of society” that it declares as its philosophy.

Following its philosophy, Murata establishes the CSR Charter as rules that all people working for Murata should observe. Based on these higher-level policies, we have established “Procurement Policy” to build strong partnerships with suppliers and cooperative relationships from a long-term perspective and to realize a sustainable society by the whole supply chain. The Procurement Policy consists of the “Basic Procurement Policies” and “Procurement Code of Conduct,” both of which present the concept of and action/judgment standards for Murata’s procurement activities, as well as “Our Expectations of Suppliers” and “Supplier Code of Conduct,” which present the concept of and action/judgment standards for CSR expected of our suppliers.

To ask suppliers to understand the Procurement Policy and comply with each requirement, in 2020, Murata established “Murata Group Supply Chain CSR Procurement Guidelines” (hereinafter, “Guidelines”) and distributed them to its suppliers. In 2022, we have issued the second edition of the Guidelines to address international sustainable procurement standards and to meet the needs of our customers. In order to further deepen understanding of the Procurement Policy, we started on-site CSR audits (hereinafter, “CSR audit”) of significant suppliers in March 2022. For any risks that are found through CSR audit or self-assessments, Murata requests improvements from the supplier and offers support for such improvements when necessary.

Murata will continue to practice courteous communication with suppliers, aiming to foster mutually beneficial partnerships for building a sustainable society. We work to fulfill our social responsibility across the entire supply chain.



For details on our responsibility to and actions concerning suppliers (CSR procurement initiative), please see here.
[Web https://corporate.murata.com/en-global/csr/people/suppliers](https://corporate.murata.com/en-global/csr/people/suppliers)

CSR risk evaluation and improvement initiatives

Targets and fiscal 2022 performance

To promote CSR procurement, Murata established targets for fiscal 2022 to 2024 and has been conducting CSR assessment initiatives in line with its procurement policy. All of the target values were generally achieved for fiscal 2022. We will continue to reduce risks for CSR procurement issues in order to achieve the set targets.

KPI	Targets for fiscal 2022 to 2024	FY2022 results
Rate of agreement signed for compliance with the Murata Group Supply Chain CSR Procurement Guidelines (%)	95% on a global basis	96%
CSR evaluation improvement (%)	100% improvement with suppliers needing corrective action	90%
CSR audit execution (%)	95% execution of CSR audits on important suppliers*	100%

In fiscal 2022, we promoted CSR procurement by focusing on verifying our suppliers through CSR audits. This is an opportunity for those in the field to recognize the gap between the actual situation and the RBA requirements, acknowledged as global industry standards. If there are shortcomings, we not only point them out and request improvements but also provide continuous support for improvements during the audit and in follow-up discussions.

This audit has led to an increase in the level of compliance with the RBA Code of Conduct and other codes of conduct that Murata requires of its suppliers, which in turn has led to an increase in awareness of CSR compliance among suppliers and a reduction in CSR risk for Murata.

*For more information on the identification of important suppliers, please see here.



CSR evaluation process

When starting a new transaction with a supplier, Murata concludes a CSR Agreement and requests that the supplier agree to the Guidelines and conduct self-assessments based on the Guidelines using the CSR Compliance Checklist. Even after the start of the transaction, we ensure that the supplier comprehends and incorporates Murata’s Procurement Policy and the Guidelines, and conducts self-assessments annually.

Besides self-assessments, we also conduct CSR audits on important suppliers selected based on results of the above assessments and RBA criteria, such as transaction amounts and importance in product functions. These CSR risk evaluation results are managed in a ranking from A to C to prevent risks from arising, especially when a supplier ranks C, which is perceived to be at high risk.

Additionally, irrespective of the rank from the evaluation results, Murata requests and supports improvements wherever and whenever an issue comes to light. If sufficient improvement is not confirmed, we will enter into discussion regarding the ongoing partnership and business relationship.



Fiscal 2022 CSR evaluation results

1) Self-assessment

In fiscal 2022, 100 suppliers conducted self-assessments. No fatal risks have been identified thus far. We also continue to conduct CSR audits.

	Scope	Number of suppliers	Number of suppliers that needed improvement	Ratio of suppliers with low risk
FY2020	Significant suppliers	154	2	99%
FY2021		133	5	96%
FY2022		100	3	97%

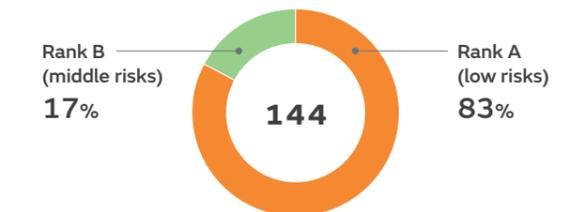
2) CSR audit

During fiscal 2022, we completed audits for 44 suppliers. CSR audits confirm compliance with the Guidelines. In addition to document checks, we also conduct on-site inspections and interviews with employees to get a more accurate picture of the actual situation.

While no significant risks have been identified, our suppliers have implemented corrective actions for minor issues. Furthermore, prior to conducting CSR audits, we provided our suppliers with the Guidelines and hold briefings for suppliers on CSR audits. We also provided Q&A before and after the audits and support for improvement initiatives to deepen their understanding of the guidelines and CSR audits.

In this manner, we use opportunities such as CSR audits of suppliers to work with them in strengthening CSR compliance initiatives in each area of labor (human rights), health and safety, environment, ethics, supplier management, and management systems.

Breakdown of fiscal 2022 CSR evaluation results



Initiatives for responsible mineral procurement

Our goal and initiative details

Murata is committed to avoiding minerals in our products that may lead to wrongful acts such as financing of armed groups, forced labor, child labor and other violation of human rights, destruction of the environment, money laundering, and other crimes. This commitment is part of our efforts to fulfill our social

responsibilities, including the protection of human rights and the environment in our procurement activities. Specifically, we have established “Responsible mineral procurement response policy” and conduct assessments (due diligence) based on the OECD Due Diligence Guidance to reduce the Annex II risks*1.

In order to identify smelters and refiners in the supply chain, we conduct surveys in compliance with the RMAP*2 industry-standard. The collected survey reports are used not only to verify smelters with RMAP certification but also to assess the risk of their management system, including whether they have a management policy. In addition to the evaluation based on the survey reports, Murata also conducts on-site audits to confirm the results. If the survey reveals that a high-risk smelter/refinery is being used, we communicate the risk details to our suppliers and request them to switch to a RMAP conformant smelter/refinery.

Meanwhile, Murata receives more than 5,000 requests for supply chain information annually from its customers. Based on the results of responses from suppliers, Murata make reports using the CMRT (Conflict Minerals Reporting Template) and the EMRT (Extended Minerals Reporting Template) published by the RMI (Responsible Minerals Initiative).

*1 Material risks that may occur in relation to mining, trading, dealing, and exporting of minerals from CAHRAs (Conflict-Affected and High-Risk Areas).
 *2 A program of the RMI for auditing of smelter/refinery.

For more information on our Responsible Minerals Sourcing Policy and efforts for compliance with 5-Step framework of OECD Due Diligence Guidance, please see here.



Survey results and issues

At Murata, we regularly conduct surveys of our suppliers to keep abreast of the latest supply chain information. Previous conflict mineral surveys confirmed that our mainstay products such as multilayer ceramic capacitors, inductors, thermistors, and ceramic resonators are already conflict-free.

In the fiscal 2022 survey of conflict minerals, we carried out a survey of 160 major suppliers for 3TG*3 and achieved a 100% response rate. For cobalt, we surveyed 85 major suppliers for a response rate of 89%.

The above survey found that the overall RMAP conformant smelter and refinery usage rate was 93%. In addition, we took steps to improve the situation of 16 suppliers with inadequate management systems, which were identified during on-site audits. Through this most recent survey, Murata broadly recognizes three issues and believe that it is important to advance initiatives to resolve them.

*3 Tin, tantalum, tungsten and gold

Fiscal 2022 responsible mineral procurement survey results

	Gold	Tin	Tantalum	Tungsten	Cobalt	Total
RMAP conformant smelter and refinery usage (%)	90%	96%	99%	92%	88%	93%

Theme	Challenge	Initiative
① RMAP conformant smelter and refinery usage rate	At the current time, since some suppliers do not use RMAP conformant smelters and refineries, it is difficult to guarantee that all of our products are not contributing to Annex II risks.	Keep requesting the suppliers who are not using RMAP conformant smelters and refineries to use those. Request suppliers that do not appear to be making progress in due diligence within the supply chain to conduct risk assessments and encourage them to improve their situation.
② Initiative to reach a 100% response rate in the cobalt survey	In some cases, suppliers do not cooperate with the survey because the cobalt survey is not a legally required response.	Promote cooperation in the survey among supplier personnel responsible for practical operations, by conducting briefing sessions and distributing explanatory materials to ensure their full understanding of the background and importance of the initiative.
③ Implementation of due diligence on conflict minerals by suppliers	In some cases, lack of a solid management system for conflict minerals hinders due diligence throughout the supply chain.	Continue to support suppliers in enhancing their management systems through on-site audits and offering necessary advice for improvement, in addition to written surveys.

Initiative to address issues through industry actions

Murata is a member company of industry organizations such as the JEITA (and its Responsible Minerals Trade Working Group) and RMI. We are proactively working on issues that are difficult to solve as an individual company, such as creating industry-wide frameworks.

An example of our effort includes our participation in the operation of the “Responsible Minerals Sourcing Inquiry

Briefings” hosted by JEITA. Through these briefings, we share the latest information with many companies, aiming to educate and enlighten them so as to deepen their understanding of the importance of this initiative. We are clarifying the problems, proposing mechanisms, and engaging in other active debates at the JEITA working group to make proposals to RMI so that RMAP support may proceed in an efficient manner.