

Supply chain management

To remain a company needed in its society, Murata respects relations with not only customers but also suppliers and members of local communities and works to strengthen our partnership with them. We will work to solidify relationships of trust by communicating Murata's views to companies across the supply chain.

Promoting CSR approach to procurement with a focus on partnership with suppliers

With honesty, fairness, and transparency as the guiding principles of its procurement activities, Murata has always sought to build partnerships with its suppliers, working to realize mutually satisfying and prosperous relationships based on the Procurement Policy^{*1}. Going forward, we will seek to further enhance this principle in order to realize prosperity with all of our stakeholders, without changing these ideas. We will actively work to reduce supply chain CSR risks in relation to procurement, such as prohibition of child labor, forced labor, and gender or religious discrimination, and responsible procurement of minerals.

Murata is currently focusing efforts on the following three areas in its CSR procurement:

- (i) We have formulated a Murata CSR Charter, which rests on the foundation of the Murata Philosophy, and, based on this, a statement of "Our Expectations of Suppliers"^{*2}, and we request that our suppliers comply with both.
- (ii) When we establish an account with a supplier, we conclude a CSR Agreement, and we request the supplier to agree to pursue their business activities in conformity with the Code of Conduct of the Responsible Business Alliance (RBA).
- (iii) Since 2017, we have been employing a "CSR Compliance Checklist." In addition to enabling our suppliers to self-assess their level of compliance with our CSR requirements, these checklists also make issues visible. By sharing the results of CSR compliance checks with Murata, our suppliers are able to engage in two-way consultations regarding issues and corrective measures, enabling them to realize more efficient and fundamental solutions to any issues that have been discovered.

We periodically conduct assessments based on these checklists each year. In the last fiscal year, compliance checks were carried out on about 110 key suppliers, with 100% of them submitting their self-assessment results and no critical risk identified at the time of the survey.

We believe that in order to effectively put these initiatives into practice, it is important for us to work

together with our suppliers based on the partnerships that we have built up with them rather than simply making unilateral demands on our suppliers.

In recent years, we have been required to expand the scope of these CSR activities from companies with which we are directly involved to our entire supply chain. Based firmly on the spirit of the Murata Philosophy, we will continue with our efforts to realize mutually satisfying and prosperous relationships with our suppliers, working to build long-lasting trust and solid partnerships, expanding the scope and increasing the sophistication of our CSR procurement as we strive to realize a supply chain that all of our stakeholders can have confidence in.

In addition, Murata has been working on a company-wide project based on materiality (key issues) originating from social issues on the belief that we should incorporate nonfinancial issues as represented by CSR and ESG into management strategies. From the procurement viewpoint, we are pursuing this project with an aim to expand the applicable scope of key issues to the entire supply chain. Furthermore, we have adopted the slogan of "realizing CSR procurement that takes into account ESG" as a medium-term policy for procurement divisions and will remain committed to carrying out this policy by incorporating issues from not only our viewpoint but also that of stakeholders.

Specifically, we have set about 30 issues based on survey points of ESG indices and inquiries from shareholders/investors and customers and clarified their positioning by using a matrix created from the two viewpoints of whether internal efforts are carried out and whether information is disclosed to stakeholders. Furthermore, we have worked out promotion plans by classifying ways to work on the issues into three categories of "Start efforts as a new theme," "Consider and carry out method of information disclosure," and "Revise as necessary after rechecking currently disclosed information," based on the matrix. In the current fiscal year, we have positioned creation of a code of conduct for suppliers and execution of CSR audits on suppliers as particular areas of focus and are working on them.

We will work to disclose information to shareholders, investors, and other stakeholders by working to resolve issues in collaboration with suppliers in accordance with plans and regularly revising the matrix according to progress.

- *1: Procurement Policy
<https://corporate.murata.com/en-global/about/procurement/policy>
- *2: Our Expectations of Suppliers
<https://corporate.murata.com/en-global/about/procurement/expectations>



Promoting "Responsible Minerals Procurement"

Serious violations of human rights have become a social problem in mineral procurement, and interests in responsible mineral procurement are rising.

Murata regards the respect of human rights as part of our corporate social responsibility (CSR) efforts and conducts surveys and provides information in compliance with the industry standards based on our responsive policies. Furthermore, as an internal framework, the CSR Management Committee, chaired by the President, shares information with top management on activities, progress, and any issues regarding responsible mineral procurement, and makes any resulting decisions.

Murata has been working to realize sustainable procurement in line with human rights due diligence, aiming to address serious violation of human rights in supply chains, such as forced labor and child labor under harsh working environments. For example, we have revised policies to expand the scope of risk assessment on responsible minerals procurement to include risks covered in OECD Annex II and the regional scope risk assessment to the conflict-affected and high-risk areas (CAHRAs), reformed the structure of regular assessment of minerals supply chain risks on suppliers, and opened a consultation desk on potential issues in minerals procurement.

In response to requests from our customers for our supply chain information, we provide information using the Conflict Minerals Reporting Template (CMRT) issued by the Responsible Minerals Initiative (RMI). Last year we started to provide information on cobalt using the Cobalt Reporting Template (CRT). We also regularly conduct surveys on our suppliers to keep the information updated. Through 3TG supply chain surveys, we have confirmed that products including multilayer ceramic capacitors, which are our mainstay, inductors, thermistors and piezoelectric components are conflict free. In terms of lithium ion batteries, which

contain large amounts of cobalt, we have been actively committed to efforts to ensure our products are conflict free, which has included acquisition of responses from about 80% of our suppliers and encouraging smelters among them that were yet to take part in the responsible minerals assurance process (RMAP) to undergo audits. In order to ensure the safety of our minerals supply chains into the future, we will continue surveys and promote initiatives that can lead to mitigating human rights and other risks in supply chains on an ongoing basis by assessing reported information under internal standards aligned with the OECD Due Diligence Guidance (please see p. 67) and working with suppliers to achieve improvements.

Murata is also a member company of the Responsible Minerals Trade Working Group of the Japan Electronics and Information Technology Industries Association (JEITA), and of the RMI. By joining organizations that take the initiative in the industry, we are proactively working on issues that are difficult to solve as an individual company, such as creating industry-wide frameworks. We also participate in the JEITA-sponsored Responsible Minerals Sourcing Inquiry Briefings as a lecturer and have engaged in an activity to encourage smelters and refiners that are yet to participate in the RMAP to undergo audits as a member of JEITA's smelter-supporting team.

Going forward, Murata will continue to actively work to expand the scope of minerals to include mica, lithium, and graphite and address increases in risks. Furthermore, we will work to ensure transparency of supply chains by working closely with customers, suppliers, and other companies in the industry and remain committed to CSR procurement that takes account of human rights and other risks.

By pursuing and realizing these activities, we will work to ensure safety and peace of mind for our stakeholders.

Efforts in accordance with five steps of OECD Due Diligence Guidance

Murata is working on the initiatives outlined below in accordance with the OECD Due Diligence Guidance, in order to mitigate Annex II risks, such as human rights violations in CAHRAs, in relation to 3TG, cobalt, etc. contained in our products.

Five steps of the OECD Due Diligence Guidance

Step 1	Establish strong management systems
Step 2	Identify and assess risks in the supply chain
Step 3	Design and implement a strategy to respond to identified risks
Step 4	Carry out independent third-party audits of due diligence practices at smelters/refiners
Step 5	Report annually on supply chain due diligence

Step 1 Establish strong management systems

- Murata has established “Responsible mineral procurement policy” and developed a framework to manage Annex II risks in CAHRAs in relation to specified minerals included in our products.
- We make decisions regarding details and issues in responsible minerals procurement by regularly sharing information with the top management through the CSR Management Committee.
- We release our policy for this endeavor publicly on our website, etc. and obtain agreement on our efforts based on Murata’s policy from our business partners.
- In order to identify smelters/refiners in supply chains, we conduct surveys on Japan and other countries suppliers in accordance with industry standards (RMAP).
- We annually send to suppliers an invitation to the JEITA-sponsored Responsible Minerals Sourcing Inquiry Briefing. They participate in study sessions on latest industry developments and current issues.

Step 2 Identify and assess risks in the supply chain

- We conduct surveys on smelters and refiners using RMI’s CMRT and CRT at regular intervals.
- We request our suppliers to use smelters or refiners certified under audit programs by independent entities.
- In surveys, we check 3TG and cobalt content and country of origin, and identify smelters or refiners.
- We conduct risk assessments on information on smelters or refiners provided by suppliers and management frameworks regarding responsible minerals procurement in accordance with our internal standards.
- We ascertain whether there is any information that can lead to risks regarding identified smelters or refiners, using RMI audit reports, websites, etc., as necessary.

Step 3 Design and implement a strategy to respond to identified risks

- We ask our suppliers to engage in efforts to mitigate human rights and conflict risks in accordance with Murata’s responsive policies for responsible minerals procurement. If a supplier uses high-risk smelters or refiners, we provide information on the risks and discuss with the supplier appropriate measures to improve the situation.
- We consider terminating agreements with a supplier if it is clearly found to have a relationship with companies that have Annex II risks, including relationships with armed groups and violations of human rights.

Step 4 Carry out independent third-party audit of due diligence practices at smelters/refiners

- Murata, as a member of the RMI and JEITA’s Responsible Minerals Trade Working Group, addresses issues that are difficult to solve as an individual company, by joining forces with industry peers. For example, we provide lecturers for briefings organized by an industry group and encourage smelters and refiners that have yet to participate in RMAP to undergo audits.

Step 5 Report annually on supply chain due diligence

- We post reports on Murata’s activities publicly for responsible minerals procurement on our website and integrated reports. Responsibility to and actions concerning suppliers
<https://corporate.murata.com/en-global/csr/people/suppliers>

Responsible mineral procurement policy

- 1 Working within the framework of CSR procurement activities based on the Murata Manufacturing CSR Charter.
- 2 Building a management framework for specified minerals contained in our products in accordance with the OECD Due Diligence Guidance.
- 3 Using the above mechanisms, we continue our efforts to use low-risk components and materials to promote responsible procurement of minerals used by Murata, so as to prevent financing of armed groups through our minerals supply chain including gold, tin, tantalum, tungsten, and cobalt, and to protect human rights and promote fair trade.
 Also, we refuse to conduct procurement from companies that are clearly involved in conflicts or human rights violations.
- 4 Conducting sensible and efficient procurement in a sincere manner, based on industry standards and in close collaboration with industry organizations.
- 5 Sharing information regarding minerals obtained through our supply chains with partner companies as quickly as possible.