

Supply chain management

Promoting CSR approach to procurement with a focus on partnership with suppliers and optimization of supply chain management

Based on the Procurement Policy underpinned by the principles of honesty, fairness, and sincerity, Murata has always sought to build partnerships with its suppliers, working to realize mutually satisfying and prosperous relationships. In particular, regarding quality, we have worked with suppliers to improve unique technologies and management technologies in order to increase the technological capabilities, decrease the defect ratio, and improve yield. We will continue these initiatives and make further improvement in order to realize prosperity with all of our stakeholders.

We are also required to extend our CSR activities to the entire supply chain, addressing issues such as human rights, child labor, forced labor, gender or religious discrimination as well as responsible procurement of minerals. Murata considers human rights in procurement activities as a key issue and takes measures to mitigate risk in daily operations.

To take concrete actions on these measures, we have revised the group's Procurement Policy and Attitude and Conduct Murata Expects of Suppliers, in addition to revising the risk assessment method for new suppliers and existing suppliers.

Murata group's Procurement Policy and Attitude and Conduct Murata Expects of Suppliers

We have revised the Procurement Policy and Attitude and Conduct Murata Expects of Suppliers in response to globally growing requirements for ESG.

Procurement Policy	Basic Policy on Procurement
	Procurement Code of Conduct
Attitude and Conduct Murata Expects of Suppliers	Our Expectations of Suppliers
	Supplier Code of Conduct*

* The Supplier Code of Conduct is stipulated in the Murata Group Supply Chain CSR Procurement Guideline.

Procurement Policy

Murata strives to realize a sustainable society based on its management philosophy. We conduct procurement activities based on the Procurement Policy which consists of the Basic Policy on Procurement and Procurement Code of Conduct. By complying with the policy, we strive to build a strong, long-term partnership with the suppliers, and aim for realization of a sustainable society for the entire supply chain.

Basic Policy on Procurement
Murata conducts procurement activities based on the following basic policy.

1. Compliance
We conduct our business in compliance with laws, regulations and internal rules as well as social ethics.

2. Fairness
We provide fair trading opportunities, being open to the global market.

3. Fairness and sincerity
We aim to establish trusting and cooperative relationships with suppliers and enhance partnerships.

4. Social responsibility
We will fulfill our social responsibility towards human rights and the environment through procurement activities.

Procurement Code of Conduct
At Murata, we will act in compliance with the following code of conduct.

1. Compliance with laws and social norms

2. Promotion of sound business management

3. Emphasis on quality, deadlines and stable supply

4. Reinforcement of capability to respond to fluctuating demands

5. Establishment of BCP for supply chain management

6. Supply of environment-friendly materials

7. Compliance with the data security rules

8. Respect for human rights and consideration for work environment

9. Maintenance of sound partnerships

10. Promotion of responsible procurement of minerals

Attitude and Conduct Murata Expects of Suppliers

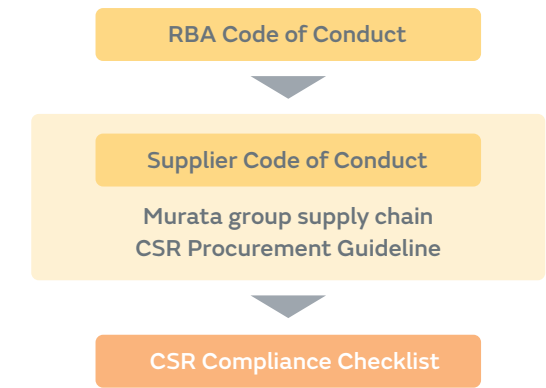
In line with revised procurement policy, we have also revised the Attitude and Conduct Murata Expects of Suppliers.

For details, please visit our website.

Attitude and Conduct Murata Expects of Suppliers
<https://corporate.murata.com/en-global/csr/people/suppliers>

Based on the Code of Conduct of the Responsible Business Alliance (RBA) (hereinafter "RBA Code of Conduct"), we have formulated the Murata Group Supply Chain CSR Procurement Guideline (hereinafter "the guideline"), which summarizes our approach to data security, business continuity plans (BCP), import/export control, etc. In the guideline, we summarized the standards of conduct and activities that we would like suppliers to specifically implement and comply with in the Supplier Code of Conduct.

We posted the guideline on our website in Japanese, English and Chinese and also distribute the document to our existing suppliers, as well as new suppliers prior to the first transaction.

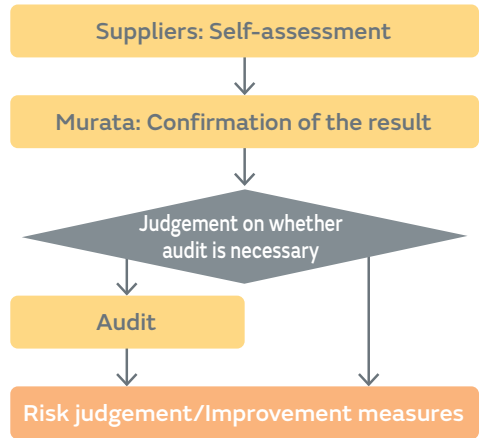


Risk assessment for suppliers (audit)

•New supplier with which Murata will start transaction

When starting a new transaction with a supplier, we conclude a CSR Agreement and request that the supplier self-assesses based on the guideline using the CSR Compliance Checklist (hereinafter "the checklist"). Furthermore, audits are performed for our important suppliers to assess risks and seek improvement of CSR, as well as on quality control systems and management of chemical substances. If any risks are identified in the audit or self-assessment at the suppliers, we ask and help them to plan and implement measures for improvement, and, based on the result, we start transacting with them.

Currently this process is only applied in Japan. However, we plan to extend its application to suppliers overseas in accordance with anticipated risks.



•Existing suppliers

We disseminate our Procurement Policy and the guideline to suppliers so they are well aware of and understand them. In addition, we ask them to perform self-assessment every year based on the checklist with an aim to raise awareness of risks associated with CSR and make improvement. In accordance with the establishment of the guideline, we reviewed the contents of the checklist and conducted a survey targeting 154 major suppliers in fiscal 2020.

As a result, we achieved a response rate of 100% and found no significant risks at those suppliers. We found minor risks at two suppliers and they took remedial measures.

	Scope	Number of companies	Number of companies that needed improvement	Ratio of suppliers with low risk
FY2019	Major suppliers	110	0	100%
FY2020	Major suppliers	154	2	97%

Going forward, in addition to self-assessment, we plan to perform on-site audits at the supplier site, and help take remedial measures if risks are identified.

With growing and increasingly sophisticated CSR procurement, Murata strives to secure a reliable supply chain and provide assurance to stakeholders.

Promoting “responsible minerals procurement”

Background

It is concerned that 3TG (tin, tantalum, tungsten and gold) and cobalt that are mined in conflict-affected and high-risk areas (CAHRAs)^{*1} such as Democratic Republic of the Congo (DRC) and its neighboring countries, are associated with financing of armed groups, forced labor, child labor and other violation of human rights, destruction of the environment, money laundering, and other crimes. Here, we would like to introduce Murata’s initiatives to ensure responsible minerals procurement.

Our goal

In order to ensure the minerals used in our products do not have OECD Annex II risks^{*2} such as financing of armed groups or violation of human rights in CAHRAs, we continue to conduct appropriate due diligence in accordance with the OECD Due Diligence Guidance.

Our efforts

In order to promote responsible minerals procurement, 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. In order to identify smelters/refiners in supply chains, we conduct surveys in accordance with the industry standard RMAP (a program of the RMI for the assessment of smelters/refiners)^{*3} and evaluate them according to the company standard. In the case a high-risk smelter/refiner is used, we report the details of the risk and proceed with remedial measures. In response to requests from customers for our supply chain information, we provide information on the result of the surveys using the Conflict Minerals Reporting Template (CMRT) issued by the Responsible Minerals Initiative (RMI)^{*4} as well as information on cobalt using the Cobalt Reporting Template (CRT).

Responsible mineral procurement policy, OECD Due Diligence Guidance
Efforts in accordance with the five steps of the OECD Due Diligence Guidance
<https://corporate.murata.com/en-global/csr/people/suppliers>

Recognition of the current status and initiatives

We regularly conduct surveys on our suppliers to keep the information updated. Through conflict minerals surveys, we have confirmed that products including multilayer ceramic capacitors, which are our mainstay, inductors, thermistors and piezoelectric components are conflict free.

If fiscal 2020, we conducted conflict minerals surveys on 200 suppliers who deal with 3TG, achieved a response rate of 100%, and identified

310 refiners. We also conducted cobalt surveys on 104 companies, achieved a response rate of 83%, and identified 45 refiners. Overall, we confirmed 77% are RMAP conformant.

	Gold	Tin	Tantalum	Tungsten	Cobalt	Total
Number of smelters and refiners	159	73	36	42	45	355
Total number of smelters and refiners which received conformant certificate	109	62	36	40	26	273

Through these surveys, we recognized the main three issues for which we believe it is important to proceed with corrective measures.

Issue 1: Improvement in the ratio of RMAP conformant smelters/refiners in our supply chain

We request our suppliers to establish a management system and implement risk assessment and to use RMAP conformant smelters/refiners. However, our RMAP conformant rate has not reached 100% as of present, so we are not able to guarantee that all of our products do not have OECD Annex II risks.

Initiative

For the suppliers who reported that they use smelters/refiners that are not RMAP conformant, Murata shares the issue with them and works with them towards improvement and solutions, instead of removing them from our supply chain.

Issue 2: Improvement of the cobalt survey to achieve response rate of 100%

Because the cobalt survey is not a legal requirement, it is more difficult to obtain support from some suppliers as they do not see it as a priority issue.

Initiative

We continue to ask our suppliers for understanding and support by sending letters requesting disclosure on smelters/refiners.

Issue 3: Response to new minerals other than 3TG and cobalt for which there is a concern about risks

Recently, there have been increasing inquiries about CSR risks of minerals other than 3TG or cobalt from customers. At Murata, we conduct risk assessments based on RMAP. However, for the minerals that are not covered in RMAP, we have no means to guarantee that they are risk-free.

Initiative

Mica has been added as an RMI managed mineral since last year. We currently can confirm that our products do not include mica. However, we will continue to actively investigate the status of usage of other minerals such as lithium, copper, nickel and zinc to address increased risks and the expansion of

target minerals. 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.

Addressing issues through industry actions

Murata is a member company of the “Responsible Minerals Trade Working Group”^{*5} 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.

Initiative 1

As the cobalt survey has only started recently, there are more smelters/refiners who are not RMAP conformant as compared with those of 3TG. We are also engaged in activities 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.”^{*6}

Initiative 2

We participate in the JEITA-sponsored Responsible Minerals Sourcing Inquiry Briefings as a lecturer, educating various companies including our suppliers to convey the importance of the initiatives by sharing the most recent information.



*1: Conflict Affected and High Risk Areas
*2: Annex II risks
Material risks that may occur in relation to mining, trading, dealing, and exporting of minerals from CAHRAs.
*3: RMAP (a program of the RMI for the assessment of smelter/refiner)
<http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/>
*4: RMI
<http://www.responsiblemineralsinitiative.org/>
*5: JEITA's Responsible Minerals Trade Working Group
<https://home.jeita.or.jp/mineral/index.html> (in Japanese)
*6: JEITA's smelter-supporting team
https://home.jeita.or.jp/mineral/eng/index_e.html

Promotion of CSR procurement activities with suppliers

In accordance with our Procurement Policy, we have been working to ensure transparency of supply chains by establishing the management system and mitigating risks since 2009. We will continue to work closely with our suppliers and engage in appropriate business activities.

		2009	2013	2016	2019	2020	2021	2022	...
Promotion of CSR Procurement Policy		Promotion of EICC (RBA) Code of Conduct				Establishment and dissemination of CSR Procurement Guideline			
Risk evaluation	Existing suppliers	Implement self-assessment				Plan regular audits			
	New supplier with whom Murata will start transaction					Implement self-assessment Conduct audits for new suppliers			
Measures against conflict minerals		Start using CMRT for response (3TG: tantalum, tin, tungsten, gold)				Start using CRT for response (cobalt)			
						Measures against new minerals such as mica			