

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 been building 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 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 that CSR procurement is one of these issues and takes measures to mitigate risk in daily operations.

Procurement Policy and Attitude and Conduct Murata Expects of Suppliers

In fiscal 2021, 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.

Procurement Policy	Basic Procurement Policies
	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.

Basic Procurement Policies

Murata engages in procurement activities under the following basic policies.

- 1. Legal compliance**
We observe laws and ordinances, regulations, and company rules, and we conduct business in accordance with social ethics.
- 2. Fairness**
We broadly open the door on a global level and strive for equality in business opportunities.
- 3. Impartial and honest**
We build relationships of trust and cooperation with suppliers and aim to develop strong partnerships with suppliers.
- 4. Social responsibility**
We fulfill our social responsibility with respect to human rights and the environment, etc. through our procurement activities.

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

•Joined RBA, an alliance of companies promoting social responsibility

To promote CSR procurement initiatives, Murata joined the Responsible Business Alliance (RBA) in fiscal 2022, an alliance of companies promoting CSR in the global supply chain.

RBA is comprised of electronics manufacturers and suppliers from around the world and aims to improve CSR in the areas of labor, health and safety, environment, ethics, and management systems through the global supply chain. As an RBA member company, we fully support the vision and mission of the RBA and are committed to making further improvement and realizing prosperity with all of our stakeholders to achieve a sustainable society throughout our supply chain.

•Supply Chain CSR Procurement Guideline

Based on the RBA Code of Conduct, we have established the "Murata Group Supply Chain CSR Procurement Guidelines" (hereinafter, "Guidelines") which add information security, Business Continuity Planning (BCP), and import and export controls, etc. The details which we would like suppliers to observe and put into practice are clearly specified under the "Supplier Code of Conduct." In addition to publishing the Guidelines in Japanese, English, and Chinese on our website, they are also distributed to existing suppliers as well as to new suppliers before they begin doing business with Murata.



Targets for promoting activities

To promote CSR procurement, Murata sets KPIs (targets) and conducts CSR assessment initiatives in line with its procurement policy.

All of the KPIs set for fiscal 2021 were generally achieved. We will continue to reduce risks for CSR procurement issues in order to achieve the newly set KPIs for fiscal 2024.

•KPIs (targets) and results for fiscal 2021

Fiscal 2021 KPIs	Targets	Results
Rate of agreement signed for compliance with the CSR Procurement Guidelines for Murata Group supply chain	95%	94%
Ratio of suppliers in conformance with the CSR assessment	95%	96%
Ratio of CSR audit execution (new suppliers)	100%	100%

•KPIs (targets) for fiscal 2024

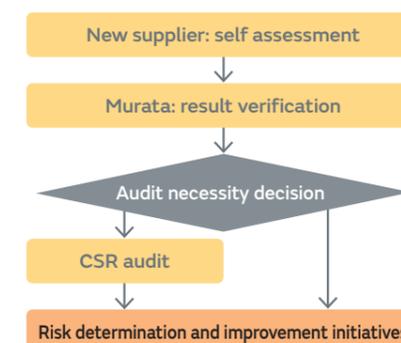
Fiscal 2024 KPIs	Targets
Rate of agreement signed for compliance with the CSR Procurement Guidelines for Murata Group supply chain	95%
Ratio of CSR evaluation improvement	100% improvement of all suppliers needing corrective action
Ratio of CSR audit execution	95% execution rate of CSR audits on important suppliers

* For more information on the identification of important suppliers, please see here.
<https://corporate.murata.com/en-global/csr/people/suppliers#id5>

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"). There were 36 suppliers that conducted self-assessments in fiscal 2021, and none required improvement. Furthermore, we conduct CSR audits to assess risks and seek improvement of CSR, as well as quality control and chemical substance management systems. There were 22 suppliers audited in fiscal 2021. Of these, five companies that were identified as having minor risks related to "ethics" were requested to submit a follow-up sheet and implement improvement activities. All remediation has been completed at this point in time. In terms of environment, approximately 75%



of Murata's GHG emissions are Scope 3 emissions. Furthermore, Category 1 (purchased goods and services) accounts for about 60% of Scope 3. Therefore, it is also essential to reduce GHG emissions from materials purchased from suppliers, and we will work together with our suppliers to reduce GHG emissions.

• Existing suppliers

To help suppliers achieve an understanding and dissemination of Murata's procurement policies and guidelines and recognize and improve CSR risks, Murata has its suppliers conduct an annual self-assessment using the CSR Compliance Checklist. A survey of 133 important suppliers was carried out during fiscal 2021. As a result, we achieved a response rate of 100%, and no critical risks were found at any of the suppliers.

	Scope	Number of companies	Number of companies that needed improvement	Ratio of suppliers with low risk
Fiscal 2019	Important suppliers	110	0	100%
Fiscal 2020	Important suppliers	154	2	99%
Fiscal 2021	Important suppliers	133	5	96%

In March 2022, we started CSR audits in addition to self-assessments for important suppliers selected based on RBA criteria such as transaction amounts and importance in product functions. In the future, we plan to conduct CSR audits of all important 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. Furthermore, prior to conducting CSR audits, we hold briefings for suppliers on the guidelines and CSR audits, and provide 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 new and existing suppliers to work with them to strengthen their CSR compliance initiatives in the areas of human rights, health and safety, environment, ethics, and management systems. With growing and increasingly sophisticated CSR procurement, Murata strives to secure a reliable supply chain and provide assurance to stakeholders.

Promotion of responsible minerals procurement

Background and our goal

It is concerned that 3TG^{*2}, cobalt, and mica 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.

In order to avoid the use of minerals in our products that could lead to such misconduct, Murata continues to conduct appropriate due diligence in accordance with the OECD Due Diligence Guidance as well as to avoid engaging in Annex II risk^{*3}.

Initiative details

We have established a response policy to promote responsible mineral procurement and are building a system to manage whether there are any Annex II risks in CAHRAs for target minerals included in our products. In order to identify smelters and refiners in the supply chain, we conduct surveys in compliance with the RMAP^{*4} industry-standard and evaluations in accordance with internal standards. In the event that we are using high risk smelters and refiners, we communicate the details of those risks and advance appropriate initiatives aimed at improvement. In response to requests from our customers for our supply chain information, based on surveyed results we are also providing information on cobalt and mica using the EMRT (Extended Minerals Reporting Template) in addition to the CMRT (Conflict Minerals Reporting Template) published by the RMI (Responsible Minerals Initiative)^{*5}

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. <https://corporate.murata.com/en-global/csr/people/suppliers#id14>

Survey results and future issues and initiatives

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

In the fiscal 2021 survey of conflict minerals, we carried out a survey of 154 major suppliers handling 3TG and achieved a 100% response rate. Moreover, in the cobalt survey of 91 companies, we achieved an 86% response rate.

From the above surveys, we identified 420

smelters, 327 of which are RMAP conformant smelters.

Fiscal 2021 responsible mineral procurement survey results

	Gold	Tin	Tantalum	Tungsten	Cobalt	Total
Total number of smelters and refiners	177	84	41	57	61	420
Total number of conformant smelters and refiners	121	80	37	50	39	327

Through this most recent survey, Murata broadly recognizes three issues and believe that it is important to advance initiatives to address them.

Issue (1) Improving the procurement rate from RMAP-conformant smelters and refiners:

Suppliers are requested to build control systems and implement risk evaluations to use RMAP-conformant smelters and refiners. At the current time, however, we have not reached a 100% rate of RMAP conformant, and it is difficult to guarantee that all of our products are not contributing to Annex II risks.

Initiative

With respect to suppliers who report the use of non-RMAP-conformant smelters and refiners, Murata does not unilaterally demand that they be excluded from the supply chain but rather shares the current issues and consults with the supplier to reach a solution while advancing improvement activities.

Issue (2) Initiative to reach a 100% response rate in the cobalt survey:

Because the cobalt survey is not a legally required response, it is difficult for it to be treated as a priority issue that should be undertaken by the suppliers, and in some cases they do not cooperate with the survey.

Initiative

For problems that are difficult to resolve as an individual company, we will raise the issue with industry organizations as well as continue to seek understanding and cooperation from suppliers regarding the survey.

Issue (3) Handling new minerals other than 3TG and cobalt with risks that are a matter of concern:

In recent years, inquiries from customers have been increasing regarding whether CSR risks also exist for minerals other than 3TG and cobalt. There is no method for performing a risk assessment for new minerals not supported by RMAP, which Murata adopts as the risk evaluation standard, and it is difficult to guarantee the safety of such minerals.

Initiative

In fiscal 2020, mica was added to the RMI's RMAP list of minerals to be controlled, and Murata began a smelter survey. In response to the expansion of target minerals such as lithium, copper, nickel, and aluminum, we will check their use in our products and supply chains. We will continue to work closely with our customers, suppliers, and related organizations to procure minerals, while taking into account risks such as human rights issues.

Initiatives to address issues through industry actions

Murata is a member company of industry organizations such as the JEITA "Responsible Minerals Trade Working Group" and RMI^{*6}. We are proactively working on issues that are difficult to solve as an individual company, such as creating industry-wide frameworks.

Initiative (1):

For cobalt, there are still many refiners that do not participate in the RMAP. As a member of the JEITA "Smelter Support Team"^{*7}, we carry out activities to encourage smelters and refiners that do not participate in RMAP to undergo the validation process.



Initiative (2):

We participate in the operation of the "Responsible Minerals Sourcing Inquiry Briefings" hosted by JEITA and share the latest information with suppliers and many other companies through these briefings to educate and enlighten them so as to deepen their understanding of the importance of this initiative.

Initiative (3):

Regarding worries about the risks of new minerals, 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.

*1: Conflict Affected and High Risk Areas
 *2: Tin, tantalum, tungsten and gold
 *3: Material risks that may occur in relation to mining, trading, dealing, and exporting of minerals from CAHRAs.
 *4: A program of the RMI for the assessment of smelter/refiner
 *5: For more information, please see here. <https://www.responsiblemineralsinitiative.org/>
 *6: For more information, please see here. <https://home.jeita.or.jp/mineral/index.html> (in Japanese)
 *7: For more information, please see here. https://home.jeita.or.jp/mineral/eng/index_e.html

Supplier commendation system

We at Murata recognize suppliers that have given us great assistance in achieving CSR procurement in addition to their contributions in terms of improvement of quality and delivery, cost reduction activities, and technological innovation, by presenting them letters of appreciation. In selecting the awardees, we determine the eligible suppliers based on their year-round performance and in light of Murata's original standards applied to the criteria. Through these awards, we reiterate our gratitude to our suppliers and build a trust relationship for mutual harmony and benefits with the suppliers..

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	2023	...
Promotion of CSR Procurement Policy	Promotion of RBA (formerly EICC) Code of Conduct			Establishment and dissemination of CSR Procurement Guideline					
Risk evaluation	Existing suppliers	Implement self-assessment			Conduct 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								