



<Explanatory Material for Business Partners>

# Explanation of the Basic CSR Procurement Policy for Building Responsible Supply Chains

December 2022

Kobe Steel, Ltd.

Sustainability Management Committee

Machinery & Materials Procurement Department

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## **1. Introduction**

## **2. Basic CSR Procurement Policy**

**i. Background**

**ii. Specifics of the Basic CSR Procurement Policy**

## **3. Notification**

Please see the video

## 1. Introduction

## 2. Basic CSR Procurement Policy

### i. Background

### ii. Specifics of the Basic CSR Procurement Policy

## 3. Notification

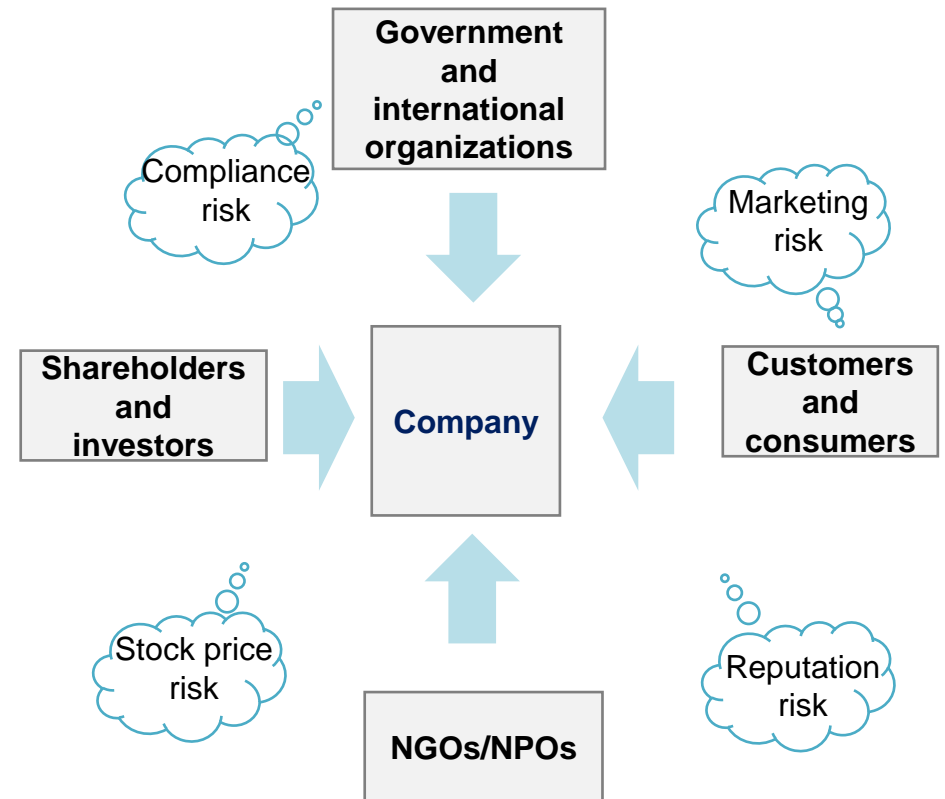
# i. Background: History and Situation of Companies and Supply Chains

◆ Amid the strong demand for **corporate social responsibility** toward the **supply chain**, companies face greater so-called **reputation risk**, which can undermine the credibility and brand value of companies that are seen as failing to fulfill their responsibilities.

## Historical Background

## Current Situation (Relationship with Stakeholders)

1980's	1990's	2000's-
<ul style="list-style-type: none"> <li>Europe and North America: <b>In the face of corporate scandals, CSR became a topic in the context of corporate governance.</b></li> <li>Japan: <b>With the yen appreciation and the expanding overseas business after the Plaza Accord</b>, the working environment was reviewed. The bubble economy boosted <b>philanthropy and mecenat activities.</b></li> </ul>	<ul style="list-style-type: none"> <li>Europe and North America: <b>With social, environmental, and economic problems caused by multinational companies</b>, increased attention was drawn to the <b>working conditions and human rights in developing countries.</b></li> <li>Europe and North America: <b>NGOs and NPOs serving as alternatives to the market and government became powerful and played key roles</b> in surveillance and evaluation of companies, sometimes inciting <b>boycotts of corporate products</b></li> </ul>	<ul style="list-style-type: none"> <li>Europe and North America: <b>Expansion of socially responsible investment</b></li> <li><b>In 2013: Collapse of a Bangladesh commercial building</b> housing a garment factory for a famous apparel brand</li> <li>Japan: <b>CSR management first initiated in 2003</b></li> </ul>



## KOBELCO Group's Sustainability Management

### Group Corporate Philosophy

#### KOBELCO's View of the Future

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

#### KOBELCO's Mission

Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies

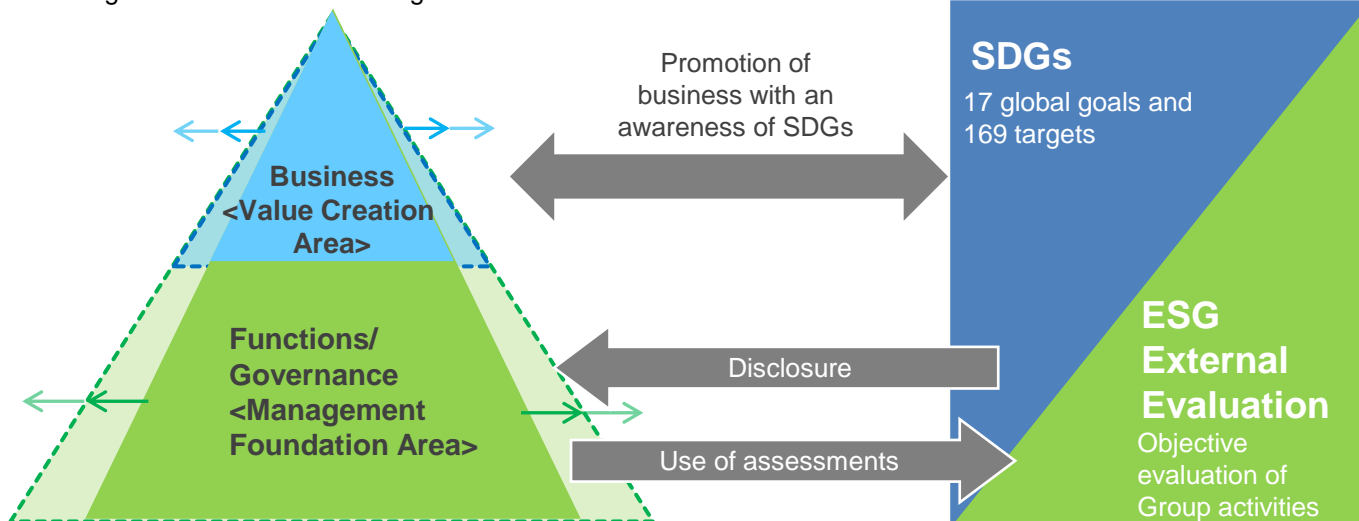
#### Three Core Values of KOBELCO

#### Six Pledges of KOBELCO

### Key Issues to Address

#### ■ Solving social issues through our core businesses

- Creating new value by providing products and services through R&D and manufacturing



### Key issues in procurement: **Building responsible supply chains**

### Announcement of our stance on the issues to the public

### = **Basic CSR Procurement Policy**

- Stated our position as a **responsible member** of the global supply chain
- Clarified **our requests** to suppliers for their understanding and practice
- Declared **our commitment to working with** our suppliers to address issues

### Requests to Business Partners

1. Legal Compliance	6. Quality and Safety
2. Human Rights & Labor	7. Information Security
3. Health and Safety	8. Business Continuity Plan
4. The Environment	9. Social Contribution
5. Fair Trade and Ethics	

# Background: Our Path for Sustainability Management

Kobe Steel, Ltd. formulated and published the **Basic Procurement Policy** and the **Requests to Business Partners** in September 2020 and uploaded the **Explanatory Video for Business Partners** in September 2021.

We have recently reorganized these responses, reformulated it as a new **Basic CSR Procurement Policy** and published it on our website in September 2022 (in Japanese and English).

<FY2020>

<FY2021>

<FY2022>

Formulated and informed:

- Basic Procurement Policy
- Requests to Business Partners

→ Published on our website

Uploaded the Explanatory Video for Business Partners

→ Published on our website

- Conducted a CSR Survey

→ Results were published in the ESG Data Book (P. 87–P. 88)

- Informed the Basic CSR Procurement Policy

→ Published on our website in September 2022

## ii. Outline of the Basic CSR Procurement Policy

- Below is the overall structure and approach of this Basic Policy. It consists of the Foreword, Basic Approach, Promotion Structure, and Response Policies, incorporating the Basic Procurement Policy and the Requests to Business Partners that were already announced in September 2020. The six primary changes to the Response Policies are shown in red text.

Overall Structure	Approach	
<b>Foreword</b>	◆ States that the Group's corporate philosophy is the basic premise and the starting point	
<b>1. Basic Approach</b>	◆ <b>Incorporates the Basic Procurement Policy published in September 2020</b> ◆ Indicates the relevance to the Group's corporate philosophy, that we are aware of our responsibility as a member of the global supply chain, and that <b>we recognize that understanding and responding to supply chain issues will ensure business continuity</b>	
<b>2. Promotion Structure</b>	◆ Indicates the promotion structure centered on our Sustainability Management Committee	
<b>3. Response Policies</b>	(1) Requests to Business Partners	◆ <b>Clarifies the Requests to Business Partners published in September 2020 as guidelines</b> ◆ <b>Requests our business partners to ensure that they inform all of their suppliers of our requests</b>
	(2) Compliance with Requests to Business Partners and Support for Improvements	◆ <b>Provides support for improvements at our end</b> ◆ <b>Visits our business partners as needed</b> ◆ <b>May review the business partnership if no improvements are made</b>
	(3) Disclosure	◆ Indicates our basic stance on disclosure
	(4) Collaboration with Business Partners	◆ <b>Collaborate with business partners to identify issues and undertake various initiatives</b>
	(5) Collaboration with Company Employees, Group Companies, and Other Affiliates	◆ Indicate our approach to engagement in our employees and group companies/affiliates



## ii. Specifics of the Basic CSR Procurement Policy (1)

### Foreword

- ◆ The KOBELCO Group will fulfill KOBELCO's Mission of providing "solutions to the needs of society, by making the best use of the talents of our employees and our technologies" in order to realize, together with stakeholders, "a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives," which is KOBELCO's View of the Future stated in the Group's corporate philosophy.

## ii. Specifics of the Basic CSR Procurement Policy (2)

### 1. Basic Approach (Basic Procurement Policy)

#### ◆ KOBELCO Group's procurement departments will conduct their activities based on the following Basic Procurement Policy.

1. Compliance with laws, regulations and other social norms
  - In conducting purchasing operations, we will comply with relevant domestic and overseas laws, social norms, and internal regulations.
  - The person in charge of procurement has no private benefit in any business partner.
  - We never have any relationship with antisocial forces and organizations that threaten the order and security of civil society and will not respond to illegal or unjust demands.
2. Fair and impartial transactions
  - Purchasing operations shall be conducted based on reasonable standards, such as quality, delivery time and price, and shall be available to the public both in Japan and abroad.
3. Coexistence with the global environment through procurement
  - When conducting purchasing operations, we will pay attention to social conditions and demands, and give due consideration to environmental protection, resource protection, etc.
4. Strengthen partnerships with business partners
  - We aim for mutual development by establishing a relationship of trust with our business partners.
5. Management of confidential information
  - We will strictly manage information and personal information obtained through purchasing operations and use it only for the permitted purposes.

## ii. Specifics of the Basic CSR Procurement Policy (3)

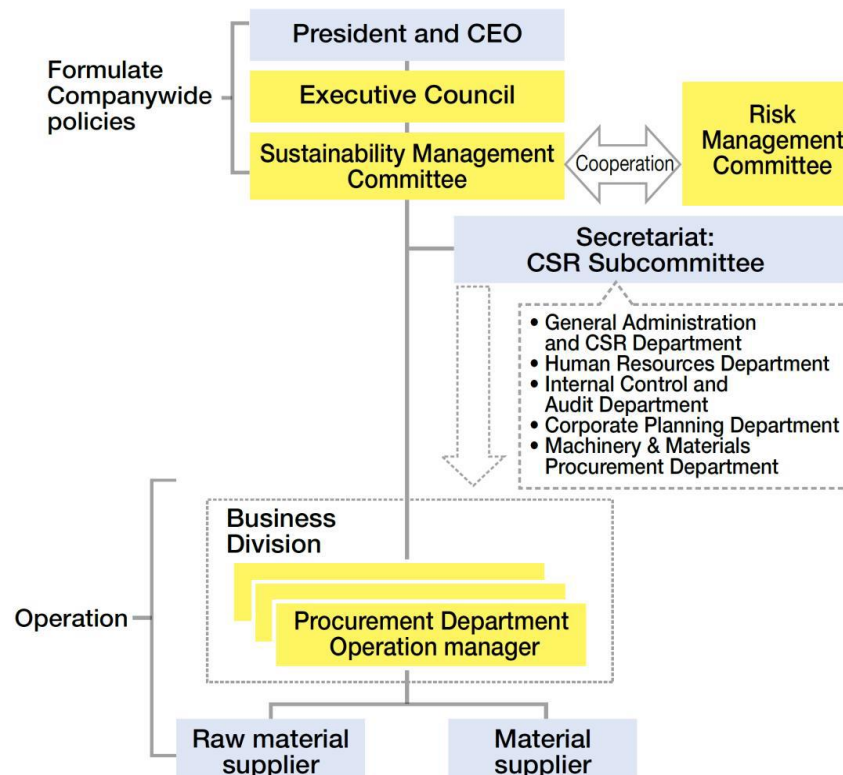
### 1. Basic Approach (Other than Basic Procurement Policy)

- ◆ The KOBELCO Group will promote initiatives for building responsible supply chains in order to realize, together with stakeholders, KOBELCO's View of the Future as stated in its corporate philosophy.
- ◆ The KOBELCO Group, in developing diverse businesses throughout the world, procures diverse materials and equipment and provides technologies, products, and services, and it builds supply chains to this end. As a responsible member of the global supply chain, we recognize that initiatives are needed to resolve issues related to human rights, environmental problems, and other areas, and that this applies not only to the Group itself but also to its supply chains.
- ◆ The KOBELCO Group has established a basic policy for building responsible supply chains, which we share with our business partners and other stakeholders. We will assess supply chain risks in material and equipment procurement and, while working to identify related supply chain issues, we will fulfill our social responsibilities and conduct stable supply of products and services.

## ii. Specifics of the Basic CSR Procurement Policy (4)

### 2. Promotion Structure

- ◆ We will maintain a promotion structure that centers on operations managers in the procurement departments of each business division. With respect to companywide policies, the Sustainability Management Committee will make recommendations to the Executive Council, which will work to build consensus on the policies through deliberation.
- ◆ In addition, we will strengthen the executive system through coordination with the Risk Management Committee from a risk management standpoint.
- ◆ The system as of April 1, 2022 is as follows.



## ii. Specifics of the Basic CSR Procurement Policy (5)

### 3. Response Policies

#### (1) Requests to Business Partners:

- ◆ “The KOBELCO Group requests that our business partners understand and practice the following items and strive to build responsible supply chains in collaboration with us.”
- ◆ We request that the suppliers of our business partners be fully informed of the following items to ask them to understand and practice them.

1. Legal Compliance	(1-1) Compliance with laws and regulations		
2. Human Rights & Labor	(2-1) Prohibition of Forced Labor (2-2) Prohibition of Child Labor and Consideration for Young Workers (2-3) Consideration for Working Hours (2-4) Adequate Wages and Benefits (2-5) Prohibition of Inhumane Treatment (2-6) Prohibition of Discrimination (2-7) Freedom of Association and Right to Collective Bargaining	5. Fair Trade and Ethics	(5-1) Anti-Corruption (5-2) Prohibition of Giving or Receiving Unreasonable or Improper Benefits or Facilities (5-3) Appropriate Information Disclosure (5-4) Respect for Intellectual Property (5-5) Conduct Business Fairly (5-6) Protection of the Informant (5-7) Prohibition of the Use of Conflict Minerals
3. Health and Safety	(3-1) Occupational Safety (3-2) Emergency Preparedness (3-3) Occupational Accidents and Diseases (3-4) Industrial Hygiene (3-5) Considerations for physically demanding tasks (3-6) Safety Measures for Machinery and Equipment (3-7) Health and Safety of Facilities (3-8) Health and Safety Communication (3-9) Health Care of Workers	6. Quality and Safety	(6-1) Ensuring product safety (6-2) Establishment and Operation of Quality Management System
4. The Environment	(4-1) Obtain Environmental Permits and Reports (4-2) Reducing Energy Consumption and Greenhouse Gas Emissions (4-3) Emissions into the atmosphere (4-4) Management of water (4-5) Effective Use of Resources and Waste Management (4-6) Control of Chemical Substances (4-7) Management of Chemical Substances Contained in Products	7. Information Security	(7-1) Defense against Cyberattacks (7-2) Protection of Personal Information (7-3) Preventing Leakage of Confidential Information
		8. Business Continuity Plan	(8-1) Business Continuity Planning and Preparation
		9. Social Contribution	(9-1) Contributing to Society and Local Communities

**NOTE:** These are headings only. The actual Basic CSR Procurement Policy includes the full text of the above nine items.

### 3. Response Policies (continued)

#### (2) Compliance with Requests to Business Partners and Support for Improvements:

Should our business partners fail to comply with the Requests to Business Partners, we may take the following actions.

- ◆ “We will confirm progress made by business partners that need to make improvements while providing support for those improvements.”
- ◆ “In some cases, it may be necessary to make visits to business partners, including in the form of third-party audits.”
- ◆ “If appropriate efforts are not made to make improvements, the partnership may be reconsidered.”

## ii. Specifics of the Basic CSR Procurement Policy (7)

### 3. Response Policies (continued)

#### (3) **Disclosure:**

- ◆ “We will make appropriate and timely disclosures of relevant information.”

#### (4) **Collaboration with Business Partners:**

- ◆ “We will also share the Basic CSR Procurement Policy for building responsible supply chains with business partners and carry out initiatives in collaboration with them while working to identify issues.”

#### (5) **Collaboration with Company Employees, Group Companies, and Other Affiliates:**

##### ◆ **Our employees:**

“We will continue to conduct awareness-raising, training, and other programs for employees on the importance of environmental, human rights, and other issues pertaining to the supply chain and on the related basic policies of our company.”

##### ◆ **Group Companies and Other Affiliates:**

“In order to strengthen supply chain management at Group companies and other affiliates in a manner equivalent to the parent company, we will continue to conduct awareness-raising, training, and other programs on the importance of environmental, human rights, and other issues pertaining to the supply chain and on the related basic policies of our company.”

## 1. Introduction

## 2. Basic CSR Procurement Policy

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## (3) The Basic CSR Procurement Policy online page

Website URL: <https://www.kobelco.co.jp/english/sustainability/procurement.html>

Home → Sustainability → Society → Procurement



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## Procurement

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- >1. Basic CSR Procurement Policy
  - ▶ Basic Procurement Policy (Part of the Basic CSR Procurement Policy)
  - ▶ Requests for Business Partners (Ditto)
- >2. Explanatory video for business partners

### 1. Basic CSR Procurement Policy

> Basic CSR Procurement Policy

June 10, 2022

### Basic CSR Procurement Policy

The KOBELCO Group will fulfill KOBELCO's Mission of providing "solutions to the needs of society, by making the best use of the talents of our employees and our technologies" in order to realize, together with stakeholders, "a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives," which is KOBELCO's View of the Future stated in the Group's corporate philosophy.

1. Basic Approach
  - (1) Our company's procurement departments will conduct their activities based on the following Basic Procurement Policy.
    - i. Compliance with laws, regulations and other social norms
      - 1) In conducting purchasing operations, we will comply with relevant domestic and overseas laws, social norms, and internal regulations.
      - 2) The person in charge of procurement has no private benefit in any business partner.
      - 3) We never have any relationship with antisocial forces and organizations that threaten the order and security of civil society and will not respond to illegal or unjust demands.

**Thank you very much  
for your time.**