
Building Responsible Supply Chains

Explanation Video for Business Partners

September 7, 2021

Kobe Steel, Ltd.

Sustainability Management Committee

- 1. Introduction**
2. CSR for the Environment
3. CSR for Human Rights
4. CSR for Fair Trade and Ethics
5. Conclusion

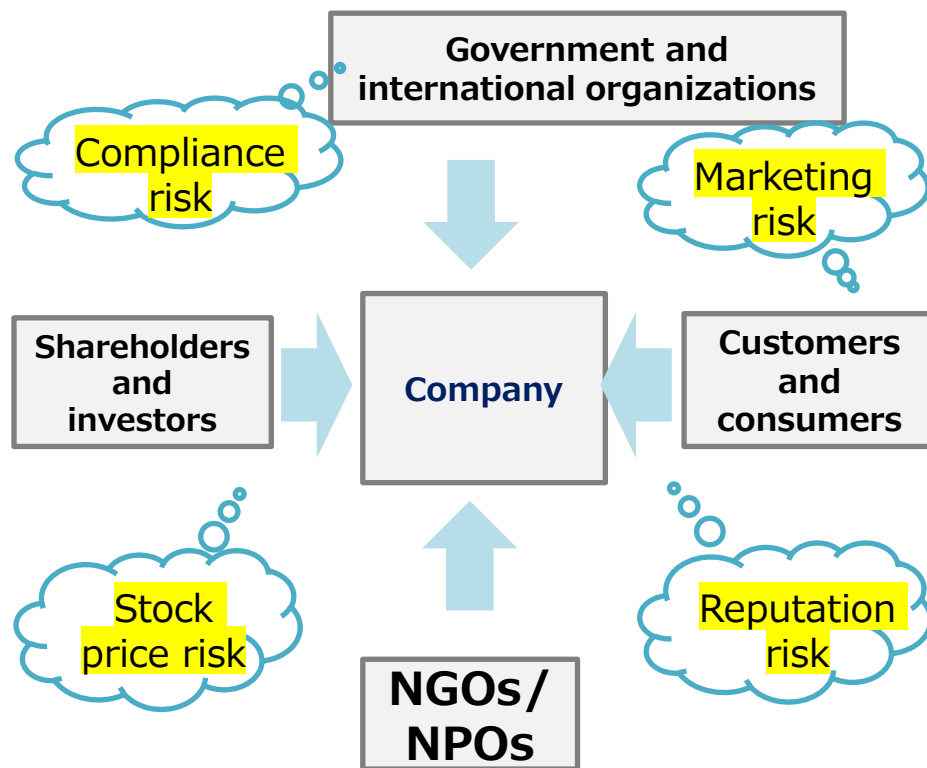
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(2) CSR for Supply Chains

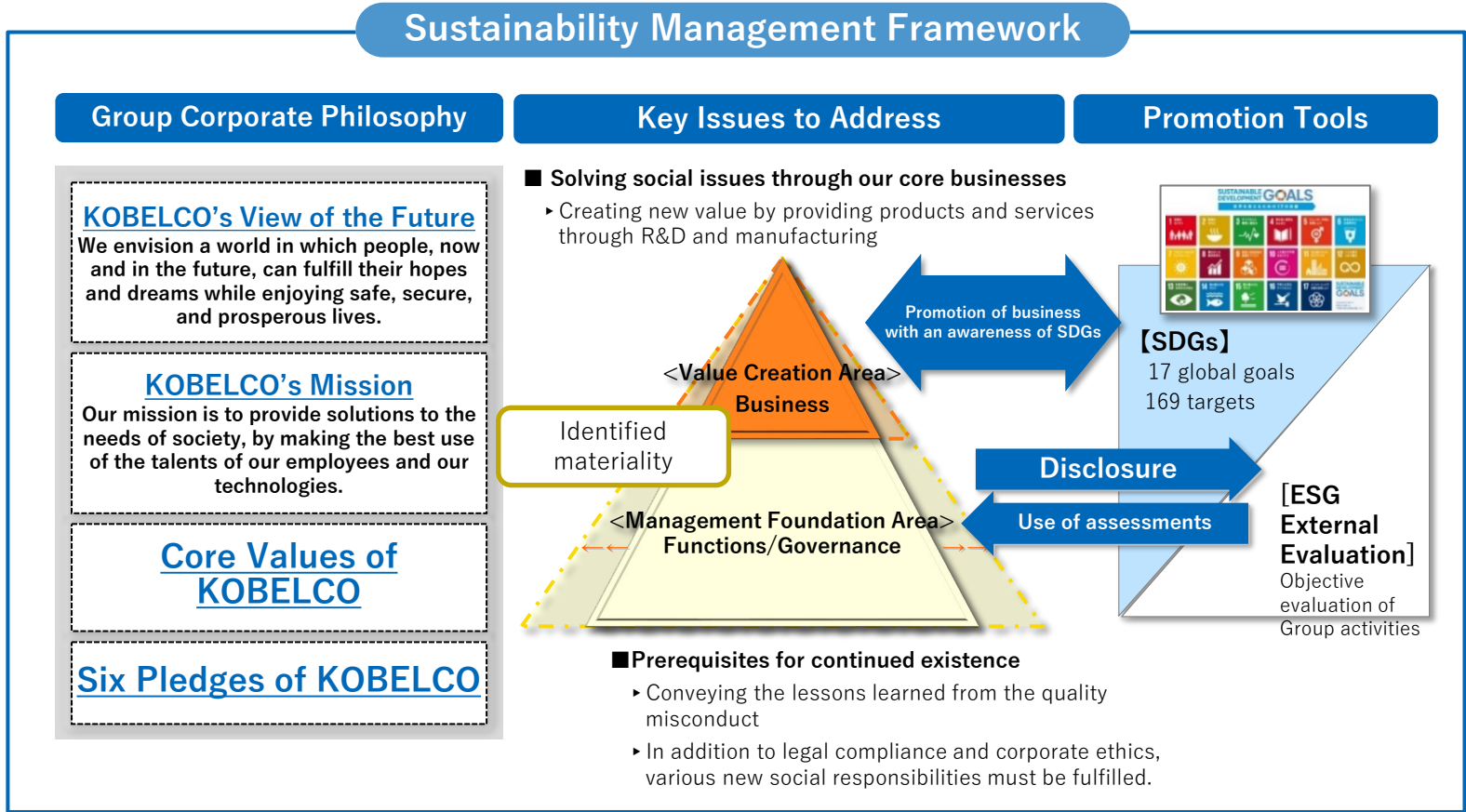
Historical Background

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

Current Situation (Relationship with Stakeholders)



- ❖ Promoting sustainability management based on the Group Corporate Philosophy under the framework as provided below.
- ❖ Achieving sustainable growth and pursuing the medium- to long-term improvement of corporate value by fulfilling KOBELCO’s Mission toward the realization of KOBELCO’s View of the Future.



(3) KOBELCO Group's Sustainability Management –Materiality–

❖ In order to promote sustainability management more effectively, the KOBELCO Group has identified among various key issues the priority areas in which management resources should be invested.

Value Creation Area
Management Foundation Area

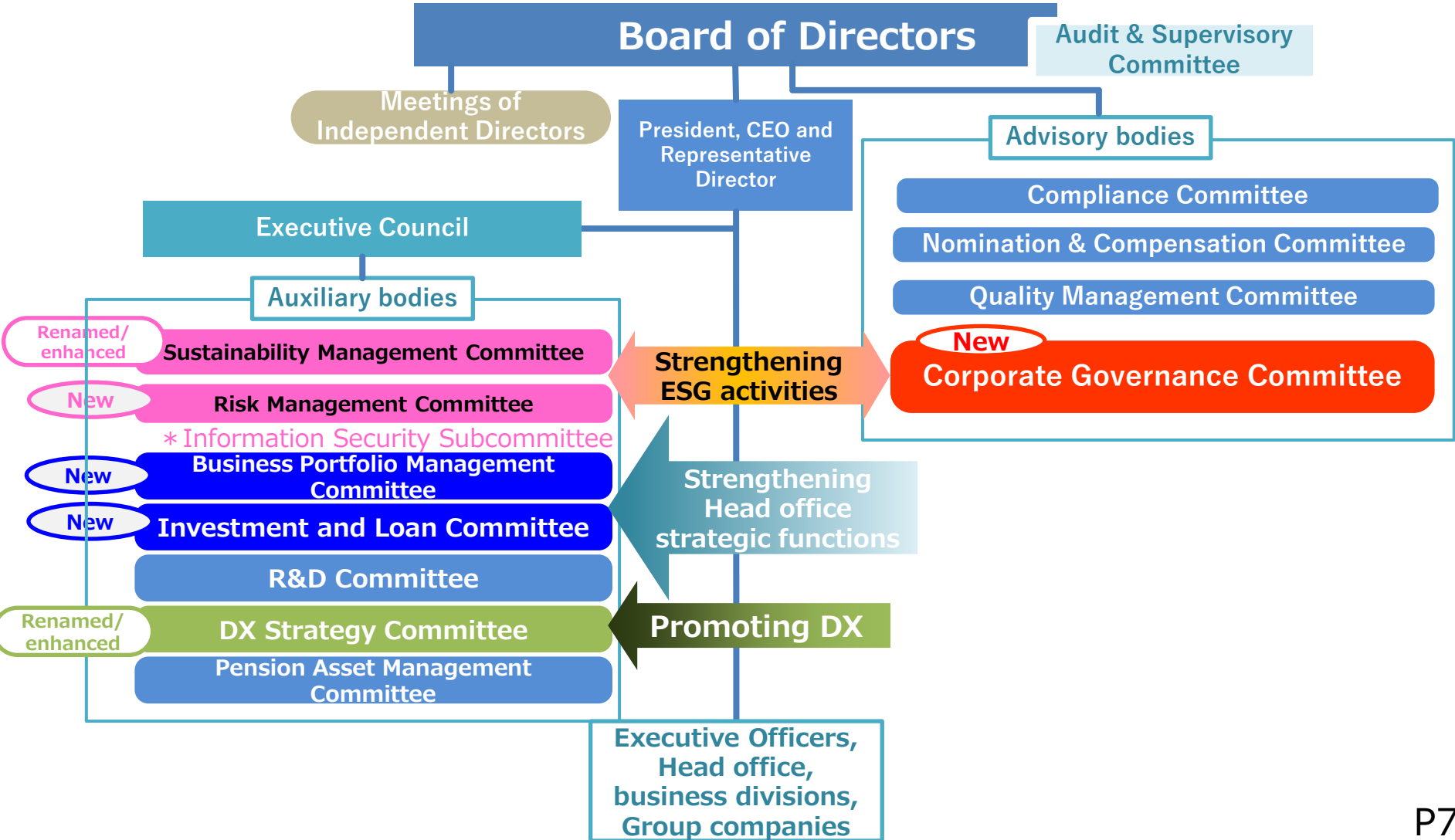
Materiality of the KOBELCO Group		Relevance to SDGs
Contributing to a green society*1	Response to climate change	
	Response to resource recycling	
Ensuring safety and security in community development and manufacturing	Supplying energy focused on energy security, economic efficiency, environment, and safety (3E plus S) *2	
	Providing materials and machinery that meet needs	
	Improving safety and productivity	
Providing solutions for the future connecting people and technology	Reforms in manufacturing and operations through digital transformation	
	Fusion and innovation of diverse intellectual assets	
Promoting active participation of diverse human resources	Diversity and inclusion	
	Work style reforms	
	Human resources development	
Pursuing governance that supports sustainable growth	Compliance and risk management	
	Respect for human rights	
	Safety and health	
	Quality assurance	
	Corporate governance	

*1 A green society is not limited to the narrow meaning of a society merely using natural energy, but is defined as a society that deals with climate change issues and resource recycling

*2 3E+S=Energy Security, Economic Efficiency, Environment + Safety

(3) KOBELCO Group's Sustainability Management – Organizational Structure – **KOBELCO**

- ◆ The Sustainability Management Committee, an auxiliary body to the Executive Council, plays the leading role on the executive side, and further promotes and strengthens sustainability management and ESG activities in cooperation with other advisory and auxiliary bodies.



(4) Building Responsible Supply Chains

–Overview of the Requests to Suppliers–

➤ Among the nine items of **the Requests to Suppliers**, announced in September 2020 and the items covered by **the Materiality**, we would like to focus on Section 2. Human Rights & Labor, Section 4. The Environment, and Section 5. Fair Trade & Ethics, which are the areas of greatest interest among global companies.

Requests to Suppliers, announced in September 2020			
1. Legal Compliance	(1-1) Legal compliance		
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, Right of collective bargaining	5. Fair trade & Ethics	(5-1) Prevention of corruption (5-2) Prohibition of the provision and receipt of unjust or inappropriate favors or benefits (5-3) Appropriate information disclosure (5-4) Respect for intellectual property (5-5) Fair business practices (5-6) Protection of whistleblowers (5-7) Prohibition of the use of conflict minerals
3. Safety & Health	(3-1) Occupational safety (3-2) Preparation for emergency (3-3) Occupational accidents and illness (3-4) Industrial hygiene (3-5) Consideration for physically demanding work (3-6) Safety measures for machinery and equipment (3-7) Safety and health for facilities (3-8) Safety and health communication (3-9) Health care for workers	6. Quality & Safety	(6-1) Ensuring product safety (6-2) Establishment and operation of quality management system
4. The Environment	(4-1) Environmental permits and reporting (4-2) Reducing energy consumption and greenhouse gas emissions (4-3) Emissions into the atmosphere (4-4) Water management (4-5) Effective use of resources & waste management (4-6) Management of chemical substances (4-7) Management of chemical substances contained in products	7. Information Security	(7-1) Protection against cyber attacks (7-2) Protection of personal information (7-3) Prevention of leakage of confidential information
		8. Business Continuity Plan	(8-1) Formulation and preparation of business continuity plan
		9. Social Contribution	(9-1) Contribution to society and local communities

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(1) CSR for the Environment

Historical Background

Transition to carbon neutrality and social transformation

In the 1970s	In the 1980s	In the 1990s
<ul style="list-style-type: none"> ➤ In 1972: Attended by 114 countries, the UN Conference on the Human Environment → Declaration on the Human Environment → The UN Environment Programme ➤ In 1972: The Club of Rome released "The Limits to Growth". 	<ul style="list-style-type: none"> ➤ In 1984 : Establishment of "World Commission on Environment and Development" → Presenting "Sustainable development" as the central idea of the report "Our Common Future" published in 1987 ➤ In 1988: Establishment of Intergovernmental Panel on Climate Change (IPCC) 	<ul style="list-style-type: none"> ➤ In 1992: The UN Conference on Environment and Development (Earth Summit) → The UNFCCC signed. ➤ In 1994: The UNFCCC became effective, and the First COP1 held. ➤ In 1997: COP3→Kyoto protocol ~~~~~ ➤ In 2021 : COP26 (UK)

- ✓ **121 Countries** committed to achieving carbon neutrality
- ✓ **The US, the EU and other regions** set **huge investment targets** for climate change measures.

(2) KOBELCO Group's Initiatives –Actions on Climate Change–



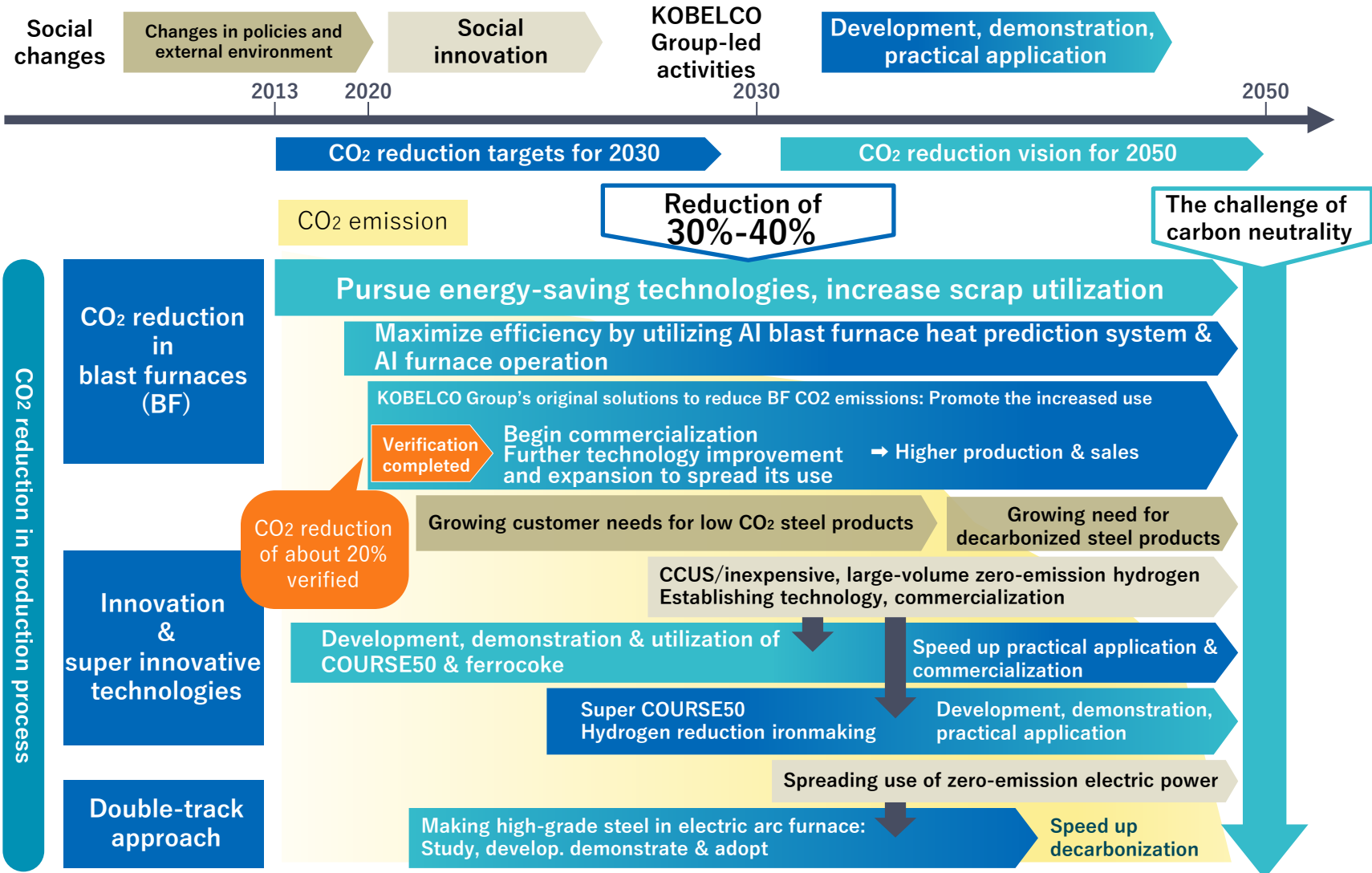
The KOBELCO Group contributes to CO2 emission reduction through its original technologies, products and services, in addition to reducing CO2 emissions in its production processes. We have set targets and vision for these two aspects for FY2030 and FY2050, respectively.

	FY2030 targets	FY2050 vision
Reduction of CO2 emissions in production processes	30% to 40% (vs. FY2013) (※ 1)	<u>Take on the challenge of achieving carbon neutrality</u>
Contribution to reduction of CO2 emissions through technologies, products, and services (* 2)	61 Mt (including 45 Mt through MIDREX® Process) (* 3)	100 Mt or more

(*1) Much of the scope of the reduction targets consists of CO2 reduction in the ironmaking process. We reviewed the targets announced in September 2020 (included the increased use of original solutions in addition to the change from BAU to total amount basis).
 (*2) The KOBELCO Group contributes to the reduction of CO2 emissions in various areas of society through its distinctive technologies, products, and services.
 (*3) Reviewed calculation formula announced in September 2020

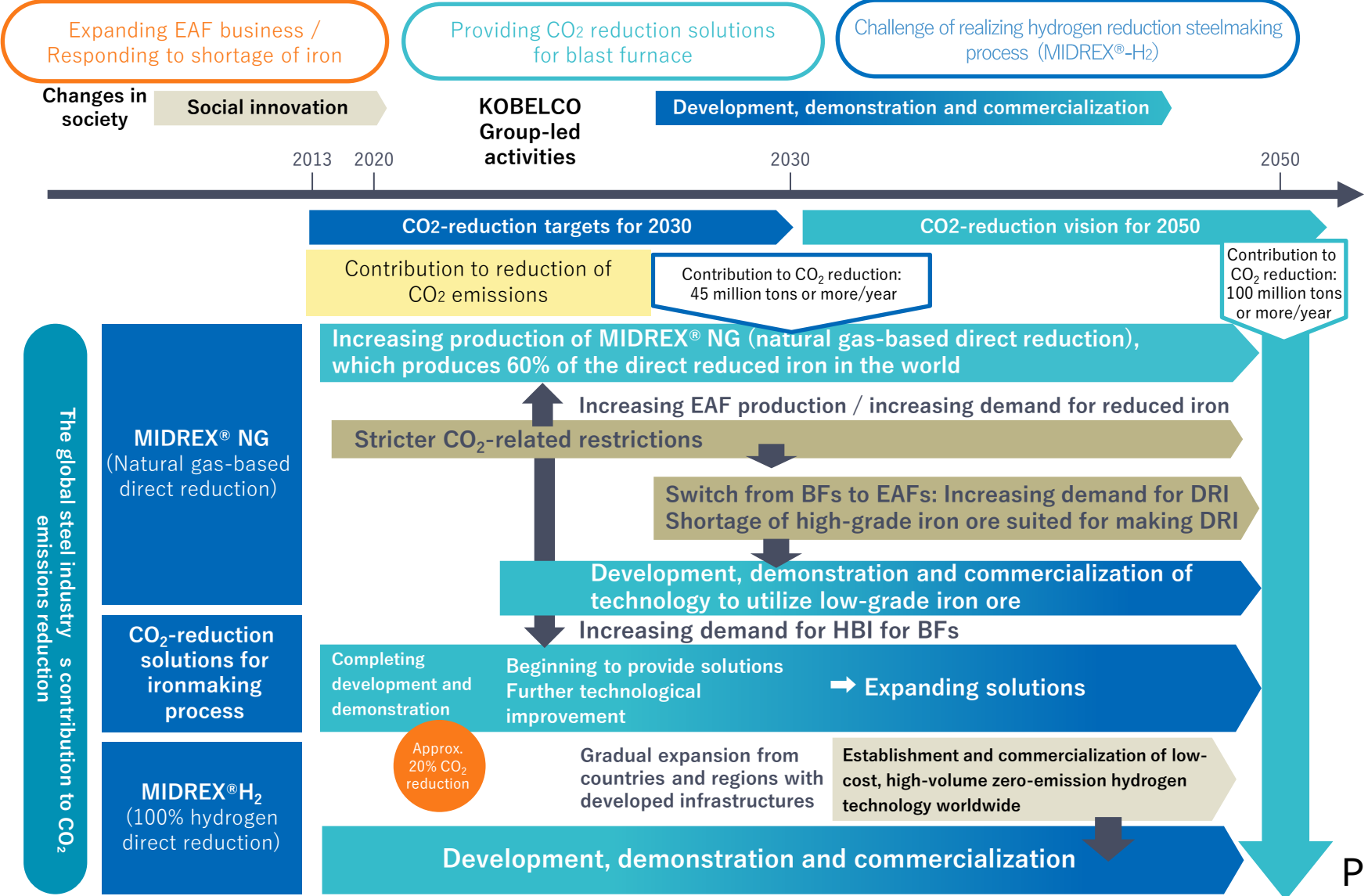


Ironmaking Process: Roadmap toward Carbon Neutrality

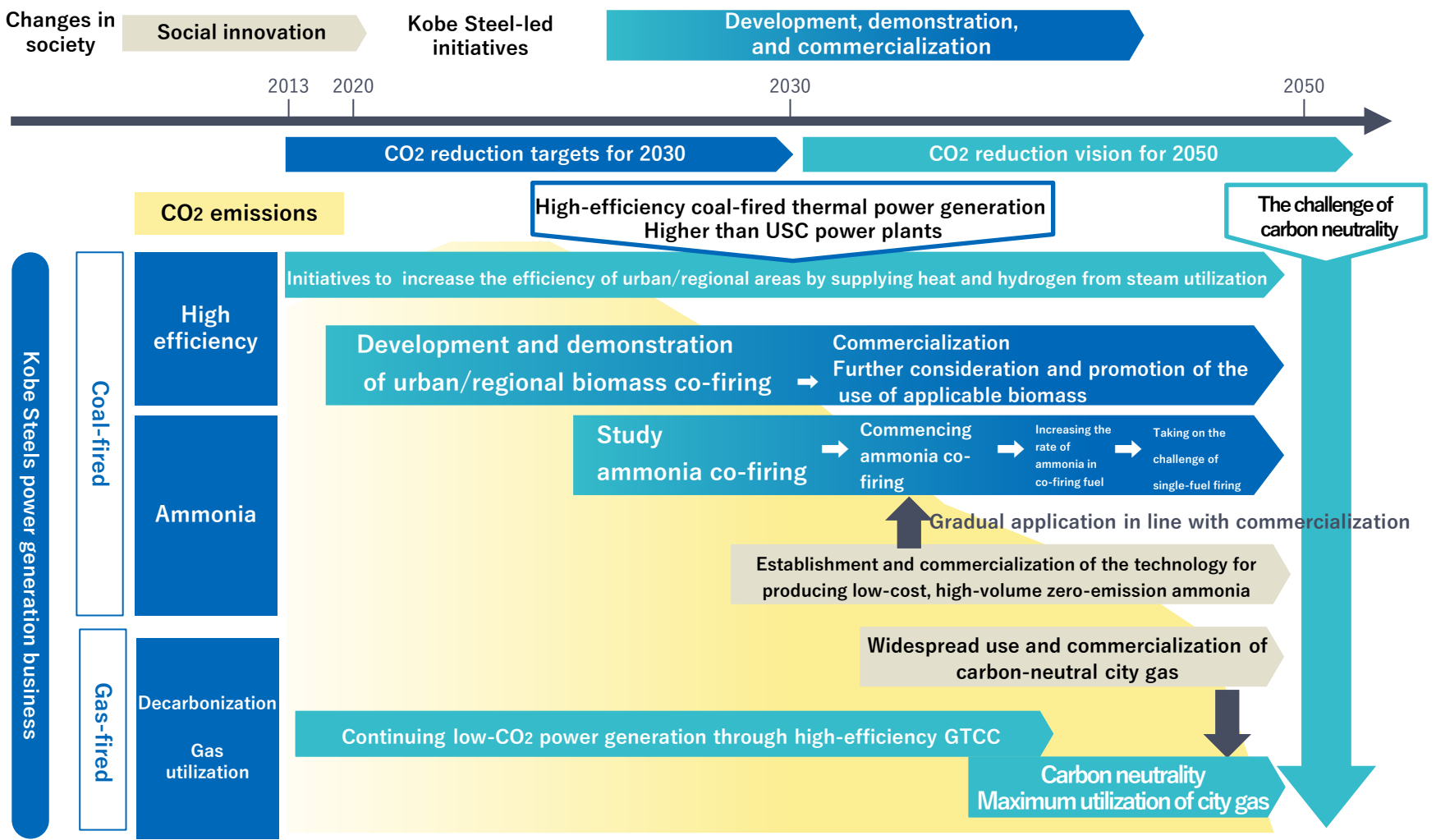


Roadmap for CO₂ reduction through MIDREX®

❖ Providing CO₂ reduction solutions for various steelmaking processes through MIDREX® and increasing earnings

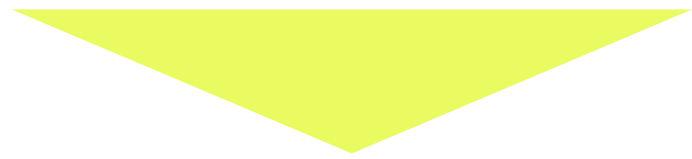


Electric Power Business : Roadmap toward carbon neutrality



Recycling of water

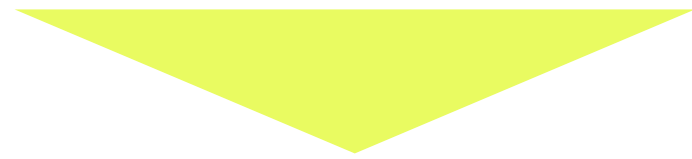
- Our group is working to conserve water by improving production processes and using recycled water. In addition, wastewater from production processes is purified to reduce drainage of pollutants.
- Our Group companies in Japan **recycles about 96% of its water** in fiscal 2020.



**Maintaining
95% or more**

Recycling of waste

- Our group is working to reduce the generation of waste, while increasing the added value of by-products from the production process and actively promoting recycling through the development of new applications.
- Our Group companies in Japan **recycles 98.7%** of its three main waste products (slag, dust and sludge) in fiscal 2020.



Recycling of three main items
Targets for FY2025
99%

(3) Requests to Suppliers

【4. Environment→ KOBELCO Group's initiatives regarding ②, ④ and ⑤ below are explained.】

①	Environmental permits and reporting	➤ Obtain the necessary permits and approvals for the business in accordance with the laws and regulations of the location of the business, register and report them.
②	Reducing energy consumption and greenhouse gas emissions	➤ Work to improve energy efficiency and continuously reduce energy consumption and greenhouse gas emissions.
③	Emissions into the atmosphere	➤ Comply with relevant laws and regulations and take appropriate measures to reduce emissions of hazardous substances into the atmosphere.
④	Water management	➤ Comply with laws and regulations, monitor water sources, use and discharge, and conserve water. All wastewater should be identified, monitored, controlled, and treated as necessary prior to discharge or disposal. In addition, identify pollution sources that may cause water pollution and implement appropriate management.
⑤	Effective use of resources & waste management	➤ Promote reduction, reuse, and recycling, make effective use of resources, and minimize the generation of waste while complying with laws and regulations and conducting appropriate management.
⑥	Management of chemical substances	➤ Comply with laws and regulations, identify, label, and control chemical substances and other substances that pose a hazard to humans and the environment, and manage them to ensure their safe handling, transfer, storage, use, recycling or reuse, and disposal.
⑦	Management of chemical substances contained in products	➤ Comply with all applicable laws, regulations and customer requirements regarding the prohibition or restriction of the use of certain substances in products.

Climate Change

Resource recycling

Requests to suppliers

- We hope our suppliers will **set voluntary goals/visions and make efforts to achieve them.**
- We will continue to communicate with our business partners and work together to solve any issues that may arise, toward a common goal.

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(1) CSR for Human Rights

Historical Background (From the 1940's)

UN Guiding Principles on Business and Human Rights

From the 1940s–1990s	From the 2000s and beyond
<ul style="list-style-type: none"> ➤ In 1946: Revision to the ILO Constitution ➤ In 1948: The Universal Declaration of Human Rights ➤ In 1966: International Covenant on Civil and Political Rights (to make the Universal Declaration of Human Rights legally binding) 	<ul style="list-style-type: none"> ➤ In 2000: The UN Global Compact ➤ In 2010: The Dodd-Frank Wall Street Reform and Consumer Protection Act (→ Conflict Minerals Regulation) ➤ In 2010: ISO 26000 (Guidance on Social Responsibility) ➤ In 2011: The UN Guiding Principles on Business and Human Rights → Included in the OECD Guidelines for Multinational Enterprises <div style="background-color: #FFDAB9; padding: 5px; margin-top: 5px; text-align: center;"> Became international standards that countries and companies should respect </div> ➤ In 2015: Enactment of human rights due diligence laws in major countries such as the UK, France, Switzerland, Netherlands, etc. ➤ In 2020 : The Japanese government formulated the National Action Plan on Business and Human Rights (2020–2025)

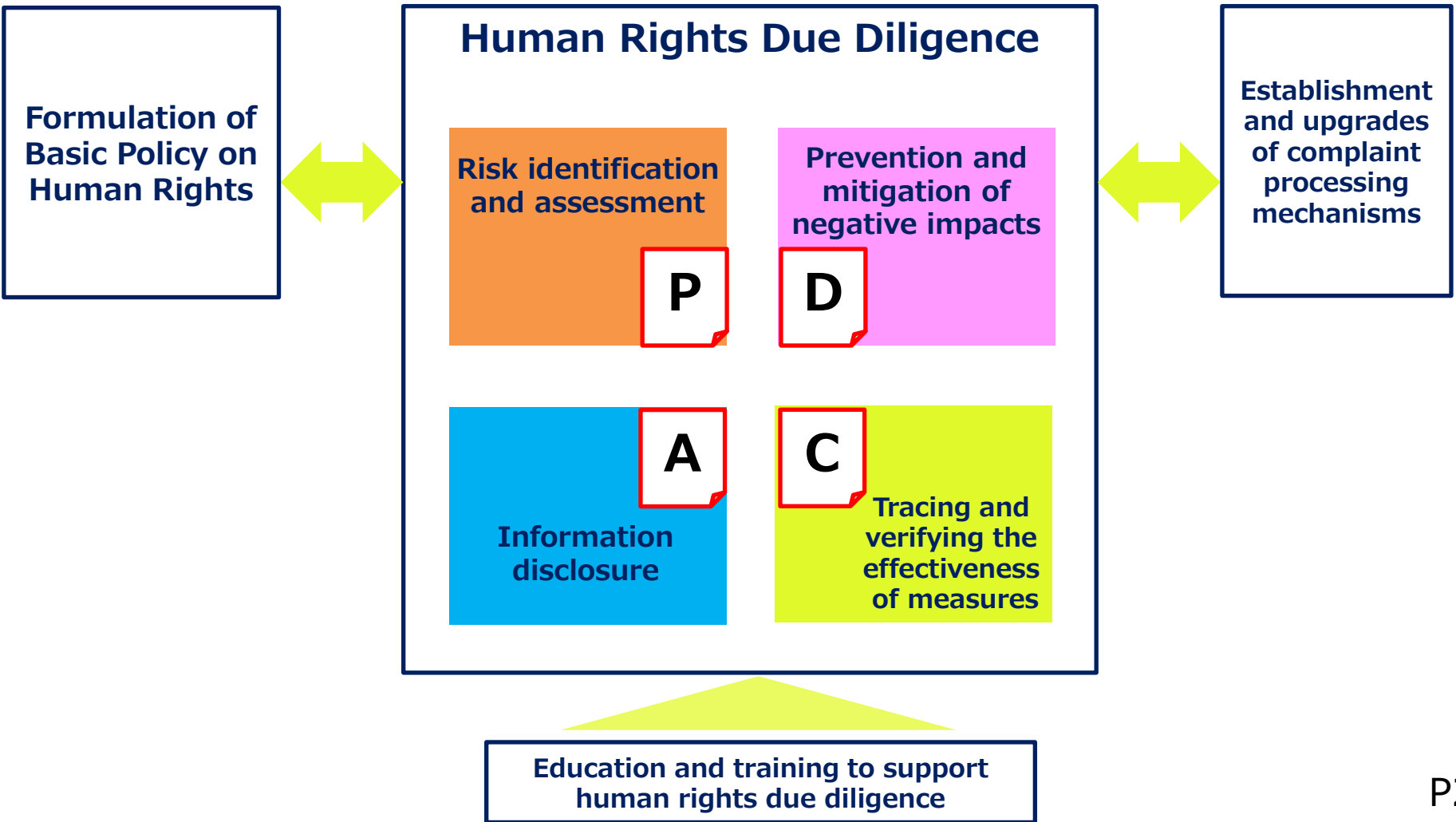
Three main contents
1. The state duty to protect human rights
2. The corporate responsibility to respect human rights <ul style="list-style-type: none"> a. Policy commitment Business enterprises should express their commitment to meet this responsibility through a statement of policy b. Human rights due diligence Business enterprises should carry out human rights due diligence by: <ul style="list-style-type: none"> ✓ Identifying and assessing actual or potential adverse human rights impacts; ✓ Integrating and acting upon the findings; ✓ Tracking the effectiveness based on qualitative and quantitative indicators; ✓ Communicating externally how impacts are being addressed.
3. Access to remedy

◆ Based on the recognition that the respect for human rights is an important social responsibility for companies, the KOBELCO Group, a corporate group that operates businesses on a global scale, respects the International Bill of Human Rights adopted by the United Nations and formulated the Group's Basic Policy on Human Rights in October 2019 and released it on its website. This clearly demonstrates our commitment to respect human rights in accordance with the UN Guiding Principles on Business and Human Rights and other international standards.

KOBELCO Group's Basic Policy on Human Rights	
(1)	Respect for human rights
(2)	Elimination of discrimination
(3)	Prohibition of harassment
(4)	Respect the right to work
(5)	Prohibition of child labor and forced labor
(6)	Providing a pleasant workplace environment
(7)	Contribution to local society

(2) KOBELCO Group's Initiatives – Human Rights Due Diligence – **KOBELCO**

◆ With the aim of preventing or mitigating the negative impact of its business activities on human rights, our Group aims to **establish a system for human rights due diligence** in which it conducts preventative surveys and evaluations and corrects them through appropriate means. We will continue to implement these measures and disclose information on the progress and results.



(2) KOBECLO Group's Initiatives – Diversity & Inclusion – **KOBELCO**

- ◆ Kobe Steel has been working to enhance the growth potential of the entire organization by encouraging people with diverse backgrounds and values to make full use of their abilities in the workplace. We believe this will lead to vigorous development of our business. Our Company has set forth its vision, basic policy, and numerical targets (for FY2023) for diversity development.

◆ Increasing the employment rate of female new graduates

Female administrative employees
in career-track positions:

50% or more

Female technical employees
in career-track positions:

15% or more

Female technical employees
in general positions:

15% or more

◆ Development of female leaders

Ratio of female employees
in management positions:

2 times
compared to FY2020

Number of female site supervisors:

2 times
compared to FY2020

◆ Support for male employees' participation in childcare

Percentage of employees
taking special childcare leave:

100%

Initiative to Support LGBT People

- We are promoting initiatives for understanding and supporting LGBT issues. We conduct a variety of in-house training programs for all executives and employees to raise the awareness of LGBT issues. In addition, we have created a logo to express that we are an Ally of LGBT and set up a consultation desk.

KKOBELCO LGBT ALLY Logo



Initiatives for Employees with Disabilities

- We have been actively promoting the recruitment of employees with disabilities and the establishment of a comfortable work environment that allows them to fulfill their individual potential. Kobe Steel conducts recruitment activities throughout the year with an aim to have an increased number of employees with disabilities. Our efforts include collaboration with local employment service centers (called Hello Work in Japan) and polytechnic schools for those with disabilities, participation in joint job interview events, school visits, and more. As of June 1, 2020, the percentage of people with disabilities employed at Kobe Steel is 2.34%.

(3) Requests to Suppliers

[2. Human Rights and Labor → KOBELCO Group's initiatives regarding ① through ⑦ below are explained.]

✓ Basic Policy on Human Rights
 ✓ Human rights due diligence
 ✓ Diversity & Inclusion

①	Prohibition of forced labor	➤ Do not use labor obtained by coercion, detention, exploitative prison labor, slavery, or trafficking. Do not enforce employment of any kind and protect workers' rights to quit or terminate their employment.
②	Prohibition of child labor and consideration for young workers	➤ Do not allow the work of children under the minimum working age. Do not allow young workers under the age of 18 to engage in night work, overtime, or other hazardous work that may harm their health or safety.
③	Consideration for Working Hours	➤ Do not allow employees to work beyond the limits set by the laws and regulations of the work location and conduct appropriate management of their working hours and holidays.
④	Adequate wages and benefits	➤ Comply with all applicable laws and regulations regarding compensation paid to workers, including minimum wages, overtime, and legally mandated benefits and deductions.
⑤	Prohibition of inhumane treatment	➤ Respect the human rights of our workers and do not treat them with inhumane treatment such as mental or physical abuse, coercion, harassment, or any other possible similar act.
⑥	Prohibition of discrimination	➤ Do not engage in discrimination or harassment. Give due consideration to the demands of workers regarding religious customs to an appropriate extent.
⑦	Freedom of association, Right of collective bargaining	➤ Respect the right of workers to organize as a means of realizing labor-management consultations on the working environment and wage levels, in compliance with local laws and regulations.

Requests to Suppliers

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Request to Suppliers – Fair Trade & Ethics –

①	Prevention of corruption	➤ Do not involve in any bribery, corruption, extortion or embezzlement of any kind.
②	Prohibition of the provision and receipt of unjust or inappropriate favors or benefits	➤ Do not allow receiving or promising/demanding to receive any favors or benefits provided as a means of obtaining unjust or inappropriate benefits. Do not offer or promise/demand to offer bribes or other unjust or inappropriate favors or benefits.
③	Appropriate information disclosure	➤ Disclose information about labor, health & safety, quality, environmental activities, business activities, organizational structure, financial position, and business performance in accordance with applicable laws, regulations, and industry practices. Do not tolerate falsification of records or false disclosure.
④	Respect for intellectual property	➤ Ensure that your company's intellectual property is licensed and managed so as to be properly protected by law. Do not infringe or misuse the intellectual property of third parties.
⑤	Fair business practices	➤ Conduct fair competition and advertising in business activities.
⑥	Protection of whistleblowers	➤ Handle information obtained through reporting as confidential appropriately, and protect the anonymity of the whistleblower. Prohibit obstructions of reporting and disadvantageous treatment of whistleblowers.
⑦	Prohibition of the use of conflict minerals	➤ Promote a ban on the use of conflict minerals such as tin, tantalum, tungsten, gold, cobalt, mined in conflict areas such as the Democratic Republic of the Congo and neighboring countries.

Requests to Suppliers

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In order to build responsible supply chains, we formulated and issued the Requests to Suppliers in September 2020. In this video, we explained our initiatives focused on our Group's vision and approach.

In the future, our Group plans to conduct a questionnaire survey for understanding the situations of our suppliers toward building responsible supply chains. The survey is scheduled for the second half of fiscal 2021. We will inform you of the details when it is carried out. Thank you for your cooperation.

September 2020



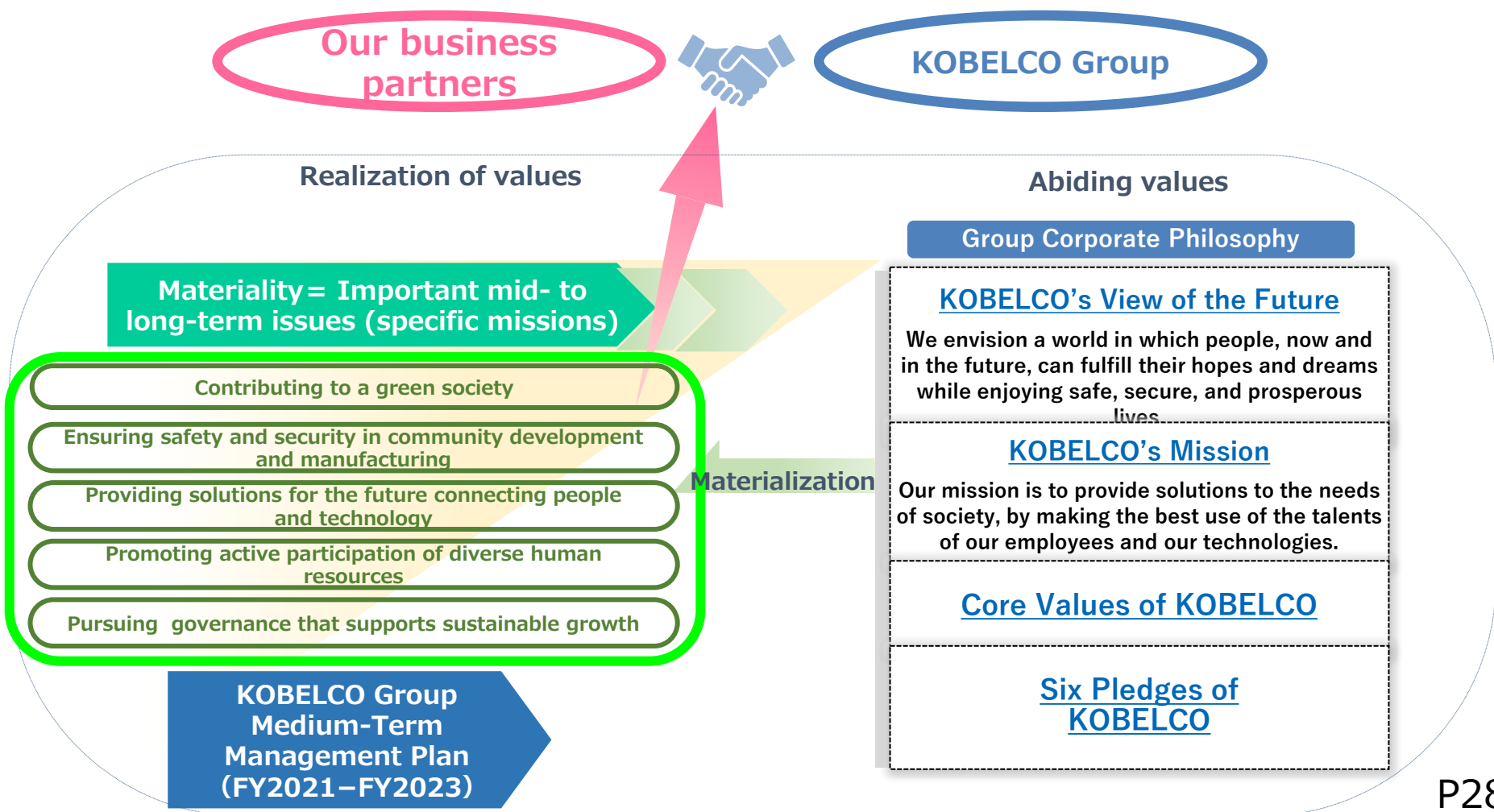
September 2021



Scheduled for
the second half of FY2021



The value created by the KOBELCO Group is supported by the responsible supply chains that we build together with our business partners. Your continued support and cooperation would be greatly appreciated.



Thank you!