

# Supply Chain Management

## Basic Approach

At the JXTG Group, we work to fulfill our social responsibilities across the entire supply chain by cooperating with suppliers of raw materials, logistics companies, construction companies, sales companies and others involved in our business activities, while carrying out initiatives to ensure compliance, attention to environmental preservation, and respect for human rights.

We have stated this approach in the JXTG Group Code of Conduct, and we have also established basic procurement policies for our Group companies in accordance with their business characteristics. Based on these policies, we work toward the continuous improvement of our procurement activities.

## JXTG Group Code of Conduct (excerpt)

### 3. Applicable Scope of the Code of Conduct

In principle, this Code of Conduct is applicable to all directors, officers and employees who work at JXTG Holdings, Inc., and its subsidiaries. We also encourage companies that are part of our value chain to comply with this Code of Conduct. These companies include, but are not limited to, suppliers of raw materials, logistics companies, construction companies, and sales companies.

## JXTG Nippon Oil & Energy CSR Procurement Policy

1. Conduct purchasing activities based on the JXTG Group Code of Conduct and relevant policies, and strive to gain understanding and cooperation from business partners with regard to the Code of Conduct.
2. Place emphasis on conducting transactions on an equal footing with business partners with whom a sustainable partnership is possible, and aim to establish a mutually trusting relationship.
3. Consider a wide range of potential business partners and determine their suitability from a comprehensive standpoint, taking into account factors such as quality, price, delivery, and stable supply requirements, as well as attention to the environment and greater society.

## JX Nippon Mining & Metals Group Basic Procurement Policy

### 1. Comply with laws, regulations, and rules and engage in fair transactions.

- Respect the letter and spirit of relevant laws and social norms in executing business operations.
- Conduct purchasing activities based on fair evaluations.
- Maintain appropriate relationships with business partners based on the highest ethical values.

### 2. Protect intellectual property rights.

- Strictly control personal information obtained in the course of procurement activities.
- Do not illegally obtain or illegally use intellectual property, including the patents, utility models, designs, and trademarks of third parties, and do not infringe on such rights.

### 3. Build relationships with business partners based on mutual understanding and trust.

- Provide business partners with high reliability and satisfaction through accurate, fast, and highly transparent activities.
- Endeavor to achieve robust communication with business partners and consistently promote creativity and innovation through advanced ideas.
- Contribute to the development of a sustainable society by promoting the purchase of environmentally friendly materials and machinery.

### 4. Follow the principles below regarding conflict minerals.

- Do not engage in raw materials procurement that contributes to illegal activities in conflict-affected regions or to human rights infringements through such illegal activities.
- Respect the guidance of the Organisation for Economic Co-operation and Development related to raw materials procurement from conflict-affected areas, and control supply chains in an appropriate manner.

### JX Nippon Mining & Metals Group Policy for Selecting Procurement Partners

- 1. Comply with laws, regulations, and social norms, such as those below, and place priority on human rights and environmental impact.**
  - Obey laws and regulations related to manufacturing and sales, etc.
  - Comply with labor-related laws and regulations.
  - Abide by laws and regulations related to safety and health and develop a proper labor environment.
  - Prohibit child labor and forced labor.
  - Prohibit discrimination based on race, gender, etc., and respect the human rights, personality, and individuality of employees.
  - Comply with environmental laws and regulations.
  - Prohibit bribery and other unfair conduct.
  - Do not engage in conflict minerals procurement or use that contributes to inhumane acts.
  - Shut out relations with antisocial forces.
- 2. Engage in sound and fair business management.**
- 3. Based on the JX Nippon Mining & Metals Group's Green Purchasing Guidelines, build environmental management systems and properly manage specified chemical substances.**
- 4. Offer stable supply capacity and satisfy the quality, price, delivery, and service requirements of the JX Nippon Mining & Metals Group.**
- 5. Possess technological capabilities that meet the requirements of the JX Nippon Mining & Metals Group.**

### Promotion of Green Purchasing

The JXTG Group periodically conducts surveys among its suppliers as part of its efforts to promote green purchasing, which prioritizes equipment and materials with a lower environmental impact, and helps to ensure the use of such equipment and materials.

In fiscal 2017, surveys were sent from JXTG Nippon Oil & Energy to 160 suppliers, with responses received from 155 suppliers, a response rate of 97%.

In fiscal 2017, surveys were sent from JX Nippon Mining & Metals to 449 suppliers, accounting for 95% of the value of items purchased and accepted by JX Nippon Mining & Metals, JX Nippon Environmental Services, and Pan Pacific Copper. Responses were received from 435 suppliers, a response rate of 97%.

The survey results are used for supplier selection as applicable.

### Promotion of CSR Procurement

Further expanding its green purchasing efforts, the JXTG Group is working toward the introduction of CSR procurement, which focuses on factors such as compliance, respect for human rights, enhancing the work environment, reducing environmental impacts, and assuring safety.

JXTG Nippon Oil & Energy established the JXTG Nippon Oil & Energy CSR Procurement Policy in July 2018.

In October 2018, 59 suppliers, accounting for 60% of the value of items purchased and accepted, attended a training session for promoting understanding and cooperation with regard to this policy, and also responded to a survey for risk assessment.

Based on analysis of the survey results, we will share measures to be implemented with our suppliers and make necessary corrections and improvements through proper dialogue.

Based on the results of JXTG Nippon Oil & Energy's initial efforts, other Group companies will also integrate CSR procurement into their business operations going forward.

### Confronting the Issue of Conflict Minerals

Regarding the JX Nippon Mining & Metals Group, relevant industry organizations (including the LBMA<sup>1</sup> and RBA) have established monitoring programs for eliminating conflict minerals. Under these programs, companies are requested to carry out surveys and undergo external audits by an independent organization.

Accordingly, the JX Nippon Mining & Metals Group has included a clause on the exclusion of conflict minerals in its Basic Procurement Policy, and has established and operates management systems to appropriately address this issue.

Specifically, Pan Pacific Copper, a producer of gold bullion, has established and operates a management system for supply chain due diligence that calls for the following actions to be taken:

1. Performing supply chain due diligence before purchasing mineral raw materials.
2. Notifying suppliers of the policy on exclusion of conflict minerals.
3. Conducting in-house education on supply chain due diligence and its background.
4. Conducting internal audits and undergoing external audits.

Operation of the system is audited by an independent organization specified by the LBMA, and the results are reported to the LBMA. As a result of following these procedures, the gold bullion produced at Pan Pacific Copper's Saganoseki Smelter & Refinery is included on the LBMA's Good Delivery List.

The Saganoseki Smelter & Refinery has also been included on the Conflict-Free Smelter list compiled by the RBA and GeSI,<sup>2</sup> recognition that it is taking proper measures to exclude conflict minerals.

Moreover, in September 2017, the LBMA announced its Responsible Silver Guidance (RSG), which requests appropriate due diligence in silver supply chains. The JX Nippon Mining & Metals Group intends to follow RSG, and in fiscal 2018 began establishing rules and taking other steps to ensure conformance.

<sup>1</sup> London Bullion Market Association. An industry association composed of financial institutions and others that deal in gold bullion. Inclusion on this association's Good Delivery List is viewed as a guarantee of high quality and reliability.

<sup>2</sup> Global e-Sustainability Initiative (a trade association of the information and communications technology industry in Europe). The LBMA and GeSI together created the Conflict-Free Smelter (CFS) certification program given the high risk of conflict minerals being used in electronic and communications equipment.



Certificate from the LBMA