



# The Supply Chain

## Why SUMCO Addresses the Supply Chain

Year after year, stakeholders have been exhibiting a growing interest in companies' social responsibility through the supply chain in the course of their business activities.

In light of these growing concerns, the SUMCO Group believes it is important to share CSR-related societal demands with suppliers and to collaborate with them on issues including human rights, labor, safety, the environment and ethics in the supply chain.

## Basic Stance on CSR Procurement

SUMCO promotes responsible procurement activities to fulfill its social responsibilities across the supply chain. We thoroughly share various issues related to the supply chain with suppliers

and tackle procurement activities with those issues in mind to ensure that customers can use our products with peace of mind and to satisfy our various stakeholders.

## Management System

In addition to procurement departments, the departments at SUMCO responsible for quality assurance, CSR, environmental management and safety and health coordinate on supply chain management efforts. Specifically, we issue various questionnaire forms (described later) and collect the responses, conduct audits of quality, CSR and the environment respectively and reflect the results obtained from these efforts in our assessment of suppliers in an effort to develop more robust supply chain management.

## Procurement Policy

In the procurement of materials, SUMCO strives to engage in fair and rational trade with suppliers based on mutual trust. With the cooperation of suppliers, we also actively promote initiatives to fulfill our corporate social responsibilities, including compliance with related laws, ordinances and social norms, and efforts to support global environmental conservation.

### 1. Transactions based on partnership

We will develop favorable partnerships with our suppliers based on mutual trust.

### 2. Fair transactions

We will ensure that our procurement is clean, open and fair.

### 3. Promotion of value analysis (VA) activities

We will encourage our suppliers to conduct value analysis (VA) activities in order to propose cost improvement methods, new materials, new technologies and others, and will actively adopt such proposals.

### 4. Compliance in procurement activities

We will comply with laws, ordinances and social norms in the course of our procurement activities.

### 5. Fulfillment of corporate social responsibilities

We will fulfill our social responsibilities when conducting procurement activities across our entire supply chain, including our suppliers.

### 6. Green procurement

We promote the procurement of materials with minimum environmental impact.

## CSR Procurement Activities

Through periodic briefings to suppliers and procurement activities such as those described below, we request our suppliers to make voluntary efforts to promote CSR management.

### (1) Supplier Handbook

To help suppliers understand our approach to procurement activities, we distribute Supplier Handbook, which includes a section on our procurement policy and requests to suppliers including items relating to CSR. The Supplier Handbook is posted on our dedicated procurement website used in SUMCO's daily procurement activities.

In this handbook, we ask suppliers that comprise our supply chain to promote CSR. As guideline to be followed in implementing CSR management, we ask suppliers to utilize the RBA (Responsible Business Alliance) Code of Conduct (formerly known as the EICC Code of Conduct), and also encourage sub-contractors and sub-subcontractors to implement CSR management in a similar fashion.

### (2) Green Procurement Guidelines

To promote the procurement of products with a minimal environmental impact (green procurement), we have also posted Green Procurement Guidelines on the dedicated procurement

website. The guidelines summarize relevant laws and ordinances, the RoHS Directive, REACH regulations, prohibited or controlled substances designated in customer requests and other pertinent information.

### (3) Raw Material Surveys

SUMCO's procurement and environmental management departments work together to promote green procurement by asking suppliers to submit certificates of non-use of prohibited substances as well as issuing and collecting various questionnaires, in order to confirm that substances specified in the Green Procurement Guidelines are not being used.

### (4) CSR Questionnaires and Audits

We distribute and collect CSR questionnaires based on the RBA Code of Conduct to our main suppliers to review the status of CSR initiatives at each company. The questionnaires are issued to more than 200 such companies, and SUMCO has managed to secure responses from almost all of them. Based on the results of these questionnaires, we undertake regular CSR audits that include field audits of a given number of suppliers in order to verify the state of compliance with the items in the CSR questionnaire and confirm the status of improvements.

## Major Items in the CSR Questionnaire

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| <ol style="list-style-type: none"> <li>1. Human Rights and Labor               <ol style="list-style-type: none"> <li>(1) Freely chosen employment<br/>Examples: Prohibition of forced and bonded labor</li> <li>(2) No use of child labor<br/>Example: Prohibition on child labor, not having young workers engage in dangerous work</li> <li>(3) Limitation on Working Hours<br/>Example: Compliance with laws and ordinances on working hours and holidays</li> <li>(4) Lawful Wages<br/>Examples: Compliance with laws and ordinances on minimum wages</li> <li>(5) Humane Treatment<br/>Examples: Prohibiting harassment and establishing disciplinary mechanisms</li> <li>(6) Non-Discrimination<br/>Examples: Prohibiting discrimination on the basis of race, nationality, gender, age, sexual orientation, religion, disabilities or other traits</li> <li>(7) Freedom of Association</li> </ol> </li> <li>2. Safety and Health               <ol style="list-style-type: none"> <li>(1) Occupational Safety<br/>Examples: Obtaining and renewing permits and licenses, providing personal protective equipment</li> <li>(2) Preparedness for Emergency<br/>Examples: Setting up appropriate emergency evacuation doors and evacuation routes, conducting drills</li> </ol> </li> </ol> | <ol style="list-style-type: none"> <li>(3) Prevention of Occupational Injury and Illness</li> <li>3. Environment               <ol style="list-style-type: none"> <li>(1) Compliance with Environmental Laws and Ordinances<br/>Examples: Obtaining the necessary licenses and other permits, compliance with environmental standards</li> <li>(2) Pollution Prevention and Waste Reduction<br/>Examples: Reducing waste and greenhouse gases, controlling wastewater</li> <li>(3) Reduction in Energy Consumption and Greenhouse Gas Emissions</li> </ol> </li> <li>4. Ethics               <ol style="list-style-type: none"> <li>(1) Compliance with Laws<br/>Examples: Prohibiting bribery and corruption, establishing internal reporting systems</li> <li>(2) Fair Business Activities<br/>Examples: Compliance with laws and ordinances on fair trade, competition and advertising</li> <li>(3) Information Management<br/>Examples: Appropriate management of customer information and protection of intellectual property rights</li> </ol> </li> <li>5. Business Continuity               <ol style="list-style-type: none"> <li>(1) Risk Assessment and Risk Management</li> <li>(2) Business Continuity Plan (BCP)</li> </ol> </li> <li>6. Management Systems</li> </ol> |
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## Initiatives to Reduce Environmental Impact

Through the aforementioned CSR questionnaires and CSR audits, SUMCO strives to reduce environmental impact across the entire supply chain by incorporating items designed to review initiatives aimed at reducing the amount of waste generated, curbing greenhouse gas emissions and reducing the use of electricity, water and energy, and by recognizing suppliers implementing continually concrete reduction activities by setting numerical targets or taking other measures.

## Strengthening of Business Continuity Plans for Material Procurement

SUMCO promotes optimum inventory control and multi sources for procured materials according to the level of risk involved.

If a disaster or accident should occur, we immediately launch an investigation into its impact, while we take all possible steps for emergency procurement, including finding alternative suppliers and adopting alternative products, thus ensuring the necessary framework to do all we can to minimize the impact on production.

1. Continuing optimum inventory control based on the characteristics of each procured material  
We will review inventory quantities, storage sites, transportation methods and other aspects for each type of material whenever necessary.
2. Source investigation and risk response  
We will investigate and confirm production sites and sources of major items and respond according to the level of risk involved.
3. Maintenance, enhancement and review of business continuity plan for each item procured  
We will develop business continuity plans for each major item so that we can properly respond to the occurrence of any risk.
4. Risk assessment of suppliers  
We will periodically conduct checks on our main suppliers with respect to their financial condition, production systems, business continuity plans and other aspects, and respond appropriately depending on the results.