

Background of “Responsible Minerals Sourcing” and Administrative Work for the Survey

June 30, 2023

**Japan Electronics and Information Technology Industries
Association (JEITA)**

Responsible Minerals Trade Working Group

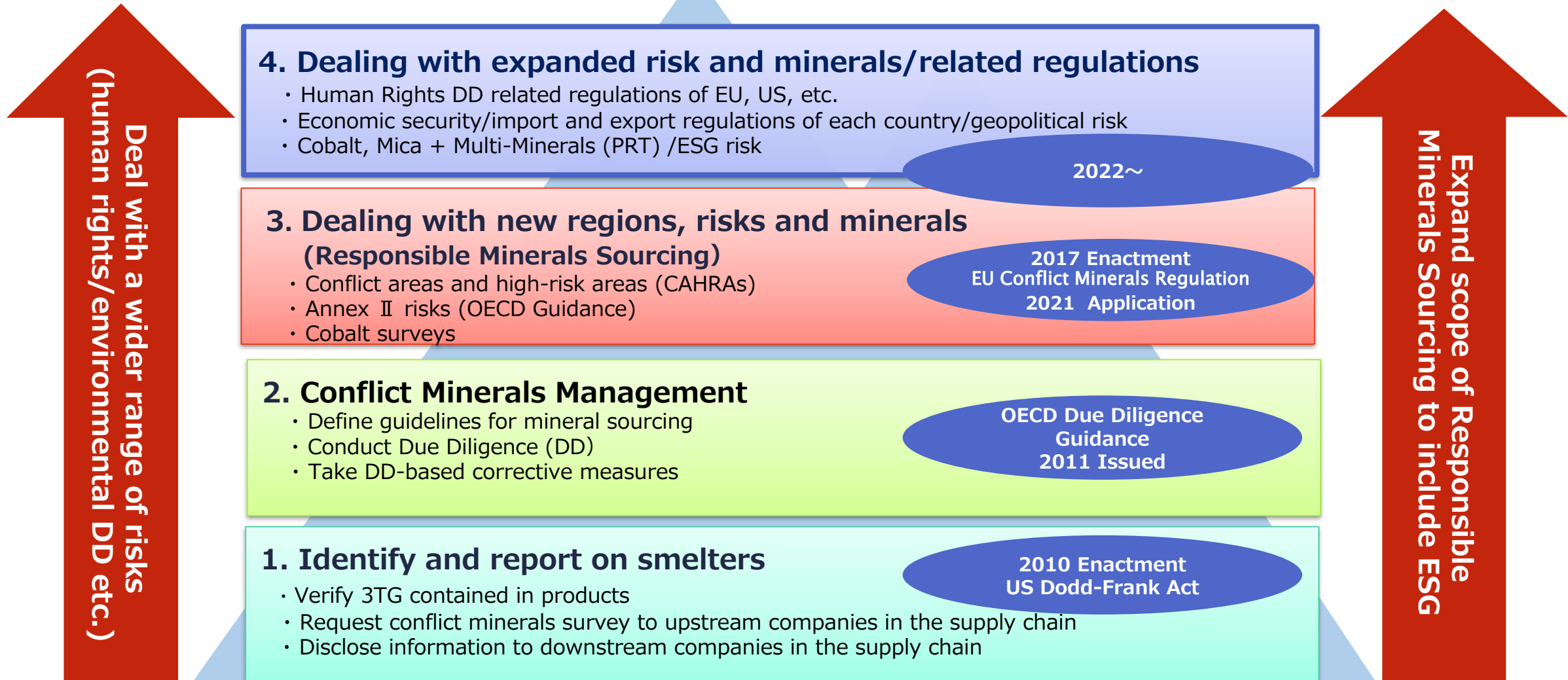
【Notice】

This document was created by the JEITA Responsible Minerals Trade Working Group. We endeavour to ensure to provide a wide range of information regarding Responsible Minerals Sourcing which is as accurate as possible, but please be aware that it may not always be accurate or the latest information.

- **Responsible Minerals Sourcing - Background**
 - Changes in the environment surrounding "Responsible Minerals Sourcing"
 - Trends of regulations relating to "Responsible Minerals Sourcing"
- **Other movements that affect due diligence**
- **Due diligence (DD) by downstream companies**
- **Notes regarding CMRT/EMRT for 2023 Survey**

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Changes in dealing with "Responsible Minerals Sourcing"



Broader and more complex approach is required in dealing with "Responsible Minerals Sourcing"

"Responsible Minerals Sourcing"

"From the perspective of sustainability/ESG, we do not use minerals implicated in human rights violations"

Scope of "Responsible Minerals Sourcing" required to companies

In the near future ...

Prepare to deal with

- ◆ DD related regulations/economic security/import and export regulations/geopolitical risks etc.
- ◆ Multi minerals/the overall supply (value) chain/ESG risk

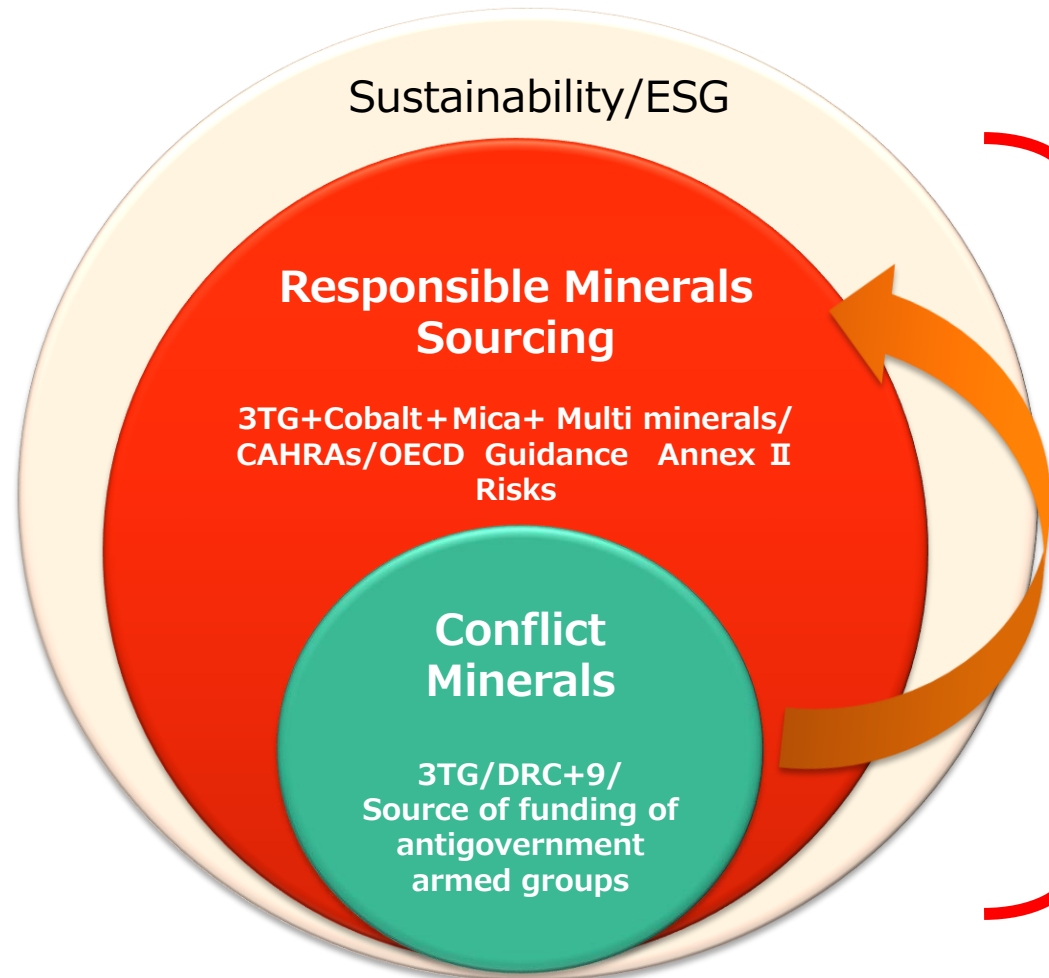
As of 2023...

- ◆ Efforts within RMI's RMAP (Responsible Minerals Assurance Process) scope 3TG+Cobalt+Mica/CAHRAs/Annex II Risk →Expand to all minerals auditing standard + worldwide (excluding CAHRAs)

Initially...

- ◆ Was based on US Dodd-Frank Act 3TG/DRC+9/Involvement in conflict (Funding sources for armed groups)

Scope covered by RMAP (CMRT/EMRT)

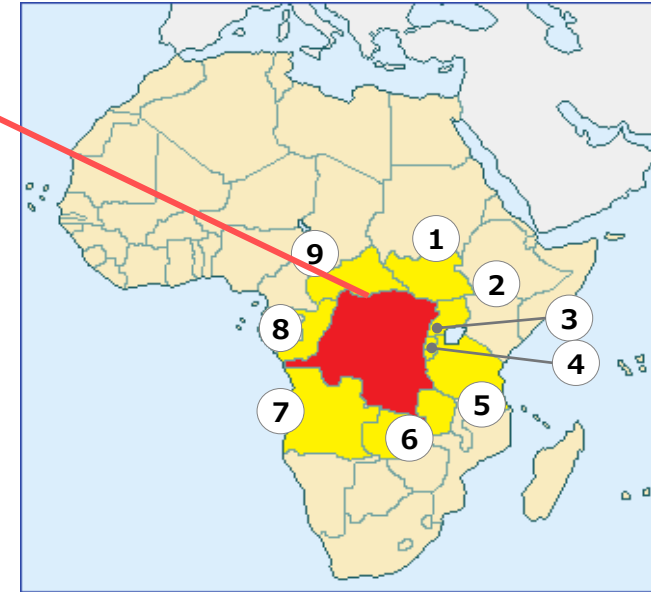


US Financial Regulatory Reform Act (Dodd-Frank Act)

- In the **Democratic Republic of the Congo (DRC)** and **nine neighboring countries**, the human rights violations and environmental destruction, etc. caused by armed groups funded by illegally mined mineral resources became an international problem.
- In July 2010, Article 1502 was consequently added to the US Financial Regulatory Reform Act (the "Dodd-Frank Act").
 - ① **Tantalum, tin, tungsten, gold (3TGs) defined as conflict minerals**
 - ② **US listed companies subject to the law required to investigate whether the conflict minerals used in their own products are providing that funding and disclose this the following year.**
- The final implementation rules were adopted in August 2012, and conflict minerals surveys began in earnest in 2013.

DRC

- ① South Sudan
- ② Uganda
- ③ Rwanda
- ④ Burundi
- ⑤ Tanzania
- ⑥ Zambia
- ⑦ Angola
- ⑧ Congo
- ⑨ Central Africa



- The Act that led to conflict minerals survey. Is still in force. 10 years have passed since surveys started in earnest, and the level of required due diligence has risen.
- Attention should also be paid to the US government's activities that have impact on company's procurement activities, such as the Uyghur Forced Labor Prevention Act, Japan-U.S. Critical Minerals Agreement, and SEC's Climate-Related Disclosure proposal.

EU Conflict Minerals Regulation (compared to US DFA)

	US Dodd-Frank Act (DFA)	EU Conflict Minerals Regulation
Effective Date	July 2010 Establishment Aug. 2012 Enforcement of SEC rules	July 2017 Establishment Jan. 2021 Fully applicable (DD responsibility)
Target	US listed manufacturers	Importers of minerals (mineral ore/unprocessed metal) to EU * Excluding parts and product importers
Risk	Does the mineral fund armed groups?	Based on OECD ANNEX II (Human rights violations, including child labor)
Minerals	Tin, tantalum, tungsten, gold	Tin, tantalum, tungsten, gold
Areas	DRC + surrounding 9 countries	Conflict Affected and High Risk Areas: CAHRAs
To do	1. Survey on 3TG use, country of origin 2. Supply chain DD 3. Submit annual report	1. Supply chain DD 2. Submit annual report 3. Ex post factor review by EU members

- RMAP is under review as an industrial scheme conforming to EU Regulations/OECD Guidelines
- The EU Regulation is undergoing re-examination, however, the revision of the Regulation is expected to come into force in 2025 or later, due to the process to confirm conformity with other bills for EU supply chain DD related regulations

“Conflict in DRC+9 Countries”

→ “OECD Annex II Risk in CAHRAs”

OECD DD Guidance Annex II

Model Supply Chain Policy for Responsible Global Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

1. Serious abuses associated with the extraction, transport or trade of minerals (child labor, etc.)
2. Direct or indirect support to non-state armed groups
3. Illegal acts by public or private security forces (protection money)
4. Bribery and fraudulent representation of the origin of minerals
5. Money laundering
6. Payment of taxes, fees, and royalties due to governments (tax evasion)

In addition to expansion of covered minerals/areas, covered risk is extended toward ESG Risk in addition to Annex II Risk

Definition in OECD DD Guidance Annex II

Conflict areas and high-risk areas (CAHRAs) are identified by the presence or absence of armed conflict, widespread violence, or other risks that could harm people.

Armed Conflict can take many forms, including international or non-international conflict. It can involve two or more countries, or it can be a war of liberation, a rebellion, or a civil war.

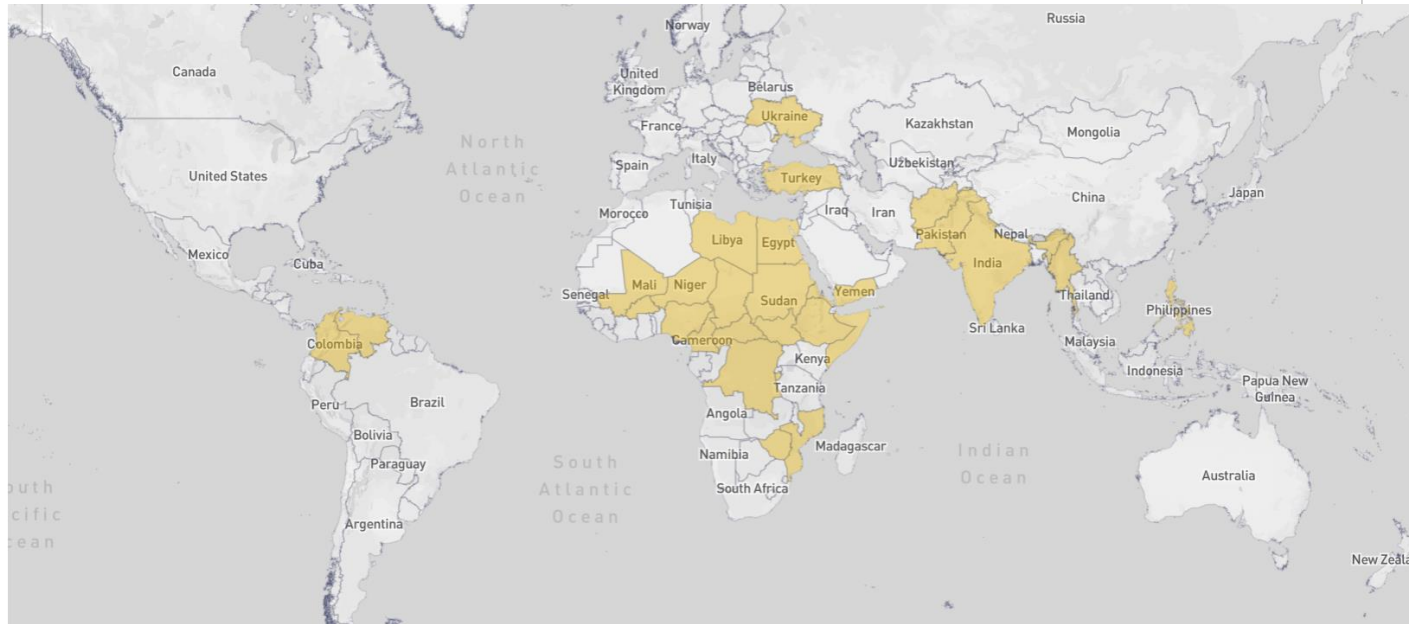
High-Risk Areas include areas with political instability, oppression, institutional shortcomings, and instability, areas where domestic infrastructure has collapsed, and areas where violence is widespread. There are widespread human rights abuses and violations of national or international law in these areas.

Definition in EU Conflict Minerals Regulation

Areas in a state of armed conflict, fragile post-conflict areas, as well as areas witnessing weak or non-existing governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses.

EU Conflict Minerals Regulation -CAHRA List-

CAHRA List released by EU based on EU Conflict Minerals Regulation <https://www.cahraslist.net/>



BURUNDI	
REGION(S)	Bubanza, Bujumbura Mairie, Bujumbura Rural, Bururi, Cankuzo, Cibitoke, Gitega, Karuzi, Kayanza, Kirundo, Makamba, Muramvya, Muyinga, Mwaro, Ngozi, Rutana, Ruyigi
AREA STATUS	Conflict-affected area
RELEVANT COMMODITIES	Gold Tin Tantalum and Niobium Tungsten

Overview of assessment

Burundi is considered a high-risk area under Regulation 2017/821. Several organisations have reported human rights and international law violations occurring in Burundi. These organisations include the Office of the United Nations High Commissioner for Human Rights (OHCHR), Amnesty International, Human Rights Watch (HRW), and the US Bureau of International Labor Affairs (ILAB).

The OHCHR, Amnesty International and HRW all report the suspension of the majority of international Non-Governmental Organisations (NGOs) from September 2018 onwards. The UN Office of the High Commissioner for Human Rights closed its office in Burundi in February 2019 and the government continues to refuse access to the country to the UN Commission of Inquiry on Burundi (Amnesty International, 2021; OHCHR, 2020). However, Amnesty International reports that relations with international partners improved in early 2022, as political dialogue resumed with the EU and Rwanda (Amnesty International, 2022). In October 2022, the border with Rwanda was reopened after years of closure (Crisis Group, 2022).

<Overview of EU CAHRAs List>

Institution commissioned by EC: Rand Europe

Release date of 1st version: December 17, 2020 (revised every 3 months)

Release date of current version: Revised on March 2023(major changes are stated in the Release Note of the above website)

Next update scheduled at the end of June 2023

Contents of List: 291 areas from 28 countries. Individual risk report by countries and areas are also released.

The number of areas include areas stated in individual risk reports.

Smelters and importers undergoing RMAP assessment should determine its risk based on various information sources (including this list)

(Ref.) Changes in CAHRAs List (Trends in the number of regions)

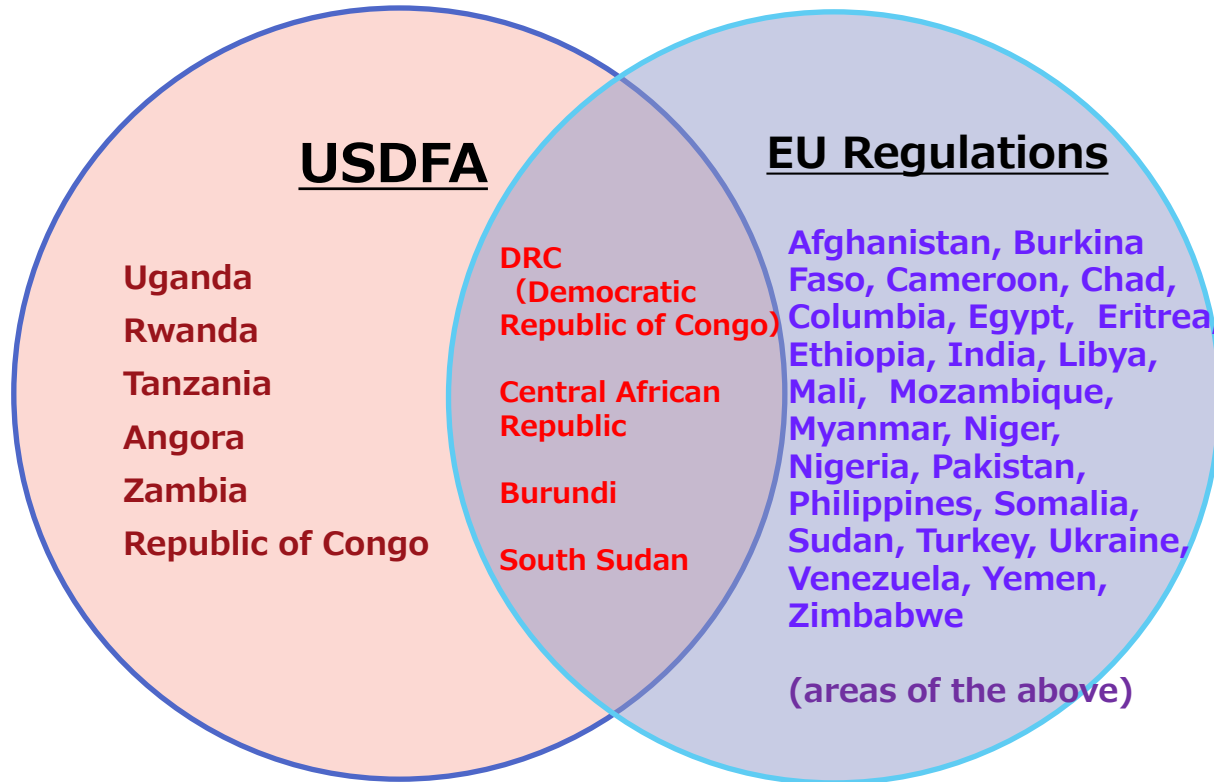
Name of Country	March 2021	June 2021	Sept. 2021	Dec. 2021	March 2022	June 2022	Sept. 2022	Dec. 2022	March 2023
Afghanistan	34	34	34	34	34	34	34	34	34
Azerbaijan	-	4	4	3	-	-	-	-	-
Burkina Faso	5	5	5	4	5	5	5	6	8
Burundi	1	1	1	1	1	1	1	1	17*
Cameroon	3	3	3	3	3	3	3	3	3
Central African Republic	17	17	17	17	17	17	17	17	17
Chad	4	4	5	5	5	2	1	2	2
Colombia	1	4	4	5	5	7	7	7	7
Democratic Republic of the Congo	26	26	26	26	26	26	26	26	26
Egypt	1	1	1	1	1	1	1	1	1
Eritrea	1	1	1	1	1	1	1	1	6*
Ethiopia	2	4	5	5	5	5	5	5	5
India	2	2	2	2	2	2	2	2	2
Libya	22	22	1	1	1	1	1	1	22*
Mali	4	4	5	5	5	6	5	5	6

Name of Country	March 2021	June 2021	Sept. 2021	Dec. 2021	March 2022	June 2022	Sept. 2022	Dec. 2022	March 2023
Mexico	8	8	8	10	10	10	10	-	-
Mozambique	1	1	1	1	1	1	1	1	1
Myanmar	5	5	7	8	15	15	15	15	15
Niger	2	3	3	3	3	2	2	2	2
Nigeria	5	5	5	5	5	6	6	6	6
Pakistan	3	3	2	2	2	2	2	2	2
Philippines	2	2	2	2	2	2	2	3	4
Somalia	18	18	18	18	18	18	18	18	18
South Sudan	10	10	10	10	10	10	10	10	10
Sudan	5	7	6	7	7	6	6	6	7
Turkey	-	1	1	1	1	1	1	1	1
Ukraine	1	2	2	1	2	10	10	13	13
Venezuela	1	1	1	1	1	1	1	1	25*
Yemen	21	21	21	21	21	21	21	21	21
Zimbabwe	1	1	1	1	1	1	1	1	10*
Total	206	220	202	204	210	217	215	211	291*

shows that the whole nation-state is designated as CAHRA. (*From the update of March 2023, the number of areas stated in individual risk reports are included.) Red numbers show that the number has changed from the previous update.

How CAHRAs should be used in RMAP

Some DRC+9 countries that are covered by the Dodd-Frank Act are not included in the EU CAHRAs List



RMI released on its website, a guidance document defining that in the RMAP assessment, CAHRAs shall include, at a minimum, the following countries:

- **DRC+9**
- **EU CAHRAs List**
- **Areas that a smelter identifies as CAHRAs**

http://www.responsiblemineralsinitiative.org/media/docs/CMRT%206.x_%20Guidance%20Note%20Questions%203%20and%204.pdf

✓ CAHRAs List is an **indicative, non-exhaustive and regularly updated** list, and eventually, **each company (or the company's customer) must conduct DD at its own decision** referring to related information. (Some customers may define its unique CAHRAs different from the EU List)

- **Name:** Responsible Minerals Information System (ReMIS)
- **Covered Minerals:** 3 TG and others (Cobalt, etc.)
- **Language:** English and EU official languages
- **Registration:** Voluntary
- **Content:** Company type (upstream/downstream), sectors, minerals, and supply chain schemes, inclusion/exclusion from regulation scope, DD policy and implementation status
- **Target members:**
Personnel and enterprises within the EU
(Each EU member country to check validity)

- ReMIS is scheduled to be released in 2023, after execution of the Data Protection Agreements with each EU member countries
- Companies may receive more survey requests and inquiries that exceed the extent required by regulations (DFA/EU Regulation) due to active implementation of DD at European downstream companies

Due Diligence (DD)

Due Diligence (DD)

- ⇒ Risk Assessment (for supply chain transparency)
- ⇒ Make the supply chain transparent and confirm whether the origin of raw materials presents issues (such as on human rights) and, should such issues be found to exist, take action to redress them

OECD Due Diligence Guidance is the guideline for such activities. Sets the 5 steps framework to achieve such purpose.

[Official Name]

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

- 1st edition published in 2011. The latest version is the 3rd edition published in 2016. The original text and tentative Japanese translation of the Guidance (including Supplement on tin, tantalum, tungsten and gold) is released on MOFA website <https://www.mofa.go.jp/mofaj/gaiko/csr/housin.html>

[Purpose] Is created to support companies to respect human rights and to avoid assisting conflicts through its decision-making in resource procurement (including selecting suppliers)

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Business and Human Rights

2011 UN “Guiding Principles on Business and Human Rights (UNGPR)”

- ✓ “Guiding Principles on Business and Human Rights: UN ‘Protect, Respect and Remedy’ Framework” is a documentation that was unanimously endorsed by the UN Human Rights Council in 2011.
- ✓ Consists of the three pillars “State duty to protect human rights”, “The corporate responsibility to respect human rights” and “Access to remedy for victims of business-related abuses”.

Guiding Principles on Business and Human Rights		
Pillar 1	Pillar 2	Pillar 3
The State’s Duty to Protect Human Rights	The Corporate Responsibility to Respect Human Rights	Access to Remedy
Operational Principles	Operational Principles	Operational Principles
<ul style="list-style-type: none"> • General State regulatory and policy functions • The State-business nexus • Support corporations to respect human rights in conflict-affected areas • Ensure policy coherence 	<ul style="list-style-type: none"> • Commitment by company policy • Human rights due diligence • Process to enable remediation • Measures based on the current situation 	<ul style="list-style-type: none"> • State-based judicial procedures • State-based non-judicial grievance mechanisms • Non-State-based grievance mechanisms • Effectiveness criteria for non-judicial grievance mechanisms

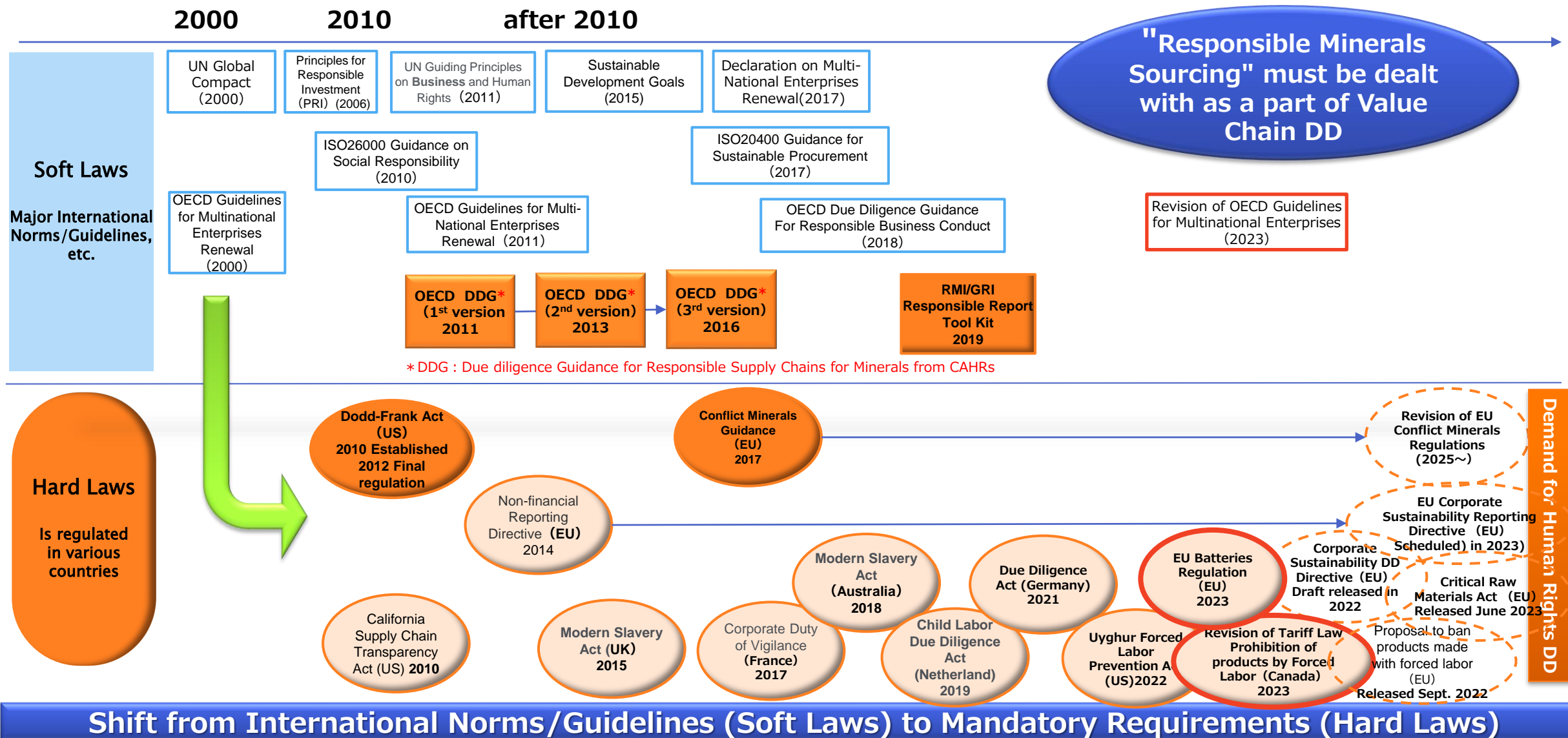
● What the Guiding Principle requires to Business Enterprises

- ① Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur.
- ② Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

⇒ This Guiding Principle led to companies being required to conduct Human Rights DD in supply chains. Various international guidelines, hard laws and treaties by various countries and policies by the Japanese Government established thereafter are based on the contents of this Guiding Principle.

It is important to understand that companies are required to deal with "Responsible Minerals Sourcing", considering it as part of "Human Rights and Business"

Global trends surrounding "Responsible Minerals Sourcing"



(Ref.) Regulations regarding Human Rights in US & Europe

Country/ Area	Name of Acts, etc.	Enforcement	Contents
California, USA	Transparency in Supply Chains Act, State of California	Jan. 2012	Requires companies that do business as a retail seller or manufacturer in California and has an annual gross receipts exceeding \$100 Million to disclose information regarding their efforts to eradicate human trafficking and slavery within their supply chain
UK	Modern Slavery Act 2015	July 2015	Requires profit-making organizations and enterprises with an annual turnover of at least 36 Million British pounds to make a "Slavery and Human Trafficking Statement" every year to ensure that it uses no slave labor or is not engaged in human trafficking
France	Corporate Duty of Vigilance Law	Mar. 2017	Requires companies with employees above a certain number to establish, implement, make validity estimation and disclose a vigilance plan regarding adverse effects on human rights and environment that parent companies may exert on its overseas subsidiaries or supply chain.
Australia	Modern Slavery Act 2018	Jan. 2019	Requires entities such as companies with annual revenue of at least AUD\$100 Million, doing business in Australia, to investigate the existence of modern slavery in its supply chain and business activities and to make annual reports on the risk assessment method and measures to reduce such risk.
EU	Conflict Minerals Regulation	Due diligence obligation is applied from Jan. 2021	Requires EU smelters and importers that procure minerals and metals of tin, tantalum, tungsten and gold from "Conflict and High Risk Areas" to implement due diligence to ensure that mineral resources that it procures does not contribute to conflicts or abuse of human rights.
Australia (NSW)	Modern Slavery Act 2018	Jan. 2022	Encourages entities such as companies with annual revenue exceeding AUD\$50 Million to at least AUD\$100 Million to conduct voluntary report based on the commonwealth law
Norway	Act relating to Enterprises' Transparency and Work on Fundamental Human Rights and Decent Working Conditions	July 2022	Requires enterprises that are resident in Norway and meet certain conditions to carry out due diligence, to explain and publish an account of such due diligence and to comply with information disclosure requests, etc.
Germany	Act on Corporate Due Diligence in Supply Chains	Jan. 2023	Requires companies with employees above a certain number to prepare and publish a report on due diligence and human rights so that all domestic and overseas companies relating to their supply chain (including indirect business contacts) are not exposed to human rights/environmental risks.
Swiss	Conflict Minerals and Child Labor Due Diligence Act	Due diligence obligation is applied from Jan. 2023 (Enforcement: Jan.2022)	Requires enterprises that are resident in Swiss and meet certain conditions to design a supply chain policy regarding conflict minerals or child labor and to prepare, maintain and publish reports for establishment of a traceability system
Netherland	Child Labor Due Diligence Act	TBD (promulgated: Oct. 2019)	Requires companies that provide goods or service to the Netherland market to provide a statement that it carried out supply chain due diligence to investigate and prevent child labor.
Canada	An Act to enact the Fighting Agist Forced Labour and Child Labour in Supply Chains Act	Sent to the Upper House in Nov. 2021	Requires companies that meet certain conditions to report to the government all measurers taken to assess and manage risks (such as forced labor).
EU	Corporate Sustainability DD Directive	Feb.2022 Announcement of Commission Proposal	Proposes to obligate companies that meet certain conditions to prevent and remedy any adverse effect on human rights and environment in its business activities (including their value chains).

As of March 2023. Prepared by JEITA based on JETRO website. Please check the contents of the above Acts, etc. at your responsibility.

US Uyghur Forced Labor Prevention Act

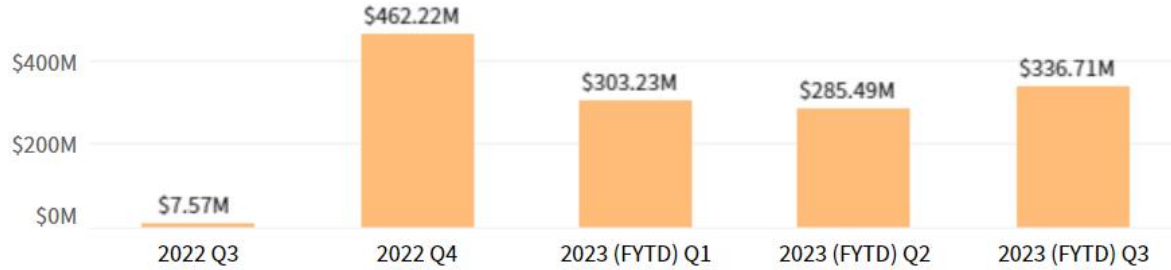
◎ US Uyghur Forced Labor Prevention Act (UFLPA)

- UFLPA, in principle, prohibits importation of Uyghur goods into US.
(Passed the Lower House on Dec. 8, 2021 and the Upper House on Dec. 16, 2021. Executed on Dec. 23, 2021 and entered into force on June 22, 2022)
- UFLPA prohibits, in principle, import of goods mined, produced or manufactured wholly or in part in Xinjiang Uyghur Autonomous Region (XUAR Goods).
- In the enforcement strategy of UFLPA (UFLPA Strategy), goods that are produced by entities that are identified as producing goods using forced labor in XUAR and listed in the UFLPA Entity List will also be presumed as being subject to the import ban.
- If the Commissioner of the US Customs and Border Protection (CBP) determines that an importer or goods fulfills the following requirements, such importer or goods will not be subject to the import ban, as an exception:
 - ① Importers has (i) fully complied with the importer guidance in the UFLPA Strategy and (ii) completely and substantively responded to all inquires for information submitted by the CBP Commissioner to ascertain whether the goods were mined, produced or manufactured wholly or in part by forced labor; and
 - ② established, by clear and convincing evidence, that the good was not mined, produced, or manufactured wholly or in part by forced labor

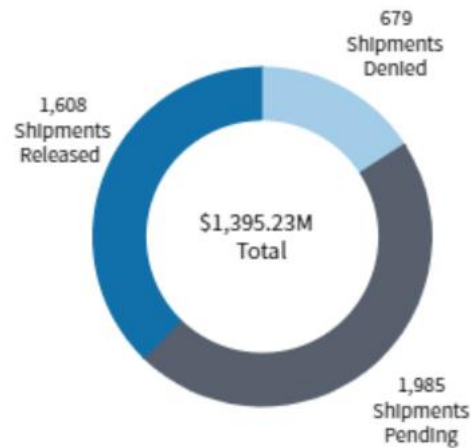
Customer companies that are the importers of goods into US may request supply chain DD of raw materials (minerals) in China

(Ref.) US Uyghur Forced Labor Prevention Act Statistics of implementation status (2022)

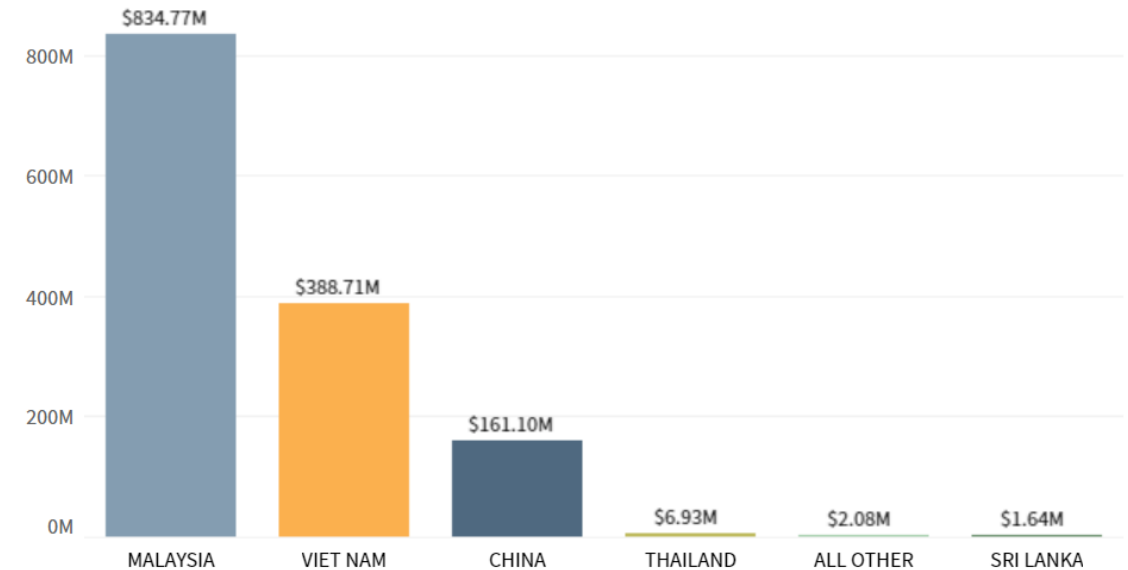
Shipment Value (USD) by Quarter



Shipment Count by Industry and Exam Result



Shipment Value (USD) by Country of Origin



From US CBP website (<https://www.cbp.gov/newsroom/stats/trade/uyghur-forced-labor-prevention-act-statistics>)

EU Corporate Sustainability DD Directive

◎ EU Corporate Sustainability Due Diligence Directive (CSDDD/CS3D)

<Overview>

- Obligate large companies (including financial institutions) within and outside the EU, to conduct human rights and environmental DD in their company, their subsidiaries and their value chains.

<Major requirements (Art.4-11)>

- ✓ Integrate DD in its company's policy
- ✓ Identify actual or potential negative effects
- ✓ Prevent and mitigate potential negative effects and stop actual negative effects and minimize such effects
- ✓ Establish and maintain complaint handling process
- ✓ Monitor the effectivity of the policy and procedure of DD
- ✓ Publicly communicate DD

* In addition to the above, stipulates handling of climate change, penal provisions, damage compensation and directors' obligations

<Process>

- European Commission released the Directive draft on Feb.23, 2022. European Council and the European Parliament has completed the review (amendment of draft)and the trilogue is scheduled to start in June 2023. Final agreement of the draft is expected in the end of 2023 at the earliest.

<Scope of Companies>

	Group 1	Group 2
EU limited liabilities companies	500+ employees on average and a net worldwide turnover in excess of EUR 150 million	250+employees on average and a net worldwide turnover in excess of EUR 40 million, provided that at least 50% of this net turnover was generated in one or more of the High-Impact Sectors (*)
Non-EU companies	500+ employees on average and a net turnover in excess of EUR 150 million in the EU	250+employees on average and a net turnover in excess of EUR 40 million in the EU, provided that at least 50% of this net worldwide turnover was generated in one or more of the High-Impact Sectors (*)

* High-Impact Sectors:

Manufacturing and wholesale business of textiles, leather and related products (including foot ware), agriculture, forestry and fishery (including aquaculture) business, food-manufacturing business, wholesale business of agricultural, forestry and fishery products, food products and beverage, mining, manufacturing and wholesale business of metal basic products, processed metal products and mineral products

The original draft directive was drastically revised by the Council and Parliament; therefore, close attention should be paid to the trilogue.

(Views were divided on issues such as the scope of application, definition of "Value Chain", civil liability, coordination within EU, directors' obligations, obligations regarding to climate change)

EU Regulation concerning Batteries and Waste Batteries

- ✓ On Dec. 10, 2020, EU announced a proposed regulation to revise the existing Batteries Directive, to create a regulatory framework to secure the sustainability of batteries value chains.
- ✓ Final agreement was reached in Jan. 2023, and was **voted and ratified on June 14, 2023 at the European Parliament**. Is scheduled to be established in July after approval from the European Council. Operation of articles regarding DD are scheduled to start 2 years after the establishment of the regulation.
- ✓ The scope of minerals, risks and areas (outside CAHRAs) have expanded compared to previous Due Diligence focusing on 3TG.

<Subject Batteries> : Applies to every type of battery placed within the EU market (expanded from the original draft regulation) → portable batteries, LMT (Light Means of Transport) batteries, SLI batteries, EV batteries, industrial batteries

<Subject Minerals/Risks> (From Annex X final draft)

Minerals

- cobalt •natural graphite
- nickel •lithium
- + and its compounds



Environment/Social Risks

- atmosphere (incl. GHG discharge) •water •soil •biodiversity •harmful substance •noise and vibration •factory safety •energy consumption •waste material and residual material •industrial safety and health •child labor •forced labor •discrimination
- freedom of association •life of indigenous communities

<Impact on actions regarding Responsible Minerals Sourcing>

- In Chapter 6 “Obligations of Economic Operators”, economic operators are obligated to conduct human rights and environmental Due Diligence in its supply chain (based on the OECD guidance)
- The European Commission is scheduled to prepare a Due Diligence Guideline to deal with the extended risks

EU Regulation to Prohibit Products Made Using Forced Labour

◎ Proposal for a regulation to prohibit products made using forced labour on the internal market of EU

<Overview>

- On September 14, 2022, EU presented a proposal for a regulation to prohibit import and export of products made using forced labour. After consultation at the European Parliament and the European Council, it will be finalized during 2023 and is scheduled to be applied 2 years after the establishment. Application is anticipated in the 2nd half of 2025 or the 1st half of 2026.
- EU Regulation proposal covers products that uses all or a part of products that uses forced labour in any part of its manufacturing process (from mining/extraction to finalization), and is applied to all products or forms (including components).
- Difference of EU Regulation proposal and UFLPA
 - ① EU Regulation proposal does not specify the area to which it applies
 - ② UFLPA places the responsibility on the importer to prove that products under review is not in any way related to force labour. On the other hand, the EU Regulation proposal designates authorities and customs of Member States to investigate and stop products made using forced labour.
- When authorities start investigation on a specific company, such company will receive a questionnaire in which questions regarding the company's efforts of due diligence relating to forced labor issue will be included. If such product is determined as relating to forced labor as a result of such investigation, the authorities may prohibit the import/export or sales of such products, and if already placed on the EU market, may order the company to withdraw or dispose such product. In order to operate this proposal, the European Commission is scheduled to prepare a guideline that includes due diligence relating to forced labour.

Proposal for a regulation to prohibit products made using forced labour on the EU market:

https://single-market-economy.ec.europa.eu/system/files/2022-09/COM-2022-453_en.pdf

Proposal for a regulation on EU Critical Raw Materials

© Proposal for a regulation on EU Critical Raw Materials

https://ec.europa.eu/commission/presscorner/detail/en/IP_23_1661

- Proposal for a regulation to establish a regulatory framework to ensure access to a secure and sustainable supply of Critical Raw Materials (CRM)
- Was published on March 16, 2023, based on the following 4 pillars:
 - (1) strengthening the production capability in EU (mining, processing, recycling) and establishing a benchmark for each CRM;
 - (2) diversification of suppliers on the assumption that import dependence will continue;
 - (3) maintenance of market monitoring functions;
 - and (4) improvement of circularity and sustainability

<List of Strategic CRMs>

bismuth, boron (*1), cobalt, copper, gallium, germanium, lithium (*2), magnesium metal, manganese (*2), natural graphite (*2), nickel (*2), platinum group metals, rare earth for magnets (*3), silicon metal, titanium metal, tungsten

(*1) limited to metallurgy grade (*2) limited to battery grade (*3) limited to neodymium, praseodymium, terbium, dysprosium, gadolinium, samarium, cerium

<List of CRMs> (Bold and underlined materials are Strategic CRMs)

antimony, arsenic, bauxite, baryte, beryllium, **bismuth**, **boron**, **cobalt**, coking coal, **copper**, feldspar, fluorite, **gallium**, germanium, hafnium, helium, heavy rare earth elements, light rare earth elements, lithium, **magnesium**, **manganese**, **natural graphite**, **nickel**(*), niobium, phosphate rock, phosphorus, **platinum group metals**, scandium, **silicon metal**, strontium, tantalum, **titanium metal**, **tungsten**, vanadium (*) limited to battery level

It is important to watch future discussions on the proposal, and to keep up with the trend to expand the scope of minerals that needs to be taken into consideration in sourcing activities

Japan-U.S. Critical Minerals Agreement

© Japan-U.S. Critical Minerals Agreement (Execution: March 28, 2023)

<https://www.meti.go.jp/press/2022/03/20230328007/20230328007.html>

- Agreement between the governments of Japan and U.S. to strengthen critical minerals supply chain
- Facing the prospect of significant increase in the demand of electric vehicle batteries, to secure critical minerals which are essential to the production of such batteries
- To build robust supply chains through coordination among the parties for ensuring sustainable and equitable supply chains for such critical minerals

<Critical Minerals> Cobalt, Graphite, Lithium, Manganese, Nickel

<Major items in the Agreement>

Both parties shall not impose export duties on critical minerals exported to the territory of the other party

Shall hold broad discussions on involvement of non-party countries to this Agreement

Share information regarding labor rights during mining and processing, and to appropriately enforce the law, etc.

<Definition of “labor rights” in the Agreement>

- Five principles of ILO Core Labour Standards (freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labor; the effective abolition of child labor and a prohibition on the worst forms of child labor; the elimination of discrimination in respect of employment and occupation; and a safe and healthy working environment)
- Acceptable conditions of work with respect to minimum wages and hours of work
- The right to be free from discrimination or retaliation for participating in investigations or other proceedings related to the enforcement of labor laws or otherwise reporting in good faith to a competent authority facts concerning possible violations of labor laws

→ **To assess the impact on mineral sourcing by companies, it is necessary to closely watch future actions of the Japanese and U.S. government made in accordance with this Agreement**

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US OFAC (Office of Foreign Asset Control) Regulations

<https://home.treasury.gov/policy-issues/office-of-foreign-assets-control-sanctions-programs-and-information>

- ❑ For foreign policy and security purposes, OFAC has instituted regulations **banning direct and indirect transactions** with countries or regions and specific individuals or groups designated by the US and to freeze their assets.
- ❑ Covered areas/countries:
Cuba, Iran, Iraq, North Korea, Sudan, Syria, Zimbabwe, Belarus, Yemen, Somalia, Libya, Democratic Republic of Congo, Russia, Venezuela, Lebanon etc.
In addition, OFAC publishes activities (illegal diamond trades, drugs, nuclear proliferation, terrorist acts) in which individuals and companies, in addition to nations, will be subject to sanction.

(Ref.) **SDN List (Specially Designated Nationals and Blocked Persons List):**

<https://ofac.treasury.gov/specially-designated-nationals-and-blocked-persons-list-sdn-human-readable-lists>

Cases of enforcement:

<https://ofac.treasury.gov/civil-penalties-and-enforcement-information>

US companies will be affected such as by being banned to deal with sanctioned institutions and individuals
✓ Japanese companies must be careful, as even if a direct or indirect transaction is legal under Japanese Law (FEL, etc.) it may violate compliance, and RMI is unable to conduct smelter audit to such covered areas/countries

© Effect on Responsible Minerals Sourcing caused by the Russia-Ukraine Situation

In September 2022, RMI released a statement (outlined as follows) regarding RMAP assessments in Russia and how it will handle Russian smelters:

RMI's statement: <https://www.responsiblemineralsinitiative.org/news/notice-regarding-rmap-russia-based-auditees/>

- Since the Russian invasion of Ukraine, RMI has reviewed legal compliance and broader risks associated with facilitating audits in Russia, with consideration for implications for RMI and membership companies. Based on such review, **RMI will immediately suspend new RMAP assessments in Russia.**
- RMAP Conformant and Active Russian smelters as of September, will **be removed in stages from the Conformant List or Active List in September or January**, based on the timing of auditees' last RMAP assessment as follows:
 1. Any auditees which have passed the one-year mark for an assessment and did not receive a re-assessment and determination letter confirming conformance by September 1, 2022, will be removed from the Conformant List or Active List by September 30, 2022. **(7 smelters were deleted)**
 2. Any Conformant Russian smelters that pass the one-year mark on or after October 1, 2022, will be removed from the Conformant List on January 31, 2023. **(3 smelters were deleted)**

(Note) Apart from the above, on Sept. 14, 1 smelter was deleted due to non-conformance of RMAP assessment

Taking into consideration future development of the situation, RMI will continuously consider the temporary suspension of assessments in Russia, dealing with risks such as legal compliance.

Facilities that meet the relevant definition in RMAP standards and are operational would be eligible for an assessment when assessments are resumed in Russia. (timing is unknown)

© **US EPEAT** (Electronic Product Environmental Assessment Tool)



EPEAT is an ecolabel for the purpose to promote environmentally preferable electronic products. EPEAT is one of the ecolabels that have high market needs (for example, in US public procurement EPAT products are procured on a priority basis)

In the undergoing revision of the standard, ESG standards including conflict minerals are expected to be added, and a certain level of Conformant Rate is expected to be set as a required standard (New standard is scheduled to apply from April 2025)

【Subject Products】① **Imaging equipment (multifunction, printer, etc.);** ② **PCs, displays;**
③ **Servers;** ④ **TVs;** ⑤ **Mobile phones**

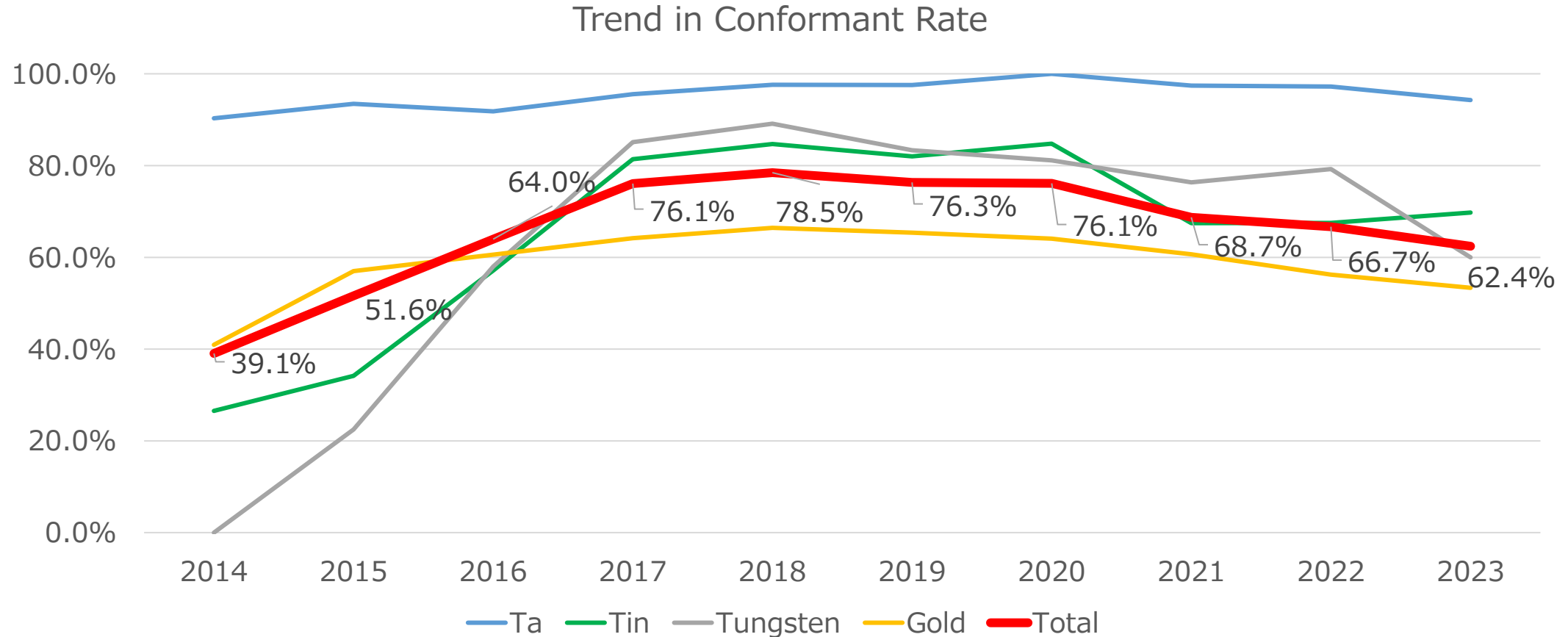
* **Scheduled to be expanded to solar facilities, network equipment, wearable appliance**

→ **It is expected that request from client companies to the supply chain to use only conformant smelters will increase.**

Therefore, it is important to check responses from suppliers and make remedial efforts to increase the Conformant Rate before clients point out such issue.

(Ref) Situation of RMAP Conformant List

Trends in RMAP Conformant (Conformant Rate) (As of March 2023)



Constant growth was seen in the initial RMAP Conformant Rate, however, due to various factors, recently the growth of the rate has stopped

(Ref) Situation of RMAP Conformant List

Situation of RMAP Conformant (Conformant Rate) (As of May 2023)

Metal	Conformant	SSN	Conformant Rate	Delay in Audit & Unexamined	Delay in Audit & under examination	Delay in Audit Total	Delay Rate
Tantalum	33	35	94.3%	2	22	24	72.7%
Tin	60	86	69.8%	9	27	36	60.0%
Tungsten	33	55	60.0%	7	6	13	39.4%
Gold	95	178	53.4%	22	17	39	23.2%
Total	221	354	62.4%	40	72	112	50.7%

- ✓ The number of cases in which a substantial amount of time is required before a conformant smelter is able to take a re-audit continues to rise, due to various factors such as Covid 19, geopolitical risks and/or individual circumstances surrounding such smelter.
- ✓ Out reach to smelters is required.

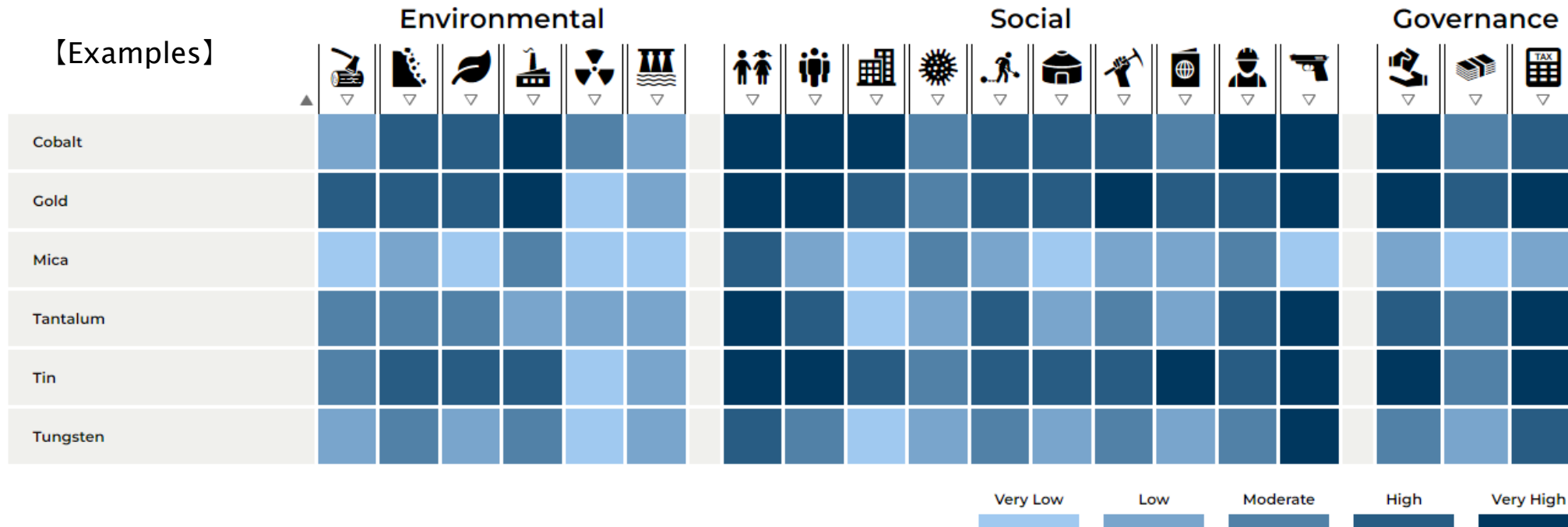
***The above data was aggregated by JEITA as of May 2023. As changes in situation occurs frequently, please be sure to check the current situation.**

Moves to expand audits to other Raw Materials (1)

Material Insight (<https://www.material-insights.org/>)

Joint platform of RMI/TDI Sustainability:

- Covered Minerals: 32 types (as of June 2023) *** an increase of 11 types from the previous year**
 - bauxite, boron/borate, cobalt, copper, dysprosium, gold, graphite (natural), iron, lead, lithium, magnesium, manganese, coking coal, mica, molybdenum, neodymium, nickel, niobium, palladium, phosphorus, potassium, scrap steel, silicon/silica, silver, steel, talc, tantalum, tin, titanium, tungsten, vanadium, zinc
- Outline of principal use/attribution, main related industries, producing countries and related supply chain risk of each mineral
- Detailed information will be disclosed only to RMI members



Moves to expand audits to other Raw Materials (2)

■ Raw Material Outlook Platform (<https://www.rawmaterialoutlook.org/>)

- Platform of Drive Sustainability (Association des Constructeurs Europeens d'Automobiles)
- Covered Minerals: 13 types (as of June 2023) * **an increase of 3 types from the previous year**
 - aluminum, graphite, iron, **leather**, magnesium, manganese, molybdenum, nickel, rare earth, **rhodium**, tantalum, **tin**, zinc
- Market information and human rights/ESG risk of value chain

How to access the information?

Select a raw material below, then choose among the following information:

- Market Intelligence**
Learn more about the raw materials, relevance for the automotive sector, prices and production data at each stage of the value chain.
- Value chain and risks**
Discover which actual and potential ESG risks are linked to each stage of the raw material value chain to assess how they might impact the OEM.
- Infographic**
Get a brief snapshot of the raw material value chain, ESG risks and market intelligence.

To find out more about the value chain of materials covered by the RMO, select from the below:

Aluminium	Graphite	Iron ore	Leather	Magnesium	Manganese	Molybdenum	Nickel	REE	Rhodium	Tantalum	Tin	Zinc

- ✓ Helpful to understand the background of request for multi-minerals survey and related risks
- ✓ Interest in and approach to other raw materials will expand further

Moves to expand covered risks

RRA (Risk Readiness Assessment)

Voluntary self-assessment and self-reporting tool for minerals and metals producers and processors to communicate their environmental, social and governance practices and performance.

Objective: To promote a common understanding of good practices and a means to consistently assess risks and actions to manage risks in the mineral supply chain.

Metals and Minerals (22 types)

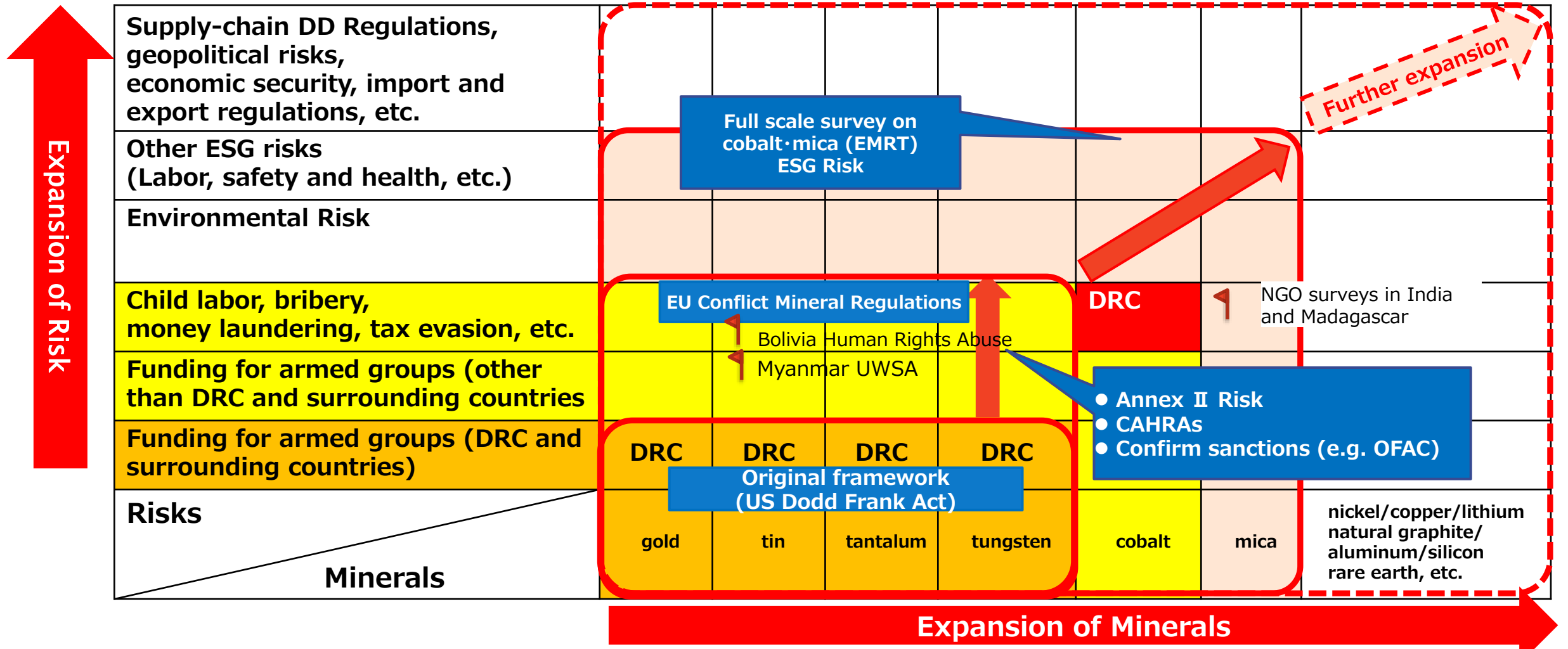
aluminum, alumina, bauxite, cobalt, copper, gold, graphite, iron ore, lead, lithium, mica, molybdenum, nickel, palladium, platinum, rare earth elements, silver, steel, tantalum, tin, tungsten, zinc

Risk areas and standards (32 items)

- | | | |
|---|---|--|
| 1. Legal Compliance | 12. Occupational Health and Safety | 23. Community Health and Safety |
| 2. Business Integrity | 13. Employee Grievance Mechanism | 24. Community Development |
| 3. Stakeholder Engagement | 14. Environmental Risk Management | 25. Artisanal and Small Scale Mining |
| 4. Business Relationships | 15. Greenhouse Gas (GHG) Emissions | 26. Human Rights |
| 5. Child Labor | 16. Energy Consumption | 27. Security and Human Rights |
| 6. Forced Labor | 17. Fresh Water Management and Conservation | 28. Indigenous Peoples Rights |
| 7. Freedom of Association and Collective Bargaining | 18. Waste Management | 29. Land acquisition and resettlement |
| 8. Discrimination and Harassment | 19. Tailings Management | 30. Cultural Heritage |
| 9. Gender Equality | 20. Pollution | 31. Due Diligence in Mineral Supply Chains |
| 10. Working Hours | 21. Biodiversity and Protected Areas | 32. Transparency and Disclosure |
| 11. Remuneration | 22. Mine Closure and Reclamation | |

Revision process of RRA is in progress (revision scheduled in 2023)
Risk area may further expand in the future

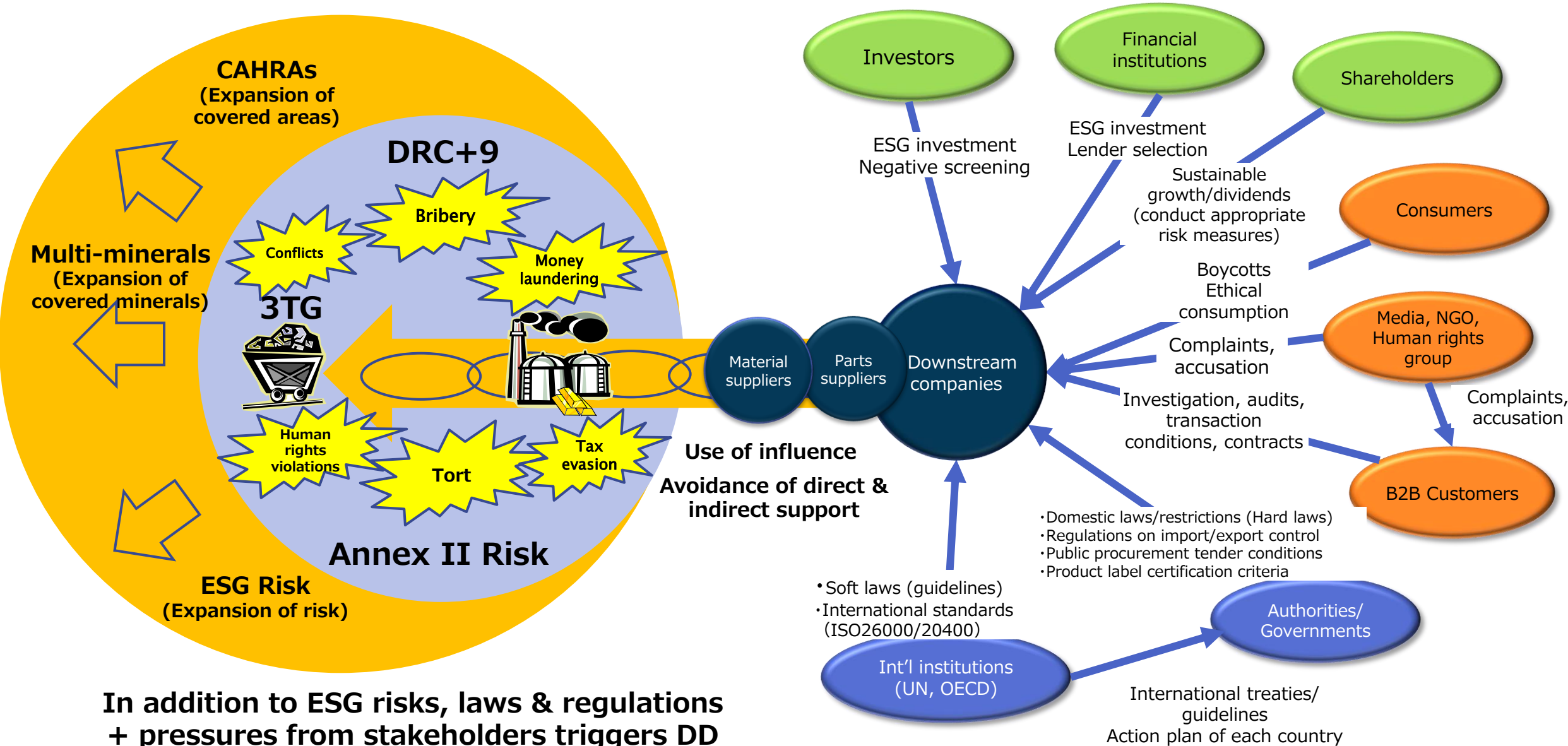
Future trends (Image of Risk Expansion)



The scope that companies need to consider in the context of "Responsible Minerals Sourcing" will continue to expand

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Why the call for Responsible Minerals Sourcing?



In addition to ESG risks, laws & regulations + pressures from stakeholders triggers DD

International initiatives by Downstream Companies

RBA (Responsible Business Alliance) <http://www.responsiblebusiness.org/>

Promotes CSR in global supply chains. Membership comprises over 210 companies from the electric, automobile and retail industries. RBA Code of Conduct formulated and announced.

25 Japanese members (as of June 2023)

Brother Industries, Canon, EIZO, FUJIFILM Business Innovation, Fujitsu, Funai Electric, Kioxia, Konica Minolta, Kyocera Corp. KYOCERA AVX Components Corp, KYOCERA Document Solutions Japan Inc., Mitsubishi Electric, Murata Manufacturing Co., Ltd. Nikon, Panasonic Holdings Corp., Renesas Electronics, Ricoh, Seiko Epson, Senju Metals, Sharp, Sony Group, Sumitomo Electric, TDK, Tokyo Electron, Toshiba

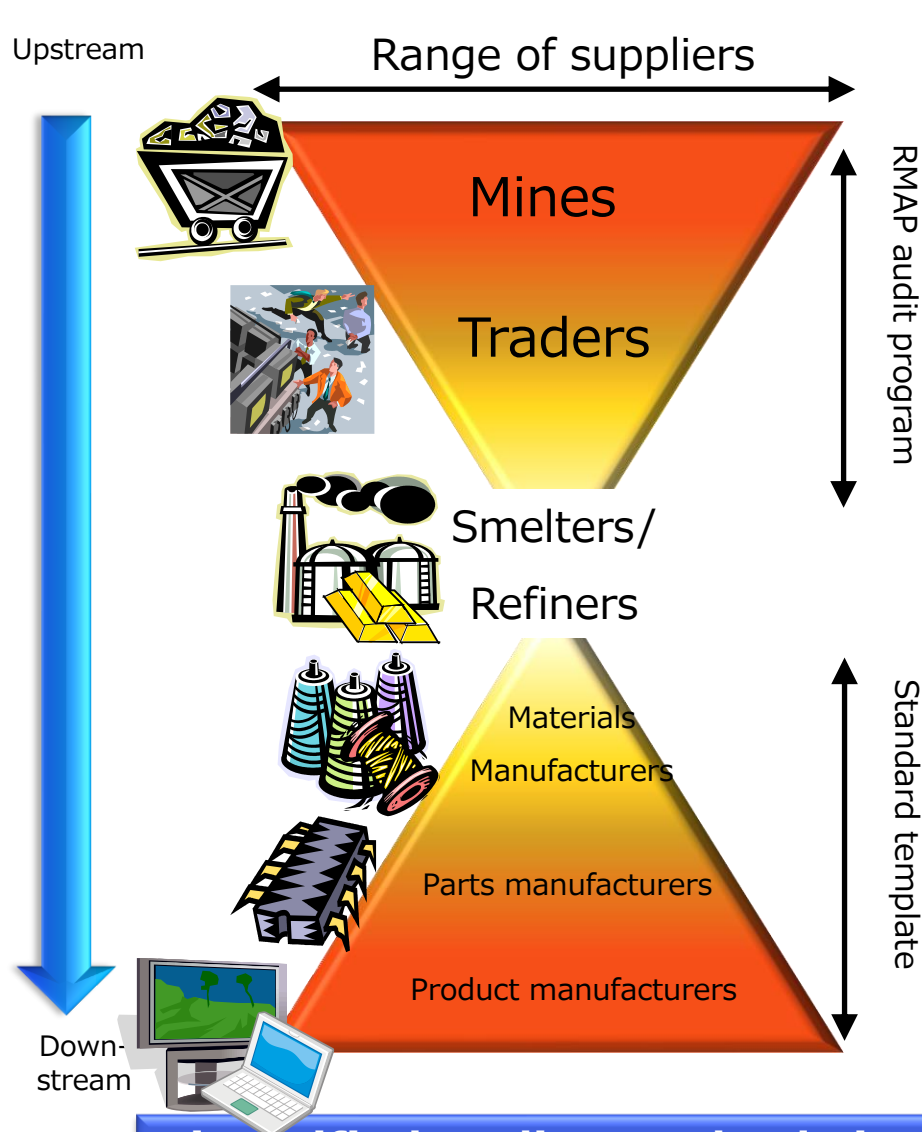
RMI (Responsible Minerals Initiative) <http://www.responsiblemineralsinitiative.org/>

A sub-organization of RBA and one of the most utilized and respected resources for companies in various industries working on Responsible Minerals Sourcing issues in their supply chains. Membership comprises over 480 companies worldwide. Formulates and publishes CMRT and EMRT forms; formulates RMAP auditing standards.

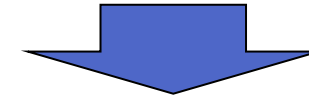
Many Japanese members; JEITA is an Association Member

RBA membership may be required when applying for public procurement or product certification in foreign countries

Responsible Minerals Assurance Process (RMAP)



- Involves huge cost and time for companies to do their own audits of 3TGs origin



RMAP Investigation

- To improve survey efficiency the long supply chain hierarchy is divided in 2 tiers, with smelters in the middle, as the number of smelters are relatively small.
- From smelters upstream: smelters are audited through the RMAP program in the region to determine the origin of smelted minerals
 - From smelters downstream: CMRT is used to streamline surveys

The scheme of RMAP is scheduled to be certified in EU Regulations.

Survey on cobalt/mica is basically made by the same method, and downstream companies' role are to identify smelters/refiners (processors)

RMAP (Responsible Minerals Assurance Process)
CMRT (Conflict Minerals Reporting Template)

Diversified audit standards include standards for 3TGs, all-minerals, ESG, etc.

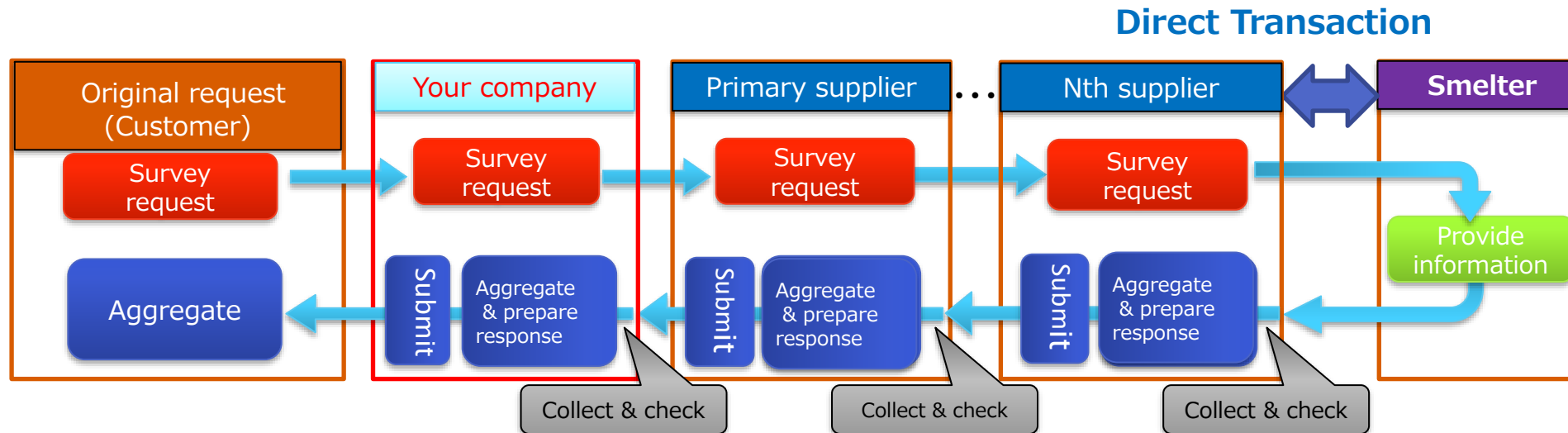
Responsible Minerals Assurance Process (RMAP)

Survey flow for **companies downstream from smelters**

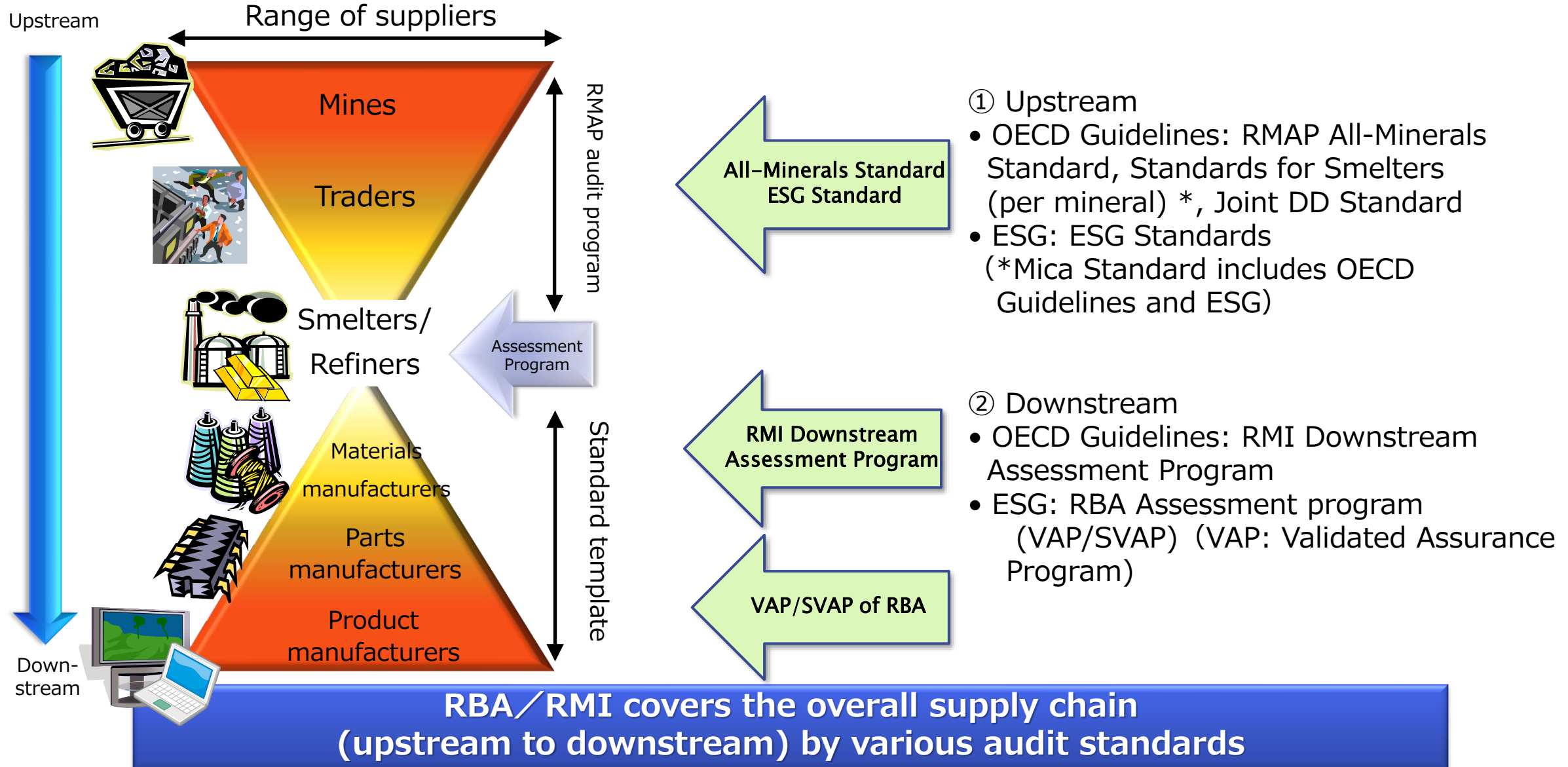
- ① Primary suppliers asked to fill in the CMRT/EMRT
- ② CMRT/EMRT survey requests move back up the supply chain (2nd ...Nth supplier)
- ③ Survey requests move back until it reaches smelters

Completed CMRT/EMRT submission

- ④ Smelters submit it to its direct customers
- ⑤ Where necessary, companies aggregate multiple CMRTs to create their own CMRT for submission to direct customers
- ⑥ CMRT submitted to the customer who originally requested the survey



Audit standards covering the overall supply chain



Due Diligence 5 Steps

“Framework of the 5 steps to achieve the target” required in the OCED Guidance

- **Step 1: Establish strong company management systems**
- **Step 2: Identify and assess risks in the supply chain**
- **Step 3: Design and implement strategies to respond to identified risks**
- **Step 4: Carry out independent third-party audits of smelters’/refiners’ due diligence**
- **Step 5: Report annually on supply chain due diligence**

<Resources that downstream companies may refer to>

OCED guidance: Supplement on Tin, Tantalum and Tungsten/Supplement on Gold

(MOFA website) <https://www.mofa.go.jp/mofaj/gaiko/csr/housin.html>

RMI Downstream Assessment Program (DAP)

(RMI website) <http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/downstream-program/>

DAP: Assessment program for downstream companies such as importers or traders that do not fall under the definition of smelter or refiners.

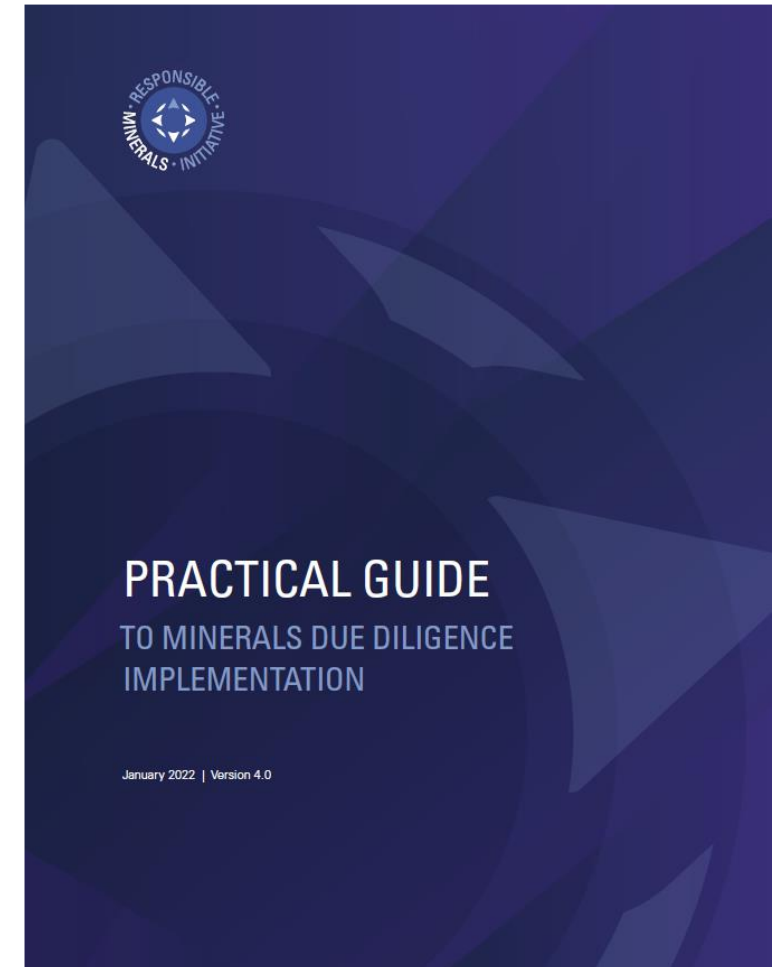
Customers may request downstream companies to receive DAP based assessment, as part of its DD

Due Diligence 5 steps (Examples)

5 Steps in OECD Due Diligence Guidance	To do
Step 1: Establish strong company management systems	<ul style="list-style-type: none"> • Adopt due-diligence policies and communicate these inside and outside the company • Create a DD organization chart (share challenges and issues with top management in making decisions) • Strengthen cooperation with suppliers (conduct survey briefings) • Keep CMRT/EMRT (and communication records) for at least five years
Step 2: Identify and assess risks in the supply chain	<ul style="list-style-type: none"> • Conduct a supplier survey using CMRT/EMRT • Communicate your expectations (conformant, etc.) when requesting survey • Clarify procedure for confirming the received CMRT/EMRT (risk detection/identification) ✓ Eliminate companies that are clearly not refineries (trading company, etc.) from the list ✓ Check against the list of Standard Smelter Name designated by RMI (the list is non-exhaustive. Refineries not on the list should be checked by supplier, etc.) ✓ Check against the RMAP certified refineries list, and identify non-certified refineries (with risks) (There are other internationally recognized certified programs, such as LBMA, RJC)
Step 3: Design and implement a strategy to respond to identified risks	<ul style="list-style-type: none"> • Consider and implement measures to mitigate and reduce risks ✓ Check with suppliers that have non-certified refineries on their list/request certified refineries (check whether it is possible that such non-certified refineries can make rational explanations that they are handling non-conflict minerals) ✓ If use of refineries that have relations with armed groups or is in violation of human rights become apparent, suspension of trading should be considered
Step 4: Carry out independent third-party audit of smelters'/refiners' due diligence	<ul style="list-style-type: none"> • Utilize RMAP assessment programs • Encourage smelters to participate in RMAP (implement through the industry)
Step 5: Report annually on supply chain due diligence	<ul style="list-style-type: none"> • Report voluntary DD status in CSR reports and on company websites

RMI DD Guidance for Downstream Companies (Revised)

- Revised edition (Version 4) Released in Jan. 2022
- Main Topics
 - OECD Guidance 5 steps +
SEC regulation, EU Conflict Minerals Regulation
 - Description of EU Conflict Minerals Regulation
 - Expectation of NGO/Stakeholders
 - OECD Evaluation and Monitoring Framework
 - Responsible Sourcing Network's Assessment Standard of Conflict Minerals Report
 - Issues
 - EU Corporate Sustainability Reporting Directive (CSRD)
 - RBA Code of Conduct Ver. 7
"Responsible Minerals Sourcing" Section
 - EU Batteries Regulation, others related to ESG reports
 - Case studies (Efforts taken in upstream sectors,
risk assessment management)
 - Link: https://www.responsiblemineralsinitiative.org/media/docs/RMI_PracticalGuide_DD.pdf



Government/Industry Guidance that can be used as references for DD

Japan

September 2022, METI

“Guidelines on Respect for Human Rights in Responsible Supply Chains”

<https://www.meti.go.jp/press/2022/09/20220913003/20220913003.html>

April 2023

METI “Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains”

<https://www.meti.go.jp/press/2023/04/20230404002/20230404002.html>

April 2023, Japan Photovoltaic Energy Association (JPEA)

“Guidance on Actions pertaining to Respect Human Rights in Supply Chain of the Photovoltaics Industry -Guide of Actual Practice-”

<https://www.jpea.gr.jp/news/8110/>

EU

July 2021: EU issued the Guidance to Combat Forced Labor in Supply Chains

https://trade.ec.europa.eu/doclib/docs/2021/july/tradoc_159709.pdf

US

May 2021: The solar industry released its industry’s guidance “Solar Supply Chain Traceability” Protocol

<https://www.seia.org/research-resources/solar-supply-chain-traceability-protocol>

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Forms used in 2023 Survey

■ **CMRT: Rev. 6.31 (2023/5/26 Current version)**

* Rev. 6.3 was issued on May 5, 2023 but was reissued as 6.31 on May 26, 2023 due to detection and fixing of bugs.

■ **EMRT: Rev. 1.2 (2023/5/12 Current version)**

* Fixing of bugs and errors in Rev. 1.11. Update of Smelter Look-up.

Revisions for CMRT and EMRT were only minor revisions (bug fixes and update of Smelters' information in the Smelter Look-up sheet) and there are no revisions that may have impact on the practice of survey.

* Information regarding entry procedures of CMRT/EMRT is scheduled to be posted on JEITA website

Forms used in 2023 Survey

■ PRT

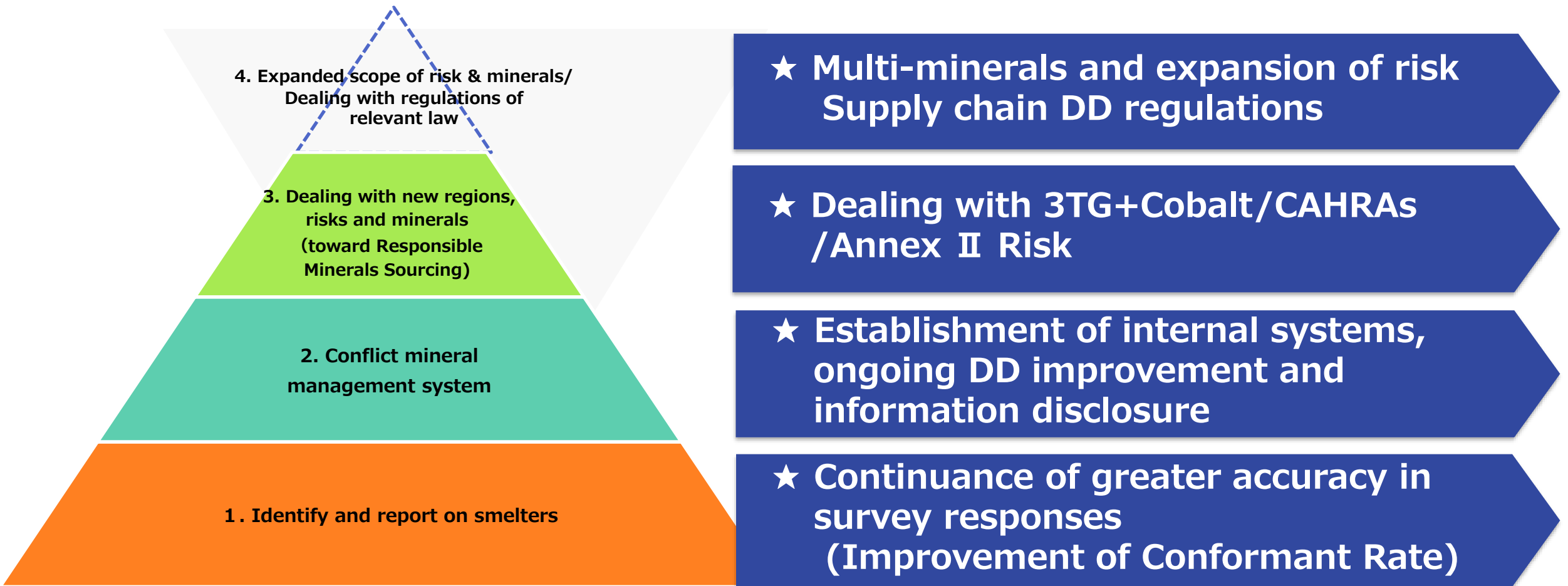
PRT (Pilot Reporting Template) is a free, standardized reporting template developed by RMI mainly to identify pinch points (smelters/processors) for minerals not covered by CMRT and EMRT. (current version v1.01)

Please visit RMI's website for the outline of PRT, its downloading procedure, FAQs, etc.

<https://www.responsiblemineralsinitiative.org/reporting-templates/prt/>

Each company must make their own decision in conducting survey using PRTs, in line with its and its customer's policy

Finally



**Efforts to promote Responsible Mineral Sourcing will
be conducted on a permanent basis**