

Supply Chain Responsibility

In 2020, Applied Materials introduced our new SuCESS2030 initiative, a 10-year roadmap that extends our sustainability vision across our supply chain for semiconductor and display manufacturing.

Under SuCESS2030, Applied's assessments of supplier performance and capabilities now require shared commitments in five main ESG focus areas, most of which include defined performance targets. In three of these areas, we are running pilot programs to test efficiency and waste-reduction processes, with the intention of sharing key learnings with our supplier partners, magnifying positive impacts across the industry.

- **Supplier Responsibility, Engagement, and Assessment:** Applied strives to be a partner to our suppliers, providing resources, guidelines, tools, and trainings to build capacity on advancing sustainable practices and supporting our suppliers and their sub-tier suppliers in their efforts to conform to the Responsible Business Alliance (RBA) code of conduct. From this baseline, we can better gauge progress using RBA assessments and audits.
- **Packaging:** Our precision tools and products require carefully designed packaging to avoid damage during transport, and we are continuously exploring reuse, reduction, and recycling options. We are piloting the balance of all three with certain packaging materials and types. Cases and crates are designed for reuse, whereas boxes contain recyclable content such as corrugated fiberboard and plastics. Testing and measurement drive the feasibility of reducing the use of virgin materials. Our goal is to reach 80% recyclable content for targeted plastics and corrugated fiberboard by year-end 2023.
- **Transportation and Logistics:** To reduce emissions from airfreight, we are exploring use of intermodal shipping options that can deliver product within a reasonable time frame. As an interim goal, we have a target of using these methods to achieve a 15% reduction in logistics GHG emissions by year-end 2023.

- **Wastewater:** Though our own operations are neither water-intensive nor large emitters of wastewater, we are cognizant of the need to reduce our industry's large footprint in both areas. Currently, we are piloting a program to test the efficacy of removing all phosphates used in pre-treatment of metal surfaces and shifting to zinc oxide. Our goal is to eliminate 100% of phosphates employed in this process by year-end 2023, throughout our supply chain.
- **Inclusion and Supplier Diversity:** Mirroring our own I&D journey, SuCESS2030 promotes development of robust diversity strategies throughout our supply chain. Our own near-term supplier diversity targets include increased representation of women and other underrepresented groups and increased percentage spend with women- and minority-owned businesses, all by 2024. We are also working with our trade associations to significantly grow the pipeline of diverse talent available to the industry by 2030.

SUCCESS2030 strengthens Applied's ESG supply chain strategy, building on our foundation of supporting ethical labor practices, environmentally responsible operations, responsible minerals sourcing, and other programs promoting adherence to industry standards and international human rights standards. SuCESS2030 is managed through our new SuCESS2030 Office, which oversees metrics and compliance audits and conducts training and coordination with participating suppliers.

Supplier Engagement, Training, and Assessment

SUCCESS2030 is a series of best practices for building a more sustainable business, society, and planet. As we raise the bar, we're also building our suppliers' competencies to reach it.

Contract Obligations

For direct suppliers, our ESG requirements are incorporated into our Global Supplier Agreements and other supplier agreements via our "Supplier ESG Requirements" attachment, and are also included in the terms and conditions for all purchase-order transactions. These requirements are also enumerated in our most commonly used agreements for indirect services. In 2021, we are adding the requirements to logistics supplier terms. By contract as applicable, Applied's supplier are required to:

- Implement Applied's [Standards of Business Conduct](#) and the [RBA Code of Conduct](#) in their own operations and ensure RBA code compliance among their sub-tier suppliers
- Comply with our [Responsible Minerals Sourcing Policy](#) and meet related statutory and regulatory requirements

- Meet Applied's other environmental, social, and governance requirements in their own operations and ensure compliance among their sub-tier suppliers
- Comply with Applied's [Environmental Health and Safety Policy](#) and "any applicable environmental, health or safety law, rule, regulation, order, decree or ordinance"
- Comply with Applied's minimum product EHS requirements
- Comply with the [California Transparency in Supply Chains Act of 2010](#), addressing the risk of slavery and human trafficking in supply chains
- Provide information requested by Applied to enable our company to comply with material content restriction regulations, including but not limited to REACH (EC number 1907/2006) and the U.S. Toxic Substances Control Act

Engagement and Training

We want this work to be a partnership, with collaboration driving benefit to all parties. In 2021, we began offering a structured program of webinars, trainings, and assistance to help our suppliers close any gaps across our ESG focus areas:

- Weekly live webinars on each key area of ESG focus
- Online training on Applied Materials Supply Chain ESG Requirements
- Training through the RBA e-Learning Academy and RBA workshops
- Ability to contract for social responsibility and sustainability assistance from a consultant at pre-negotiated rates

Our Applied commodity business managers are required to complete these trainings, assuring that the people who engage most frequently with our suppliers can knowledgeably communicate our sustainability expectations.

These SUCCESS2030 trainings extend our existing supplier training program, which offers web-based training on our Standards of Business Conduct, EHS trainings on maintaining safe work environments, and other resources related to our policies and procedures.

Supplier Assessments and Audit

Applied Materials employs a metrics-based approach to assessing supply chain ESG risks and reflects these assessments in our supplier scorecards. To secure baseline data, we require subsets of our suppliers (as applicable) to:

- Complete annual self-assessment questionnaires to measure their conformance to the RBA Code of Conduct (top 80% of direct suppliers, by spend)
- Submit Conflict Minerals Reporting Templates as part of our Conflict Minerals due diligence
- Report on their performance under environmental regulations

We conduct detailed evaluations of reported information and assign suppliers risk scores using a weighted risk matrix that encompasses ESG and other risk indicators. Rather than focusing corrective action solely on suppliers identified as high ESG risks, we are implementing our SuCCESS2030 holistically, identifying gaps at every level and giving suppliers the resources and tools they need to comply and thrive.

Internal audits of suppliers identified as having high ESG risk began in 2020, though COVID-19 forced us to curtail a planned pilot program of on-site ESG audits for certain high-risk direct suppliers. Consistent with RBA provisions, Applied required 25% of our high-risk suppliers to undergo an RBA external audit in 2020. This percentage grew to 33% in 2021 and will reach 50% in 2022. We have contracted with an RBA-approved third-party audit firm to conduct such audits consistent with RBA audit standards.

Protecting Human Rights in Our Supply Chain

Applied Materials is unequivocally committed to protecting human rights and conducting business in an ethical and responsible manner around the world. We condemn and are committed to ending forced and bonded labor in all its forms, including child labor, indentured labor, slavery, and human trafficking.

Our commitment to protecting human rights wherever we do business is detailed in the policies and statements listed on page 41. We communicate our human rights commitments and requirements clearly to our supply chain and business partners to ensure compliance with our expectations around humane treatment of the workforce and forbidding forced and bonded labor. We conduct due diligence on human rights risk in our supply chain, and flag zero-tolerance issues in our supplier scorecards.

View our [Human Rights Statement of Principles](#) here.