

Priority Issue 1

# Strengthen CSR Foundations across the Entire Supply Chain

Target for 2030

- (1) Realize sustainable procurement considering the environment, ethics and human rights.
- (2) Ensure compliance with legislation on biodiversity.

In SVP 2030, we have reconfirmed CSR as a priority issue, notably factors concerning the environment, ethics, and human rights. Under the Fujifilm Group's Procurement Policy, we are strengthening our CSR foundation together with our suppliers to build a sounder supply chain that would achieve sustainable procurement. In addition, based upon the Fujifilm Group Basic Concepts and Action Guidelines for Biodiversity Conservation (Guidelines for Biodiversity) established in June 2009, the Fujifilm Group is engaging in a wide range of environmental protection activities for the conservation and protection of biodiversity to sustain the various benefits we now receive from our ecosystem into the future.

Human Rights Statement  <http://www.fujifilmholdings.com/en/sustainability/vision/human/index.html>  
 Guidelines for Biodiversity  <http://www.fujifilmholdings.com/en/sustainability/vision/creature.html>

Outline of Activities in FY2018

[Target] Realize sustainable procurement

- Started on-site visits by expert teams to suppliers with assemble works in China to offer procurement diagnoses and started providing support for improvements. (FF)
- Achieved elimination of production line stops caused by suppliers' CSR risks in consecutive years → FX Shenzhen for four years & FX Haiphong for three years. (FX)
- Obtained 100% response rate from suppliers for the conflict minerals survey (in the document business where customer interest is high). (FX)



Briefings for suppliers in China

[Target] Ensure compliance with legislation on biodiversity

- Continued risk assessment of biological resource procurement from the product design stage, based on internal rules (starting in February 2010).
- Participated in the Taskforce Committee for the Nagoya Protocol under the Ministry of Economy, Trade and Industry (METI), Japan (continuous participation since FY2014).
- Continued risk management for procurement of copier paper, one of our important products, based on internal rules and guidelines (since 2012).

[Other major activities]

- In June 2018, the Fujifilm Group Human Rights Statement was approved by the CSR Committee (current ESG Committee; headed by the President) to be disclosed.
- In April 2019, the Fujifilm Group Charter for Corporate Behavior and the Fujifilm Group Code of Conduct were revised to enhance descriptions concerning respect for human rights. Started dissemination and education including the Human Rights Statement.
- Conducted the comprehensive human rights impact assessment across the Group and determined the priority in human rights issues to address.
- Conducted natural capital assessments concerning procurement of copier paper based on the Natural Capital Protocol\*.

\* Natural Capital Protocol: A standardized framework developed by the Natural Capital Coalition (NCC) for businesses to identify, measure and value their impacts and dependencies on natural capital to improve their decision making and strategies. First published in July 2016. FF: Fujifilm FX: Fuji Xerox

▶ Related Data and Information:

**Management Performance** Page 73 *Supply Chain Management*, Page 65 *Biodiversity Conservation*, Page 77 *Human Rights*

Future Activities and Targets

- Establish on-site visits by expert teams to suppliers with assemble works in China as a regular practice and reinforce support for improvements. (FF)
- Maintain 95% or more response rate from suppliers for the conflict minerals survey, and refine data accuracy (in the document business where customer interest is high). (FX)
- Implement ongoing efforts to comprehensively manage biological diversity risks resulting from procurement, continuing our FY2018 activities.
- Expand our business assessment in compliance with the Natural Capital Protocol.
- Increase the preventive and mitigating measures for the priority human rights issues (identified human rights risks) and monitor the progress.

Although Fujifilm (FF) and Fuji Xerox (FX) are in the Fujifilm Group, the products they manufacture are very different. Thus, the situation and risks associated with their production, procurement, and suppliers are also diverse. However, we regard collaboration with suppliers concerning socially responsible management as highly important regardless of such differences in business content. This is why we have been working to gain their understanding about the Fujifilm Group Procurement Policy, particularly from our production materials suppliers, by distributing our Procurement Policy and Requests to Suppliers to them and distributing our policy documents taking account of business such differences.

FX has been leading promotion of ethical procurement in the Group since 2007. This is because the company has an overseas production rate as high as 90% and belongs to the electrical and electronic industry, where demand for socially responsible management has been strong since early days. Through our procurement scheme, FX (1) adopts the international ethical procurement standards required by the Responsible Business Alliance (RBA), which includes many electrical and electronic industry as members; (2) offers suppliers the expertise gained by FX and Fuji Xerox Shenzhen (FXSZ), a major FX production site; and (3) makes and distributes management tools (management guidelines and self-checklists) to our suppliers. Utilizing these management tools, suppliers have become able to

check their procurement soundness and establish improvement plans by themselves. Also, running the PDCA cycle for procurement every year ensures steady improvements. FX requires all of its suppliers to conform to 90% or more of the “very important” items in the CSR Self-Checklist. Currently, the average conformance rate remains around 90% and since 2014, FXSZ is now in the fourth consecutive year of being free from any production line stops caused by CSR risks in its suppliers. FF began requests to some of its suppliers to conduct self-assessment from the CSR viewpoint in 2009, in addition to conventional communications concerning the chemical substances contained in products. This self-assessment has been expanded to other suppliers and now covers 80% of each business division’s procurement. In FY2018, we extended the procurement management that FX has developed to FF’s production subsidiaries in order to reinforce and deepen our procurement policy across the Fujifilm Group. As the first site to introduce this scheme, we appointed Fujifilm Imaging Devices (Suzhou) Co., Ltd. (FC), FF’s major production site for digital cameras and instant camera systems, for which customers have been increasingly demanding CSR management over suppliers in recent years. The procurement management has already started in cooperation with FXSZ, which has knowhow in assessment and improvement support in China. We continue to reinforce our CSR management across the supply chain by sharing knowhow within the Group.

- See the *Management Performance* for more details on ethical procurement and our FY2018 efforts concerning conflict minerals, human rights, and biodiversity.
  - Please refer to the Feature Article of the Integrated Report 2019 *Promoting Sustainable Procurement through Group Synergies*.
- [https://www.fujifilmholdings.com/en/pdf/investors/integrated\\_report/ff\\_ar\\_2019\\_005e.pdf](https://www.fujifilmholdings.com/en/pdf/investors/integrated_report/ff_ar_2019_005e.pdf)

## OPINION Third-Party Opinion on “Supply Chain”



**Mr. Hidemi Tomita**  
Director  
Lloyd’s Register Japan K.K.

### Profile

Graduated from the Department of Applied Physics, The University of Tokyo. M.S.E. in Chemical Engineering, Princeton University. Took the role of General Manager of the CSR Department in Sony Corporation since the department’s foundation, including supply chain management. After joining the Lloyd’s Register Group, he became the director of Lloyd’s Register Japan K.K. Participated in the formulation of domestic and international standards, including ISO 26000, ISO 20400, GRI standards, Tokyo Olympic and Paralympic sustainable sourcing code, etc.

Among the Fujifilm Group, the ethical procurement implemented by Fuji Xerox (FX) has particularly matured, having departments specializing in ethical procurement at different business sites. Using an international standard—RBA—as its own benchmark, the company not only conducts self-assessments but also seeks professional advice in workplaces. Their extensive initiatives have led to successful risk management as well as productivity enhancements. These are noteworthy results. At the same time, they have meticulously addressed issues specific to FX, such as paper procurement.

On the other hand, ethical procurement in Fujifilm (FF) appears to be still at the introductory stage. It is expected that its initiatives will eventually become as extensive as FX, however, managing suppliers’ factories is not sufficient when taking account of the diversity of FF’s entire business area. The evaluation of human rights due diligence risks across the supply chain is still in the general stage and identification of risks specific to FF’s business seems to be insufficient. I hope the company will improve these aspects in the near future.

### Response to the third-party opinion

Thank you very much for your considered opinions regarding our initiatives.

FX which belongs to the electrical and electronic industry has started ethical procurement as an early starter. The initiatives made by FX have resulted in productivity improvements, not only for its suppliers but also in its own business. FF has also been working together with suppliers taking account of its business characteristics and has also been involved with controlling the chemicals contained in its products over the last several years. We plan to further improve our initiatives utilizing FX’s expertise to continue to raise the standards of ethical procurement across the Group. (ESG Division, FUJIFILM Holdings)