

2.4 Supply Chain Management

2.4.1 Basic Approach

The Fujifilm Group lists “Strengthen CSR foundations across the entire supply chain including factors of the environment, ethics, and human rights” as one of the priority issues of our CSR plan towards 2030, Sustainable Value Plan 2030 (SVP2030).

The majority of the suppliers of our production materials are Japan-based companies, with other from advanced and emerging countries. Regulations related to human rights, labor safety, and the environment vary in different countries; however, we declare that we will not be complicit in any infringement of the human rights of our suppliers’ workers or in environmental destruction through our production process.

2.4.2 Procurement Policy and Structure (Overview)

Fujifilm Group upholds the Fujifilm Group’s Procurement Policy as a group-wide policy. We believe it is important that the business partners and suppliers, especially production materials suppliers, understand the importance of CSR (environment, human rights, occupational health and safety, corporate ethics, etc.) and work together with us in resolving issues. Therefore, we revised the Policy in 2015 and 2019, and added the aspects of CSR for our supplier evaluation standard.

Fujifilm Group Procurement Policy

The Fujifilm Group will conduct its procurement based on Fujifilm “Open, Fair, Clear” policy and the basic concepts listed below. At the same time, we will build mutual trust and respect with suppliers.

1. The Fujifilm Group is committed to engage in procurement activities in compliance with laws, regulations and social norms, paying full considerations to perspectives including human rights, environment, occupational health and safety.
2. We will treat suppliers irrespective of nationalities with fairness and ensure that they are given equal business opportunities. We are also committed to consider procurement from new suppliers.
3. The Fujifilm Group procure from trustworthy suppliers selected through comprehensive criteria that includes quality, price, delivery time, technological capabilities, CSR activities and business continuity.

Note that ‘procurement’ under this policy covers not only the procurement of parts and materials for products, but also procurement such as indirect materials, facility and maintenance services.

Established in October 2009, Revised in April 2019

Each of the Fujifilm Group business companies requests their suppliers to implement the Fujifilm Holdings Environmental Policy and Procurement Policy in their CSR activities, including environment and labor.

● Requests to suppliers on environment

Fujifilm Green Procurement Standards

[URL: https://www.fujifilm.co.jp/corporate/environment/pdf/greening/ff_greenbasic_ver3_2e.pdf](https://www.fujifilm.co.jp/corporate/environment/pdf/greening/ff_greenbasic_ver3_2e.pdf)

Fuji Xerox Green Procurement Standards

[URL: https://www.fujixerox.co.jp/company/eco/green/pdf/green_procurement_standards_ver60_english.pdf](https://www.fujixerox.co.jp/company/eco/green/pdf/green_procurement_standards_ver60_english.pdf)

● Requests to suppliers on overall CSR such as labor, human rights

Fujifilm Group Request to Suppliers (on the same page of Fujifilm Group Procurement Policy)

[URL: https://www.fujifilmholdings.com/en/sustainability/vision/procure.html](https://www.fujifilmholdings.com/en/sustainability/vision/procure.html)

Fujifilm CSR Procurement Guideline for Suppliers

[URL: https://www.fujifilm.co.jp/corporate/environment/procurement/concept/pack/pdf/index_pdf_02_en.pdf](https://www.fujifilm.co.jp/corporate/environment/procurement/concept/pack/pdf/index_pdf_02_en.pdf)

Fuji Xerox CSR Management Guidelines

[URL: https://www.fujixerox.com/eng/company/csr/sr2018/suppliers/theme.html#anc01](https://www.fujixerox.com/eng/company/csr/sr2018/suppliers/theme.html#anc01)

2.4.3 Fujifilm Group Production and Procurement Characteristics

The Fujifilm Group stipulates the priority areas of its procurement strategy as follows: (1) Cost (price) improvement; (2) Constant realization of stable procurement and supply (quality and delivery); and (3) Business Continuity Plan (BCP) for procurement. We set annual targets for these areas for continuous improvement. As a part of this procurement strategy, we request ethical procurement to suppliers as specified in a mandatory measure, “Minimizing CSR risks (environment, human right & labor management, corporate ethics) in suppliers.”

Our business companies, FUJIFILM and Fuji Xerox, manufacture significantly different products. Therefore, CSR risks in their respective suppliers, production, and procurement conditions are diverse. The Fujifilm Group is reinforcing ethical procurement across the group taking into account such diverse characteristics and risks.

Characteristics of FUJIFILM Manufacturing

As well as medical, high precision, and optical devices, FUJIFILM manufactures a wide range of products, such as chemical products and highly functional materials. The percentage of chemical products and highly functional materials among our entire product range is around 80%, with medical, high precision, and optical devices accounting for around 20%.

(1) Chemical products and highly functional materials

Almost all of these products are manufactured in Japan, as well as in the US and Europe. One characteristic of manufacturing such products is that many of the procured items for these products are chemical substances. One of the major risks concerning chemical substances is that lack of appropriate management could cause adverse effects on human beings and the environment (pollution, explosion, or other accidents), and contamination of products by hazardous substances. It is also essential to adhere to the legal requirements of permitted chemical substances in products, such as the RoHS directive and the REACH regulations in Europe. This is why we request our suppliers to follow the FUJIFILM Green Procurement Standards in the two aspects of “management of the handling of chemical substances” and “management of information on chemical substances in our products,” in addition to implementing these standards in our own factories. Further, to ascertain the chemical substances used by our suppliers, since FY2010 we have been utilizing a system to gather, manage, and communicate information about the chemical substances contained in parts and members across the supply chain.

(2) Medical, high precision, and optical devices

We manufacture these products in Japan, the US, and Asia (mainly China). Many of the primary suppliers are Japanese corporations with others based overseas. It is generally said that suppliers in Asian countries face a higher risk of business stoppage due to labor disputes and tightening environmental regulations enforcement. Such suppliers face risks of delivery delays to our factories and insufficient quality due to problems in suppliers' factories. For this reason, we have been reinforcing ethical procurement in China since FY2018, in a similar manner taken in Fuji Xerox, as described below.

Characteristics of Fuji Xerox Manufacturing

Some 70% of Fuji Xerox's major products—multifunction devices and printers—are assembled in factories in China and Vietnam. Fuji Xerox introduced ethical procurement in 2007 to ensure stable production in Asia. Thanks to the company's continuous efforts to understand the risk of operational stoppages in suppliers' sites, and requests for improvement, delivery delays from suppliers due to their environmental or labor problems have been reduced.

2.4.4 Supplier Code of Conduct

As a code of conduct for suppliers, FUJIFILM provides the CSR Procurement Guidelines and Fuji Xerox provides their CSR Management Guidelines to suppliers. These guidelines cover items listed in the Fujifilm Group Code of Conduct that the Group companies request their suppliers to follow, as well as all the items covered in the Code of Conduct required by the US Responsible Business Alliance (RBA).

Reference: Fuji Xerox CSR Management Guidelines Contents List

* Fujifilm CSR Procurement Guidelines includes almost the same contents as below.

1. Human Rights and Labor (Social)

Prevention of Forced and Child Labor; Prevention of Unfair Discrimination and Privacy Infringement; Prevention of Violence, Sexual Abuse, Sexual Harassment, and Excessive Punishment in Workplaces; Provision of Appropriate Wages and Proper Management of Working Hours and Mandatory Days Off; Guarantee of Right of the Directly Employed for Organization and Collective Bargaining; Prevention of Work-Related Accidents at Workplaces and on Duties; Establishment of Measures on Treatment of Illnesses and Injuries and Maintenance of Health; Sufficient Healthcare Facilities and Welfare Measures; Promotion of Human Resource Development (Capacity Building); Promotion of Third-Party Certification

2. Environment

Prevention of Global Warming; Promotion of Resource Conservation in Products (Reduced Use of Natural Resources); Recycling and Proper Waste Disposal; Proper Management of Chemical Substances; Promotion of the Natural Environment Preservation (Biological Diversity and the Ecosystem); Adherence to Administrative Procedures; Promotion of Third-Party Certification of an Environmental Management System (EMS)

3. Corporate Ethics (Governance)

Corporate Ethics and Compliance Management; Anti-Corruption; Protection of Intellectual Property; Guarantee of Fair Procurement Transaction; Establishment and Management of Raising Concerns and Whistleblowing; Establishment of Information Security System

4. Extended application of the provisions by suppliers to their suppliers (secondary suppliers for Fuji Xerox)

Fuji Xerox requests its suppliers to promote of recommendation and application of each of the three aforementioned provisions to their suppliers.

2.4.5 Efforts for Improving Sustainability in the Supply Chain

The Fujifilm Group adopts ethical procurement promotion programs and implements the program policy (including the supplier code of conduct), assesses supplier risks, and requests improvement and provides support for suppliers that face CSR risks (environment, human rights, labor management, and corporate ethics), as shown in the following process.

1. Notifying policies etc. to suppliers

Notifications at briefings to suppliers or by providing Code of Conduct documents.

Fujifilm Holds	Supplier Briefing for Chemical Substance Management Education every six months. On this occasion, we stipulate our procurement policy and request their compliance.
Fuji Xerox	Submits supplier code of conduct (CSR Management Guidelines) to major suppliers every year, and requests their compliance.



2. Risk assessment in suppliers

Risks are assessed by CSR self-check results and QCD results in suppliers. (QCD: Quality, Cost, Delivery)

Fujifilm

- Request suppliers to undertake regular self-checks since FY2015. As a result, primary suppliers in Japan, Europe and the US have been assessed as low CSR risk.
- In FY2018, individual surveys at one assembly plant in China found four suppliers had CSR risks.

Fuji Xerox

- Requests annual CSR self-check to critical suppliers since FY2007. In FY2018, Chinese and Vietnamese factories have identified 42 suppliers with CSR risks.

* The items of CSR self-check covers as follows:

<Environment> 1.Prevention of Global Warming; 2.Promotion of Resource Conservation in Products (Reduced Use of Natural Resources); 3.Recycling and Proper Waste Disposal; 4.Proper Management of Chemical Substances; 5.Promotion of the Natural Environment Preservation (Biological Diversity and the Ecosystem); 6.Adherence to Administrative Procedures; 7.Promotion of Third-Party Certification of an Environmental Management System (EMS); 8. Promotion of Recommendation and Application to Your Company's Suppliers.

<Human Rights and Labor> 1.Prevention of Forced and Child Labor; 2.Prevention of Unfair Discrimination and Privacy Infringement; 3.Prevention of Violence, Sexual Abuse, Sexual Harassment, and Excessive Punishment in Workplaces; 4.Provision of Appropriate Wages and Proper Management of Working Hours and Mandatory Days Off; 5.Guarantee of Right of the Directly Employed for Organization and Collective Bargaining; 6.Prevention of Work-Related Accidents at Workplaces and on Duties; 7.Establishment of Measures on Treatment of Illnesses and Injuries and Maintenance of Health; 8.Sufficient Healthcare Facilities and Welfare Measures; 9.Promotion of Human Resource Development; 10.Promotion of Third-Party Certification; 11.Promotion of Recommendation and Application to Your Company's Suppliers.

<Corporate Ethics> 1.Corporate Ethics and Compliance Management; 2.Anti-Corruption; 3.Protection of Intellectual Property; 4.Guarantee of Fair Procurement Transaction; 5.Establishment and Management of Raising Concerns and Whistleblowing; 6.Establishment of Information Security System; 7. Promotion of Recommendation and Application to Your Company's Suppliers.



3. Instruction and improvement activities for suppliers with high CSR risks

- Provides Onsite "Visit and Check" by expert team improvement. Monitors progress.
- Provides various seminars for suppliers.

Fujifilm

- Provided Onsite "Visit and Check" in the four suppliers of the company's Chinese manufacturing site as a trial and requested correction of risk factors. Progress will be inspected in FY2019.
- Provides semiannual educational sessions to suppliers for chemical products and highly functional materials, which account for about 80% of the company's products. Requests them to adhere to FUJIFILM Green Procurement Standards.
- In FY2018, provided usage training program for chemSHERPA system, which enables 322 suppliers to share information about chemical substances in their products. All suppliers have started using this system.

Fuji Xerox

- Expert teams from Fuji Xerox Shenzhen, Fuji Xerox Shanghai, and Fuji Xerox Hai Phong provided Onsite "Visit and Check" to 42 suppliers (factories) in China and Vietnam. Requested correction and now monitoring progress.
- Fuji Xerox production line down time (due to suppliers' CSR problems): Zero hours in Fuji Xerox Shenzhen and Fuji Xerox Hai Phong.
- Since 2014, Fuji Xerox Shenzhen has conducted seminars to suppliers in labor, safety, environment practical management. This is to provide information to suppliers on rapidly changing labor and environmental regulations. To date, 25 seminars have been held and 2,099 people from about 400 companies have attended.

CSR Self-Checks by Suppliers to Identify CSR Risks [Results for last three years and targets]

		FY2016	FY2017	FY2018	FY2019 Target
Request for self-check	Number of self-checks conducted in critical suppliers	Fujifilm 427 (Japan, China)	Fujifilm 262 (Japan, North America)	Fujifilm 66 (Japan, Europe)	Self-checks conducted by all critical suppliers in the high risk area: 100% (Both FUJIFILM & Fuji Xerox)
		Fuji Xerox 305 (Japan, China, Asia, others)	Fuji Xerox 296 (Japan, China, Asia, others)	Fuji Xerox284 (Japan, China, Asia, others)	
Results	Response rate or conformance rate (FUJIFILM)	92%	77%	53%	Response rate: 50% or more for FUJIFILM 90% or more for FX
	Most critical items and the percentage of suppliers whose conformance rate is 90% or higher	94.1% for most critical items 56.9% for critical items	95.6% for most critical items 68.2% for critical items	93.7% for most critical items 74.6% for critical items	

2.4.6 Response to Conflict Minerals

The Fujifilm Group is aware of conflict minerals*1 issues, the mining of which causes human rights violations and disputes, and clearly declares that it will not be complicit, directly or indirectly, in supporting activities related to such disputes and human rights violations. The Fujifilm Group manages minerals by following the five steps of the Due Diligence Guidance specified by the Organisation for Economic Co-operation and Development (OECD) to identify actual and potential adverse effects from our business activities and prevent or alleviate such effects.

Fujifilm Group's stance toward the issue of responsible minerals procurement

URL: <https://www.fujifilmholdings.com/en/sustainability/vision/procure.html>

OECD 5 steps	Fujifilm Group efforts
(1) Establish strong company management systems	Procurement, sales, and HQ departments of Fuji Xerox that has strong requests from customers, have formed an intra-company structure to accurately track the origin of minerals by monitoring the relevant conditions. We are expanding this scheme throughout Group.
(2) Identify and assess risks in the supply chain	The Fujifilm Group is not subject to reporting obligations based on Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as the Group is not registered with the U.S. Securities and Exchange Commission (SEC). However, we have more than one SEC-registered client corporation in some of our businesses and these corporations have requested our cooperation. Thus, we track mineral origins through monitoring our supply chain, verifying results, and identifying the country of origin following the procedures specified by the Responsible Minerals Initiative (RMI)*2. Fuji Xerox reports the investigation results to OEM product clients. Both FUJIFILM and Fuji Xerox address issues for other clients individually.
(3) Design and implement a strategy to respond to identified risks	Although it was possible that minerals from conflict areas had been used, there was no proof that any terrorist group was involved. Because there are recognized humane mining companies and organizations in the area, we did not withdraw the mineral usage uniformly.
(4) Carry out independent third-party audit of smelter/refiner's due diligence practices	The Fujifilm Group participates in the Responsible Minerals Trade Working Group of JEITA*3 and discusses RMAP*4 jointly with other companies. We encourage suppliers to use conflict-free smelters that are verified by RMI after a third-party audit.
(5) Report annually on supply chain due diligence	The Fujifilm Group's conflict mineral policies, measures, and results are disclosed on the official website.

*1 Minerals (tantalum, tungsten, tin, and gold) regarded to be problematic because profits may be used for inhumane purposes or its mining may infringe human rights.

*2 RMI = Responsible Minerals Initiative

*3 JEITA: Japan Electronics and Information Technology Industries Association.

*4 RMAP: Responsible Minerals Assurance Process.

Results for Last Three Years and Target

	FY2016	FY2017	FY2018	FY2019 Target
Supplier response rate for conflict minerals survey (FX)	96.5%	100%	99.2%	95% or higher
Percentage of conflict-free smelters in conflict minerals survey (FX)	40.0%	46.2%	54.8%	Continuous improvement of conflict-free smelter percentage

2.4.7 Efforts in Paper Procurement

As Fuji Xerox sells paper for printers and copiers, the company declares that it procures pulp from forests that are managed with consideration for the environment and human rights, avoiding any involvement in forest destruction and human rights infringements.

To realize this, we established the Environmental, Health, and Safety Requirements regarding Paper Procurement. These rules specify paper quality standards for procurement, as well as selection criteria for material suppliers. Through these rules, we request material suppliers to pay attention to biodiversity and respect the rights of local residents in their business operations.

We also hold an annual meeting of the CSR Paper Procurement Committee, chaired by the director responsible for procurement, in order to confirm the compliance status of existing suppliers and to select new suppliers.

Paper Procurement Efforts KPI

	FY2016	FY2017	FY2018	FY2019 Target
Percentage of suppliers inside and outside Japan fulfilling our paper procurement requirements (Fuji Xerox)	100%	100%	100%	100%

2.4.8 Ethical Procurement Efforts in Logistics

The number of items delivered by courier services has significantly increased since 2017 due to continued popularization of internet commerce. This has caused social problems in logistic companies' employees, such as long working hours by courier drivers, death from overworking, and environmental and safety issues caused by poorly maintained vehicles.

Fujifilm Logistics Co., Ltd., which delivers Fujifilm Group products, has been requesting its logistics partners (primary suppliers) to cooperate in our ethical procurement for logistics since FY2009. Through such requests, logistics partners conduct CSR self-checks and if they identify that their conformance rate is less than 90%, Fujifilm Logistics visits the partner company to offer advice for correction.

Ethical Procurement Effort KPI in Domestic Logistics

	FY2016	FY2017	FY2018	FY2019 Target
Percentage of companies with 90% or more CSR self-check conformance rate (Fujifilm Logistics)	100%	97.4%	100%	100%

2.4.9 Collaboration with International Initiatives in the Supply Chain Area

The Fujifilm Group participates in international initiatives to meet the evolving global-level of production and procurement standards and deliver our products with confidence, valuing the importance of global CSR trends. Below are the initiatives in which we participate in the supply chain area.

- Joint Article Management Promotion-consortium (JAMP)**
 JAMP aims to disseminate a system to manage chemical substance information and smoothly communicate such information across supply chains. FUJIFILM is a member of JAMP and our CSR-related director takes the role of the deputy chairman.
- United Nations Global Compact (UNGC), and its Action Platform on Decent Work in Global Supply Chains**
 Fuji Xerox signed Global Compact. The company is the only Japanese corporate member of this action platform and our Corporate Vice President responsible for corporate wide procurement signed the commitments recommended by the platform.
- Responsible Minerals Trade Working Group of JEITA**
 Both FUJIFILM and Fuji Xerox participate in the Responsible Minerals Trade Working Group led by the Japan Electronics and Information Technology Industries Association (JEITA), the industrial organization of the Japanese IT and electronics industry.