

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)

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- 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.

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- 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](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.