

Sustainable Procurement


Basic Policies

The Fuji Electric Code of Conduct states that Fuji Electric, along with its business partners, “will promote procurement activities aimed at creating a supply chain that supports a sustainable society.” We endeavor to ensure fair and equitable transactions that comply with laws and regulations in Japan and overseas, and we engage in procurement activities that are compatible with the sustainability of the environment,

 Fuji Electric Purchasing Policy
<https://www.fujielectric.com/company/procurement.html>

Sustainable Procurement Activities with Business Partners

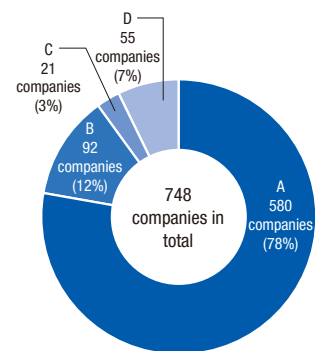
Every year, the Company implements the self-assessment of CSR procurement in accordance with the Fuji Electric CSR Procurement Guidelines for its business partners to deepen their understanding of our corporate social responsibility (CSR) approach and initiatives we would like to have them comply with and implement while also gaining an understanding of the status of such efforts.

 Fuji Electric CSR Procurement Guidelines
https://www.fujielectric.com/company/box/doc/procurement/pdf/guideline_csr_e.pdf

In fiscal 2021, of about 6,000 primary business partners in total, we implemented our assessment for 748 major business partners, which accounted for the top 80% of our purchasing results during the two-year period from fiscal 2019 to fiscal 2020. The survey found that 55 business partners were rated D, which means they needed to work on improving their CSR efforts. We made sure that these partners were interviewed so they would have a deeper understanding of CSR initiatives and successfully make these improvements.

We will deepen our communication with our business partners so that we can work together to create a supply chain that supports a sustainable society.

Fiscal 2021 Assessment Results by Rating

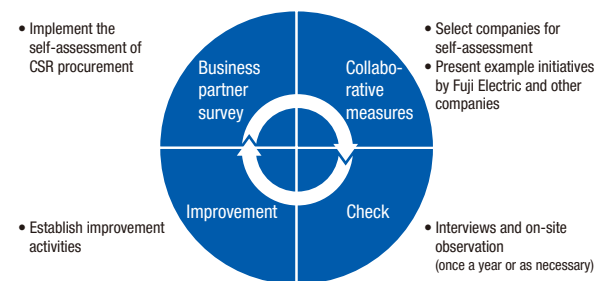


society, and governance.

In addition, by freely engaging in transactions with all our business partners that are based on fair and equitable competition, we strive to build better partnerships, deepen mutual understanding, and maintain and improve cooperative relationships.

Subjects in the Fuji Electric CSR Procurement Guidelines		
1. Human Rights and Labor	4. Fair Trade and Ethics	7. Business Continuity Plan
2. Health and Safety	5. Quality and Safety	8. Establishment of Management Systems
3. Environment	6. Information Security	9. Social Contribution

PDCA for the Self-Assessment of CSR Procurement



Number of Companies that Conducted the Self-Assessment

	Fiscal 2019	Fiscal 2020	Fiscal 2021
Business partners	425	673	748
Japan	425	572	646
Overseas	0	101	102

Ratings

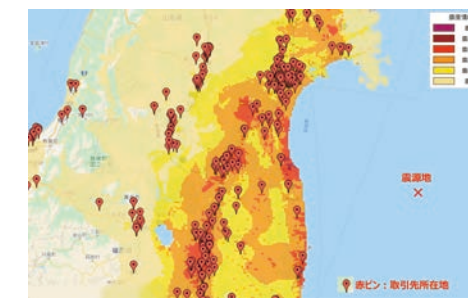
Rating	Description
A	The business partner considers CSR as an organizational challenge and takes specific actions.
B	The business partner considers CSR as an organizational challenge and is planning specific actions.
C	The business partner considers CSR as an organizational challenge.
D	The business partner should consider CSR as an organizational challenge and should work on improvements.

Contributing to Business Continuity through Stable Procurement

By identifying, assessing, and addressing supply chain risks, we aim to build stable material procurement and production systems over the medium and long terms.

Responding to natural disaster risks

The Company has introduced a disaster prevention information system that makes it possible to identify domestic business partners located in regions affected by earthquakes and regions for which emergency warnings have been issued. In fiscal 2021, as a result of utilizing data related to the approximately 9,000 bases of primary and secondary business partners registered to our disaster prevention information system, we were able to quickly confirm the situation when natural disasters (mainly earthquakes) occurred, thereby avoiding effects on the Company's production activities. We will strive to more effectively visualize supply chain risks and expand the number of registered business partners.



Conceptual image of the disaster prevention information system (when an earthquake occurs)

Efforts aimed at purchasing from multiple suppliers

In fiscal 2021, the supply was hindered as a result of various countries being locked down due to the impact of COVID-19, which resulted in the production of many industrial supply chains stopping and other problems. The Company has individually evaluated the risks associated with approximately 200,000 materials that could be purchased from multiple suppliers and is striving to achieve multi-sourcing for materials that have risk ratings of D and E. As a result, approximately 60% of its procured material items have been sourced from multiple vendors thus far. In addition, we are endeavoring to conclude long-term contracts in order to stably procure certain items. We will continue to consider items for which we have not yet achieved multi-sourcing.

* Multi-sourcing refers to a system in which materials are procured from multiple business partners.

Procured Material Risk Rating Definitions

Risk	Definition
Low	A Multi-sourcing complete (ordering complete)
	B Multi-sourcing preparation complete (ordering possible)
	C Material evaluation complete
	D Candidate selection complete / not yet evaluated
High	E Specified customer, no alternative, discontinued, alternative unknown

TOPICS

Implementing compliance education related to procurement activities

In October of 2020, we took our support for the Declaration of Partnership Building promoted by the Cabinet Office and the Small and Medium Enterprise Agency as an opportunity to further strengthen our compliance system by taking steps to train compliance leaders who will be in charge of inspecting our in-house procurement business and handing compliance-related

consultations from other divisions. We selected candidates from various Fuji Electric Group bases, had them attend lectures on related laws, and trained them through the use of simulated internal auditing exercises, etc. As a result, we trained 21 compliance leaders in fiscal 2020 and 24 compliance leaders in fiscal 2021. We will continue striving to build high-quality compliance systems.

 Declaration of Partnership Building web portal
<https://www.biz-partnership.jp>
 (Japanese only)



Compliance leader training