


# 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


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

environment, 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.

## 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 in Japan and overseas 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.

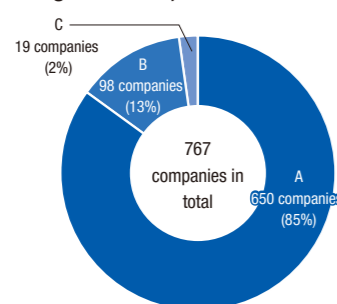
 Fuji Electric CSR Procurement Guidelines  
[https://www.fujielectric.com/company/box/doc/procurement/pdf/guideline\\_csr\\_e.pdf](https://www.fujielectric.com/company/box/doc/procurement/pdf/guideline_csr_e.pdf)

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

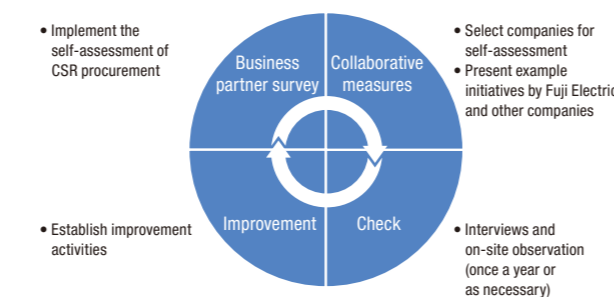
In fiscal 2022, of about 6,000 primary business partners in total, we implemented our assessment for 767 major business partners, which accounted for the top 80% of our purchasing results during the three-year period from fiscal 2019 to fiscal 2021. The survey found that seven business partners were 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 make CSR efforts as an organizational issue.

In fiscal 2023, we will continue to implement assessments and initiatives to expand educational opportunities for our business partners, and promote the penetration and strengthening of CSR in our supply chain. We will also proceed with initiatives to conduct CSR audits of our business partners with the aim of enhancing and maintaining the effectiveness of CSR procurement.

### Fiscal 2022 Assessment Results by Rating (After Conducting Interviews)



### PDCA for the Self-Assessment of CSR Procurement



### Number of Companies that Conducted the Self-Assessment

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Business partners	673	748	767
Japan	572	646	658
Overseas	101	102	109

### 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.

## CSR Audit Personnel Cultivation Initiatives

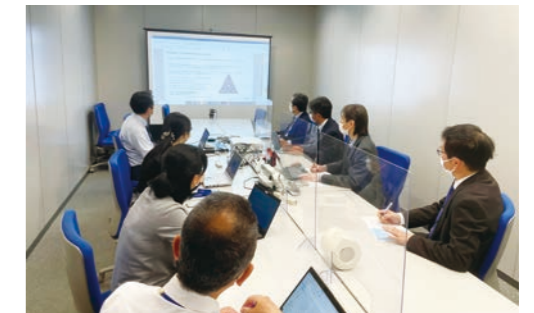
In order to support our business partners in improving their CSR initiatives, we believe it is important for our own employees involved in procurement to understand the CSR issues in the supply chain, and therefore provide employee training on CSR procurement.

In fiscal 2022, we conducted CSR audit personnel cultivation training for the purpose of visiting business partners to conduct audits and on-site verification of their CSR initiatives. The training was attended by seven participants from procurement divisions and other departments, and included practical training such as lectures on RBA\* audit standards and auditing methods, which are the basis of the Fuji Electric CSR Procurement Guidelines, as well as examples of common nonconformities.

In fiscal 2023, a working group led by those who have completed the training will work to develop auditing tools and conduct on-site CSR audits of business partners. The working

group members will also cultivate CSR audit personnel within the procurement divisions by utilizing the know-how obtained through the implementation of CSR audits.

\* RBA: Responsible Business Alliance. A non-profit organization comprised of companies committed to CSR in the global supply chain



CSR audit personnel cultivation training

## 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 for which emergency warnings have been issued due to earthquakes or weather conditions. In fiscal 2022, we expanded the registration of secondary business partners, resulting in approximately 9,900 bases of primary and secondary business partners registered to our disaster prevention information system. In addition, with regard to overseas business partners, we have established a system to collect information on disasters through overseas IPOs\*. As a result, we were able to quickly confirm the situation when natural disasters (mainly earthquakes) occurred, thereby swiftly identifying any risks on the Company's production activities. We will continue to strive to more effectively visualize supply chain risks and expand the number of registered business partners.

\* IPO: International Procurement Office



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

### Efforts aimed at purchasing from multiple suppliers

In order to avoid risks associated with single-sourcing, the Company has individually evaluated the risks associated with approximately 200,000 materials that we continuously procure and is striving to achieve multi-sourcing\*1 for materials that have risk ratings of D and E. As a result, approximately 70% of its procured material items have been sourced from multiple vendors thus far. We will continue to examine items for which multi-sourcing has not yet been achieved, and further reinforce measures such as concluding long-term contracts and stocking up on non-substitutable items. In recent years, procurement risks due to country risks (including lockdown, natural disasters, and conflicts) have been increasing, and in addition to conventional multi-sourcing, we will also avoid procurement risk by increasing the number of countries from which materials can be purchased\*2 in the future.

\*1 Multi-sourcing refers to a system in which materials are procured from multiple business partners.

\*2 To establish a system that allows procurement from multiple manufacturing countries (domestic + overseas, multiple overseas, and the like).

### 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