

Canon

Sustainability Supplier Guidelines

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Introduction

Based on Canon's corporate philosophy of "*kyosei*", Canon Group (hereinafter referred to as "Canon") aims to contribute to the betterment of society as a good corporate citizen. In order to achieve this, Canon has established and promoted "Procurement Policy" in Canon's procurement activities, including observance of corporate ethics, consideration for environmental conservation, and fair and equitable transactions.

The corporate responsibilities that society expects from companies are evolving with the times. With the progress of globalization, customers and business partners are demanding transactions with companies that meet certain standards regarding consideration for the global environment and society.

Canon has developed this "Canon Sustainability Supplier Guidelines" which compile our efforts to address important issues for achieving sustainability in recent years, such as climate change and human rights, as well as requests for cooperation and surveys to our business partners. We kindly ask our business partners to understand the purpose of the guideline and to cooperate with our efforts in sustainable procurement throughout the supply chain, including participating in regular surveys to confirm the status of these activities.

Canon Inc.
Procurement Division

1. Requirements to Canon's Business Partners

1.1 Environment

(1) Management of Chemical Substances in Products

As part of Canon's global environmental conservation activities, Canon is working to eliminate hazardous substances. We enforce "management of chemical substances in products" to ensure that products do not contain chemical substances exceeding regulation's requirements, and "management of chemical substances used in manufacturing processes" to prevent the discharge of chemical substances exceeding regulation's requirements from our business sites, and to ensure compliance with our standards.

For "management of chemical substances in products," Canon has established an environmental assurance system across the entire company, setting Canon original standards that comply with the strictest regulations worldwide, based on regulations of various countries and regions, and we develop our products that meet this standard. For "management of chemical substances used in manufacturing processes," we identify the legal requirements applicable to our business sites and establish, implement, and maintain procedures to ensure compliance.

Based on the above concept, we have compiled the "Canon Green Procurement Standards" as requirements for our business partners.

<https://global.canon/en/procurement/green03.html>

[Requirements]

- Compliance with the Canon Green Procurement Standards
 - Establish and operate a management system for chemical substances
 - Eliminate and replace "Prohibited Substances (*1)" and "Restricted Substances (*2)"
 - Identify and manage "Controlled Substances (*3)"
- Making sure to respond to surveys on chemical substances contained in products
- Requiring for the same cooperation to your business partners

*1 Prohibited Substances: Chemical substances that are prohibited to contain in products.

*2 Restricted Substances: Chemical substances that will be prohibited in the near future, with a set deadline for their inclusion in products, after which their inclusion is prohibited.

*3 Controlled Substances: Chemical substances that require monitoring of their presence, quantity, location of use, and purpose in products.

(2) Control/Reduction of CO₂ Emissions

In order to contribute to the realization of a decarbonized society and address climate change issues, Canon has been working to reduce CO₂ emissions throughout the entire product lifecycle (*⁴) with the aim of achieving net-zero emission by 2050.

Through developing smaller and lighter products, logistics efficiency, energy-saving activities at production sites, the introduction of renewable energy, and product energy efficiency during use, and product recycling, we aim to achieve the overall target validated by the SBTi (*⁵) of reducing Scope 1 and 2 emissions by 42% and Scope 3 (Categories 1 and 11) emissions by 25% in 2030 compared to 2022.

In addition, since 2008, we have been working on the comprehensive environmental goal of 'improving the life cycle CO₂ improvement index per product by an average of 3% annually' (unit target), aiming for a 50% improvement by 2030 compared to 2008.

Approximately 40% of the total CO₂ emissions of Canon Group is emitted from the manufacturing and procurement of raw materials and parts (Category 1 of Scope 3). Canon aims to establish a system to reflect the results of business partners' efforts to reduce CO₂ emissions in Canon products by setting calculation standards of CO₂ emissions for each of processing, raw materials, parts, etc. and by replacing the conventional calculation method with actual data per unit of production.

Moreover, Canon is promoting the reduction of CO₂ emissions through the group-wide expansion of the know-how for reducing CO₂ emissions at our operational sites. Canon will share the energy reduction methods of our operational sites and work together to reduce CO₂ emissions.

*4 Scope 1: Direct emissions (city gas, LPG, diesel oil, kerosene, non-energy derived greenhouse gases, etc.);
Scope 2: Indirect emissions (electricity, steam, etc.);

Scope 3: Supply chain-related emissions (production of purchased goods and services [Category 1],
upstream transportation and distribution [Category 4], use of sold products [Category 11])

*5 SBTi (Science Based Targets initiative): An international initiative to encourage companies to set GHG emissions reduction targets on the basis of science

[Requirements]

- Proposal and supply of low CO₂ emission materials and parts
- Active promotion of CO₂ reduction activities through energy conservation and waste reduction of raw materials in business activities
- Sharing the CO₂ emissions per basic unit and their calculation basis
- Periodic monitoring of CO₂ reduction activities and needs for collaboration

(3) Resource Efficiency

Aiming to contribute to the development of a circular economy, Canon seeks to recycle used products into new ones to maximize the value brought by resources by the establishment of product designs and production systems that enable the repeated use of resources, as well as a resource recovery system.

In order to increase the resource recycling rate in the manufacture and sale of Canon products, we will promote the use of recycled resources, such as recycled iron and PCR plastic materials (*6), and biomass plastic materials. Additionally, we will advance the use of materials and parts that contribute to making products smaller and lighter, as well as reducing plastic in packaging materials. In the four business groups of Printing, Medical, Imaging, and Industrial, we set resource circulation targets based on the characteristics of each business and disclose them on our website.

At Canon Group's operational sites, we promote resource efficiency activities by increasing recycling through sorting and collection, minimizing initial waste generation, and reducing the amount of waste emissions.

Reference: The Environmental Approaches and Initiatives of Four Business Groups

<https://global.canon/en/sustainability/environment/business/>

*6 PCR (POST-CONSUMER RECYCLED) plastic: Recycled plastic made from products that have been disposed of after being used by consumers.

[Requirements]

- Proposal and supply of materials and parts that lead to the adoption of recycled resources and biomass plastic materials, and the miniaturization and weight reduction of products
- Active promotion of resource circulation in business activities, including reduction of use of natural resources such as fossil fuels, minerals, and native forest products

(4) Water Resource Conservation

Canon has established "Canon Group Water Resources Policy" and is working to ensure the sustainable use of water resources by identifying and reducing water usage, recycling water, and assessing water risks at its sites.

Based on Canon's corporate philosophy of "kyosei", Canon promotes initiatives to reduce water resource usage and environmental impact in collaboration with local communities and business partners.

Reference: "Canon Group Water Resources Policy" (see "Water Resource Conservation" page below)

<https://global.canon/en/sustainability/environment/water/>

[Requirements]

- Active promotion of water resource conservation activities, such as water saving through management of water sources, water use, and water discharge, and wastewater management.
- Cooperation for periodical monitoring of the status of business partners' activities

(5) Biodiversity Conservation

Canon recognizes that biodiversity is essential for a sustainable society and, under the group-wide "Canon Group Biodiversity Policy," engages in various biodiversity conservation activities.

In relation to biodiversity conservation within the value chain, Canon established the "Canon Basic Policy on the Procurement of Timber Products" to ensure the sustainable use of forest resources, which are the raw materials for office paper products. Additionally, Canon has implemented the "Canon Management Standards for Timber Products," which outline the requirements for managing items containing wood-derived components.

We promote comprehensive biodiversity conservation efforts throughout the supply chain.

Reference: "Canon Group Biodiversity Policy" and "Canon Basic Policy on the Procurement of Timber Products"

<https://global.canon/en/sustainability/environment/biodiversity/policy/>

Reference: "Canon Management Standards for Timber Products"

<https://global.canon/en/sustainability/environment/biodiversity/policy/pdf/standard.pdf>

[Requirements]

- Compliance with the requirements set forth in "Canon Management Standards for Timber Products"
- Assessment of the impact of business activities on ecosystems and consideration of biodiversity in the procurement of raw materials

1.2 Human Rights

(1) Human Rights Due Diligence

Canon respects the human rights of all stakeholders in its business activities, including employees and business partners, based on the United Nations Guiding Principles on Business and Human Rights.

Under the philosophy of *kyosei*, Canon established "Canon Group Human Rights Policy" to express our commitment to human rights. Canon promotes respect for human rights through the implementation of human rights due diligence (identification, prevention, and remediation of human rights risks) and the establishment of grievance mechanisms.

As legislation related to human rights advances in mainly in Europe and the United States, human rights initiatives have become an essential requirement for transactions with global companies, as well as for public procurement and environmental labeling in these regions.

Canon will work with Canon's business partners to address issues related to human rights in the supply chain.

Reference: "Canon Group Human Rights Policy"

<https://global.canon/en/sustainability/society/human-rights/pdf/hr-policy-e.pdf>

[Requirements]

- Understanding and cooperation with the international circumstances surrounding human rights
- Cooperation for surveys and audits conducted by Canon, as well as with its responses to the risks uncovered through the initiatives.

(2) Responsible Minerals Sourcing

Canon, together with our business partners, has established the "Canon Group Basic Policy on Responsible Mineral Sourcing" to identify conflict-affected and high-risk areas, to avoid using materials supplied by businesses with high human rights and environmental risks, and to advance responsible mineral sourcing.

Based on the Due Diligence Guidelines established by the Organization for Economic Co-operation and Development (OECD), Canon conducts due diligence (appropriate surveys) on materials and components containing conflict minerals (tantalum, tin, gold and tungsten) and minerals that are regarded as high-risk by Canon (such as cobalt). We disclose this information to stakeholders and have strengthened our risk management system in response to recent changes in the global situation. We seek the cooperation of our business partners to promote efforts to eliminate risks in mineral sourcing throughout the supply chain.

Reference: "Canon Group Basic Policy on Responsible Minerals Sourcing"

<https://global.canon/en/sustainability/society/conflict/policy/>

[Requirements]

- Cooperation in Canon's surveys and elimination of identified risks
- Requiring for the same cooperation to your upstream suppliers

1.3 Information Security

The rapid evolution of digitalization and information technology, coupled with the intensification of global geopolitical risks, has led to an increase in cyber-attacks targeting IT environments. These attacks have become more frequent, sophisticated, and severely damaging.

In recent years, attacks on one part of the supply chain have propagated throughout the entire chain, increasing the risks of disrupting product or service supply and leaking sensitive information from the point of attack. Such incidents result in negative consequences, including economic losses, diminished credibility, and reduced brand value.

In response to these escalating risks, the Japanese government has issued the "Cybersecurity Management Guidelines," emphasizing the importance of implementing security measures across the supply chain and providing directions for these measures. Similar initiatives are also being undertaken by governments in Europe and the United States. Strengthening information security within supply chains has become essential to ensuring secure and reliable supply chains and sustainable business operations.

Canon acknowledges that information security is a critical management issue for the safe and effective utilization of organizational information assets. As part of the risk management strategy, Canon has established an information security policy to safeguard information assets against various threats to information and communication systems. Canon has also established an information security promotion system throughout the entire group of companies.

Key initiatives include the development of guidelines specifying the processes to be followed in information security, employee training to ensure compliance with them, and regular internal inspections or audits to verify compliance status. These efforts ensure that the information security policy is thoroughly disseminated across the organization.

With the cooperation of suppliers in information sharing, Canon is promoting the elimination of information security risks throughout the entire supply chain.

[Requirements]

- Information sharing on information security measures (policies, systems, status of measures, etc.)

1.4 Supplier Code of Conduct (RBA Code of Conduct)

Canon has joined the Responsible Business Alliance (RBA), a global corporate coalition dedicated to promoting social responsibility in the supply chain, in order to address social issues such as human rights and the environment and to improve sustainability in its supply chain.

Due to changes in the global situation and the increasing importance of social responsibility, there are growing demands for joining the RBA and for activities based on the "RBA Code of Conduct," especially in the field of human rights. Since the "RBA Code of Conduct" aligns with Canon's approach to its procurement activities, Canon adopts it as the "Canon Supplier Code of Conduct."

With the cooperation of our business partners, we promote procurement activities that consider labor, health and safety, environment, ethics, and management systems throughout the entire supply chain.

Reference: "Canon Supplier Code of Conduct"

<https://global.canon/en/procurement/pdf/coc-e.pdf>

[Requirements]

- Understanding and compliance with the RBA Code of Conduct
- Cooperation with surveys and audits to confirm the status of compliance and corrective actions for non-conformance
- Requirement to upstream suppliers for understanding and compliance with this Code of Conduct

2. Evaluation and Survey

In order to share challenges with our business partners and promote collaborative improvements, Canon conducts periodic surveys to confirm the status of conformance and the status of initiatives with our requirements in the guideline. If non-compliance risks or issues are identified based on their responses, Canon may conduct additional confirmation through "interviews", "on-site inspections", and "third-party audits". Canon may also make individual requests to business partners or request to provide additional information based on environmental labeling requirements.

If cooperation with surveys, audits, and requests for corrective actions is not provided, or if issues remain unresolved after a certain period, Canon will consider taking appropriate measures regarding the business relationship.

[Confirmation Details and Main Investigation Methods for Each Item]

Category	Business partner subject to survey	Contents of evaluation and survey	Main survey methods
1.1 Environment (1) Management of chemical substances in products	Production material business partners	<ul style="list-style-type: none"> - Information on chemical substances contained in each product or material item to be supplied - Establishment and operation of a chemical substance management system 	<ul style="list-style-type: none"> - chemSHERPA - Survey Sheet for Sustainability - Product Environment Check Sheet (At the time of new transaction)
1.1 Environment (2) Control/Reduction of CO ₂ Emissions (3) Resource efficiency (4) Water resource conservation (5) Biodiversity conservation	All business partners	<ul style="list-style-type: none"> - Activities to calculate CO₂ emissions per basic unit - Status of CO₂ reduction activities - Status of resource efficiency activities - Status of water resource conservation activities - Status of biodiversity activities 	<ul style="list-style-type: none"> - Survey Sheet for Sustainability - Additional questionnaire regarding reduction of CO₂ emissions
1.2 Human Rights (1) Human rights due diligence	All business partners	<ul style="list-style-type: none"> - Development of human rights policies, including implementation of human rights due diligence - Status of establishment of grievance mechanisms 	<ul style="list-style-type: none"> - Survey Sheet for Sustainability
1.2 Human Rights (2) Responsible Minerals Sourcing"	Production material business partners	<ul style="list-style-type: none"> - Usage of target minerals - Presence of policies and activity status 	<ul style="list-style-type: none"> - CMRT, EMRT, and Canon's additional questionnaires

Revision history

Ver.	Date of revision	Details of revision
Ver.1.0	July, 2024	- Issued
Ver.1.1	Dec.,2024	- Revision of wording (no change in required items)
Ver.2.0	May,2025	- Addition of Information Security - Reflecting the latest activities (no changes to requirements) 1.1 Environment (2) Control/Reduction of CO ₂ Emissions, (3) Resource efficiency

Contact point:
 Canon's each site that business partner contact usually for transaction