

Canon

Sustainability Supplier Guidelines

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Introduction

Based on Canon's corporate philosophy of "kyosei", Canon Group (hereinafter referred to as the "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.

Society's expectations of corporate responsibility are changing with the times. As globalization advances in business, there is an increasing demand from customers and business partners to do business with companies that meet certain standards for consideration of the global environment and society.

Canon has developed this "Canon Sustainability Supplier Guidelines" to address key sustainability issues in recent years, such as climate change and human rights, and to centrally manage requests for cooperation and surveys from Canon's business partners. Canon requests business partners to understand the purpose and cooperate with this guidelines.

Canon Inc.
Procurement Division

1. Requests to Canon's business partners

◆ Environment

1) Management of chemical substances in products

As part of Canon's global environmental conservation activities, Canon is working to eliminate harmful substances. Canon strictly manages chemical substances in products as well as those used in manufacturing processes. Canon's basic approach to management involves confirming products do not contain regulated chemical substances that exceed the prescribed standard and production sites do not discharge regulated chemical substances that exceed the prescribed standard.

With regard to the management of chemical substances in products, Canon has built a Group-wide environmental assurance system for managing chemical substances in products. Taking the laws and major environmental-labeling requirements around the world into consideration, we established in-house standards in line with the most stringent regulations in the world. Specifically, Canon's management system classifies chemical substances into three categories: "prohibited substances," which cannot be used in products; "use-restricted substances," for which we are working to find alternatives by specific deadlines; and "controlled substances," the amount of which should be monitored.

Based on the above concept, Canon promotes green procurement by giving priority to materials, parts and products with less environmental impact when procuring and purchasing necessary resources. These requirements are summarized in "Canon Green Procurement Standards".

Reference: Canon Green Procurement Standards

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

[Canon's request]

Business partners who supply parts and materials to Canon must comply with the requirements of the above "Canon Green Procurement Standards".

Also, in order to confirm the conformance of the requirements, we will execute surveys/evaluate the activities of business partners and the parts and materials to be supplied.

2) Control/Reduction of CO₂ Emissions

In order to contribute to the realization of a decarbonized society, Canon has been working to reduce CO₂ emissions throughout the entire product lifecycle with the aim of achieving net zero emission by 2050.

Aiming to achieve net zero CO₂ emissions, Canon is steadily improving efficiency throughout the entire product lifecycle by a variety of environmental activities, including developing smaller and lighter products, streamlining logistics operations and engaging in energy-saving initiative at production sites, developing products that are energy-efficient and recycling products. In line with SBTi* 2's criteria, we will continue to reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2022 base year and absolute scope 3 GHG emissions (categories 1 and 11) 25% by 2030 from a 2022 base year.

Since 2008, Canon has set the Canon Group's Medium-Term Environmental Targets "Improvement index per life cycle CO₂ product, with an average annual improvement of 3%." as overall(lifecycle) target, so that the results of improvements in all of Canon's environmental activities, including energy and resource conservation and recycling, can be comprehensively grasped with a single index.

*1 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])

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

[Canon's request]

Approximately 2.9 million tons, which is 39% of the total CO₂ emissions of Canon Group in 2023, were emitted from the manufacturing and procurement of raw materials and parts (Category 1 of Scope 3). The cooperation of Canon's business partners is essential to reduce this. Canon would like to request business partners to propose and supply materials and parts made with less CO₂ emitting, and to actively promote CO₂ reduction through energy conservation and waste reduction of raw materials in business activities.

In order to strengthen efforts to reduce CO₂ emissions toward net-zero emissions by 2050, Canon Group aims to reflect the results of business partners' efforts to reduce CO₂ emissions in Canon products by establishing calculation standards of CO₂ emissions per basic unit for each of processing, raw materials, parts, etc. and replacing the conventional calculation method with actual data per unit of production. To that end, Canon requests business partners to share the results of their efforts to calculate the CO₂ basic unit of materials and parts they supply.

Moreover, Canon is promoting the reduction of CO₂ emissions through the group-wide expansion of the know-how for reducing CO₂ emissions at each production plant. If there are any business partners' requests, Canon would like to share the energy reduction methods of Canon production plants and work together to reduce CO₂ emissions. Therefore, Canon requests business partners' cooperation in periodically checking the status of business partners' CO₂ reduction activities and needs for cooperation.

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 about by resource efficiency 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 within Canon Group in the manufacture and sale of Canon products, we will promote the use of recycled resources, such as recycled iron and PCR*³plastic materials, and biomass plastic materials from business partners, as well as the use of materials and parts that make products smaller and lighter.

*³ PCR:Post-Consumer Recycled

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

[Canon's request]

Canon requests business partners to propose and supply materials and parts that reduce resource consumption in manufacturing.

Canon also requests active promotion for resource recycling activities, such as reducing the use of natural resources such as fossil fuels, minerals, and virgin forest products. Canon will periodically monitor the status of business partners' activities.

4) Water Resource Conservation

Canon has established "Water Resources Policy". Based on this policy, Canon is working to ensure the sustainable use of water resources by identifying and reducing water usage, recycling water, and assessing water risks at Canon's sites.

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

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

[Canon's request]

Going forward, based on Canon's corporate philosophy of "kyosei", Canon is working not only at Canon's sites, but also in cooperation with various parties—including local communities and Canon's business partners—to reduce the use of water resources, and to minimize the impact on the environment. Canon requests business partners to actively promote water resource conservation activities, such as water saving through management of water resources, water use, and water discharge, and wastewater management. Canon will periodically monitor the status of business partners' activities.

5) Biodiversity conservation

Canon recognizes biodiversity as essential for a sustainable society. Canon carries out various activities to conserve and protect biodiversity under “Biodiversity Policy”, which applies to the entire Canon Group.

Also, to help support biodiversity across the value chain, in 2015 Canon established “Basic Policy on the Procurement of Timber Products”, giving consideration to the conservation of forest resources, so that Canon can make sustainable use of forest resources that are used as raw materials for paper sold to offices.

Reference: “Biodiversity Policy” and “Basic Policy on the Procurement of Timber Products”

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

[Canon’s request]

Based on these policies, “Canon Management Standards for Timber Products”, which summarizes the requirements for the management of products including wood-derived parts, is published at the following URL and is operated.

Business partners of products containing wood-derived parts are requested to comply with the requirements set forth in “Canon Management Standards for Timber Products”.

Reference: “Canon Management Standards for Timber Products”

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

In the future, Canon plans to promote biodiversity conservation not only at Canon but also throughout the supply chain. Canon requests business partners to assess the impacts on ecosystems surrounding their company and to consider biodiversity in the procurement of raw materials. Canon will periodically monitor the status of business partners’ activities.

◆ Human rights

1) Human rights due diligence

As an enterprise that operates globally, 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. In 2021, Canon established "Canon Group Human Rights Policy", and has promoted initiatives to respect human rights, including the identification, prevention and remediation of human rights risks (human rights due diligence (DD)), and the establishment of grievance mechanisms.

Reference: "Canon Group Human Rights Policy"

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

[Canon's request]

As legislation related to human rights advances, human rights initiatives have become an essential requirement for transactions with global companies, as well as for public procurement and environmental labeling in Europe and the United States. Canon requests business partners to understand the international circumstances surrounding human rights. By cooperating with surveys and audits conducted by Canon, as well as with its responses to the risks uncovered through the initiatives, Canon requests business partners to join Canon in addressing human rights issues.

2) Responsible Minerals Sourcing

Canon Group published "Canon Group Basic Policy on Responsible Minerals Sourcing" to address the responsible mineral sourcing together with business partners.

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

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

[Canon's request]

For materials which contain tantalum, tin, gold or tungsten (conflict minerals) and which contain other minerals that Canon has determined to be a high-risk (cobalt, etc.), Canon Group conducts due diligence in accordance with the OECD Due Diligence Guidance and discloses information about it.

In response to changes in the global situation in recent years, we have enhanced our risk management system in minerals sourcing, and we intend to make further progress in our surveys.

By cooperating with surveys and audits conducted by Canon Group companies and with eliminating any risks discovered, Canon expects business partners to carry out the responsible mineral sourcing. Canon also expects business partners to request upstream suppliers to cooperate in the same way.

◆ Supplier Code of Conduct (RBA Code of Conduct)

Canon is a member of the Responsible Business Alliance (RBA), a global coalition of companies dedicated to improving sustainability in the supply chain. Membership in the RBA and activities based on the RBA's Code of Conduct, particularly in the area of human rights, are increasingly required in public procurement and business negotiations. Canon has adopted the "RBA Code of Conduct" as the "Canon Supplier Code of Conduct", based on the fact that the "RBA Code of Conduct" is consistent with Canon's approach to procurement, and based on RBA's request to make the "RBA Code of Conduct" an initiative for the entire supply chain. Canon, together with business partners, is committed to promoting environmentally and socially conscious procurement activities.

Reference: "Canon Supplier Code of Conduct"

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

[Canon's request]

Canon requires business partners to understand the purpose of this Code of Conduct, to comply with the Code, and to cooperate with the survey to confirm the status of compliance. Canon also requires business partners to require their employees and their business partners to understand and comply with this Code of Conduct.

Canon will check business partners' compliance with the Code of Conduct. In the event that cooperation is not obtained in response to surveys, audits, or correction requests, or if an issue is not resolved after a certain period of time, the continuation of transactions may be reviewed.

2. Evaluation and Survey

In order to share issues with our business partners and promote improvements together, Canon conducts periodic surveys to confirm the status of conformance and the status of initiatives with our requests in this guidelines. If our business partners are regarded to have non-compliance risks or have issues 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. Thank you for your cooperation.

Confirmation contents and main survey methods for each request

Canon's Request	Business partner subject to survey	Contents of evaluation and survey	Main survey methods
◆Environment / •Compliance with Canon Green Procurement Standards	Production material business partners	•Information on chemical substances contained in each part or material item to be supplied •Chemical Substance Management System	•chemSHERPA •Product environment Check Sheet (* At the time of new transaction)
◆Environment / •Control/Reduction of CO ₂ Emissions •Resource efficiency •Water resource conservation •Biodiversity conservation	All business partners	•Activities to calculate CO ₂ emissions per basic unit •Status of CO ₂ reduction activities •Status of resource efficiency activities •Status of water resource conservation activities •Status of biodiversity activities	•Canon RBA Survey (SAQ) •Additional questionnaire regarding reduction of CO ₂ emissions
◆Human Rights / •Implementation of human rights due diligence	All business partners	•Development of human rights policies, including implementation of human rights DD •Status of establishment of grievance mechanisms	•Canon RBA Survey (SAQ)
◆Human Rights / •Compliance with "Canon Group Basic Policy on Responsible Minerals Sourcing"	Production material business partners	•Status of use of target minerals •Status of having policies and activities	•CMRT, EMRT, and Canon's additional questionnaires

Contact point:

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

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