

Sustainable Procurement

Basic Approach

Approach

Sustainability initiatives can be completed only when implemented throughout the entire supply chain. The Toppan Group cooperates and collaborates with business partners to promote sustainable procurement focused on corporate social responsibility (CSR) procurement and biodiversity conservation.

The Toppan Group CSR Procurement Guidelines are a set of principles the Group observes to engage in CSR procurement. These guidelines consist of the Basic Procurement Policy, a conceptual framework to be closely observed by every Toppan employee involved in procurement operations, and the CSR Procurement Standards, a set of requirements to be satisfied by every business partner. The CSR Procurement Standards are composed of the Basic Procurement Standards and the Procurement Standards Concerning Human Rights, Labor, the Environment, and Anti-Corruption. Toppan works with business partners to promote human rights initiatives by asking every supplier on the value chain (from raw material

suppliers to subcontractors and intermediaries) to observe the procurement standards.

The Group's procurement departments have also been engaging in environmental conservation activities, taking a proactive approach to the sustainable use of raw materials. The departments continue to make concerted efforts to avoid or minimize impacts on biodiversity and the global environment based on the Basic Policy on Biodiversity and The Toppan Group Declaration on the Global Environment.

Toppan Group CSR Procurement Guidelines (second edition)
https://www.toppan.com/assets/en/pdf/about-us/sustainability/2014/proc2014_en01.pdf

The Toppan Group Declaration on the Global Environment
https://www.toppan.com/assets/pdf/sustainability/The_Toppan_Group_Declaration_on_the_Global_Environment.pdf

Basic Policy on Biodiversity
<https://www.toppan.com/assets/en/sustainability/pdf/biodiversity.pdf>

Promotion Framework

Promotion
framework

Policy

As sustainability policies, the Toppan Group issued the CSR Procurement Guidelines in 2007, The Toppan Group Declaration on the Global Environment in 2009, and the Basic Policy on Biodiversity in 2010. Personnel at

the Purchasing Center in the head office Manufacturing Management Division and other procurement departments across the Group continue to oversee sustainable procurement in close cooperation with business partners.

Group Policies and Management Metrics on Sustainable Procurement

Group Policy	Policy (detail)	Risk Evaluation	Risks Identified by the Evaluation	KPI Benchmark or Management Metric or Standard	Business Partners Covered
CSR Procurement Guidelines	Basic Procurement Policy	In-house risk assessment	<ul style="list-style-type: none"> Compliance violations (abuse of bargaining position, misappropriation); acts contrary to accepted social ethics 	KPI benchmark: Monitoring on compliance in procurement departments and the assessment of monitoring results	Key business partners*
	CSR Procurement Standards		<ul style="list-style-type: none"> Extent to which the CSR Procurement Standards are applied throughout the supply chain 	KPI benchmark: Percentage of basic sale and purchase agreements (stipulating the observance of the Toppan Group CSR Procurement Guidelines) concluded Management metric: Evaluation of paper and material suppliers (ISO 9001)	Key business partners* All business partners
			<ul style="list-style-type: none"> Supply disruption of materials, components, or equipment caused by earthquakes, storms, floods, the spread of new strains of influenza, or other natural disasters 	Management metric: Enhancement of business continuity competencies (the effectiveness of the business continuity planning [BCP]) of business partners in the event of a wide-scale disaster	Key business partners*
Declaration on the Global Environment	Effective use of resources and reduced environmental burden of any type		<ul style="list-style-type: none"> Admixture of hazardous substances into raw materials 	Management standards: Toppan Group Standards for the Management of Chemical Components of Raw Materials	All business partners
Basic Policy on Biodiversity	Proactive approach to the sustainable use of raw materials to avoid or minimize impacts on biodiversity		<ul style="list-style-type: none"> Risks in relation to the sustainable use of paper, a material with potentially significant impact on biodiversity Negative impact on biodiversity caused by illegal logging Supply stoppage of lumber caused by the depletion of forest resources Supply stoppage of printing paper and suspensions of printing operations 	KPI benchmark: Verification of the legality of lumber to promote the sustainable use of forest resources as a paper material Management standards: Paper Procurement Guidelines for the Sustainable Use of Forest Resources	All paper manufacturers in the supply chain All paper manufacturers in the supply chain

*Business partners that have been trading goods and services with the Group in amounts of more than 10 million yen per year, and suppliers of materials essential for the Group's business continuity

■ Applying CSR Procurement Standards throughout the Supply Chain

Procurement departments in the Toppan Group continue to implement the following measures to tighten the application of the CSR Procurement Standards by entities throughout the entire supply chain:

- Check the efforts of business partners to safeguard business continuity in the event of a wide-scale disaster;
- Brief business partners on the Toppan Group CSR Procurement Guidelines;
- Conclude sale and purchase agreements (stipulating the observance of the Toppan Group CSR Procurement Guidelines) with business partners; and
- Check the efforts of business partners to act ethically with regard to human rights, labor, the environment, and anti-corruption.

The Toppan Group has also formulated its Standards for the Management of Chemical Components of Raw Materials, a set of standards to control chemical components throughout the entire supply chain.

Toppan Group Standards for the Management of Chemical Components of Raw Materials (ver. 4.7)
<https://www.toppan.com/assets/en/pdf/about-us/our-corporate-approach/chemical-components-of-raw-materials-v4.7en.pdf>

■ Promoting the Conservation of Biodiversity

The Toppan Group promotes sustainable procurement based on the Basic Policy on Biodiversity. In procuring raw materials, the Group has formulated a set of paper procurement guidelines to advance the sustainable use of paper, a resource representing 70% of the Group's material input.

As for the sustainable use of forest resources, the Group has cooperated with paper manufacturers in the supply chain to ensure that the lumber they use for paper production is legally obtained.

Toppan Group Paper Procurement Guidelines for the Sustainable Use of Forest Resources (second edition) (in Japanese)
https://www.toppan.co.jp/assets/pdf/about-us/sustainability/2014/proc2014_06.pdf

■ Advocating the Basic Procurement Policy (to ensure compliance in procurement departments)

CSR procurement should be built upon trust between businesses.

Toppan has set up a Supplier Hotline on the corporate website as a portal for receiving reports from business partners involved in the Group's procurement operations. The hotline is open for use by all suppliers of the Group.

Toppan also monitors whether the Group's procurement departments operate properly in accordance with the Basic Procurement Policy in their transactions with the suppliers.

Supplier Hotline
<https://www.toppan.com/en/about-us/our-corporate-approach/supplier-hotline.html>

Briefing Suppliers on CSR Procurement Guidelines and Concluding Agreements

Activity results,
performance data

As of March 31, 2021, Toppan has briefed 2,117 suppliers on the Toppan Group CSR Procurement Guidelines. The Group has been promoting CSR procurement throughout the entire supply chain by asking suppliers to conclude basic sale and purchase agreements stipulating the observance of the guidelines. As of fiscal 2020, Toppan has concluded the agreements with 84% of the business partners that sell the Group goods and services worth more than 10 million yen a year. Toppan's goal is to conclude agreements with all business partners that meet this criterion of value of sales to the Group by no later than fiscal 2025.

Turning to the environment, the Toppan Group promotes CSR procurement in line with specific standards such as the Standards for the Management of Chemical Components of Raw Materials and the Paper Procurement Guidelines for the Sustainable Use of Forest Resources.

Briefing Sessions on CSR Procurement Guidelines

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Number of business partners briefed	4	4	9
Cumulative total of business partners	2,104	2,108	2,117

Percentage of Basic Sale and Purchase Agreements with CSR Procurement Provisions Concluded (with business partners supplying goods and services worth more than 10 million yen a year)

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Cumulative percentage of agreements	76%	81%	84%

Monitoring Compliance in Procurement Departments

Activity results,
performance data

Toppan regularly asks business partners to fill out questionnaires on their transactions with the Group. With the questionnaire results, Toppan monitors whether the Group's procurement departments operate properly in accordance with the Basic Procurement Policy.

In fiscal 2020 Toppan used the responses from 17 business partners to improve compliance in the Group's procurement operations.

Monitoring Results

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Number of business partners that filled out the questionnaire	8	10	17
Cumulative total number of business partners that have responded	124	134	151

Verifying the Legality of Lumber as a Paper Material

Activity results,
performance data

The Toppan Group formulated a Basic Policy on Biodiversity and posted it on the Toppan website^{*1} in May 2010.

The basic policy stipulates that "we will take a proactive approach to sustainable use by avoiding or minimizing the impact on biodiversity" during raw material procurement operations. For paper procurement, for example, the Group surveys the legality of lumber as a paper material as a means of promoting the sustainable use of forest resources.

Toppan monitors paper manufacturers to verify that the lumber used for the production of their paper (representing more than 90% of the Group's printing paper purchases by monetary value) is obtained through legal channels. In a survey of 19 sites of 13 business partners around the world in fiscal 2020, Toppan confirmed that all of the lumber procured from them was obtained legally. In yen terms, these 19 partner sites supplied 90.0% of the paper used by Toppan in fiscal 2020.

*1 <https://www.toppan.com/assets/en/sustainability/pdf/biodiversity.pdf>

Results of Surveys to Verify the Legality of Lumber as a Paper Material (Paper providers representing over 90% of purchase expenditures within the Group)

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Number of business partners surveyed	18	16	13 ^{*2}
Purchase price basis	90.6%	92.4%	90.0%
Percentage of lumber sources verified as legal	100%	100%	100%

*2 Paper suppliers subject to a higher risk of noncompliance over the most recent three-year period