

CSR Procurement

Basic Approach

Sustainability initiatives can be completed only when implemented throughout the entire supply chain.

The Toppan Group therefore promotes corporate social responsibility (CSR) procurement in cooperation and collaboration with business partners as a means of implementing sustainability initiatives throughout the entire supply chain. The concept of CSR procurement is applied not just to material and raw material suppliers, but to subcontractors, intermediaries, and all other entities on the supply chain.

The Toppan Group CSR Procurement Guidelines are a set of principles the Group observes to drive this endeavor. 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.

Turning to the environment, the Toppan Group's basic policy takes an assertive approach to the sustainable use of resources by avoiding or minimizing the impact on biodiversity during raw material procurement.

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

Toppan Group Standards for the Management of Chemical Components of Raw Materials (ver. 4.5)
https://www.toppan.com/library/english/about-us/files/sustainability/2019/proc2019_en04.pdf

Basic Policy on Biodiversity (in Japanese)
<https://www.toppan.co.jp/library/japanese/csr/files/pdf/2013/biodiversity.pdf>

Toppan Group Paper Procurement Guidelines for the Sustainable Use of Forest Resources (second edition, in Japanese)
https://www.toppan.co.jp/library/japanese/corporateinfo/files/csr/2014/proc2014_06.pdf

Promotion Framework

The Purchasing Center in the head office Manufacturing Technology & Research Division and other procurement departments across the Group take the initiative in advancing CSR procurement in close coordination with business partners.

The center and departments have undertaken a host of CSR procurement initiatives focused on business partners, including the following: briefing of business partners on the Toppan Group CSR Procurement Guidelines; surveys with questionnaires to check the

efforts of business partners to comply with the Group's procurement standards on human rights, labor, the environment, and anti-corruption; and ongoing efforts to conclude basic sale and purchase agreements with business partners stipulating the observance of the Group's procurement guidelines.

The Toppan Group also controls chemical components throughout the entire supply chain based on the Standards for the Management of Chemical Components of Raw Materials.

■ Ensuring Compliance in Procurement Departments

CSR procurement initiatives should be built upon trust between businesses. Toppan therefore regularly monitors whether the Group's procurement departments operate properly in accordance with the Basic Procurement Policy in their transactions with business partners.

Toppan has also set up a Supplier Hotline on its 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 business partners of the Group.

The Toppan Group targets sustainable procurement based on

the Basic Policy on Biodiversity. The policy stipulates a proactive approach to the sustainable use of resources by avoiding or minimizing the impact on biodiversity in the procurement of raw materials. For the sustainable use of forest resources in line with the basic policy, the Group has cooperated with paper suppliers (business partners) to ensure that the lumber they use for paper production is legally obtained.

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

Main Activities and Relevant Information

Briefing on Procurement Guidelines and Concluding Basic Sale and Purchase Agreements

As of the end of fiscal 2018, Toppan has briefed 2,104 business partners on the Toppan Group CSR Procurement Guidelines. The Group has also promoted sustainable initiatives throughout the entire supply chain by asking business partners to conclude basic sale and purchase agreements stipulating the observance of the guidelines. As of fiscal 2018, Toppan has concluded agreements with 76% of the business partners that sell the Group goods and services worth more than 10 million yen a year. The Group's goal is to conclude agreements with all of its business partners 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 2016	Fiscal 2017	Fiscal 2018
Number of business partners briefed	7	25	4
Cumulative total of business partners	2,075	2,100	2,104

■ 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 2016	Fiscal 2017	Fiscal 2018
Cumulative percentage of agreements (out of the business partners targeted)	68%	72%	76%

Verifying the Legality of Lumber as a Paper Material

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. The Group is convinced that lumber-legality verification leads to the creation of a sustainable society by expanding measures to conserve forest resources and avoid human rights violations during paper production.

In surveys performed on paper manufacturers representing more than 90% of the Group's paper procurement on a purchase price basis, Toppan checks whether the lumber used for their paper production is obtained through legal channels. In fiscal 2018 the Group surveyed 25 sites of 18 business partners around the world and confirmed that all of the lumber procured from them was obtained legally. In yen terms, these 25 partner sites supplied 90.6% of the paper used by Toppan in fiscal 2018.

■ 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 2016	Fiscal 2017	Fiscal 2018
Number of business partners surveyed	20	18	18 ^{*2}
Purchase price basis	99.6%	92.3%	90.6%
Percentage of lumber sources verified as legal	100%	100%	100%

*1 <https://www.toppan.com/en/sustainability/environment/biodiversity.html>

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

Monitoring Compliance in Procurement Departments

The Toppan Group regularly monitors whether its procurement departments operate properly in accordance with the Basic Procurement Policy in their transactions with business partners. In fiscal 2018 the Group used the results of a questionnaire survey of eight business partners to improve compliance in procurement operations.

Toppan has also set up the Supplier Hotline*, a portal for receiving reports from business partners, on its website.

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

■ Monitoring Results

	Fiscal 2016	Fiscal 2017	Fiscal 2018
Number of business partners that filled out the questionnaire	10	13	8
Cumulative total number of business partners monitored	103	116	124

Participating in the Green Purchasing Network

The Green Purchasing Network (GPN) of Japan was established in 1996 as a loose-knit network of businesses, civilian organizations, government agencies, and other entities proactively engaged in green purchasing practices. GPN is convinced that green purchasing plays a critical role in the formation of a market for eco-products on a scale sufficient to facilitate eco-product development. GPN believes that green purchasing will contribute significantly to the realization of a sustainable society.

As a GPN member, Toppan provides printing services based on the GPN Ordering Guidelines for Printing Services.



Green Purchasing Network

<https://www.gpn.jp/english/index.html>