Supply Chain Management

Basic Approach

Approach

Toppan believes that sustainable procurement throughout the supply chain is key to fulfilling social responsibilities and supporting a sustainable society and has advanced activities with suppliers and subcontractors based on the CSR Procurement Guidelines. Businesses must address human rights issues, ensure occupational safety and health, protect the environment, and fulfill other corporate responsibilities. Toppan understands that it must manage the supply chain with more concrete and diverse measures.

The Group has therefore revised its CSR Procurement Guidelines into the Sustainable Procurement Guidelines, adopting new themes aligned with society's expectations. Toppan will share the revised guidelines throughout the supply chain and accelerate sustainable procurement practices with suppliers and subcontractors through a cycle of operations, audits, and refinements to enhance corporate value for all stakeholders.

Updating the Procurement Guidelines

In January 2022, the Toppan Group revised its CSR Procurement Guidelines (established in 2007, previously revised in 2014) in line with recent trends in sustainable procurement such as new international standards and social demands. They are now called the "Toppan Group Sustainable Procurement Guidelines."

The guidelines consist of the Basic Procurement Policy, a framework to be observed by every Toppan department responsible for procurement or involved in operations linked to products and services, and the Sustainable Procurement Standards, which are to be satisfied by suppliers and subcontractors.

The Sustainable Procurement Standards comprise nine sections: "legal compliance and respect for internationally recognized standards," "human rights and labor," "health and safety," "environment," "fair business and ethics," "quality and safety," "information security," "business continuity planning," and "establishing a management system."

Based on the Toppan Group's Human Rights Policy, Declaration on the Global Environment, and Basic Policy on Biodiversity, procurement departments also implement human rights initiatives and environmental conservation activities across the supply chain and take a proactive approach to the sustainable use of raw materials to avoid or minimize impacts on biodiversity and the environment.

More details on the Toppan Group Sustainable Procurement Guidelines (third edition)
https://www.toppan.com/assets/en/pdf/sustainability/The_Toppan_Group_Sustainable_Procurement_Guidelines.pdf

More details on the Toppan Group Human Rights Policy
https://www.toppan.com/en/about-us/our-corporate-approach/human-rights-policy.html

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

More details on the Toppan Group Basic Policy on Biodiversity
https://www.toppan.com/assets/en/sustainability/pdf/biodiversity.pdf

The Structure of the Toppan Group Sustainable Procurement Guidelines

Basic Procurement Policy

This is a basic policy that applies to all workers involved in procurement activities at the Toppan Group.

We fairly and impartially offer opportunities to all Business Partners and potential Business Partners.
We comply with domestic and overseas laws and regulations and conduct fair business transactions based on corporate ethics.
We strictly control the information obtained through procurement activities.
We work to conserve the environment and reduce impact on the environment.
We pursue QCD (Quality, Cost, Delivery) in order to meet the needs of the market.
We work to foster mutual cooperation and build relationships of trust with Business Partners.
We promote sustainable procurement throughout the entire supply chain.

Sustainable Procurement Standards

These are sections that set out requirements for suppliers and subcontractors*.

1. Legal Compliance and Respect for Internationally Recognized Standards
2. Human Rights and Labor
3. Health and Safety
4. Environment
5. Fair Business and Ethics
6. Quality and Safety
7. Information Security
8. Business Continuity Planning
9. Establishing a Management System

*"Subcontractors" are referred to as "Business Partners" in these guidelines.

Promotion Framework

Promotion framework

Toppan has introduced the following policies and guidelines to evolve sustainability management in the Group year by year: the CSR Procurement Guidelines in 2007, the Toppan Group Declaration on the Global Environment in 2009, the Basic Policy on Biodiversity in 2010, and the Toppan Group Sustainable Procurement Guidelines in 2022.

Personnel from the Purchasing & Cost Management Center in the head office Manufacturing Management Division and other procurement departments across the Group lead initiatives (see the list on the right) to implement sustainable procurement in close cooperation with suppliers and subcontractors.

Operational Framework for Sustainable Procurement



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
Human Rights Policy	Human rights initiatives	In-house risk assessment	Identification of areas of risk in the supply chain	Management metric: Dissemination and observance of the Human Rights Policy	Key suppliers and subcontractors*
Sustainable Procurement Guidelines	Basic Procurement Policy		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 suppliers and subcontractors*
	Sustainable Procurement Standards		Procurement risks affecting the entire supply chain	KPI benchmark: Number and percentage of business partners (meeting the Group's sales criterion) that have signed cooperation agreements and basic sale & purchase agreements stipulating the observance of the Toppan Group Sustainable Procurement Guidelines	Key suppliers and subcontractors*
				Management metric: Evaluation of paper and material suppliers	Key suppliers and subcontractors*
	Development and preparation of business continuity planning (BCP)		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 the business continuity competencies of business partners (through surveys and workshops on BCP)	Key suppliers and subcontractors*
Declaration on the Global Environment	Effective use of resources and reduced environmental burden of any type		Admixture of hazardous substances into raw materials	Management standards: Toppan Group Standards for the Management of Chemical Components of Raw Materials	All suppliers and subcontractors
Basic Policy on Biodiversity	Proactive approach to the sustainable use of raw materials to avoid or minimize impacts on biodiversity		Risks in relation to the sustainable use of forest resources, materials with potentially significant impact on biodiversity	KPI benchmark: Verification of the legality of lumber to promote the sustainable use of forest resources for paper production	All paper manufacturers in the supply chain
			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	Management standards: Paper Procurement Guidelines for the Sustainable Use of Forest Resources	All paper manufacturers in the supply chain

*Key suppliers and subcontractors are the top 90% of business partners rated by transaction amount and partners that provide materials and components essential for the Group's business continuity.

Sustainable Procurement Initiatives

Approach

Applying the Sustainable Procurement Guidelines

The Toppan Group will implement the following measures in fiscal 2022 to apply the Sustainable Procurement Guidelines throughout the entire supply chain, in cooperation with suppliers and subcontractors.

- Hold briefing sessions on the Sustainable Procurement Guidelines
- Perform self-assessments with questionnaires on the observance of the procurement guidelines
- Conclude cooperation agreements and basic sale & purchase agreements (stipulating the observance of the procurement guidelines)
- Check efforts to act ethically in accordance with the Toppan Group Human Rights Policy
- Check efforts to safeguard business continuity in the event of a wide-scale disaster

The 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.

More details on the Toppan Group Standards for the Management of Chemical Components of Raw Materials (ver. 4.8)
https://www.toppan.com/assets/en/pdf/about-us/our-corporate-approach/chemical-components-of-raw-materials-v4.8en.pdf ›

Advocating the Basic Procurement Policy (Fair transactions by procurement departments)

Sustainable procurement should be built upon trust between the Toppan Group and its suppliers and subcontractors. Toppan has set up a Supplier Hotline to enhance transparency and fairness in transactions and deepen relationships of trust with business partners. The hotline is open for use by all suppliers and subcontractors of the Group.

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

More details on the Supplier Hotline
https://www.toppan.com/en/about-us/our-corporate-approach/supplier-hotline.html ›

Conserving Biodiversity

The Toppan Group promotes sustainable procurement based on the Basic Policy on Biodiversity. To govern the procurement of raw materials, Toppan 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.

To assure the sustainable use of forest resources, the Group cooperates with paper manufacturers in the supply chain to confirm that the lumber they use for paper production is legally obtained.

More details on the 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 ›

Main Activities and Results

Activity results, performance data

Briefing Partners on Guidelines and Concluding Agreements

Toppan has been promoting sustainable procurement throughout the entire supply chain by asking suppliers and subcontractors to conclude cooperation agreements and basic sale & purchase agreements stipulating the observance of the Toppan Group Sustainable Procurement Guidelines. As of fiscal 2021, Toppan has concluded the agreements with 86% of the business partners with annual transactions amounting to more than 10 million yen a year. The Group's goal is to conclude agreements with all business partners that meet this sales criterion by no later than fiscal 2025.

Turning to the environment, Toppan advances sustainable 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 Procurement Guidelines

	Fiscal 2019	Fiscal 2020	Fiscal 2021
Number of business partners briefed	4	9	19
Cumulative total of business partners	2,108	2,117	2,136

Percentage of Business Partners that Have Signed Agreements (Partners with annual transactions amounting to more than 10 million yen)

	Fiscal 2019	Fiscal 2020	Fiscal 2021
Cumulative percentage of agreements	81%	84%	86%

Enhancing the BCP Competencies of Suppliers (Surveys and workshops on BCP)

Suppliers need to prepare procedures in advance to ensure that production can be promptly resumed when a wide-scale natural disaster or other emergency affects their operations. Toppan has surveyed the business continuity planning (BCP) of key suppliers and called for their participation in the Group's BCP workshops.

Out of the 185 suppliers surveyed, 20 participated in online workshops and discussed BCP-related matters in fiscal 2021.

BCP Survey Results

	Fiscal 2019			Fiscal 2020			Fiscal 2021		
	Primary Suppliers	Secondary Suppliers	Total	Primary Suppliers	Secondary Suppliers	Total	Primary Suppliers	Secondary Suppliers	Total
Suppliers surveyed	81	60	141	48	115	163	63	122	185
Suppliers involved in workshops	Suspended due to the spread of COVID-19			13	4	17	14	6	20
Suppliers with enhanced BCP competencies	2	7	9	2	1	3	2	1	3
Suppliers with enhanced BCP competencies (cumulative total)	2	7	9	4	8	12	6	9	15

Monitoring Compliance in Procurement Departments

Toppan regularly asks suppliers 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.

Information gleaned from the responses of 10 suppliers in fiscal 2021 led to improvements in compliance in the Group's procurement operations.

Monitoring Results

	Fiscal 2019	Fiscal 2020	Fiscal 2021
Suppliers that answered the questionnaire	10	17	10
Cumulative total of suppliers responding	134	151	161

Verifying the Legality of Lumber in Paper Production

The Toppan Group formulated the Basic Policy on Biodiversity in May 2010.

The basic policy stipulates that Toppan "will take a proactive approach to sustainable use by avoiding or minimizing the impact on biodiversity" during raw material procurement operations. As a major procurer of paper, a resource representing 70% of the Group's material input, Toppan promotes the sustainable use of forest resources by surveying the legality of lumber as a raw material component of paper.

Toppan monitors paper manufacturers to verify that the lumber used for their products (representing more than 90% of the Group's total paper purchases by monetary value) is obtained through legal channels. In a survey of 20 sites of 13 business partners around the world in fiscal 2021, the Group confirmed that all of the lumber procured from them was obtained legally. In yen terms, these 20 partner sites supplied 91.8% of the paper used by Toppan in fiscal 2021.

More details on the Toppan Group Basic Policy on Biodiversity
https://www.toppan.com/assets/en/sustainability/pdf/biodiversity.pdf ›

Survey Results on the Legality of Lumber for Paper Production (Paper suppliers representing over 90% of the Group's paper purchases)

	Fiscal 2019	Fiscal 2020	Fiscal 2021
Paper suppliers surveyed	16*	13*	13*
Purchase price basis	92.4%	90.0%	91.8%
Percentage of lumber sources verified as legal	100%	100%	100%

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