

Supply Chain Management

Basic Approach

Approach

TOPPAN promotes sustainable procurement throughout the supply chain in cooperation with suppliers and subcontractors (“business partners”) to fulfill the Group’s social responsibilities and support a sustainable society. We also seek to enhance corporate value for ourselves as well as our business partners through sustainable procurement endeavors.

A revised set of TOPPAN Group Sustainable Procurement Guidelines issued in January 2022 will be shared throughout the supply chain. The revisions are a response to the growing demand in society for supply-chain management practices that address human rights, better ensure occupational safety and health, preserve the environment, and attain various other sustainability targets. We will accelerate sustainable procurement with business partners through a cycle of operations, audits, and refinement.

Under a Declaration of Partnership Building released by Toppan Inc. in September 2022, we will be working with business partners to fulfill our corporate social responsibilities on both sides through supply-chain-wide initiatives that help develop a sustainable society. We strive for co-prosperity with business partners by maintaining good business practices and supporting our partners with advice on their business continuity planning (BCP) activities.

The Sustainable Procurement Guidelines

The TOPPAN Group Sustainable Procurement Guidelines consist of the Basic Procurement Policy, a basic framework to be

observed by every department responsible for procurement or involved in operations linked to products and services, and the Sustainable Procurement Standards, which are to be satisfied by our business partners.

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 Human Rights Policy, the Annex to the TOPPAN Group Declaration on the Global Environment, and the Declaration of Partnership Building, our procurement departments engage in BCP activities, implement human rights and environmental conservation initiatives in the supply chain, and take a proactive approach to the sustainable


use of natural resources to avoid or minimize impacts on biodiversity in the global environment.

 More details on the TOPPAN Group Sustainable Procurement Guidelines >


https://www.holdings.toppan.com/assets/en/pdf/sustainability/The_Toppan_Group_Sustainable_Procurement_Guidelines.pdf

 More details on the TOPPAN Group Human Rights Policy >

<https://www.holdings.toppan.com/en/about-us/our-corporate-approach/human-rights-policy.html>

 More details on the Annex to the TOPPAN Group Declaration on the Global Environment >

https://www.holdings.toppan.com/assets/en/pdf/sustainability/The_Toppan_Group_Declaration_on_the_Global_Environment_AnnexV1.pdf

 More details on the Declaration of Partnership Building (in Japanese) >

<https://www.holdings.toppan.com/assets/ja/pdf/our-corporate-approach/toppan's-partnership.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

Sustainable procurement is a Groupwide initiative undertaken not just by procurement departments, but by every department that handles products and services. The Manufacturing Management Division works with related departments across Group sites to implement sustainable procurement in close cooperation with business partners throughout our procurement operations around the world.

Supply Chain Management Structure



(as of March 2023)

Departments that Work with Business Partners

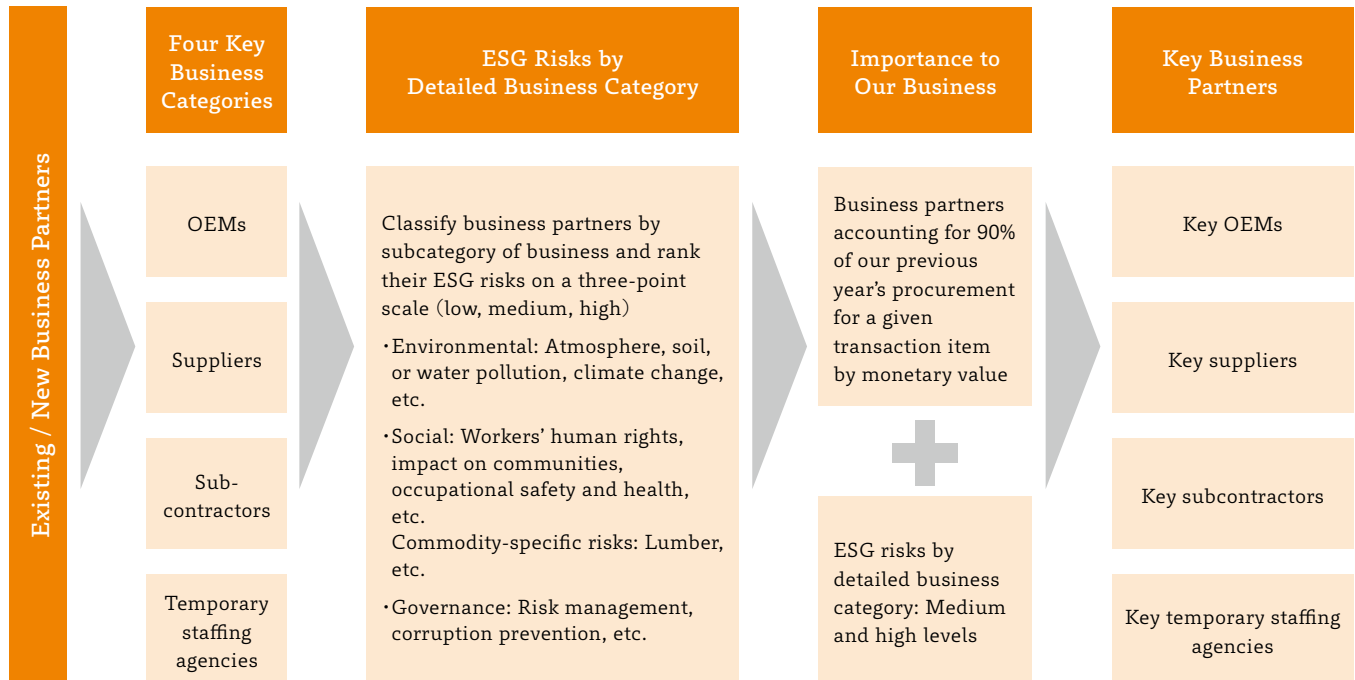
Departments	Key Business Categories
Production control	OEMs
Purchasing	Suppliers
Planning	Subcontractors
General affairs	Temporary staffing agencies

Selecting Key Business Partners

Following is our evaluation approach to selecting key business partners, including both new companies and current partner companies.

Business partners engaged in ongoing business with TOPPAN are divided into four key categories: OEMs, suppliers, subcontractors, and temporary staffing agencies. Their ESG risks are assessed in subcategories of business. For each of the four key categories, partners who account for 90% of our procurement in a given transaction item by monetary value or those who have country-specific or business-specific ESG risks are designated as “key business partners.”

Approach to Selecting Key Business Partners



Group Policies and Measures for Sustainable Procurement

Group Policy	Policy (details)	Risks Identified by the Evaluation	KPI Benchmark or Management Metric or Standard	Business Partners Covered
TOPPAN Group Human Rights Policy	Human rights initiatives	Forced labor, harassment, or other human rights issues in the supply chain	Dissemination of the human rights policy and confirmation of compliance	Key business partners*
TOPPAN Group Sustainable Procurement Guidelines	Basic Procurement Policy	Compliance violations (violations of subcontract law, etc.); acts contrary to accepted social ethics	Compliance training in procurement departments	Related departments within the Group
			Training on the Sustainable Procurement Guidelines in procurement departments	Related departments within the Group
			Monitoring on compliance in procurement departments and the assessment of monitoring results	Key business partners*
	Sustainable Procurement Standards	Quality-related incidents, environmental incidents, legal violations, insufficiencies in raw material supply, or other incidents in the supply chain that can develop into issues in wider society	Number and percentage of business partners (meeting the Group's sales criterion) that have signed cooperation agreements, basic transaction agreements, and basic sale & purchase agreements stipulating the observance of the TOPPAN Group Sustainable Procurement Guidelines	Key business partners*
Declaration of Partnership Building	Continuation of business operations with business partners in the event of a disaster	Supply disruption of materials, components, or equipment caused by earthquakes, storms, floods, or other natural disasters	Enhancement of the business continuity competencies of business partners (through questionnaires and workshops on BCP)	Key business partners*
	Observance of good business practices with business partners	Damage to social credibility arising from failures to rectify business practices concerning pricing methods, payment terms, work style reform, intellectual property usage, the sharing of expenses for mold management, etc.	Training on good business practices (training on transaction-related legislation and the Declaration of Partnership Building)	Related departments within the Group
Annex to the TOPPAN Group Declaration on the Global Environment	Control of chemical substances in products	Reduced product safety resulting from the admixture of hazardous substances into raw materials	Dissemination of the TOPPAN Group Standards for the Management of Chemical Components of Raw Materials	Key business partners*
	Proactive approach to the sustainable use of natural resources by avoiding or minimizing impacts on biodiversity	Suspension of operations at paper manufacturers resulting from interruptions in the supply of lumber derived from forest resources (the main material of paper) that are considered to have significant impact on biodiversity	Verification of the legality of lumber to promote the sustainable use of forest resources for paper production	All paper manufacturers in the supply chain
		Supply stoppage of printing paper and suspensions of printing operations	Dissemination of the Paper Procurement Guidelines for the Sustainable Use of Forest Resources	Key business partners*

*Key business partners are those who engage in ongoing business with the Group and either account for 90% of supply by monetary value or have country-specific or business-specific ESG risks in any of the four business categories (OEMs, suppliers, subcontractors, and temporary staffing agencies).

Sustainable Procurement Initiatives

Approach

Applying the Sustainable Procurement Guidelines

We began implementing the following measures in fiscal 2022 to apply the TOPPAN Group Sustainable Procurement Guidelines throughout the entire supply chain, in cooperation with key business partners.

- Hold briefing sessions on the procurement guidelines
- Conclude cooperation agreements, basic transaction agreements, and basic sale & purchase agreements (stipulating the observance of the procurement guidelines)
- Ask business partners to fill out self-assessment questionnaires on the Sustainable Procurement Standards and encourage them to rectify the issues they have identified
- Confirm the BCP steps business partners are taking to address wide-scale disasters

We have also established the 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 >

<https://www.holdings.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 practices should be built upon trust between business partners and us. We have 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 of our partners.

We have also sent business partners questionnaires to monitor whether our procurement departments operate properly in accordance with the Basic Procurement Policy in their transactions with the partners.

More details on the Supplier Hotline >

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

Conserving Biodiversity

We promote the sustainable use of natural resources based on the Annex to the TOPPAN Group Declaration on the Global Environment. To govern the procurement of raw materials, we have formulated a set of paper procurement guidelines to advance the sustainable use of paper, a resource representing 70% of our material input.

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

More details on the Annex to the TOPPAN Group Declaration on the Global Environment >

https://www.holdings.toppan.com/assets/en/pdf/sustainability/The_Toppa_Group_Declaration_on_the_Global_Environment_AnnexV1.pdf

More details on the TOPPAN Group Paper Procurement Guidelines for the Sustainable Use of Forest Resources (second edition) (in Japanese) >

https://www.holdings.toppan.com/library/japanese/about-us/files/sustainability/2014/proc2014_06.pdf

Main Activities and Results

Activity results, performance data

Selecting Key Business Partners

For wider dissemination of the sustainability initiatives throughout the supply chain, we select key business partners and ask them to observe the TOPPAN Group Sustainable Procurement Guidelines.

For the sustainable use of forest resources, we survey key paper manufacturers to confirm the legality of the lumber used in their paper production lines.

No. of Key Business Partners

Item	Fiscal 2022	
	No. of Companies	Proportion of Total Procurement by Monetary Value
No. of key business partners	2,998	93%
Key tier 2 suppliers (paper manufacturers)	10	—
Total no. of companies	3,008	—

Concluding Agreements with Business Partners

We have been promoting sustainable procurement throughout the entire supply chain by encouraging business partners to conclude cooperation agreements, basic transaction agreements, and basic sale & purchase agreements stipulating the observance of the TOPPAN Group Sustainable Procurement Guidelines. Our goal is to conclude agreements with 90% of key partners by no later than fiscal 2025. We also ask business partners to fill out self-assessment questionnaires and have them assess and boost their own ESG efforts based on the guidelines.

Turning to the environment, we advance 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.

No. of Partners with Cooperation, Basic Transaction, or Basic Sale & Purchase Agreements

		Fiscal 2022
Target		2,998
Actual		1,807
Rate of conclusion of agreements		60%
Breakdown by business category	OEMs	646
	Suppliers	723
	Subcontractors	420
	Temporary staffing agencies	18

*Briefings on the sustainable procurement guidelines provided to 1,807 partners

No. of Partners Performing Self-assessments

		Fiscal 2022
Target		2,998
Actual		1,807
Percentage of responses received		60%
Breakdown by business category	OEMs	646
	Suppliers	723
	Subcontractors	420
	Temporary staffing agencies	18

Agreements to Be Signed

We encourage business partners to enter into cooperation agreements, basic transaction agreements, and basic sale & purchase agreements stipulating the observance of the TOPPAN

Group Sustainable Procurement Guidelines and the modalities of corporate social responsibility the guidelines prescribe.

Ex. 1: Cooperation Agreement text (excerpt)

The company understands the intent of sustainable procurement, and in transactions with TOPPAN Group companies, shall observe sustainable procurement standards and shall comply with said procurement standards or equivalent company standards.

Ex. 2: Basic Transaction Agreement (excerpt)

Article 41.
Legal Compliance and Promotion of Corporate Social Responsibility

Through procurement, manufacturing, sales, disposal, and all other business activities, the company shall observe the Sustainable Procurement Guidelines, and shall request its own business partners to comply with said guidelines or with equivalent guidelines established by the company.

Requesting Self-assessments

The questionnaire guides business partners through self-assessments of their own environmental, social, and governance (ESG) activities and outputs results that can be used to refine their ESG initiatives in cooperation with TOPPAN.

BCP Survey Results

	Fiscal 2020			Fiscal 2021			Fiscal 2022		
	Tier 1 Suppliers	Tier 2 Suppliers	Total	Tier 1 Suppliers	Tier 2 Suppliers	Total	Tier 1 Suppliers	Tier 2 Suppliers	Total
Survey results	48	115	163	63	122	185	25	223	248
No. of companies participating in workshops	13	4	17	14	6	20	7	73	80
No. of companies participating in workshops whose survey evaluation improved	2	1	3	2	1	3	2	9	11
No. of companies participating in workshops whose survey evaluation improved (cumulative total)	4	8	12	6	9	15	8	18	26

Questionnaire Themes (excerpt)

- International certifications obtained / Policies and rules formulated
- | | |
|--|-------------------------------------|
| 1. Legal compliance and respect for internationally recognized standards | 6. Quality and safety |
| 2. Human rights and labor | 7. Information security |
| 3. Health and safety | 8. Business continuity planning |
| 4. Environment | 9. Establishing a management system |
| 5. Fair business and ethics | |

Enhancing BCP Competencies

Business partners 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. The Declaration of Partnership Building released from Toppan Inc. in September 2022 voices our support for business continuity planning (BCP) at business partners to secure the continuity of their businesses in the event of a disaster. We survey the BCP steps taken by key business partners and hold BCP workshops with them.

Out of the 248 partners surveyed, 80 participated in online workshops and discussed BCP matters in fiscal 2022.

Procurement Guideline Training within the Group

The TOPPAN Group Sustainable Procurement Guidelines apply to every department linked to goods and services used in Group operations. Training on the guidelines is organized for employees in every department concerned.

The Declaration of Partnership Building, issued by Toppan Inc. in September 2022, pledges our ongoing commitment to the building of close relationships and the observance of good business practices with business partners.

We hold training sessions on transaction-related legislation and on the Declaration of Partnership Building at the procurement departments to remind personnel of their obligation to practice the following commitment set forth in the Basic Procurement Policy: “We comply with domestic and overseas laws and regulations and conduct fair business transactions based on corporate ethics.”

Training on the Sustainable Procurement Guidelines within the Group

Training Result		Fiscal 2021	Fiscal 2022	Cumulative Total (persons)
Breakdown	Production control	327	653	980
	Purchasing	168	302	470
	Planning	—	1,019	1,019
	General affairs	—	155	155
Total no. of participants		495	2,129	2,624

Training on the Declaration of Partnership Building and Transaction-related Legislation

Training Result	Fiscal 2020	Fiscal 2021	Fiscal 2022
No. of participants: production control	2,592	777	2,644

Monitoring Compliance in Procurement Departments

We regularly ask key business partners to fill out questionnaires on their transactions with us. With the questionnaire results, we monitor whether our procurement departments operate properly in accordance with the Basic Procurement Policy. Information gleaned from the responses of 10 partners in fiscal 2022 led to improvements in compliance in our procurement operations.

Monitoring Results

	Fiscal 2020	Fiscal 2021	Fiscal 2022
No. of responding companies	17	10	10
Cumulative no. of companies	151	161	171

Verifying the Legality of Lumber for Paper Production

The Annex to the TOPPAN Group Declaration on the Global Environment, issued in March 2022, stipulates that we will take a proactive approach to the sustainable use of natural resources by avoiding or minimizing the impact on biodiversity when procuring raw materials. As a major procurer of paper, a resource representing 70% of our material input, we promote the sustainable use of forest resources by surveying the legality of lumber, the main material of paper.

We monitor paper manufacturers to verify that the lumber

used for their products (representing more than 90% of our total paper purchases by monetary value) is obtained through legal channels. In a survey of 16 sites of 10 business partners around the world in fiscal 2022, we confirmed that all of the lumber procured from them was obtained legally. In yen terms, these 16 partner sites supplied 97.4% of the paper we used in fiscal 2022.

 More details on the Annex to the TOPPAN Group Declaration on the Global Environment >

https://www.holdings.toppan.com/assets/en/pdf/sustainability/The_Toppan_Group_Declaration_on_the_Global_Environment_AnnexV1.pdf

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

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Paper suppliers surveyed*	13	13	10
Purchase value basis	90.0%	91.8%	97.4%
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