

**TOTO Group**  
**Supplier Code of Conduct**

**Version 2.0**

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**Supply Chain Promotion Division,**

**TOTO LTD.**

**TOTO**

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# I. Introduction

"We, the TOTO Group, contribute to society's development by creating a rich and comfortable living culture with a focus on plumbing and by continuing to pursue customer satisfaction that exceeds expectations."

Under the Group's Corporate Philosophy, the TOTO Group conducts corporate activities with the aim of continuing to provide greater contributions to society and the environment. To achieve this goal, we are taking steps toward integrating our management and corporate social responsibility (CSR) activities. We are also working to create value for our stakeholders while leveraging our strengths and, as we continue to create value through our value chain, we spread this value throughout society as a whole by way of our social contribution activities.

TOTO Group registers the "Global Compact" as a participant company, which is put forward by the United Nations. In order to announce to the international community, the company's intent to further strengthen its CSR management, which TOTO Group has long been promoting, behave as a responsible corporate citizen on a global scale and constructively carry out its social responsibilities, TOTO Group has upheld the 10 principles on "Human Rights, Labor, Environment and Anti- Corruption" that are cited by the "Global Compact" and put them into practice through all its business activities.

The TOTO Group acknowledges the complexity of our global supply chain and risks we face together. We understand that ethical, social and environmental conduct only works when both (or all) parties in a supply chain work together to uphold, support and maintain high standards to meet applicable legal and regulatory requirement.

In this sense, the TOTO Group has revised this Supplier Code of Conduct to further clarify the requirements with which our suppliers must comply when doing business with the TOTO Group.

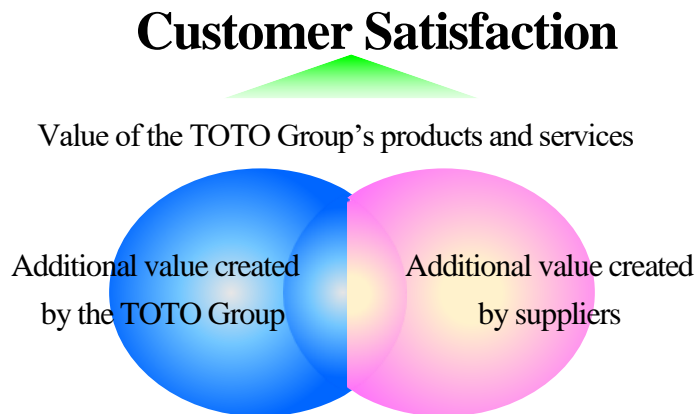
We expect from all suppliers that they comply with this Supplier Code of Conduct and enforce it within their organizations as well as actively promote it towards their suppliers.

## II. TOTO Group Purchasing Policy

### [Purpose]

The TOTO Group fulfills its corporate responsibility in all aspects of business management, the environment and society, and carries out balanced activities with the aim of achieving sustainable development of businesses, society and the Earth.

Through fair and equitable purchasing and in cooperation with suppliers, the TOTO Group continues to offer valuable products and services for customers.



### [Text]

#### 1. Partnership in mind

- The TOTO Group builds win-win relationships with its suppliers and strives to establish trusting relationships based on the principle of coexistence and mutual prosperity.
- The TOTO Group continually ensures quality, safety and other requirements in the components of TOTO products sold on the market in cooperation with its suppliers.

#### 2. Fair and equitable transactions

- The TOTO Group opens its doors equally to all companies regardless of the existence of current transactions.
- The TOTO Group responds sincerely and carries out fair and just transactions in line with the specified policies and procedures.
- The TOTO Group will make no information and technologies provided to it through business

available to external parties without the consent of the party that provided such information.

### 3. Priority given to business with superior suppliers

- To make the products we offer customers more appealing, the TOTO Group selects its suppliers by assessing whether they fulfill their social responsibility, in addition to assessing their product quality, cost, technical capabilities and responsiveness to delivery needs, in order to conduct comprehensive evaluation and promote businesses with competitive and reliable suppliers.

### 4. Compliance with laws, regulations, and ethics

- To prevent loss of value in the products and services offered to its customers through business dealings that fail to meet legal and ethical requirements related to purchasing, the TOTO Group prohibits the acceptance of entertainment, gifts and other personal benefits offered by its suppliers.
- To promote coexistence and mutual prosperity with its suppliers, the TOTO Group never requests unfair discounts or services by exploiting its position as a purchaser.
- The TOTO Group not only provides products that customers will be happy to use, but, in view of corporate social responsibility, it carries out activities as a good corporate citizen that complies with laws and regulations, social norms and other requirements in each country or region together with its suppliers.

### 5. Consideration for the environment

- The TOTO Group believes in the importance of controlling the materials and components of its products at the initial stage of their production process, and strives to reduce the environmental loads in cooperation with its suppliers.
- The TOTO Group strengthens its management system and implements activities based on the awareness that consideration at the stage of purchasing raw materials in the TOTO Group's business activities is important in order to promote preservation of biodiversity and sustainable utilization of resources.

### III. Supplier Code of Conduct

#### 1. Human Rights and Labor

##### **(1) Freely Chosen Employment**

**Suppliers shall not use forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery or trafficking of persons. Employees are free to leave their employment after reasonable notice. Employees are not required to lodge deposits of money or identity documents.**

- When employing foreign workers including migrant workers, suppliers shall provide an employment contract containing the employment conditions in a language that they can understand.
- When employing workers, employment/labor conditions shall be correctly explained. They shall not be changed to be unfavorable for workers during employment process.
- Unreasonable limitation on entry to/ exit from workplace or dormitories, and on movement within facilities is unacceptable.
- Workers shall be allowed the freedom to leave their job. Threats and intimidations such as penalizing workers for complaints about the workplace, or demanding a fine when workers express an intent to terminate employment are unacceptable.
- Employers are not allowed to delay wage payments, or force storage/ saving of part of wages.
- Workers shall not be put in a debt binding situation where they are forced to incur debt in order to pay recruitment fee, and not allowed to leave until that debt is paid.
- Forcing overtime in excess of the limit set by the law or the labor-management agreement is unacceptable.
- Hindering workers from using their identification, passport, visa, work permit or immigrant application by means of concealment and confiscations is unacceptable, unless the law stipulates that someone other than the workers retain such documents.

##### **(2) Humane Treatment**

**Suppliers shall not tolerate harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor should the threat of any such treatment be tolerated. Disciplinary policies and procedures in support of these requirements must be clearly defined and communicated to workers.**

- Suppliers shall not tolerate psychological abuse of emotionally assaulting another person through inhumane expressions, harassment, neglect, or words that impairs one's self-esteem. Physical abuse, such as violence or working in harsh environments, shall also not be tolerated.
- Sexual harassment, sexual abuse, corporal punishment, mental or physical oppression, verbal abuse, and failure to provide basic physical amenities (chairs, personal protective equipment, etc.) are considered harassment, and are unacceptable.
- Violence and harassment that are directed at an individual for reasons of sex or gender or that disproportionately affect a particular sex or gender are unacceptable.
- Suppliers are expected to clearly define disciplinary policies and procedures for recognition of harassment, including those listed above, and notify them to workers.

### **(3) Child Labor**

**Suppliers shall not use any forms of child labor. The term "child" refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest.**

**Workers under the age of 18 shall not perform work that is likely to jeopardize their health or safety, including night shifts and overtime.**

- All forms of slavery or practices similar to slavery are unacceptable.
- No child shall be permitted to engage in any work of a nature which is likely to harm the health, safety or morals of the child, or which is likely to be carried out under such circumstances.
- The minimum working age (the minimum age for employment must not be less than the age of completion of compulsory education and in no case less than the age of 15) must be fully considered, and employment must be conducted after confirming the age of the employee with a public certificate or such like.  
In developing countries where the development of economy and educational institutions is inadequate, the minimum working age can be set at 14 as a measure during the transition period. However, for hazardous work, the minimum working age shall be set at 18 in all countries. In the cases where (i) prior consultation has been held with the labor-management bodies of the country, (ii) the safety, health and morals of young persons are adequately protected, and (iii) they have received adequate and specific education or vocational training in the field of their work, persons from the age of 16 may engage in such hazardous work.

- Workers under the age of 18, including students, must be assured of satisfactory working conditions and, in particular, must receive the following benefits:
  - (a) “Equal pay for work of equal value”
  - (b) Strict restrictions on working hours per week and per day, including a ban on overtime to ensure adequate time for education, training, rest, and leisure activities
  - (c) At least 12 consecutive hours of night break and weekly rest periods
  - (d) Annual paid leave of at least four weeks, and in any case not shorter than that allowed for adults
  - (e) Admission to the social security system, which guarantees industrial accidents insurance, health support, and benefits for various diseases
  - (f) Safety regulations and adequate health, and appropriate education and supervision
- Hazardous work includes the following:
  - (a) Work that exposes children to physical, psychological, or sexual abuse
  - (b) Work carried out in pits, in water, at dangerous heights, or in confined spaces
  - (c) Work involving the use of risky machinery, equipment and tools, or work involving the manual handling or transport of heavy objects
  - (d) Work performed in an unhealthy environment (such as exposing children to dangerous substances, factors or processes, or to temperatures, noise levels, or vibrations that are detrimental to their health)
  - (e) Work under particularly difficult conditions, such as long hours, night work, or work in which the child is unjustly confined to the premises of the employer

#### **(4) Non-Discrimination**

**Suppliers shall not engage in or support discrimination in hiring, promotions, wages, rewards or access to training, based on racial, national, territorial or social origin, age, gender identity, religion, ethnicity, physical/ mental disability, or political affiliation.**

- Suppliers shall not conduct discrimination on the basis of belonging to a specific ethnic group, which may affect ethnic minorities, indigenous people, or tribal populations.
- Discrimination on the basis of biological characteristics and functions that distinguish male and female, and of social differences between men and women is unacceptable. This includes discrimination on the basis of marital status, family structure, and motherhood.
- Discrimination on the basis of believing in a religion or expression of religious beliefs is unacceptable. This includes discrimination against atheists. Employers are expected to make reasonable accommodations to enable workers to carry out religious practices.
- Discrimination on the basis of policy views, affiliation with a political party, political or social/political attitudes, civic activity or moral qualities is also unacceptable.
- Discrimination on the basis of place of birth, ancestry, or foreign origin, and that



targeted on national or linguistic minorities, naturalized citizens, descendants of immigrants from foreign countries, and such like are unacceptable.

- Discrimination on the basis of social class, social and occupational type, or caste is unacceptable.
- Health checks and pregnancy tests that undermine the equality of opportunity or fairness in treatment are considered discriminatory and are not allowed.
- Discrimination on the basis of age, disability, health status (especially HIV/AIDS), union membership, or sexual orientation is unacceptable.
- Discrimination against people who have served in the military, such as discrimination on the basis of disability due to military service (post-traumatic stress disorder (PTSD)) or separation from other workers by treating them as murderers, is unacceptable.
- Discrimination on the basis of genetic information, such as the latent risk, is unacceptable.

#### **(5) Wages and Benefits**

**Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. For each pay period, workers shall be provided with a timely and understandable wage statement that includes sufficient information to verify accurate compensation for work performed. All use of temporary, dispatch and outsourced labor will be within the limits of the local law.**

- Employers must pay wages equal to or greater than the minimum wage stipulated by the wage-related laws and regulations of the country in which they are located.
- In addition to the legally mandated minimum wage, companies and other organizations are expected to voluntarily set wage rates that meet the needs of workers and their families in accordance with international standards, enable workers to live a social life, and take into account the "living wage" that satisfies workers' dignity.
- Unjust wage deductions that violate labor-related laws and regulations are not allowed. Such deductions include costs for uniforms, personal protective equipment necessary for work and cleaning of uniforms. They do not include non-payment for hours when

a worker is not working due to lateness, absence or other such reasons.

- Reduction of salary as disciplinary action is not allowed. However, reduction of salary for disciplinary purposes is exceptionally permitted, when such reduction is permitted by national law and agreed between parties under a freely negotiated collective agreement.
- Overtime compensation must be paid to workers at a rate higher than the normal hourly rate in accordance with the respective local laws and regulations.
- When paying compensation, suppliers must provide a pay slip with information that confirms that the payment details are correct.

#### **(6) Working Hours**

**Working hours are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers must be allowed at least one day off every seven days.**

- Weekly working hours must not exceed 60 hours per week, including overtime, except in an emergency or an extraordinary situation. However, if local laws and regulations provide more favorable contents for workers, there is a need to adhere to those contents.
- Suppliers shall carry out appropriate management so that the number of prescribed working days per year does not exceed the statutory limit.
- The right to annual paid leave, maternity leave, and childcare leave stipulated by law must be granted to workers. Annual leave shall be a minimum of one day (24 hours or more) per every 7 days (not to exceed 6 consecutive days).
- Workers must be provided with working hour breaks set by law.
- Suppliers shall provide physical and mental health examinations to protect workers' health.

**(7) Freedom of Association**

**Suppliers shall be committed to an open and constructive dialog with the representatives of employees and workers. In accordance with local laws, suppliers shall respect the rights of their employees to associate freely, join labor unions, seek representation, join works councils and engage in collective bargaining.**

**Suppliers shall not disadvantage employees who act as workers' representatives.**

- Suppliers shall respect the right of all workers to form or join a labor union of their choice, as well as the right of workers not to participate in or refrain from such activities.
- No discrimination, retaliation, intimidation or harassment is permitted against workers or their representatives for the purpose of unduly influencing negotiations or preventing them from exercising their right to organize.
- To formulate an effective labor agreement, suppliers are expected to make necessary arrangements in a form that complies with laws and regulations.
- Suppliers shall allow a representative formally delegated by workers to negotiate with a management representative who is authorized to make decisions on negotiation matters.
- Suppliers are expected to provide the necessary information for conducting meaningful negotiations.
- When requested by the government, suppliers shall provide the workers' side with information concerning their business and take constructive measures.

## 2. Safety and Health

### (1) Occupational Safety

**Worker exposure to potential safety hazards must be controlled. If hazards cannot be controlled adequately, workers must be provided with appropriate, well-maintained, personal protective equipment and educational materials about risks to them associated with these hazards.**

- Suppliers shall take the necessary safety measures to reduce or eliminate the potential risks of accidents and health problems that may occur during work due to electric and other energy sources, fire, vehicles and moving objects, slippery and stumbling floors, and falling objects, which are recognized as risks to occupational safety.
- Safety measures include (1) identification and assessment of hazards, including the possibility of their occurrence, (2) design of appropriate work sites, taking into account the elimination and prevention of hazards, and (3) promotion of safety awareness activities (including the handling of personal protective equipment).
- Suppliers shall implement appropriate design and technology management measures including (1) elimination of risk factors or replacement with safe ones, (2) engineering control (e.g. monitoring of hazardous areas by sensors and blocking by locking the power supply to machinery or equipment [lockout]), (3) management in operation (e.g. installation of tags to indicate prohibition of operation of the energy interrupter during power source interruption [dugout]), and (4) step-by-step control of provision of personal protective equipment (e.g. safety glasses, safety caps, and gloves).
- Suppliers shall give reasonable considerations when assigning jobs to pregnant women and breastfeeding mothers, so as not to include in their work lifting or moving heavy objects, exposure to infectious diseases, exposure to lead and toxic chemicals, unreasonable or stressful positions, exposure to radioactive material, threats with violence, prolonged work, extreme heat, or excessive noise and such like.
- If a worker needs to nurse a child during the first year after childbirth, suppliers are expected to take measures such as providing an appropriate break time for breastfeeding or milking and a safe and clean place that is closed to the access and view of colleagues or the general public.

## **(2) Industrial Hygiene**

**Worker exposure to chemical, biological and physical agents must be identified, evaluated, and controlled. If hazards cannot be adequately controlled, workers must be provided with and trained to use appropriate personal protective equipment.**

- Suppliers shall identify and control hazards that may adversely affect human health, such as toxic substances, radiation, and substances that cause chronic diseases (e.g. lead and asbestos). These hazardous items may exist in the form of soot, vapor, mist, or dust.
- Suppliers shall provide workers with appropriate education and training as well as personal protective equipment.

## **(3) Occupational Injury and Illness**

**Suppliers shall have procedures and systems to manage, track and report;**

- **occupational injuries and illnesses**
- **exposure of workers to chemical, biological and physical agents.**

**Such procedures and systems shall comply with all applicable laws and regulations, and include provisions;**

- **encourage worker reporting**
- **classify and record injury and illness cases**
- **investigate cases and implement corrective actions.**

- Suppliers shall promote the reporting of work-related disasters and illnesses suffered by workers.
- Disasters and illnesses should be classified and recorded.
- Suppliers shall provide workers affected by a disaster with treatment as needed. Suppliers are expected to furnish and regularly maintain first aid kits, AEDs and other items to prepare for a disaster.
- Suppliers shall take corrective actions, including investigation of the incident, identification and elimination of the cause, implementation and management of preventive measures, and reporting.
- It is also necessary to implement the systems that promote workers to return to work, and to report on the results.

- Depending on the regulations, suppliers shall carry out necessary procedures with the administrative organs, join workers' accident compensation insurance, and take other measures.

#### **(4) Emergency Preparedness**

**Suppliers shall identify and provide safety information about risks in the workplace. Additionally, suppliers shall train employees to adequately respond to incidents. Suppliers shall identify potential emergencies in the workplace and develop plans and procedures in response in order to minimize any impact.**

- Suppliers shall fully implement emergency measures, such as emergency reporting, notification to workers, clarification of evacuation methods, installation of evacuation facilities, clear and unobstructed exits, appropriate exit facilities, stockpiling of emergency medical supplies, installation of fire detection systems, installation of fire extinguishers, fire proof doors and sprinklers, securing of means of external communication, and development of recovery plans.
- Suppliers shall ensure that emergency response is understood within the workplace by implementing emergency response education for workers, including evacuation drills, and storing and posting emergency response procedures and other documents within easy reach of the workplace.

#### **(5) Physically Demanding Work**

**Worker exposure to the hazards of physically demanding tasks, including manual material handling and heavy or repetitive lifting, prolonged standing and highly repetitive or forceful assembly tasks must be identified, evaluated and controlled.**

- Suppliers shall give considerations to reducing accidents and mistakes by preparing the surrounding environment so that people can move around properly and efficiently.
- Physically demanding tasks include repetitive and continuous tasks, such as data entry, which are expected to be identified, evaluated, and adequately considered as risks.
- Suppliers are expected to systematically improve the working environment based on ergonomics, set periodic short breaks, provide auxiliary tools, and implement division and cooperation of tasks among multiple workers.

#### **(6) Machine Safeguarding**

**Production and other machinery must be evaluated for safety hazards. Physical guards, interlocks and barriers must be provided and properly maintained where machinery presents an injury hazard to workers.**

- Suppliers shall adopt safety mechanisms, such as fail-safe, foolproof, and tagout, in addition to physical measures, including interlocks and safety fences.
- The periodic inspection and maintenance of these machinery and equipment must also be carried out appropriately.

#### **(7) Sanitation, Food, and Housing**

**Workers must be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities.**

**Worker dormitories provided by the supplier or a labor agent must be clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, adequate lighting and ventilation, and reasonable personal space along with reasonable entry and exit privileges.**

- Suppliers shall inspect drinking water in compliance with laws and regulations and provide safe drinking water through water dispensers and other means.
- In order to ensure the provision of hygienic meals, suppliers are expected to implement clothing and health checks for cooks, extermination of harmful insects, and proper temperature control of food, and to furnish certification or such like to prove the suitability of the restaurant business.
- Suppliers shall put in place enough clean toilet facilities for the number of people and provide toilet paper, etc.
- Employees' dormitories are expected to provide fire prevention measures and emergency evacuation routes (exits) in case of emergency, as well as provide safe storage facilities for personal belongings (provision of lockers with keys) and sufficient room space (standard is 3.3 m<sup>2</sup> or more per person). Considerations must

also be given to ventilation, temperature control, and appropriate lighting.

#### **(8) Health and Safety Communication**

**Suppliers shall provide workers with appropriate workplace health and safety information and training in the language of the worker or in a language the worker can understand for all identified workplace hazards that workers are exposed to.**

**Health and safety related information shall be clearly posted in the facility or placed in a location identifiable and accessible by workers.**

- Suppliers shall provide appropriate workplace health and safety information along with education and training with respect to all identified hazards to which workers may be exposed (including but not limited to mechanical, electrical, chemical, fire and physical hazards).
- Education and training should be provided to all workers prior to the start of work and periodically thereafter. In addition, workers shall be encouraged to raise safety concerns.
- The contents of education and training should include proper use of personal protective equipment, emergency response, safe operation of machinery, and preparation before entering a hazardous environment.

#### **(9) Health Management of Employees**

**Based on local laws and regulations, suppliers shall provide employees with health checkups.**

- Suppliers shall provide, in addition to regular general medical examinations, special medical examinations related to certain hazardous work.
- Employers are expected to take into account the opinions of doctors regarding the results of these medical examinations and take measures to ensure the health of workers, such as changing work locations, changing work schedules, and reducing working hours when necessary.



### 3. Environment

#### **(1) Environmental Management System**

**The TOTO Group will favor suppliers having certified their environmental management system (ISO 14001 or equivalent) for the purpose of assessing, controlling and anticipating the risks linked to its activities and raising awareness among employees and the suppliers.**

- Suppliers are expected to obtain ISO 14001, which is an international standard, and similar certifications in the respective countries.  
For example, in Japan, it is recommended that suppliers obtain certifications, such as the Ministry of the Environment's Eco Action 21, Eco Stage, and KES Environmental Management System Standard.
- When operating a supplier's own environmental management system, it is recommended that the supplier receive an environmental audit by a third party regarding the status of voluntary environmental management activities.

#### **(2) Environmental Permits and Reporting**

**Suppliers shall obtain, maintain and keep current all required environmental permits and licenses and comply with the operational and reporting requirements of such permits and licenses.**

- If required by law, suppliers need to fulfill obligations to assign a manager who has acquired certain qualifications. Examples in Japan include obligations under the laws on waste disposal (a specially-controlled industrial waste manager) and the control of air pollution (a pollution prevention manager at plants that emit chemical substances, dust, or smoke).
- Depending on the chemical substances used in the business, suppliers may be required to assign a manager responsible for the management of poisonous and deleterious substances, designated chemical substances, and hazardous substances.

- Depending on the nature of the business and the location of the plant, there may be a need to receive permission for facilities that handle hazardous substances and environmental impact assessment. In such cases, suppliers are expected to receive such permission in accordance with the requirements of laws and regulations.

### **(3) Pollution Prevention and Resource Reduction**

**Emissions and discharges of pollutants and generation of waste must be minimized or eliminated at the source or by practices such as adding pollution control equipment; modifying production, maintenance and facility processes; or by other means. Natural resources, including water, fossil fuels, minerals and virgin forest products, must be conserved by avoiding excessive use or by practices such as modifying production, maintenance and facility processes, materials substitution, re-use, conservation, recycling or other means.**

- Suppliers must identify and manage wastes even when they are not identified to be hazardous, implement a systematic approach for responsible disposal or recycling, and work for reducing waste.
- Suppliers must implement measures for disposing substances according to local laws and regulations, and minimizing disposal to ensure that natural resources are not wasted.
- Means to implement these measures include changing production facilities at the source, replacing materials, reusing resources, and recycling. Suppliers are expected to voluntarily set targets and work to comply with laws and regulations.

### **(4) Hazardous Substances**

**Suppliers shall identify, label and manage chemicals and other materials posing a hazard to humans or the environment to ensure their safe handling, movement, storage, use, recycling or reuse, and disposal.**

- In Japan, suppliers must perform management based on the Chemical Substance Control Law, Poisonous and Deleterious Substances Control Law, Industrial Safety and Health Act, Fire Service Act, and PRTR (Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management).

- It is also necessary to consider chemical substance management in manufacturing processes.

#### **(5) Solid Waste**

**Suppliers shall separate non-hazardous waste from hazardous waste, store such waste under the appropriate conditions, and ensure that such waste is treated in compliance with the local regulations in force.**

- Suppliers shall take a systematic approach to the identification, management, reduction, and responsible disposal or recycling of solid (non-hazardous) waste.

#### **(6) Air Emissions**

**Air emissions of volatile organic compounds, aerosols, corrosives, particulates, ozone depleting chemicals and combustion byproducts generated from operations must be monitored, controlled and treated as required prior to discharge. Air emissions must be avoided or minimized.**

- Suppliers must strive to analyze and monitor relevant substances prior to discharge, and only discharge them after conducting the required control and treatment based on the results of that analysis and monitoring.
- The measures shall include routine monitoring of treatment systems for the performance and the handling of substances to discharge.

#### **(7) Materials Restrictions**

**Suppliers shall adhere to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances in products and manufacturing, including labeling for recycling and disposal.**

- Suppliers must also consider customer demands regarding the chemical substances contained in products.
  - Suppliers must follow the laws and regulations of the countries where the products are sold.

- Suppliers must take responsibility for the components included in the end products, and therefore upstream companies must provide the required information to downstream companies.
- When exporting to the EU, particular attention must be paid to the RoHS Directive and the REACH Regulations as related laws and regulations.
- There is also a need to give considerations to additional, mixed, and adhered substances in the manufacturing process.

#### **(8) Water Management**

**Suppliers shall implement a water management program that documents, characterizes, and monitors water sources, use and discharge; seeks opportunities to conserve water; and controls channels of contamination. All wastewater must be characterized, monitored, controlled, and treated as required prior to discharge or disposal.**

- Suppliers are expected to control channels of contamination by ensuring that there is no contamination in the waterways on site and that there is no stagnant water or grease in the vicinity of the storm drainage pipes.
- Emergency response equipment, such as shutoff valves and faucets, must be put in place to stop leaks and outflows of water and sewage caused by industrial or natural disasters. Installations of only rainwater basins, contaminated water basins, and reservoirs to prepare for any leakage or overflow are considered to be insufficient.

#### **(9) Energy Consumption and Greenhouse Gas Emissions**

**Suppliers shall track and document energy consumption and greenhouse gas emissions. Suppliers shall look for cost-effective methods to improve energy efficiency and minimize their energy consumption and greenhouse gas emissions.**

- Improving energy efficiency involves minimizing energy consumption and the related scope 1 and scope 2 greenhouse gas (GHG) \* emissions, which must be tracked and documented by facility or business unit.

- Suppliers are expected to set voluntary reduction targets, draw up plans, and implement them without fail particularly for the six substance groups defined in the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, HFC, PFC, and SF6 among the various greenhouse gases.
  
- \* Scope 1 refers to the direct emissions of greenhouse gases from sources owned by companies themselves, and scope 2 refers to indirect emissions associated with the use of electricity, heat and steam provided from other companies.

## 4 Equitability and Ethic

### **(1) Business Integrity**

**Suppliers shall prohibit all forms of bribery, corruption, extortion, and embezzlement.**

- Supplier must uphold a policy of prohibiting any and all forms of bribery, excessive entertainment or gifts, corruption, blackmail, or embezzlement, and maintain continuous compliance.
- Continuous compliance requires not only establishing policy, but also appropriately training employees and continuing to ensure that policy is implemented.

### **(2) Anti-Corruption and Bribery**

**Suppliers shall refrain from offering or soliciting, directly or indirectly, benefits of any kind or cash payments for the purpose of making a profit or gaining an undue advantage.**

- Suppliers are prohibited from directly or indirectly providing or receiving something valuable, or promising or proposing to do so, in order to gain business or obtain inappropriate benefit.
- Clarified policies and procedures and adequate monitoring are necessary in order to comply with laws regarding the preventing of corruption.

### **(3) Disclosure of Information**

**Suppliers' information regarding labor, health and safety, environmental practices, business activities, structure, financial situation and performance must be disclosed in accordance with applicable regulations and prevailing industry practices. Falsification of records and misrepresentation of conditions or practices in the supply chain are unacceptable.**

- Suppliers shall actively provide and disclose information to stakeholders, such as the details of business activities, financial conditions, ESG (environmental, social, and governance) information, risk information (e.g. damage caused by large-scale disasters, adverse impacts on the environment and society, and discovery of serious violations of laws and regulations), and information regarding supply chain.

- Suppliers are required to disclose information on critical risks in a timely manner, and actively provide information by communicating to customers.
- Suppliers are not allowed to tamper records, misrepresent information, or disclose false information.

#### **(4) Intellectual Property**

**Suppliers shall respect and protect the intellectual property rights of the TOTO Group by forbidding the copy, use or disclosure of the intellectual property rights without prior authorization. Suppliers shall do the transfer of technology and know-how in a manner that protects intellectual property rights.**

- Suppliers shall protect intellectual property in a broad sense, including trade secrets and technical know-how, without limiting to patent rights, utility model rights, design rights, trademark rights, and copyrights under the Intellectual Property Act.

#### **(5) Fair Business, Advertising and Competition**

**Suppliers shall uphold standards of fair business, advertising and competition.**

- Suppliers shall comply with the laws and regulations concerning fair competition and fair trade established in each country or region and promote fair and free competition without engaging in illegal acts such as cartel agreements to restrict competitions, unfair business practices, and misrepresentations.
- In the catalog presentations and advertising of products and services, suppliers must not express untruths or mislead consumers and customers, and must also make sure not to include information that slanders or infringes the rights of other companies or individuals.

#### **(6) Protection of Identity and Non-Retaliation**

**Suppliers shall ensure the confidentiality, anonymity and protection of whistleblowers, unless the disclosure is obliged by laws. Suppliers shall maintain and communicate a process for their personnel to raise any concerns regarding suppliers' business and operations without fear of retaliation.**

- In grievance mechanisms available to related parties including their employees and those of second or lower suppliers, Suppliers must ensure the anonymity of the whistleblowers and confidentiality of what was reported.

- Whistleblowers must be protected from disadvantageous treatment by the company or an individual due to the act of whistleblowing. Disadvantageous treatment includes acts of harming working circumstances, harassment and change to working conditions such as unfair performance evaluation or rewards, dismissal, or reshuffling.

#### **(7) Responsible Sourcing of Minerals**

**Suppliers shall not procure raw materials, parts, or products including tantalum, tin, tungsten, or gold illegally produced from conflict areas or high-risk areas. Suppliers are expected to provide supporting data on their supply chain for those materials to TOTO Group promptly when asked for an investigation.**

- Suppliers are expected to carry out due diligence by developing policies related to responsible mineral procurement, communicating expectations to their suppliers, identifying and assessing supply chain risks, and developing and implementing strategies to address the identified risks.
- Regarding due diligence for responsible mineral procurement, suppliers are expected to implement the following five steps set out under the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas:
  - Step.1: Establish strong company management systems
  - Step.2: Identify and assess risk in the supply chain
  - Step.3: Design and implement a strategy to respond to identified risks
  - Step.4: Carry out independent third-party audit of smelter/refiner's due diligence practices
  - Step.5: Report annually on supply chain due diligence



## 5 Quality and Safety

### (1) Securing Product Safety

**When designing products at their responsibility, Suppliers shall comply with the relevant laws of the country, follow the relevant standards, and pay attention to safe design to ensure the safety of products.**

**Additionally, ensuring product safety includes the management of traceability (history of materials, parts, processes, etc.) and prompt responses to solving problems.**

- With regard to product safety, Suppliers shall not only comply with laws and regulations but also give consideration to the safety that should ordinarily be maintained.
- Laws and regulations concerning products vary from country to country. In Japan, suppliers shall comply with the Electrical Appliances and Materials Safety Act, the Consumer Product Safety Act, the Household Goods Quality Labeling Act and other relevant laws. In terms of safety standards, considerations should be given to the detailed provisions of laws and regulations, JIS and others.
- In foreign countries, considerations should be given to safety standards such as UL, BSI, and CSA.

### (2) Quality Management System

**The TOTO Group recommends that suppliers implement and maintain the quality management system (QMS) suitable to the products and services provided to customers.**

**Representing quality management system: ISO 9000 series**

- Suppliers shall comply with all laws and regulations that apply to the quality of products and services, and are also required to establish appropriate frameworks and management system for complying with their own quality standards and customer requirements.

## 6. Business Continuity Plan (BCP)

**Suppliers shall develop a business continuity plan and process to stabilize production processes or services and quickly recover them in the event of a natural disaster or other event that disrupts the production processes, services, or the ability of suppliers to meet their delivery commitments to the TOTO Group.**

- Suppliers are expected to formulate a business continuity plan that considers how to maintain a stable supply and how to resume production activities as soon as possible in order to fulfill its supply responsibilities in the event that suppliers or business partners incur damages caused by a large-scale natural disaster, such as an earthquake, tsunami, flood, heavy rain, heavy snowfall, or tornado and the associated power outage, water outage, disruption to transportation, accident (fire and explosion), or wide-area infectious disease.
- When formulating a business continuity plan, suppliers are expected to set measures that ensure continued supply, such as furnishing multiple production sites for products and parts of themselves or business partners and securing inventories.
- The business continuity plan should include a local recovery strategy on how to protect against, mitigate, and recover from estimated damage to production sites. Suppliers are also expected to make efforts to secure alternative means, assuming that recovery from damage takes longer than expected.
- Suppliers are expected to document procedures for early recovery of business as a manual according to the contents of the business continuity plan and provide employees with ongoing education and training so that they can respond to actual disasters, etc. in the event of a business suspension.

## 7. Information Security

### **(1) Information Technology Security**

**Suppliers shall equip all computers and computer systems with the necessary security firewalls.**

- Suppliers shall prevent troubles caused by cyber attack, such as the leak of or modification of information and the stopping of information systems.
- The scope to be protected should be expanded not only to PCs and services, which is conventionally regarded as the target of attacks, but also to industrial systems and devices related to the IoT(Internet of Things).
- Suppliers shall also establish a quickest recovery plan in case of a cyber attack by setting procedures such as backing up critical data or duplicating the data centers and data servers.

### **(2) Privacy**

**Suppliers shall strictly commit to protecting the privacy expectations of personal information of everyone they do business with, including suppliers, customers, consumers and employees. Suppliers shall comply with privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted, and shared.**

- Personal information must only be carefully collected, stored, processed, transmitted, and shared within the scope required to achieve the specified purpose it is used for in compliance with the relevant laws and regulations of each country.
- Suppliers shall carry out the establishment and operation of an overall system for the management of personal information by preparing rules and policies to be observed by workers, etc., and formulating plans and implementing measures, audits, and reviews in accordance with such rules and policies.

**(3) Confidential Information**

**Suppliers shall not disclose without permission confidential information to a third party who does not need such information for business.**

- Suppliers shall establish appropriate framework and management systems to manage confidential information of themselves or that received from third parties.
- Suppliers are also expected to assign a management level for each piece of confidential information and to provide employees with education and training.

## 8. Social Contribution

### (1) Community Involvement

**The TOTO Group recommends that suppliers engage with their local communities for the benefit of society and to seek opportunities to have a positive impact in all their localities.**

- Suppliers are expected to support the development of international and local communities by utilizing corporate management resources, and the examples of contribution are as follows;
  - (1) Contributing to society through the use of products, services, technologies, etc. related to their core business.
  - (2) Non-monetary contributions to society through the use of facilities and human resources.
  - (3) Contributing to society through monetary donation.
  - (4) Cooperation with local communities in times of disaster
  - (5) Encouraging employees to participate in volunteer activities
  - (6) Promoting support for NPO/NGOs
  
- Particularly as regards monetary donations, transparency should be guaranteed about the donated amount and decision-making process so that they are not regarded as bribes.

## 9. Management System

Suppliers are expected to implement management systems to promote continuous improvement with respect to the expectations set forth in this Supplier Code of Conduct.

This includes the following:

### **(1) Company Commitment**

**A corporate social and environmental responsibility policy statements affirming suppliers' commitment to compliance and continual improvement, endorsed by executive management and posted in the facility in the local language.**

- Suppliers are expected to confirm their commitment to compliance and continuous improvement posted in the facility in a language that local workers can understand, and to furnish policies related to corporate social and environmental responsibility in writing.

### **(2) Management Accountability and Responsibility**

**Clear identification of senior executive and company representatives responsible for the management systems and associated programs, and regular reviews on the status of the management system.**

- To ensure the adequate operation of the management system, suppliers shall clearly identify the person in charge of operations.
- The person in charge of operations is expected to implement regular reviews about the operation of the management systems with the board, including the president.

### **(3) Legal and Customer Requirement**

**A process to identify, monitor and understand applicable laws, regulations and customer requirements, including the requirements of this Supplier Code of Conduct.**

- Suppliers shall establish a mechanism to identify the laws and regulations applicable to the business and the customer requirements, and to confirm currentness of the laws and regulations, satisfaction of the requirements, etc.

#### **(4) Risk Assessment and Risk Management**

**A process to identify the legal compliance, environmental, health and safety and labor practice and ethics risks associated with suppliers' operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to control the identified risks and ensure regulatory compliance.**

- Suppliers shall determine the relative seriousness of risks which is specified based on laws and regulations, customer requirements and other factors, and appropriately implement specific measures to address these risks.

#### **(5) Improvement Objectives**

**Written performance objectives, targets and implementation plans to improve suppliers' social and environmental performance, including a periodic assessment of suppliers' performance in achieving those objectives.**

- Suppliers shall document the activity goals and implementation plans to improve performance in order to fulfill social responsibility, and evaluate the initiatives taken to achieve the goals.

#### **(6) Training**

**Programs for training managers and workers to implement suppliers' policies, procedures and improvement objectives and to meet applicable legal and regulatory requirements.**

- Suppliers are expected to furnish and implement educational programs for employees to implement company policies, procedures, and improvement objectives and meet applicable legal and regulatory requirements.

#### **(7) Communication**

**A process for communicating clear and accurate information about suppliers' policies, practices, expectations and performance to workers, suppliers and customers.**

- A system to share clear information about company policies, initiatives, and performance with employees, suppliers, and customers must be in place.
- Suppliers are also expected to disclose these policies and information on their company website and publish such policies and information in an annual report or other such reports.

#### **(8) Worker Feedback, Participation and Grievance**

**Ongoing processes to assess employees' understanding on practices and conditions covered by this Supplier Code of Conduct, to obtain feedback and to foster continuous improvement.**

- Suppliers shall have a process in place to promote continuous improvement, such as confirming employees' understanding of the Supplier Code of Conduct, obtaining feedback on the Code, and collecting information on violation cases.
- Employees must be able to report their complaints without fear of retaliation. This process is expected to include employee awareness surveys, suggestion boxes, workers' review meetings, process improvement teams, and whistleblower hotline.

#### **(9) Audits and Assessments**

**Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of this Supplier Code of conduct and customer contractual requirements related to social and environmental responsibility.**

- Suppliers shall periodically conduct self-assessments in order to meet their own policies and management system requirements in addition to meeting respective laws and regulations, this Supplier Code of Conduct, and customer requirements related to social and environmental responsibilities.



#### **(10) Corrective Action Process**

**A process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews.**

- Suppliers shall develop a timely corrective process for deficiencies identified through internal and external assessments, inspections, investigations and reviews, which should include root cause analysis of the identified issues, identification of corrective actions, the name of the person responsible for corrective actions, and the expected completion date.

#### **(11) Documentation and Records**

**Creation and maintenance of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.**

- Suppliers shall prepare documents and records (lists) to ensure compliance with the relevant laws and regulations and customer requirements and shall ensure that they are up-to-date.
- Documents relevant to the Act on the Protection of Personal Information must be managed at an appropriate level.

#### **(12) Supplier Responsibility**

**A process to communicate the principles set forth in this Supplier Code of Conduct to their supply chain and to monitor supplier compliance to the requirements.**

- Suppliers shall have a mechanism in place to ensure that their suppliers are in compliance with the Code. Such measures include surveys on suppliers, audits, and confirmation of commitments.
- The definition of a supplier can be determined by each company, but it should also include temporary staffing agencies and subcontractors.

## IV. References

This Supplier Code of Conduct and the Guideline were formulated by using the following as reference. You can obtain useful information or more detail by referring to the following:

**Universal Declaration of Human Rights:**

<https://www.un.org/en/about-us/universal-declaration-of-human-rights>

**ILO International Labor Standards:**

<https://www.ilo.org/global/standards/lang--en/index.htm>

**UN Global Compact:**

<https://www.unglobalcompact.org/what-is-gc/mission/principles>

**Global Compact Network Japan:**

<https://www.ungejn.org/index.html>

**RBA Code of Conduct Ver7.0**

<http://www.responsiblebusiness.org/code-of-conduct/>

**Responsible Minerals Initiatives:**

<http://www.responsiblemineralsinitiative.org/>

**JEITA Responsible Business Conduct Guidelines**

<https://www.jeita.or.jp/japanese/pickup/category/2020/200331.html>

**Ministry of Environment Japan**

<https://www.env.go.jp/>

**ISO 14001/OHSAS 18001**

<https://www.iso.org/home.htm>

### **Revision History**

VER. 1.0: Published in April 2019

VER. 2.0: Published in January 2022

1. The contents of this Supplier Code of Conduct and the Guidelines are subject to change in view of changes in social issues. The latest version is available on the TOTO website.
2. If you have any questions regarding this Supplier Code of Conduct, please contact below:

< Contact Information >

Supply Chain Promotion Division : [toto.koubai@jp.toto.com](mailto:toto.koubai@jp.toto.com)

# TOTO

## Life Anew

To create a culture of comfortable, healthy living.

Since our founding, we have continuously pursued innovations that offer greater wellness and comfort to daily life.

Honoring the trust that our customers and society place in us, TOTO remains dedicated to delivering products that offer inclusive functionality and respect for the environment.

We embrace these values every day to create a future that surpasses all expectations.