

# **TOTO Group Guidelines for Green Procurement**

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TOTO LTD.

Supply Chain Division

**TOTO**

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# 1. 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 this Group's Corporate Philosophy, the TOTO Group conducts corporate activities with the aim of continuing to provide greater contributions to society and the environment.

TOTO products are used in the daily lives of our customers over a long period of time. Accordingly, taking into account the perspective of the product life cycle (from raw material procurement and manufacturing to sale, distribution, use, and eventually disposal), reducing water and energy use in the stage of product use help contribute significantly to conserving the global environment. For that reason, in addition to introducing energy-saving technologies and renewable energy sources at our manufacturing plants, we are striving to realize environmental conscious designs within our product development and popularize products that are based on these designs.

On the other hand, all of the Group's business activities are carried out through using the products and services provided by suppliers, including raw materials, parts, subsidiary materials, etc.

In order to reduce environmental impacts and risks and to aim for the realization of a sustainable society, implementing environmental conservation activities throughout the supply chain is essential; therefore, cooperation from suppliers is indispensable.

We established the Guidelines for Green Procurement to help suppliers understand the Group's attitude toward the environment and policy for procurement and work with us to realize a sustainable society.

We would like suppliers to understand the purpose and contents of the Guidelines and to work together to reduce environmental impacts. We would also like the entire supply chain to contribute to environmental conservation. We would appreciate your understanding and cooperation.

## 2. TOTO Group Global Environment Policy

1. The TOTO Group develops water-saving, air-cleaning and other environmentally friendly products and services and contributes to reducing the loads on the global environment.
  - The TOTO Group performs an environmental assessment from the stages of research and development and designing of products and services and carries out activities to reduce environmental loads through all stages, from material purchasing to production, distribution, utilization and disposal (water-saving, air cleaning, energy and resource conservation, controlling of chemicals, etc.).
2. The TOTO Group reduces environmental loads in every process of its business activities.
  - In its efforts to reduce the environmental loads, the TOTO Group takes actions such as employing superior technology and materials, conserving resources and energy, reducing waste and packaging materials, recycling materials, and working to protect the Ozone layer and prevent global warming.
  - The TOTO Group develops production technologies taking into account environmental conservation to reduce the environmental loads in production.
3. The TOTO Group builds an environmental management system for making continuous improvement.
  - The responsibility for the promotion of environmental conservation is defined and the organization for environmental management is established under the Director in charge of environmental conservation in order to build and continuously improve an environmental management system that adopts environmental audits.
  - The effect of organizational activities and products and services on the environment is appropriately assessed, and environmental objectives, goals and programs are established in line with the environmental laws and regulations, agreements and other requirements of the countries and regions in which the businesses are located.
  - In addition to complying with environmental laws and regulations, agreements and other requirements, the TOTO Group establishes its own standards to improve the control level and prevent pollution.
  - The TOTO Group specifies states of emergency and strives to prevent them. Prompt and appropriate response is taken in the rare event of an accident.
4. The TOTO Group strives for conservation and sustainable utilization of biodiversity.
  - The TOTO Group avoids destruction of nature caused by its business activities and strives to conserve biodiversity.
  - The TOTO Group purchases raw materials, taking the local environment and effect on biodiversity into consideration.
  - The TOTO Group works in cooperation with stakeholders and contributes to the creation of society that fosters biodiversity.

5. Through active communication, the TOTO Group aims to achieve a better global environment.

- The TOTO Group educates and enlightens people both inside and outside the TOTO Group to promote understanding and awareness of the global environment, and actively supports activities to conserve the global environment.
- The TOTO Group actively participates in and supports environmental conservation in its publicity activities and in society and local communities from the viewpoint of contributing to society as a good corporate citizen, aiming to achieve a better global environment.
- The TOTO Group carries out active communication in its environmental conservation activities and discloses information, as necessary, concerning the development and environmental management of environmentally friendly products, services and technologies.
- This environmental policy is published both inside and outside the TOTO Group

### 3. Policy for Green Procurement

The TOTO Group contributes to the realization of a sustainable society by procuring products, parts, raw materials, and services preferentially from suppliers who agree with our environment policy and initiatives.

Priority shall be given those suppliers who are,

- To reduce environmental impacts proactively in the supplier's overall business activities.
- To reduce environmental impacts of the products, parts and raw materials delivered to us proactively.
- To comply with environmental laws and regulations.
- To encourage upstream suppliers to reduce their environmental impacts.

### 4. Requests to Suppliers

The TOTO Group appreciates suppliers' understanding and agreement with our green procurement policy and requests them to accept our requirements in the following three areas:

- 1) Requirements for the Environmental Management of Suppliers
- 2) Requirements regarding the Life Cycle of TOTO Products
- 3) Requirements for Products to be Supplied

The details are as follows:

#### **1) Requirements for the Environmental Management of Suppliers**

##### **A) Establishment of an Environmental Management System (EMS)**

Suppliers are requested to establish an environmental management system based on third-party certification of environmental management systems, including ISO 14001, EMAS, Eco Action 21, etc.

If already acquired, please maintain and enhance the system.

If no third-party certification has been acquired, suppliers are first requested to establish the

company's own environmental management system including the following items:

Requirements when establishing a company's own environmental management system:

- 1) Policy on environmental management (environment policy)
- 2) Establishment of an implementation system (responsible persons and organization)
- 3) Grasping and complying with laws and regulations that are related to both the environment and its business activities
- 4) Development of environmental objectives and an action plan
- 5) Checking and evaluating the status of initiative
- 6) Environmental education and training for employees
- 7) Evaluation and review by a representative (responsible) person

We will check the progress of the establishment of suppliers' environmental management system on a periodic basis.

#### **B) Compliance with Environmental Laws and Regulations**

Suppliers are requested to comply with environmental laws and regulations in their business activities.

#### **C) Disclosure of Environmental Information**

Suppliers are requested to positively disclose information about environmental impacts of their products and progress in environmental conservation activities.

## **2) Requirements regarding the Life Cycle of TOTO Products**

#### **A) Reduce Greenhouse Gas (GHG) Emissions**

The TOTO Group recognizes the impacts of climate change as a business risk, and works to reduce the emission of greenhouse gas based on the scientific grounds that are consistent with the Paris Agreement toward the realization of a carbon-neutral and sustainable society. In addition to introducing energy-saving technologies and renewable energy sources at our manufacturing plants, we are striving to realize environmental conscious designs within our product development and popularize products that are based on these designs.

Suppliers are also requested to proactively reduce greenhouse gas emissions.

#### **B) Conserve the Environment**

In order to reduce environmental impacts in the entire product life cycle, including the manufacturing, transportation, use and disposal, the TOTO Group sets targets ( such as grasping and reducing energy consumption and reducing the volume of discharged water),and strives for

achievement.

Suppliers are requested to proactively promote their business- related environmental conservation activities.

Environmental conservation activities:

- a) Grasping and reducing energy consumption
- b) Reducing greenhouse gas emissions (e.g., CO<sub>2</sub>)
- c) Using renewable energy
- d) Controlling and reducing chemicals that may have influence on the environment and human body
- e) Reducing volatile organic compound (VOC) emissions
- f) Promoting resource recycling (use of recycled resources, building a recycling system, and reducing materials that inhibit recycling)
- g) Reducing the volume of wastes (landfill) generated
- h) Reducing water consumption and controlling and effectively using wastewater
- i) Reducing the use of depletable resources
- j) Conserving biodiversity

### **C) Encourage Upstream Suppliers on the Supply Chain**

In order to contribute to global environmental conservation throughout the entire supply chain, suppliers are requested to set guidelines equivalent to this" TOTO Group Guidelines for Green Procurement" and encourage upstream suppliers to reduce their environmental impacts.

## **3) Requirements for Products to be Supplied**

### **A) Proposals to Contribute to Environmental Conservation including Resource Saving, Energy Saving, Recycling and Reduction of Wastes**

The TOTO Group has been working actively to develop and promote the widespread adoption of green products that protect the global environment, and makes a positive contribution toward environmental protection through its business activities.

Suppliers are expected to make proactive proposals about the products delivered to the TOTO Group that will contribute to the reduction of environmental impacts of TOTO products in their life cycle.

Typical examples of evaluation items are as follows:

- Reduction of greenhouse gas emissions (e.g., CO<sub>2</sub>)
  - Reducing CO<sub>2</sub> emissions at each stage of the product life cycle
- Resource saving
  - Reducing weight and size of products and parts
  - Using recycled resources

- Consideration of extending product life (improvement of durability, supply of spare parts and improvement of maintenance and repair systems)
- Reducing water consumption
- Energy saving
  - Saving energy during both standby and use
- Consideration of 3Rs
  - Collecting and recycling products
  - Unifying and standardizing materials
  - Consideration of ease of disassembly and separation
- Packing materials
  - Reducing packing materials (including weight reduction, collection, reuse, and recycling)
- Purification of air and water
  - Purifying pollutants (in the air and water) during product use
- Conservation of biodiversity
  - Reducing impacts on biodiversity
  - Appropriate use of chemicals

## **B) Establishment of Management System of Chemicals in Products**

The TOTO Group manages chemicals in products in order to prevent environmental pollution. Suppliers are requested to strictly comply with the latest version of "TOTO Group Standards for the Management of Chemicals in Products", and to confirm and guarantee that the delivered products meet these standards".

As for details, refer to the "TOTO Group Standards for the Management of Chemicals in Products" separately.

### **(i) Prohibit and Restrictions on the use of chemicals**

According to international treaties and laws and regulations, substances whose use is prohibited or whose use is restricted by the TOTO Group are designated as "prohibited substances" regardless of country / region or usage.

The requirements for prohibited substances are as follows.

- Prohibit intentional addition to products shipped from TOTO group and parts constituting the products.

- Not contain more than regulated value regardless of intentional or unintentional addition. (If substances applying the regulated value)

And, according to international treaties, laws and regulations, substances whose use is prohibited or whose use is restricted by the TOTO Group, and not included in the list of "Prohibited substances" are designated as "Restricted substances".

The requirements for restricted substances are as follows.



- Prohibit intentional addition to products and parts or more than the regulated value by limiting the scope of application (countries / regions, usage, etc.)

(ii) Management of chemicals in products

To ensure that TOTO's management standards are continually complied with and prevent prohibited and restricted substances from being contained in delivered products, suppliers are requested to establish their own chemicals management system depending on their types of industry, type of business and business content.

To keep the management system effective, please carry out self-check periodically and improve if necessary.

Suppliers' management status of chemicals contained in the products is evaluated as necessary.

(iii) Instructing upstream Suppliers on the Supply Chain

Suppliers are requested to provide the "TOTO Group Standards for the Management of Chemicals in Products" to their suppliers including tier-2 suppliers or later, and to instruct them to comply with the requirements.

## C) Sustainable Raw Material Procurement

The TOTO Group proactively procures raw materials with consideration for sustainability, and strives to strike a balance between sustainable use of natural resources and stable procurement.

The main evaluation items are as follows.

- Compliance with laws and regulations
- Consideration for the impacts on the environment, ecosystem and local communities of the production area
- Recommendations of recycled materials

Suppliers are requested to ensure that raw materials satisfy the following principles:

- (i) Raw materials produced in compliance with the laws and regulations of the place of origin.
- (ii) Raw materials produced in a working environment where safety and hygiene are properly provided.
- (iii) Raw materials whose impacts on the local environment and biodiversity are taken into consideration.
- (iv) Respect for the human rights of workers and local residents at the source.

### ■ Wood and wood products

The TOTO Group is committed to sourcing only wood and wood products that have been proved as legal and sustainable. Suppliers are requested to collect information necessary to ensure

traceability (country of origin, commercial distribution, legitimacy certification, etc.) and confirm legitimacy based on evidence. For traceability and specific confirmation method, refer to "Guideline for Verification on Legality and Sustainability of Wood and Wood Products" (the Forestry Agency of Japan February 15, 2006).

#### **D) Reduction of Environmental Impacts by Resource Saving, Energy Saving, Recycling and Reduction of Wastes (all goods and services)**

We are endeavoring to purchase eco-friendly goods and services, not only products and parts to be used for products. Suppliers are encouraged to make proposals, about the goods and services with less environmental impacts.

Examples of our Environmentally Preferable Purchasing criteria are as follows:

- (i) The product or service is durable and made to have a long product and service life.
- (ii) It is equipped with the mechanism or functions to reduce environmental impacts.
- (iii) It is designed to save resources and energy through the use of recycled resources and parts and size reduction.
- (iv) Resources are saved and recycled for packing materials.
- (v) In the production process and resource collection process, the volume of noise, vibration and odor generated is small and the release of environmental pollutants is reduced, exerting no negative impact on the environment.
- (vi) It has low environmental impacts at the time of disposal, in other words, generating less chemicals and air, water and soil pollution. It is easy to be treated and disposed of and designed to be recycled.
- (vii) Environmentally friendly transportation means are used.

## **5. Operation**

### **1) Concept**

- We may check the compliance with the requests of this Guidelines through questionnaire survey, etc. as necessary.
- Due to changes or additions to related laws and regulations, or requests from our customers, we may make requests that are not included in this Guidelines. we will inform suppliers of it at the earliest opportunity. The response to our request would be appreciated.

### **2) Method**

- We will check the compliance with the requests in this Guidelines using the following means.
- Request for survey will be informed to suppliers each time. Please note that we may conduct an on-site audit of the supplier's status, if necessary.

### **Survey of supplier's business activities :**

- a) Sustainability questionnaire survey  
The overall status of suppliers' sustainability activities, including the environmental activities, will be checked. Refer to the "TOTO Group Supplier Code of Conduct" separately.
- b) The establishment of an environmental management system  
The status of acquisition of third-party certification for an environmental management system will be checked on a periodic basis. If no third-party certification has been acquired, the suppliers may receive survey about the progress of the establishment of supplier's own environmental management system or be subject to on site audit.
- c) Management system of chemicals in products  
Suppliers will be checked their management status of Chemicals in Products as necessary. If the suppliers receive a request for reporting, it would be appreciated if the suppliers could respond to it as soon as possible.

### **Survey of the products, parts and raw materials to be supplied :**

- a) Information of contained chemicals  
Information of chemicals of environmental concern, which are contained in the parts and raw materials, will be investigated and checked. Suppliers may also be requested to submit a non-use guarantee and evidence. If suppliers receive a request for reporting, it would be appreciated if suppliers could investigate the content and submit the result as soon as possible.
- b) Natural resources (raw materials)  
Suppliers may be requested to answer a questionnaire survey about legitimacy and sustainability and submit the evidence of information necessary to ensure traceability (country of origin, commercial distribution, legitimacy certification, etc.). If Suppliers receive a request for survey and reporting, it would be appreciated if suppliers could respond to it as soon as possible.
- c) Survey of legitimacy of wood and wood products  
Suppliers will be requested to submit relevant documents to prove legitimacy and sustainability. If suppliers receive a request for reporting, it would be appreciated if suppliers could respond to it as soon as possible.

## **3) Handling Survey Results**

Information provided by suppliers will be shared by the TOTO group companies. As information provision from a supply chain and to disclose information to our customers, the provided information may be disclosed to third parties as part of our product-related information, after eliminating personal information.

## 6. Revision History

The first version established in: April 2020

Revised in:

<b>Date of revision</b>	<b>Version</b>	<b>Revision</b>	<b>Reasons for revision</b>
June 2021	2nd ver.	Full revision	Revision due to the change of the name of the Division
January 2022	3rd ver.	Full revision	Full revision intended to clarify the requests.
June 2023	3.1 ver.	Full revision	Changed "CSR" to "Sustainability" or "sustainable".
June 2024	3.2 ver.	Full revision	Revision due to the change of the name of the Division