

TOCALO GROUP

Sustainable Procurement Guidelines

1st Edition

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TOCALO Co., Ltd

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Introduction

TOCALO Group views its suppliers as important partners with whom it aims for mutual development, and it intends to strive to cultivate mutual relationships of trust and make those partnerships more solid.

In addition, as a company that aims to contribute to society through its business activities (surface modification coatings), we are engaging in building a sound and sustainable supply chain, and have formulated “Procurement Policies” and “Sustainable Procurement Guidelines” that consolidate TOCALO Group’s way of thinking regarding procurement, and specific requests to our suppliers.

We ask that you, our suppliers, also comply with these guidelines, as we aim for sustainable growth across the entire supply chain together with you.

Procurement Policies

TOCALO Group has a vision of “Contributing to a bright future for people and nature” through the various functions that surface modification coatings possess, including resource savings, energy savings, and reductions in environmental impacts. On the basis of this vision, we will strengthen our partnerships with our suppliers and collaborate with them to realize a sustainable society through procurement activities that take into account corporate social responsibility (CSR) such as respecting human rights, environmental conservation and compliance, and which have just and fair trading as a foundation.

1. Just and fair trading

Comply with laws and social norms concerning purchasing activity, and provide suppliers with just and fair participation opportunities.

2. Consideration for human rights/labor environment

Respect human rights, and promote procurement activities aimed at improving the labor environment and ensuring health and safety.

3. Consideration for the environment

Aim to contribute to a sustainable society, and carry out procurement that contributes to reducing environmental impacts by prioritizing recycling, energy conservation and resource conservation that shows consideration to the global

environment.

4. Thorough corruption prevention

Prevent corruption thoroughly by prohibiting the acceptance from suppliers of gifts and entertainment that exceed the parameters of social conventions.

5. Safeguarding of confidential information

Faithfully fulfill contractual duties and rigorously comply with the duty of confidentiality with regard to confidential information obtained as a result of procurement activities.

6. Promote mutual development

Deepen mutual understanding and build relationships of trust based on dialogue with suppliers, and promote the development of both sides.

Sustainable Procurement Guidelines

1. Legal compliance and respect for international codes

Alongside complying with the laws and regulations of each region and country, it is necessary to carry out business activities that respect international codes of conduct.

2. Human rights/labor

Alongside complying with relevant laws and regulations, it is necessary to refer to international human rights standards, including the ILO's Core Labor Standards, and to respect workers' human rights.

(2-1) Prohibit forced labor

Ensure with absolute certainty that all labor is of free-will and that employees can quit their jobs freely, and prohibit forced labor.

(2-2) Prohibit child labor

Do not compel children who have not yet reached the minimum employment age to work.

(2-3) Consideration for young workers

Do not make young workers aged under 18 engage in work that may undermine

their health and safety, such as night work or overtime.

(2–4) Taking work hours into account

Do not make workers engage in work that exceeds the limits spelled out in the laws and regulations of the region in which they are working. Furthermore, appropriately manage workers' work hours and days off, after taking international standards into consideration.

(2–5) Appropriate wages and compensation

Comply with all laws and regulations applicable to the remuneration paid to workers (including minimum wages, overtime pay and legally mandated compensation and payroll deductions).

(2–6) Prohibit inhumane treatment

Respect workers' human rights and prohibit inhumane treatment, such as mental and physical abuse, coercion and harassment, as well as activities with the potential to have such outcomes.

(2–7) Prohibit discrimination

Prohibit discrimination based on race, ethnic group, nationality, physical characteristics, age, gender, sexual orientation, the presence or absence of disabilities, pregnancy, religion, ideals, beliefs, political orientation or the presence or absence of a spouse. In addition, if a worker has requests relating to religious practices, respond to them within the appropriate parameters.

(2–8) Freedom of association, collective bargaining rights

Follow local laws and regulations, and respect the right to organize as a method for realizing free collective bargaining about matters such as work environments and wage levels.

(2–9) Prohibit the expropriation of land

When obtaining land in order to carry out business, respect the rights of residents and local communities and do not contribute either directly or indirectly to the improper taking of land.

(2–10) Prohibit participation in oppression and/or conflict

Do not participate in acts of oppression and/or conflict by the governments of regions where businesses are operated.

3. Health and safety

Along with complying with relevant laws and regulations, it is necessary to pay attention to the ILO's health and safety guidelines and other directives, and to prepare safe and sanitary work environments that minimize injuries and illnesses of mind and/or body

accompanying workers' work duties.

(3–1) Occupational health and safety

Assess risks to safety on the work front and ensure safety through appropriate designs or technical and/or management methods. Additionally, show reasonable consideration to pregnant women and breastfeeding mothers.

(3–2) Prepare for emergencies

In order to safeguard workers' lives and bodies, identify emergency situations that envisage disasters, accidents and other crises, formulate action plans for emergency measures that will minimize damage and injury to workers and assets, install the necessary equipment, and carry out training and drills.

(3–3) Prevent work-related injuries and work-related illnesses

Identify, assess, record and report the state of work-related injuries and work-related illnesses, and implement appropriate measures and corrective steps.

(3–4) Industrial hygiene

Identify and assess the risk of workers being exposed to hazardous biological, chemical and physical influences in the workplace, and undertake appropriate management.

(3–5) Taking work that is physically taxing into account

Identify and assess work that is physically taxing for workers, and implement appropriate management to ensure that such work does not lead to work-related accidents and/or work-related illnesses.

(3–6) Machinery and equipment safety measures

Where machinery and equipment used to perform work are concerned, assess whether they pose a safety risk to workers, and implement appropriate safety measures.

(3–7) Facility health and safety

Appropriately ensure the health and safety of facilities provided to workers (such as dormitories, cafeterias and toilets). In addition, ensure there are appropriate evacuation routes and emergency exits in dormitories for emergencies.

(3–8) Health and safety communication

Provide workers with appropriate health and safety information as well as training and drills that employ language and approaches they can understand, regarding the various dangers on the work front that have the potential to hurt them. In addition, construct a framework for accepting feedback from workers regarding their views on health and safety.

(3–9) **Managing the health of workers**

Appropriately manage the health of all workers.

4. Environment

Along with proactively addressing global environmental issues such as resource depletion, climate change and pollution of the environment, there is a need to consider regional environmental problems while taking into account the preservation of the health and safety of the people in the regions concerned.

(4–1) **Environmental permits and reports**

Obtain the necessary approval, authorization and consent for business in line with local laws and regulations, and comply with requirements regarding management and reporting.

(4–2) **Reducing energy consumption and greenhouse gas emissions**

Strive to improve energy efficiency, and engage in activities for ongoing reductions in quantities of energy consumed and greenhouse gases emitted.

(4–3) **Discharging into the atmosphere**

Comply with relevant laws and regulations, strive to analyze and monitor harmful substances, and implement appropriate measures prior to them being discharged.

(4–4) **Management of water**

Comply with laws and regulations, and strive to conserve water by securing a grasp of how the water that is used is sourced, used and discharged. Prior to discharging or disposing of all wastewater, disclose the water characteristics as needed, and implement monitoring, control and management. In addition, identify sources of pollution with the potential to generate water pollution, and undertake appropriate management.

(4–5) **Effective utilization of resources and waste management**

Promote “reduce, re-use, recycle” by complying with laws and regulations and undertaking appropriate management, and seek to effectively utilize resources while keeping the waste generated to a minimum.

(4–6) **Chemical substances management**

Comply with laws and regulations, and manage chemical substances and/or other substances that pose a risk to people and the environment to ensure that they are identified, displayed, managed and safely handled, and that their transportation, storage, use, recycling, reuse or disposal is implemented

infallibly.

(4–7) **Management of chemicals in products**

Comply with all laws and regulations and client requests that apply with regard to prohibiting or limiting the use of specific substances contained in products.

(4–8) **Biodiversity**

Preserve the balance of the ecosystem through activities that take biodiversity into consideration, and strive to conserve habitats.

5. Fair trading/ethics

It is necessary to carry out business activities that are not only legally compliant, but which are also based on a high level of ethical values.

(5–1) **Corruption prevention**

Do not undertake bribery, corruption, blackmail or misappropriation in any form.

(5–2) **Prohibit the giving or receiving of inappropriate profits**

Do not provide or allow promises, offers or permissions as methods of obtaining bribes or other improper or inappropriate profits.

(5–3) **Disclose appropriate information**

Disclose information concerning labor, health and safety, environmental activities, business activities, organizational structure, financial situation and business results in accordance with applicable laws and regulations and industry practices. Do not undertake the falsification of records or the disclosure of misinformation.

(5–4) **Respect intellectual property**

Respect intellectual property and carry out the transfer of technology and knowhow in formats that protect intellectual property. Furthermore, also safeguard the intellectual property of third parties such as clients and suppliers.

(5–5) **Execution of fair business**

Undertake fair business, competition and advertising. Do not carry out unfair trading that utilizes a superior position to unilaterally decide and/or change trading terms with suppliers, or which causes them disadvantage by imposing unreasonable demands or obligations.

(5–6) **Protection of whistle-blowers**

Protect confidentiality relating to information concerning whistle-blowing and the anonymity of whistle-blowers, and do not carry out reprisals toward whistle-blowers.

(5–7) **Responsible mineral procurement**

Continuously confirm that the minerals contained in products being manufactured, such as tantalum, tin, tungsten and gold, are not bringing about or are complicit in serious human rights violations, environmental destruction, corruption, disputes and other problems in conflict-torn or high-risk regions.

6. Safety/Quality

There is a need to ensure the safety and quality of products and services that are supplied, and to provide accurate information.

(6–1) **Ensure the safety of products**

Undertake design, manufacture and sales that are able to ensure satisfactory product safety, satisfy the safety standards prescribed in each country's laws and regulations, and fulfill one's responsibilities as a supplier.

(6–2) **Quality control**

In addition to complying with all laws and regulations applicable to the quality of products and services, build appropriate frameworks and management systems for adhering to one's own quality standards and client requirements.

(6–3) **Provision of accurate information on products and services**

Provide accurate and non-misleading information regarding products and services.

7. Information security

There is a need to prevent leaks of confidential or personal information, and to strive to bolster information security.

(7–1) **Defending against cyberattacks**

Manage threats from cyberattacks etc. by taking defense measures against them to ensure they do not inflict damage on one's own company or others.

(7–2) **Protecting personal information**

Comply with relevant laws and regulations regarding the personal information of all individuals involved in trading, including suppliers, clients and employees, and manage and safeguard such information appropriately.

(7–3) **Preventing leaks of confidential information**

In addition to one's own company's confidential information, appropriately

manage and safeguard confidential information received from clients and third parties.

8. Business continuity plan

In order to fulfill one's supply responsibilities in the event one's own company or suppliers are affected by a large natural disaster or similar event, it is necessary for suppliers to make preparations so that they can resume production activities as soon as possible.

(8-1) Formulating a business continuity plan

Identify and assess risks that will hinder business continuity, and formulate a business continuity plan (BCP) that incorporates a close examination of the impact on business, proactive measures, and what state those initiatives are in.

Reference: The following materials were referred to when formulating these guidelines.
Japan Electronics and Information Technology Industries Association (JEITA)

<https://www.jeita.or.jp/japanese/index.html>

•Responsible Business Conduct Guidelines – Promoting responsible business conduct in supply chains

RBA Code of Conduct Version 7.0 <https://www.responsiblebusiness.org/>

•Responsible Business Alliance (RBA) Code of Conduct