

TOYOTA BOSHOKU Group Supplier Sustainability Guidelines

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トヨタ紡織株式会社
TOYOTA BOSHOKU CORPORATION

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I. Introduction

Based on the Principles of Toyoda, which encapsulate the ideas of our founder Sakichi Toyoda, the Toyota Boshoku group formulated its Corporate Philosophy and Toyota Boshoku Group's Materiality. By conducting business activities in accordance with the Corporate Philosophy and Materiality, we are promoting CSV (Creating Shared Value) management.

To clarify the concept of CSV management, which seeks to create both social and economic value and enhance corporate value by returning value to stakeholders and making reinvestments for growth, we reviewed the concept of CSR and formulated the Toyota Boshoku Group Sustainability Policy in November 2021.

We have distributed the Supplier CSR Guidelines (revised in July 2017) to our suppliers to ensure they understand the social role our group should play and put the Guidelines into practice.

Meanwhile, there is a growing need for the entire supply chain to come together and collaborate to address various issues such as carbon neutrality and human rights and labor issues. Given such circumstances, we have renamed the Supplier CSR Guidelines as the Supplier Sustainability Guidelines, and made a partial revision, focusing on the sections related to the environment and human rights.

We hope that all our suppliers understand the purpose of the Guidelines and put them into practice in their respective businesses. We also sincerely ask that they communicate to their own suppliers the purpose of the Guidelines and encourage their implementation. We would like to work together with all of our business partners in the supply chain to realize a sustainable society.



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Operating Officer
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May, 2022

II. Toyota Boshoku Group's Approach to Sustainability

1. Principles of Toyoda (Company Creed)

- Always be faithful to your duties, thereby contributing to the company and to the overall good.
- Always be studious and creative, striving to stay ahead of the times.
- Always be practical and avoid frivolousness.
- Always strive to build a homelike atmosphere at work that is warm and friendly.
- Always have respect for spiritual matters, and remember to be grateful at all times.

2. Corporate Philosophy

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|-----------------------------|--|
| 1) Society | The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen:
(1) Maintain ethical values, ensuring that our corporate activities are fair and transparent;
(2) Supply safe products that do not harm the environment;
Promote corporate activities that help protect the global environment;
(3) Create a better society as a member of our local communities. |
| 2) Customers | The Company will develop innovative technologies and products to deliver quality that satisfies our customers. |
| 3) Shareholders | The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders. |
| 4) Employees | The Company will build and maintain positive labor-management relations, respect the individuality of its employees and create safe and comfortable workplaces. |
| 5) Business partners | The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity. |

3. Sustainability Policy

The Toyota Boshoku group's Sustainability Policy is composed of the "Management Concept," "Materiality," and "The management structure we aim to become."

1) Management Concept

The Toyota Boshoku group has established Materiality based on the Principles of Toyoda and contributes to society through its core business activities.

2) Materiality

As an Interior Space Creator, we will create comfort, safety, and reassurance and contribute to people's quality of life and a society with no traffic casualties.

We will also take on the challenge of using renewable energy and realizing carbon neutrality in the circular economy.

3) The management structure we aim to become

We will contribute to social value as a good corporate citizen, improve economic value through efforts to strengthen our competitiveness and management foundation, and increase corporate value. In addition, we will strive to meet the expectations of our stakeholders while at the same time pursuing sustainable growth.

III. Toyota Boshoku Group Basic Purchasing Policy

1) Open and Fair Transactions

We provide all suppliers with an opportunity to participate in conducting transactions in an open, equitable, and impartial manner, regardless of whether the party is Japanese or foreign. Supplier selection is based on fair comparisons and an overall consideration of reliability, product quality, technical capabilities, cost, assurance of delivery schedules, and numerous other factors.

2) Mutual Development through Mutual Trust

Our approach is to strive for mutual development with our suppliers through our business transactions.

We think it is important to build good, long-term relationships of trust through close communication with our suppliers.

3) Promotion of “Green Purchasing”

So that we may pass along a rich, abundant environment to succeeding generations, Toyota Boshoku intends to make purchasing of environmentally sound products a priority issue as part of an overall stance that requires us to make efforts to procure safe parts and materials. We are taking steps to promote green purchasing to help create a sound material-cycle society.

(Refer to “Toyota Boshoku Green Purchasing Guidelines 2nd Edition”)

4) Promotion of Local Purchasing as a Good Corporate Citizen

Aware of the company’s role as a member of the local community, Toyota Boshoku aims to develop and contribute to society as a good corporate citizen. In our expansion overseas, we shall act as a local enterprise in promoting purchasing from other companies in the immediate area so as to contribute to the local community.

5) ‘Law-abidingness’ and Maintaining ‘Confidentiality’

We shall adhere to all laws and social norms that bear on our purchasing activities.

We shall exercise all due care in handling of confidential information obtained through mutual purchasing activities.

IV. Supplier Sustainability Guidelines

The Toyota Boshoku group, as a good corporate citizen, pursues growth that is in harmony with society.

We contribute to society by developing leading-edge technologies and manufacturing high-quality products.

1. Sharing Management Stance

We would like to observe the following philosophy together with our suppliers.

1) Creation of a working environment based on respect for our employees

It is important to create an environment where workers can trust the company and develop a culture that promotes human development.

2) Manufacturing based on Genchi-Genbutsu (fact-finding by actually going and seeing)

It is fundamentally important to thoroughly observe the actual scene of manufacturing and try to identify the root cause that may be behind any phenomena.

We attach importance to seeing the essence of a problem, making decisions through team activities, and executing them to the best of our ability.

3) Continuous Kaizen

It is important to always pursue evolution and innovation, and never cease to seek improvement.

4) Two-way communication

We strive to maintain close communication with our suppliers, exchanging ideas frankly and coming to terms with each other on all matters of importance.

2. Toyota Boshoku's Expectations of Suppliers in Providing "Products and Services"

The Toyota Boshoku group expect suppliers to provide the best possible products in the fastest and timely manner and on a stable and long-term basis.

We would like to ask suppliers to develop and manufacture products from the perspective of customers who use our products.

1) Safety

Manufacturing requires human hands, and good quality products can be made only when a safe and healthy working environment is maintained. We expect suppliers to create a safe working environment where workers can work with peace of mind.

2) Quality

There is a saying that goes, “There is no growth for a company unless its quality improves.” During the launch phase of a new product, we expect suppliers to build, at each manufacturing stage, a self-contained process that does not allow defective items to be made or sent to the subsequent process. Also, to ensure quality during mass production, we expect suppliers to visualize problems of in-process defects and take corrective action speedily when problems are found.

3) Delivery and production

The Toyota Boshoku group produces “only what is needed, only when it is needed, and only in the amount that is needed.”

To realize this, we expect suppliers to flexibly and appropriately respond to our requests in the stages of production preparation, production, and delivery.

4) Costs

We expect suppliers to offer the best cost competitiveness in the world. For this, it is important for suppliers to seek innovation in technological development and production technology, and pursue cost reduction activities on a continuous basis.

5) Technology

The importance of technology is growing in the three areas of environmental protection, safety, and comfort.

In addition to these expectations of society and the global environment, we expect suppliers to accurately grasp the needs of customers and endeavor to embody them ahead of their competition. We also expect suppliers to offer new technologies at low prices so that their benefits can be enjoyed by as many customers as possible.

3. Toyota Boshoku’s Expectations of Suppliers in the Process of Developing “Products and Services”

The Toyota Boshoku group expect suppliers to comply with and practice the following items.

We also ask suppliers to disseminate these Guidelines to their suppliers and encourage them to act in accordance with the following items.

1) Compliance

(1) Compliance with laws and regulations

- Comply with laws and regulations related to corporate activities, guidelines issued by public agencies, social norms, etc.
- Establish and operate systems to comply with laws and regulations, education and training systems, etc. and regularly check their effectiveness.

(2) Management of confidential information

- Handle confidential information with the utmost care, and, for this, establish the necessary mechanisms to manage such information.
- Handle information obtained from outside the company in the same careful way as internal confidential information and limit its use within the scope permitted under its purpose.
- Properly collect and strictly manage personal information in accordance with the methods specified in relevant laws and regulations, and use such information only within the scope allowed.

(3) Protection of intellectual property rights

- Continually monitor and protect all intellectual property rights, etc. owned by or attributable to the company against any infringement by third parties.
- In developing technologies and products, conduct sufficient research in advance to avoid violating other companies' intellectual property rights, including patents.
- Do not use copyrights, etc. (including copyrights on software) without permission or make unauthorized copies.

(4) Free competition and fair trade

- Strive to ensure fair competition with competitors, and do not engage in acts that hinder free competition, such as private monopolies and unreasonable restraint of trade (cartels, bid rigging, etc.).
- Conduct business with suppliers in a fair and equitable manner and do not make unfair demand on suppliers.

(5) Export control that complies with security requirements

- When exporting products, technologies, etc., fully understand and comply with the laws and regulations related to export control.

(6) Anticorruption

- Strive to build fair and transparent relationships with political parties and administrative bodies, and do not make political donations or contributions that violate what is permitted under laws and regulations.
- Do not provide or receive gifts, entertainment or money to or from customers, suppliers or other business partners for the purpose of obtaining or maintaining unfair advantage or undue preferential treatment.
- Do not conduct off-the-book, fictitious or otherwise falsified transactions, or any other similar acts prone to be misconstrued as such, and make and keep books, records and accounts (ledger sheets and account ledgers, etc.), which, in reasonable detail, accurately and fairly reflect transactions and the disposition of assets.

2) Respect for human rights, maintaining working conditions

□ Toyota Boshoku Group Human Rights Policy

As a corporate member of society, the Toyota Boshoku group has established the Toyota Boshoku Group Human Rights Policy in recognition of the importance of respect for human rights in all of our activities and to facilitate respect for the human rights of all people involved in our business. In accordance with international norms such as the Universal Declaration of Human Rights, with the United Nations Guiding Principles on Business and Human Rights is serving as an implementation framework.

This policy applies to all directors and employees of the Toyota Boshoku group. We also expect all stakeholders, including suppliers involved with the Toyota Boshoku group's products and services, to understand and support this policy.

(1) Non-discrimination, respect for diversity and inclusion

- Do not tolerate any form of discrimination on the basis of race, ethnicity, religion, nationality, creed, gender, age, disability, sexual orientation, gender identity, marital status, or the presence of children with regard to all aspects of employment, including the application process, hiring, promotion, compensation, access to training, job assignment, wages, benefits, discipline, dismissal and/or retirement.
- Promote diversity and inclusion initiatives.

(2) Prohibition of harassment

- Do not tolerate any form of harassment including sexual harassment, power harassment, and peer pressure, or any acts that hurt the dignity of an individual.
- Harassment may involve verbal, visual, or physical conduct that negatively interferes with work performance, diminishes the dignity of any employee, or creates an intimidating, hostile or otherwise offensive work environment.
- Immediately report and investigate any harassment complaints. Enable employees to report any instances of harassment without fear of reprisal, intimidation, or harassment.

(3) Prohibition of child labor

- Do not tolerate child labor which deprives children of their childhood or access to education, or restricts their development.
- The minimum age for employment shall be 15 years of age, the legal minimum age for employment, or the age for completing compulsory education, whichever is higher under the local applicable laws and regulations, etc.
- Do not use employees under 18 years of age for hazardous work.
- Job training and apprenticeship programs are subject to the local applicable laws and regulations, etc.

(4) Prohibition of illegal migrant labor, forced labor

- Do not tolerate any form of forced labor, which is often extracted through violent and threatening means or by debt entrapment, or any form of modern slavery including human trafficking.
- Ensure that all work is voluntary and that employees are free to terminate their employment if they so desire.
- Do not require employees to surrender passports, government-issued identification, or work permits as a condition of employment. Do not collect recruitment fees or other fees that are considered unreasonable under international norms.

(5) Wages

- Pay wages in compliance with local applicable laws and regulations, etc., including those relating to minimum wages, overtime hours, deductions, piece work rates, and other elements of compensation.
- Ensure that wages, other compensation, benefits, and deductions are detailed and explained, in compliance with local applicable laws and regulations, clearly and regularly to employees.

(6) Appropriate management of working hours

- Comply with local laws, regulations, and other rules related to labor, and appropriately manage the working hours of employees.

(7) Freedom of association

- Recognize the employees' right to freely associate or not associate, complying with local applicable laws and regulations.
- Ensure that employees are able to communicate openly and directly with management without fear of reprisal, intimidation, or harassment.

(8) Creating a safe and healthy working environment

- Place the highest priority on ensuring the safety and health of employees at work and strive to prevent accidents and disasters.
- Support efforts to improve the health of employees through health promotion activities at work and guidance for preventing illness, and other means.

3) Efforts to conserve the environment

(1) Environmental management system

- To contribute to the realization of a sustainable society, in addition to complying with the applicable environmental laws and regulations of each country and region, establish and continuously improve the environmental management system, and strive to improve environmental performance.

(2) Reduction of greenhouse gas emissions

- Strive to reduce greenhouse gas emissions throughout the entire life cycle, including at business sites, by developing products and services that will reduce greenhouse gas emissions and by reducing emissions from production activities, and also promote effective use of energy.

- With the aim of achieving carbon neutrality, not only track greenhouse gas emissions, but also work collaboratively with suppliers to plan and promote all kinds of reduction measures, such as energy conservation, equipment improvement, material replacement, and the introduction of renewable energy.
- (3) Prevention of environmental pollution such as air, water, and soil pollution, and effective use of water resources**
- To prevent air, water, soil, and other environmental pollution, in addition to complying with local applicable laws and regulations, monitor output continuously and reduce pollutants.
 - Taking into consideration the water environment of each country and region, strive to reduce water consumption and wastewater discharge and use water resources effectively.
- (4) Contribution to establishing a sound material-cycle society and systems**
- When designing and developing products, reduce consumption of exhaustible resources and utilize recycled materials, while considering their recyclability at the time of disposal. Comply with the laws and regulations of each country or region concerning proper disposal and recycling of wastes, and work to reduce and recycle waste discharged from business sites and logistics operations.
- (5) Management of chemical substances**
- Manage chemical substances (containment, elimination, reduction in use) in compliance with the relevant laws and regulations of each country or region.
 - Do not use prohibited substances in products, production processes, etc.
 - For chemical substances designated by laws and regulations, report appropriately to administrative agencies as required by applicable laws and regulations.
- (6) Establishment of a society in coexistence with nature**
- Based on the recognition that business activities are heavily dependent on the blessings of nature created by biodiversity and may affect the ecosystem, strive to achieve harmony with the community and to realize a society in coexistence with nature.

4) Contribution to society through business activities

- (1) Responsible purchasing of resources and materials**
- Promote the purchasing of materials with consideration of the impact on the local community from the use of materials that can cause social problems such as human rights infringement and environmental damage (e.g., conflict minerals), and take appropriate measures to avoid the use of such materials if any problem or concern exists.
- (2) Social contribution activity**
- Promote social contribution activities that support the development of society, and actively participate in activities of local communities so as to be a company that is trusted by society.
- (3) Timely and appropriate information disclosure**
- Disclose information needed by stakeholders in an accurate and timely manner and promote good communication with local communities.

5) Risk management

(1) Ensuring information security

- Take protective measures (cyber security, etc.) against threats on computer networks to prevent damage to the company and others due to leakage of confidential information, etc., including the provision of employee training on information security.

(2) Creating and implementing a business continuity plan

- Create and implement a Business Continuity Plan (BCP) to enable quick recovery of business activities after a disaster or accident.

6) Developing and deploying guidelines for your suppliers

- Develop sustainability guidelines for suppliers based on the guidelines outlined above and disseminate them to your suppliers to ensure that they are involved in sustainability initiatives.
- Promote the above activities in consideration of the entire supply chain, and conduct follow-up and corrective actions as needed.

7) Compliance with Sustainability Guidelines

- The Toyota Boshoku group will address compliance with these guidelines throughout the entire supply chain which supports our manufacturing efforts. We ask all of our suppliers to carefully read and understand these guidelines and take the initiatives necessary to ensure that they penetrate down through their supply chain.
- We also ask our suppliers to conduct an annual self-assessment of the status of penetration of, implementation of, and compliance with these guidelines using the Supplier Self-Check Sheet.
- To confirm the compliance status for these guidelines and for mutual communication, if necessary, there may be times when we visit your plant or other facilities.
- If a problem that violates these guidelines should occur, we ask that you report it immediately and take steps to make the necessary improvements. In the unlikely event that appropriate countermeasures are not taken, this may result in the cancellation of business orders.