



Sustainable Procurement Policy



As a global company requiring diverse raw materials from around the world, we recognize that our procurement activities can have social and environmental impacts across the broad value chain. We strive to value transparency, respond transparently to questions, and take responsibility for our decisions. Specifically, beyond securing raw materials that meet necessary quality standards in a timely manner and at appropriate prices, we aim to build a procurement network that addresses traceability improvements and tackles challenges related to climate change, deforestation, human rights, and more, thereby meeting the needs and expectations of our customers and society.

This policy details how we want to embed sustainability in our procurement practices. Building a sustainable supply chain, especially given the “diverse range” characteristic of our raw material procurement network and the constantly changing business environment, cannot be achieved overnight or by any single entity alone. Collaboration with stakeholders across the entire value chain is essential. Therefore, we kindly request that our business partners extend the principles and requirements outlined in “Takasago Sustainable Procurement Policy” to your upstream supply chains as well and further support our efforts to build a sustainable procurement network.

Takasago International Corporation
Vice President & General Manager – Procurement Division

Kenjō Yagō

Table of Contents

1 Why a Sustainable Procurement Policy?	3
2 Takasago Sustainable Procurement ambitions	3
3 Takasago Sustainable Procurement overall approach	4
4 Takasago Sustainable Procurement overall objective	4
5 Takasago Sustainable Procurement overall strategy and implementation	5
6 Takasago Sustainable Procurement expectations and commitments	
6.1 Governance	6
6.1.1 Decision making processes and structures	
6.1.2 Traceability	
6.2 Environment	7
6.2.1 Prevention of pollution	
6.2.2 Sustainable resource use	
6.2.3 Climate change mitigation	
6.2.4 Protection of the environment, biodiversity and restoration of natural habitats	
6.3 Social	8
6.3.1 Human rights	
6.3.2 Labor practices, EHS	
6.3.3 Fair operating practices	9
6.3.4 Consumer issues	
6.3.5 Communities	
7 Grievance mechanism	10



1 Why a Sustainable Procurement policy?

As a global and publicly listed company, we believe it is our duty to contribute to addressing major social, economic and environmental challenges we are and will increasingly be confronted with going forward. Procurement is a key component of our entire business model value chain. Therefore, in full alignment with Takasago's corporate Mission "create new value through innovation and rooted in kaori*" and 2040 Vision "Care for People, Respect the Environment", we have established Takasago Sustainable Procurement Policy to:

- Set and communicate our sustainable procurement requirements to all internal and external key stakeholders,
- Provide guidance to stakeholders on how to meet them,
- Monitor progress,
- Ensure our standards are ultimately being complied with.

(*kaori; aroma in Japanese)

2 Takasago Sustainable Procurement ambitions

Our ambition is to leverage procurement to "deliver long-term social, economic and environmental benefits to stakeholders."

3 Takasago Sustainable Procurement overall approach and alignment with international standards

While fundamental environmental, economic and social aspirations are universal, there are many ways to support Sustainable Procurement principles. We are also aware that this is a major commitment taken by stakeholders. Therefore, in order to diminish complexity, increase efficiency and accelerate implementation (sense of urgency), we, as much as we realistically can, have aligned our principles with reputable international standards and practices. To that end, our sustainable procurement approach is based on a risk-based methodology, designed to reflect the diversity and complexity of our supply chains. This approach enables us to identify, assess and mitigate where the most significant risks are. We also aim to work closely with our suppliers to proactively contribute to achieving our sustainability ambition and objective. Our policy is aligned with ISO 26000¹, ISO 20400² as well as SMETA³ principles and supports UN 17 Sustainable Development Goals (SDGs)⁴.

4 Takasago Sustainable Procurement overall objective

Our sustainable procurement objectives are:

1. To ensure that 100% of our high-priority purchased raw materials are sustainably sourced by tentatively 2030, Whereby:

High priority purchased raw materials are

identified as most vulnerable by our own or other reputable assessment methodology (i.e. UEBT risk score, Sedex risk assessment etc.)

Sustainably sourced are

- a) Made from sustainably managed renewable resources for natural raw materials, and
 - b) Produced by suppliers compliant with Takasago Sustainable Procurement requirements for all raw materials
2. Engage with suppliers to support company climate commitments to reduce absolute Scope 3 GHG emissions by 27.5% by 2030

5 Takasago Sustainable Procurement overall strategy and implementation

The implementation of our Sustainable Procurement Policy articulates around three major pillars; 1. Internal stakeholders, 2. Takasago’s Suppliers, and 3. Raw Materials, and the well-established “inform, assess, verify & mitigate” process for all.

Internal stakeholders

- a) Design, update and communicate Takasago Sustainable Procurement Policy and any other related policy (e.g. conflict minerals, supplier code of conduct, deforestation policy, etc.).
- b) Ensure that all key internal stakeholders are familiar and strive to comply with our Sustainable Procurement Policy requirements.

Takasago’s Suppliers

- a) Ensure that suppliers acknowledge receipt and commit to comply with Takasago Sustainable Procurement Policy and Takasago Supplier Code of Conduct.
- b) Request high priority suppliers to at least complete a self-assessment questionnaire aligned with global standards (i.e. Sedex[®] SAQ[®]) and share results with us.
- c) Next, request independent third-party verifications for highest risk suppliers, using reputable global standards (i.e. EcoVadis[™], TFS[®], SMETA, SA8000[®], ISO14001[™], Fair for Life[™] or equivalent), to verify compliance with our Sustainable Procurement requirements
- d) Finally, encourage other suppliers to use relevant third-party verifications (i.e. EcoVadis, TFS, SMETA, SA8000, ISO14001, Fair for Life or equivalent), and to transparently share the results with us.
- e) Expect suppliers to inform Takasago whenever non-compliance(s) is(are) identified and to share their plan to address and close gaps.

Raw Materials

- a) Map purchased raw materials against Takasago Sustainable Procurement Policy requirements using our own risk mapping methodology.
- b) Prioritize and conduct due diligence for above identified high-risk raw materials (further questionnaires, visits, audits, etc.)
- c) Design and implement mitigation strategies for all confirmed non-compliant high priority raw materials.
- d) For most strategic raw materials, pro-actively design and implement “TaSuKI^{™12}” specific programs at origin such as backward integration to restore full control on supply chain.



6 Takasago Sustainable Procurement expectations and commitments

Takasago expects its suppliers and their sub-contractors to read, understand and comply with the requirements described below.

6.1 Governance

6.1.1 Decision-making processes and structures

1. Develop a procurement policy that reflects a commitment to sustainability, with clear objectives and ambitions. Share Policy and client’s related expectations with all key stakeholders.
2. Apply the principles of sustainable procurement in procurement practices and make their application visible by ‘leading by example’, and working within performance and commitment frameworks, such as a supplier code of ethical conduct and designated/empowered subject matter expert in the organization to lead sustainable procurement agenda and compliance. (HR, EHS, Business Ethics, etc.).
3. Accountability: an organization should be accountable for its own impacts on society, the economy and the environment and for what is happening in its supply chains, taking into account the life cycle of goods and services.
4. Transparency: an organization should be transparent in its procurement decisions and activities that impact society, the economy and the environment, and should also encourage its suppliers to be transparent.
5. Ethical behavior: an organization should behave ethically and promote ethical behavior throughout its supply chains.
6. Respect for stakeholders’ interests: Suppliers should identify its stakeholders impacted by its procurement activities and respect, consider and respond to their interests.
7. Respect for the rule of law and international norms of behavior: an organization should respect the rule of law, international norms of behavior and human rights, environment and be aware of any violations throughout its supply chains. It should actively encourage its suppliers to abide by these rules and assess and address compliance as situations require.
8. Transformative and innovative solutions: an organization should seek transformative solutions to address its sustainability objectives and encourage innovative procurement practices to promote more sustainable outcomes throughout the entire supply chain.
9. Focus on needs: an organization should review demand, and whenever possible seek more sustainable alternatives.
10. Integration: an organization should ensure that sustainability is integrated into all existing procurement practices to maximize sustainable outcomes.
11. Global cost: an organization should consider not only the total cost incurred by the organization from its procurement but also consider the costs and benefits to society, the environment and the economy.
12. Establish two-way communication processes with suppliers, contractors, business partners and other stakeholders in the value and supply chain on sustainability issues with high relevance and significance.
13. Encourage an awareness of sustainable development amongst all employees involved in the procurement process.
14. Investigate innovative solutions for goods and services by adopting approaches such as life cycle costing, goods as services system (use an inclusive economy, instead of ownership), circular economy.

6.1.2. Traceability

Traceability of supplied goods is an essential requirement from Takasago’s clients, consumers and civil society in general. Therefore, for goods supplied to Takasago, it is expected from Suppliers that they seek full supply chain transparency up to primary source (location and smallholder).



6.2 Environment

6.2.1 Prevention of pollution

1. Operate under valid manufacturing license granted by authorities for registered processes and finished products.
2. Manufacture using only legally approved processes, raw and packaging materials.
3. Hazardous and regulated materials are stored, handled, used, disposed of as per manufacturer's recommendations and legal requirements.
4. Procedure is in place to manage wastes from operations, reduce their impact on environment and ensure compliance with required rules and regulations.
5. All solid, liquid, air emission wastes from operations are treated by supplier or approved recycling company in line with required rules and regulations.
6. Logistics KPIs are in place to optimize and reduce environmental impact of transportation. Transportation of products are handled in full compliance with required rules and regulations (cargo declaration, provenance, refrigeration, etc.).

6.2.2 Sustainable resource use

6.2.2.1 Resource

1. Supplied products and their packaging are manufactured using sustainably managed renewable resources, including water.
2. Resource usage reduction objectives, strategies, plans are implemented and monitored. (including recycled, re-used, recovered resources, eco efficiency etc.)

6.2.2.2. Energy

1. Supplied products are manufactured and delivered using sustainably managed renewable energy.
2. Energy usage reduction objectives, strategies, plans are implemented and monitored.

6.2.3 Climate change mitigation and adaptation

1. Product Carbon Footprint (PCF¹³) are measured for supplied products according to TFS methodology¹⁴ or GHG protocol¹⁵ or ISO 14067¹⁶.
2. GHG emissions monitoring and reduction/compensation objectives, strategies and plans are in place with the ultimate goal to contribute to a carbon neutral society and alignment with the 1.5°C target set by the Paris Agreement and Kyoto protocol.

6.2.4 Protection of the environment, biodiversity and restoration of natural habitats

6.2.4.1 Nature conservancy

1. High Conservation Value (HCV¹⁷). For supplied products, supplier will identify, protect and will not produce on High Conservation Values areas in and around their territory.
2. Forests, peat, wetlands. Supplied products and their packaging are guaranteed to be free from direct negative impact of deforestation and damages to forests, peat / wet lands, mangroves (High Carbon Stock). Whether it relates to the area on which the resource for supplied product further manufacturing has been produced or collected as well as the manufacturing process itself (e.g. Energy for distillation process should come from sustainably managed renewable energy ref 6.2.2.2 above).
3. Seas, rivers, groundwater. Supplied products, their packaging and transportation are guaranteed to be free from direct negative impact on seas, rivers and groundwaters. Whether it relates to the place on which the starting raw material for supplied product manufacturing has been produced or collected as well as the manufacturing process itself.
4. GMO. Use of Genetically Modified Organism for supplied products manufacturing shall be compliant with required rules and regulations.
5. Agrochemicals. Use of pesticides and fertilizers for supplied products manufacturing shall be compliant with required rules and regulations.
6. Suppliers will ensure compliance with all required major international environmental protection laws such as Nagoya protocol, Cites, etc.

6.3 Social

6.3.1 Human rights

1. Due diligence: Once requirements on Human rights have been duly established and communicated, make sure that suppliers completed Sedex SAQ or other questionnaires aligned with global standards and/or certification. In case of incomplete, missing, and non-compliant response, conduct appropriate assessment (SMETA or other recognized similar standard) for further verification with local human rights laws and regulations and UN principles compliance.
2. Human rights risk situation: Whenever there is known or strong suspicion of human rights risk infringement such as proven conflict zones, political instability, minorities rights violations, and corruption, refrain from doing any business prior to conducting a thorough due diligence and having in place adequate and effective procedures to ensure that supply is free from any of the above human rights' possible violations.
3. Avoidance of complicity: Procurement department should not be complicit in assisting the commission of actions by Suppliers that are not compliant with human rights.
4. Addressing and Resolving grievances and non-compliances: Ensure that a nondiscriminatory, independent, effective, grievance and non/compliance reporting and remediation procedure is in place. Such a process needs to protect whistle blowers for any kind of suspected policy breach being reported.
5. Discrimination and vulnerable groups: Ensure that the sourcing process includes no discrimination practices, particularly towards vulnerable groups.
6. Civil and political rights: Discontinue business relationship with suppliers not respecting civil and political rights.
7. Economical, social, cultural rights: Discontinue business relationship with suppliers breaching Economic, Social, Cultural rights as described by local laws and regulations.
8. Fundamental principles and rights at work: Suppliers should immediately discontinue business relationships in cases of proven child labor, forced labor, discrimination (including gender) harsh or inhumane treatment is discovered along the value chain.

6.3.2 Labor practices, EHS

6.3.2.1 Conditions of work & social protection

1. Minimum age for employment is enforced as per local laws and regulations including at night and in hazardous conditions. Under no circumstance employees can be aged below 15 or below 18 for night and hazardous work, as per ILO's¹⁸ recommendations. Whenever child labor (as per local laws or regulations or below 15 as per ILO definition) is identified, it must immediately be stopped. Suppliers shall develop or participate in programs which provide free of charge transition to any child found to be performing child labor to enable her or him to attend and remain in quality education until no longer a child.
2. Hiring process and employment is fair, transparent and non-discriminatory (gender, race, religion, age and all other discriminations as per ILO definition Convention 138, 'Minimum Age Convention', 1973. Definition applies whenever non-discrimination is mentioned)
3. Employment terms & conditions are compliant with laws and regulations, mutually agreed prior to employment and confirmed in a written document understood by employee, signed by both parties with one original handed over to employee. Use of fixed-term contracts also have to be compliant with local laws and regulations.
4. Remuneration is non-discriminatory and compliant with local laws and regulations. All payments are duly recorded for full traceability.
5. Working hours, rest days, overtime are enforced and compensated as per local laws and regulations. Adjustments towards ILO recommendations should be considered in case lower than national regulations.
6. Health care protection is in place for employees as per local laws and regulations.
7. Pension plan is in place for employees as per local laws and regulations.
8. Nondiscriminatory and "S.M.A.R.T"¹⁹ performance management system and required training are in place to objectively assess and develop employees.
9. Nondiscriminatory disciplinary and employment termination procedures including detailed separation terms and conditions as well as possible deduction from wages if permitted by local law, are explained to the employee and included in his employment contract.
10. Freedom of association and collective bargaining rights. Employer grants nondiscriminatory rights to employees to join or form employees' trade unions for collective bargaining as per local laws and regulations.

6.3.2.2 Health & Safety at work

- 1. Incidents and injuries overall management system are in place. Including records, corrective, preventive actions, monitoring, improvement plans.
- 2. Safe work environment, process, equipment (including PPE^{*20}).
- 3. Work environment, processes and production equipment are compliant with all related standards, laws, regulations and required operating licenses granted.
- 4. Identify, assess and effectively manage key risks to prevent harm. Take adequate steps to proactively prevent work related injuries and illness
- 5. Emergency procedures and equipment are in place and employees informed and regularly trained accordingly.
- 6. Training related to employee's specific tasks and risks are performed prior to the employment and maintained regularly during employment tenure.
- 7. Personal Protective Equipment (PPE) is available to employees according to the risks they are exposed to and replaced whenever needed.
- 8. Medical assistance on site is available as per local laws and regulations. Medical evacuation to the nearest medical center is taken care of by the employer in case there is no other suitable mean of transportation available.
- 9. Hygiene and sanitation: Hygienic workplace environment with safe, adequate, sanitary facilities, lockers, changing rooms (all Man/Woman separated) and drinking water is provided,
- 10. Nutrition. Available canteen on site with healthy, quality, affordable food and drinking water is provided if not available off site within 5 minutes walking distance.
- 11. Transportation. If effective and cost competitive public transportation not available, employer will provide safe, effective and free transportation from nearest frequently operated public transport location to site.
- 12. Dormitories provided by employer need to be safe, hygienic and provide sufficient privacy. Accommodation costs cannot be charged back to employee.

6.3.2.3 Human development and training in the workplace

- 1. Mandatory Training: Employees will be provided at no cost prior and during employment with required Training to perform tasks in an effective and safe manner.
- 2. Voluntary development. Provide Employee with regular opportunities to train and develop. Such training costs will be borne by the employer. During such training employee will be free to work and be fully compensated for training leave.

6.3.3 Fair operating practices

6.3.3.1 Anti-corruption

- 1. Business integrity. Bribery, corruption (including fiscal), gifts are forbidden. Code of conduct with disciplinary measures aligned with local laws and regulations is established and communicated to all key internal and external stakeholders with acknowledgment. All exposed employees shall attend and sign off a business integrity training.
- 2. Entertaining. Any business entertaining beyond the value of a local “standard” meal as per local policy is forbidden. This also applies in case the supplier invites a Takasago employee. Invitations should be reciprocated along the same principles.

6.3.3.2 Fair competition

- 1. Support and comply with anti-trust and anti-dumping laws and regulations.
- 2. Conflict of interest is forbidden. Any clear or suspicious case should be reported timely for verification.
- 3. Transactions transparency. Rationales for business award are clear and documented. Sale/purchase agreement document with agreed terms & conditions is established and communicated to both buyer and seller prior to goods receipts by full transaction records. To avoid ambiguous situations, all major procure to pay transaction steps are duly documented and recorded.

6.3.4 Consumer issues

6.3.4.1 Sustainable consumption

- 1. Provenance / traceability. Full supply chain traceability of supplied ingredient up to primary source is ensured and documented.
- 2. Certification. As much as realistically feasible, Supplier should anticipate and prepare for fair trade, organic certification questions and requests clients / consumers / civil society may raise. Supplier should share any existing fair trade / organic certifications.

6.3.3.3 Promoting social responsibility in the value chain

- 1. Goods payments shall be executed as agreed, timely and in full.
- 2. Rejected lots should be immediately returned in full to supplier.
- 3. Long term contracts to provide visibility and price stability should be envisaged as long as no negative impact on competitiveness.
- 4. Fair price principles should be discussed.
- 5. Financial support mechanisms to smallholders such as advanced payments (bridge in between crops cash needs) or quality / sustainability improvement incentive should be discussed.
- 6. Formation of legally incorporated producers' cooperatives to facilitate social dialogue and improvements shall be supported.

6.3.3.4 Respect for property rights

Land, intellectual and technology rights shall be complied with as per laws and regulations

6.3.5 Communities^{*21}

- 1. Community involvement. Understand and respect local communities' culture, organization, constraints, needs (due diligence) in which suppliers operate. Consider support programs, involve local communities in programs design and execution phases.
- 2. Education and culture. Whenever smallholder's children access to education is constrained, consider support programs via infrastructure improvements, material and equipment supply, financial support for teachers hire, scholarships, incentives schemes to encourage children to attend school, in full alignment with authorities' approval.
- 3. Employment creation and skills development. In line with CSR, traceability and supply chain control requirements from civil society, encourage local employment creation and retention, for local resource production, collection and transformation. Consider local processing, value adding and thus investments in origin countries rather than consuming countries.
- 4. Technology development and access. Whenever direct investments in countries of origin confirmed and rights protection secured, consider supporting local capabilities development and technology transfer options.
- 5. Wealth and income creation
 - [1] Whenever feasible, local value addition / processing in origin countries vs in consuming countries should be envisaged and preferred.
 - [2] For long term price & supply stability as well as CSR compliance, longer term mutual commercial commitments and fair price mechanisms should be considered.
- 6. Health
 - [1] Facilitate nearby access to affordable primary health care, including maternity and pharmacy for Producers communities.
 - [2] Facilitate nearby access to clean drinking water for producers' communities, especially for children and vulnerable groups.
 - [3] Facilitate access to sanitation at schools for producers' children.
 - [4] Consider dietary support for local producers' children and vulnerable groups. Spot in case of natural disaster but also regularly, after appropriate due diligence.

7 Grievances

Suppliers are encouraged to raise any concerns related to ethical conduct, human rights, labour conditions, health and safety or environmental practices. Concerns may be reported to the usual business contact at Takasago or, where appropriate, through Takasago's confidential compliance or ethics channels. Reports can be made in confidence and without fear of retaliation. All concerns are reviewed and addressed in an appropriate and proportionate manner.

Terms and definitions

- *1 **ISO 26000** : ISO standard for Social Responsibility. A comprehensive guide to social responsibility applicable to all types of organizations to contribute to sustainable development.
- *2 **ISO 20400** : An ISO standard that provides guidance on sustainable procurement. It was created with the aim of contributing to sustainability in the future, including the perspective of social responsibility such as law, ethics, environment, and human rights in the procurement activities of the organization.
- *3 **SMETA** : Abbreviation for Sedex Members Ethical Trade Audit. An audit scheme developed by the Sedex Stakeholder Forum (SSF), which consists of Sedex member companies and audit companies, by consolidating best practices related to social and environmental audits.
- *4 **Sustainable Development Goals (SDGs)** : The 17 Sustainable Development Goals (SDGs) are the world's best plan to build a better world for people and our planet by 2030.
- *5 **Sedex** : Abbreviation for Supplier Ethical Data Exchange. Sedex was established in 2004 in the UK, a non-profit organization that provides a platform for managing and sharing corporate ethics information with the aim of realizing responsible business practices in the supply chain.
- *6 **SAQ** : Abbreviation for Self-Assessment Questionnaire.
- *7 **EcoVadis** : Platform that helps organizations to drive procurement decisions while managing ESG risk and compliance, meet corporate sustainability goals, and drive impact at scale.
- *8 **TfS (Together for Sustainability)** : Industry-leading initiative driven by chemical procurement specialists. Each TfS member is dedicated to building sustainable chemical supply chains, regulatory requirements, and responding to the needs and expectations of society.
- *9 **SA 8000** : Social Accountability 8000 is an international standard for the exercise of employee rights and the protection of employees, based on the International Declaration of Human Rights, the ILO Convention, and other international human rights and labor regulations published by the US NGO SAI (Social Accountability International).
- *10 **ISO14001** : International standard for environmental management systems (EMS), helping organizations improve their environmental performance and comply with regulations.
- *11 **Fair for Life** : Fair trade certification certified by the IMO (Institute for Market ecology) certification body in Switzerland. It aims to create a healthy working environment for all people in the supply chain and certifies that the business is formed in line with social and environmental responsibilities. It now belongs to ECOCERT.
- *12 **TaSuKI** : Abbreviation for Takasago Global Procurement Sustainability Key Initiatives. A program aimed at the sustainable procurement of strategic raw materials.
- *13 **PCF (product carbon footprint)** : The total amount of greenhouse gas (GHG) emissions associated with a product throughout its lifecycle.
- *14 **TfS Methodology** : Guidelines established by TfS for calculating carbon emissions for chemical products, fully compliant with ISO 14067 and the GHG Protocol.
- *15 **GHG protocol** : Supplies the world's most widely used greenhouse gas accounting standards and guidance. The standards and guidance are designed to provide a framework for businesses, governments, and other entities to measure and report their greenhouse gas emissions in ways that support their missions and goals.
- *16 **ISO 14067** : Specifies the principles, requirements, and guidelines for the quantification and reporting of the carbon footprint of a product (CFP), ensuring consistency with international standards on life cycle assessment (LCA) such as ISO 14040 and ISO 14044.
- *17 **HCV** : Abbreviation for High Conservation Value. An HCV area is a place that is very important for nature and people. For example, it contains rare or endangered species, provides essential ecosystem services (such as clean water), or support local communities' cultural, social or livelihood needs. If an area is identified as HCV, activities such as farming, logging or construction must be planned and managed to ensure these values are not damage or destroyed.
- *18 **ILO** : Abbreviation for International Labor Organization.
- *19 **S.M.A.R.T** : An acronym for 5 items to be aware of when setting goals. When goals are set, make them Specific, Measurable, Achievable, Relevant, and Time-bound.
- *20 **PPE** : Abbreviation for Personal Protective Equipment
- *21 **Communities** : Local communities are groups of people who have lived in a specific area for generations and depend on the local natural environment for their way of life. They are not defined by formal legal ownership, but by:
 - long-standing presence in the area
 - daily dependence on land, forests, water, or agriculture
 - traditional or locally adapted livelihoods



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