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## Environmentally Preferable Purchasing Guidelines

(Translation of Japanese Fourth Edition)

October 2006

TOYOTA INDUSTRIES CORPORATION

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# 1. Introduction

We would like to express my heartfelt gratitude to you, our suppliers, for your consistent and extensive cooperation in the production, purchasing, and other Toyota Industries' business activities.

Developments such as advancing globalization and technical innovation are increasing the impact that enterprises have on society. Accordingly, the social responsibilities to be fulfilled by enterprises are also changing and expanding, and we have entered an era in which failure to address these may endanger the very existence of the enterprise. Further, the effects of global warming are manifesting themselves in the form of frequent occurrence of abnormal weather, and social concern for the future of the global environment and humanity is growing increasingly high.

With this in mind, to contribute to sustainable development for society and the Earth, Toyota Industries acknowledges that environmental preservation is one of the top priorities for corporate management, and have incorporated into our corporate basic philosophy these words, upon which we are advancing our business activities: "Toyota Industries believes that economic growth and conservation of the natural environment are compatible. It strives to offer products and services that are clean, safe, and of high quality." We have also established our Global Environmental Commitment and are strengthening and pressing ahead with environmental efforts by the Group as a whole, which includes our domestic and international subsidiaries.

Nonetheless, sustainable development for society and the Earth cannot be accomplished by one enterprise acting alone. It is essential for us to obtain the cooperation of our suppliers and work in unison. We would like to understand the stance of Toyota Industries and practice management that "respects people" and "complies with the letter and spirit of the law, in Japan and abroad". We hope to make steady progress as we strive toward our target together with you.

These Environmentally Preferable Purchasing Guidelines (Translation of Japanese Fourth Edition) accommodate the rising levels of required compliance with legislation around the world. Also, in these guidelines, we are asking for cooperation from our suppliers in more industries than in the past to further enhance our environmental performance based on the Fourth Environmental Action Plan that was issued in October 2005—the Plan contains our initiatives for sustainable management to be implemented in the five-year period from FY2007 through FY2011(ending March 31).

It is our hope that you will acknowledge the social expectations placed on their types of business, industry, and articles handled, and implement activities to further enhance their record of performance while fulfilling their corporate responsibilities.

We would like to ask for your continued support so we can strive for even further environmental measures based on our friendly partnerships. To this end, We ask you to familiarize yourselves with these guidelines and implement them in your daily efforts.

Shigetaka Yoshida  
Senior Managing Director  
Purchasing Department

## 2. Environmental Policies

### 1) Basic Philosophy

Toyota Industries establishes its basic philosophy based on the thoughts of Sakichi Toyoda, the founder of the Toyota Industries Group.

The basic philosophy upholds environmental consideration and quality among its top priorities, and it states, "Toyota Industries believes that economic growth and conservation of the natural environment are compatible. It strives to offer products and services that are clean, safe, and of high quality."

In accordance with the basic policy, Toyota Industries devised the First Environmental Action Plan in 1993, which clarified action guidelines and concrete goals. Toyota Industries periodically revises the Action Plan and actively implements environmental activities throughout all the company's business activities, from product development to production, logistics, sales, and services.

#### Basic Philosophy

##### Respect for the Law

Toyota Industries is determined to comply with the letter and spirit of the law, in Japan and overseas, and to be fair and transparent in all its dealings.

##### Respect for Others

Toyota Industries is respectful of the people, culture, and traditions of each region and country in which it operates. It also works to promote economic growth and prosperity in those countries.

##### Respect for the Natural Environment

Toyota Industries believes that economic growth and conservation of the natural environment are compatible. It strives to offer products and services that are clean, safe, and of high quality.

##### Respect for Customers

Toyota Industries conducts intensive product research and forward-looking development activities to create new value for its customers.

##### Respect for Employees

Toyota Industries nurtures the inventiveness and other abilities of its employees. It seeks to create a climate of cooperation, so that both employees and the Company can realize their full potential.

## 2) Global Environmental Commitment

In order to address global environmental issues as an international enterprise, Toyota Industries issued the Global Environmental Commitment in January 2003 and revised it in July 2005. These moves have been made to share basic policies on environmental issues and promote protective measures on a consolidated base.

### Global Environmental Commitment



### Basic Policies

The Toyota Industries Group will contribute to the compatibility of environmental conservation and economic growth throughout its wide range of business activities, including automobile, industrial equipment, electronics, and logistics.

The Toyota Industries Group will continue to set challenging targets aimed at further reducing the environmental impact of its business activities, listening carefully to the voices of customers and other stakeholders, and acting in compliance with the letter and spirit of laws and regulations.

The Toyota Industries Group will continuously improve its environmental management, placing environmental activities among its highest priorities. In particular, the company will give priority to the following items.

#### Curb global warming

Aiming to reduce energy consumption and the output of greenhouse gases through the entire lifecycle of its products, services, and production activities

#### Use resources more efficiently

Utilizing raw materials, water, and other resources efficiently while working to reduce, reuse, and recycle waste products

#### Reduce environmental risk factors

Reducing the use and output of substances of concern while evaluating environmental risk factors at the planning stage of business activity in order to prevent pollution

The Toyota Industries Group will aim to foster greater communication and teamwork within a wide range of partnerships, including those with customers and suppliers, in order to promote sustainable management of the environment. In addition, the Toyota Industries Group will act as an upstanding corporate citizen, taking an active part in the planning of activities that contribute to various regional communities as well as to our global society.

July 2005

Tetsuro Toyoda  
President  
Toyota Industries Corporation

### 3. Policies on Environmentally Preferable Purchasing

#### 1) Purchasing Policies

Along with offering customers clean and safe products that are good for the global environment, Toyota Industries is also promoting environmental conservation activities that extend throughout the company's business operations.

Therefore, it is the basic policy of Toyota Industries to conduct what is termed "environmentally preferable purchasing" and purchase from suppliers who are conscious of the global environment.

Toyota Industries gives top priority to procurement from suppliers who establish environmental management systems and implement environmentally responsible measures in addition to conventional quality, cost, and delivery (QCD).

Item	Purchasing Policy	Request to Suppliers
Management	Priority given to procurement from suppliers who have established environmentally conscious management systems	Acquire certification of an environmental management system from a third-party authority.
Items purchased	Purchase parts, and raw materials with minimal environmental impact.	Manage and reduce the amount of substances of concern used. - Report detailed information on the content of specified substances of concern. - Pledge and enforce the nonuse of prohibited substances.

Toyota Industries offers better, clean, and safe products that can be happily and safely used by customers

As business partners in manufacturing

Suppliers who give consideration to the environment in their products



Toyota Industries, which is giving consideration to the environment in its all business activities from development to market release of its products

Manage and reduce the amounts of substances of concern  
Establish an environmental management system

## 2) Outline of Requests to Suppliers

At Toyota Industries, in conducting environmentally preferable purchasing, we request that suppliers implement individual environmental measures based on their industrial classification. The table below contains our Industries specific Requests to Suppliers. If you have any questions, please contact the division you deal with or one of the offices listed on the back cover of this document.

	Item	Supplier				See page	Documents to submit	When to submit document	
		Products or components	Raw materials or indirect materials	Equipment, construction, cleaning, or landscaping	Logistics				
Environmental measures for supplier business operations	Compliance with environmental laws and regulations	○	○	○	○	6	On request by TICO		
	Establishment of an environmental management system through acquisition of third-party certification (ISO 14001, etc.)	○	○	○	○	6	EMS Certification Survey Form (Appendix 1)	*Every year in August when we obtain your company overview *Whenever it is requested	
	Improvement of environmental performance	Energy conservation, reduction of greenhouse gases	○	○	○	○	7	On request by TICO	
		Reduction/reporting of amounts of CO <sub>2</sub> emissions from logistics				○	7	Logistics CO <sub>2</sub> Emissions Report (Appendix 2)	Beginning of each month (Previous month's data)
		Effective use of resources	○	○	○	○	8	On request by TICO	
		Prevention of environmental risks	○	○	○	○	9	On request by TICO	
Environmental measures for components, raw materials, etc., used by TICO	Reporting of LCA and recycling data	○	◇			7 8	Component Manufacturing Environmental Data	On request by TICO	
	Noninclusion of prohibited substances	○	◇			9 10	Prohibited Substances Declaration (Appendix 3)	On inception of new business relationship	
	Management for substances of concern	Management, reduction, and reporting for substances of concern	○	◇			9	Information on substances of concern (material data sheets, IMDSs, evidence, etc.)	On request by TICO
				○			10	Material Safety Data Sheets (MSDS) and Raw Material Composition Reports	When planning adoption of a new raw material or indirect material
					○ (*)		10	On request by TICO	
		Voluntary inspection of control system for substances of concern	○	◇			9	Checksheet for Control Systems for Substances of Concern	On request by TICO

○: All suppliers

◇: Some suppliers only; on request by Toyota Industries

(\*): For materials, chemical agents, etc., used by plants or equipment

### Products or components

- Items which become a part of Toyota Industries products including OEM-products, service parts, service-use equipment, etc.
- Accessories authorized by Toyota Industries

### Raw materials or indirect materials

- Raw materials or indirect materials for the foregoing products or components including adhesives, etc.
- Ancillary items for Toyota Industries products, including paint, putty, hydraulic oil, etc.
- Items used in production processes

### Equipment, construction, cleaning, or landscaping

- Equipment (facilities), machinery, jigs, frames, etc., delivered to Toyota Industries
- Facility construction or equipment-maintenance construction performed on the grounds of Toyota Industries
- Cleaning operations or landscaping projects (including chemical agents) performed on the grounds of Toyota Industries

### Logistics

- Transportation of components, products, materials, equipment, etc., under arrangements made by Toyota Industries

## 4. Environmentally Preferable Purchasing Guidelines

### 1) Environmental Management System

#### (1) Philosophy

In selecting suppliers, Toyota Industries considers E (the environment) to be a factor of similar importance to Q (quality), C (cost), and D (delivery). For this reason, suppliers are requested to ensure strict compliance with environmental laws and regulations, systematically manage environmental conservation activities, and establish systems for effecting ongoing improvements.

#### (2) Request Items

##### All Suppliers

We request that you establish an environmental management system through acquisition of ISO 14001 certification and other third-party certification (or, if you have already obtained certification, you are requested to maintain it), and report on the status of acquisition of third-party certification.

	Products or components	Raw materials or indirect materials	Equipment, construction, cleaning, or landscaping	Logistics
Acquisition of external certification				
Deadline for new acquisition	March 2007*		March 2009 targeted	

\* For industrial classifications of suppliers for which this request was made in the Third Edition.

EMS Certification Standards	
ISO 14001	International Standards Organization
EMAS (EU Eco-Management and Auditory Scheme)	European Commission, Environment DG <a href="http://ec.europa.eu/environment/emas/index_en.htm">http://ec.europa.eu/environment/emas/index_en.htm</a>

### Documents to Submit to Toyota Industries and When to Submit Them

Document to submit	When to submit
EMS Certification Survey Form	*Every year in August (when requested to submit the company overview) *Whenever it is requested

## 2) Curbing Global Warming

### (1) Philosophy

Phenomena that appear to be caused by global warming, such as abnormal climate conditions and the reduction in the variety of natural life forms, are becoming more prevalent. Because of this, Toyota Industries is striving to reduce the amount of energy consumed and the amount of greenhouse gases emitted through the entire lifecycle of its products, services, and production activities. Suppliers are also requested to proactively participate in the prevention of global warming.

### (2) Request Items

#### All Suppliers

We request that our suppliers practice energy conservation in their business activities, such as development, manufacture, and transport of products and take steps to reduce the amount of greenhouse gas emissions, such as CO<sub>2</sub> and CFCs.

#### Suppliers of Products and Components

Toyota Industries uses the life cycle assessment (LCA) methods for evaluating the environmental impact of a product or component throughout its life cycle and uses this as an indicator of environmental efficiency as we strive to promote the development of environmentally friendly products. The implementation of LCA requires environmental data about the manufacturing of the product, such as the amount of energy used, the amount of waste material, and the amount of emissions, including CO<sub>2</sub> and NO<sub>x</sub>, released into the atmosphere). Accordingly, we ask that you provide accurate reports based on our requests.

#### Companies Engaged in Consignment Logistics for Toyota Industries

The transportation of freight accounts for approximately 10% of Japan's total energy consumption, and as a result, reducing this consumption of energy is a major issue. Accordingly, Toyota Industries is striving to reduce the amount of CO<sub>2</sub> emissions from logistics. In order to accurately control the amount of CO<sub>2</sub> emissions logistics and make improvements, we are requesting that companies that have been asked to transport or carry the products, manufacturing components, and supply parts for Toyota Industries analyze their performance in regard to the amount of CO<sub>2</sub> emissions created by these consignment logistics and the indicators that form its basic units (the amount of fuel used, distance traveled, actual fuel mileage, transport weight, and type of truck) and provide monthly reports.

### Documents to Submit to Toyota Industries and When to Submit Them

Document to submit	When to Submit
Logistics CO <sub>2</sub> Emissions Report	Beginning of each month (for previous month)

### 3) Using Resources More Efficiently

#### (1) Philosophy

In order to effectively utilize our limited resources, Toyota Industries is striving to use resources such as raw materials and water efficiently while also making efforts toward recycling our waste materials. Moreover, as illegal waste disposal grows as a social issue, we are strengthening our monitoring of waste treatment. Our suppliers are also requested to strive to use resources efficiently and properly dispose of waste material.

#### (2) Request Items

##### All Suppliers

In order to efficiently use resources, we request the following of you.

- i) Reduce the amount of waste material by such means as reducing the amount of material used, reusing resources and promoting recycling.
- ii) Properly treat waste material. (Prevent illegal waste disposal.)
- iii) Reduce the amount of water used.
- iv) Reduce the amount of packing materials used for shipping materials, components and products.

##### Suppliers of Products and Components

Toyota Industries is conducting evaluations of the recycling of products and components and requires environmental data. Accordingly, we ask that you provide accurate reports based on our requests.

## 4) Reducing Environmental Risk Factors

### (1) Philosophy

Once an environmental accident such as the release of harmful substances occurs, it will have the potential for causing serious impact on people and the global environment. Moreover, legal regulations relating to substances of concern have been becoming more stringent year by year. To prevent pollution, Toyota Industries is placing emphasis on reducing the use and discharge of substances that have the potential for causing major impact on the environment as well as on complying with environmental laws and regulations. It also implements environmental risk assessments at the planning stages of our business activities. You are also requested to conduct thorough environmental risk management.

### (2) Request Items

#### All Suppliers

We request that you strictly obey environmental laws and regulations based on your environmental management system and, upon identifying the risk factors in your business activities, implement sound preventive measures.

#### Suppliers of Products and Components

##### i) Submission of a Prohibited Substances Declaration

As the environmental restrictions for products are strengthened, Toyota Industries perceives obeying such laws relating to products to be the minimum obligations of a corporation and is strengthening its compliance. As one part of this, we request the submission of the Prohibited Substances Declaration when beginning business with new partners.

##### ii) Nonuse of prohibited substances and switching to alternatives

Toyota Industries established an engineering standard called STSZ0001G in order to manage substances of concern in its own products and has identified prohibited substances and controlled substances. However, as there are products that must comply with the regulations of our customers, we request your response when there is an individual request from Toyota Industries.

##### iii) Report on substances of concern (environmental data sheets, evidence)

Toyota Industries has an obligation to report environmental data about the automotive components which Toyota Industries manufactures for its customers, and we are also implementing investigations of its non-automotive products based on our own voluntary regulations. As the format for the reports may vary according to the customer, we ask that you provide accurate reports based on our requests.

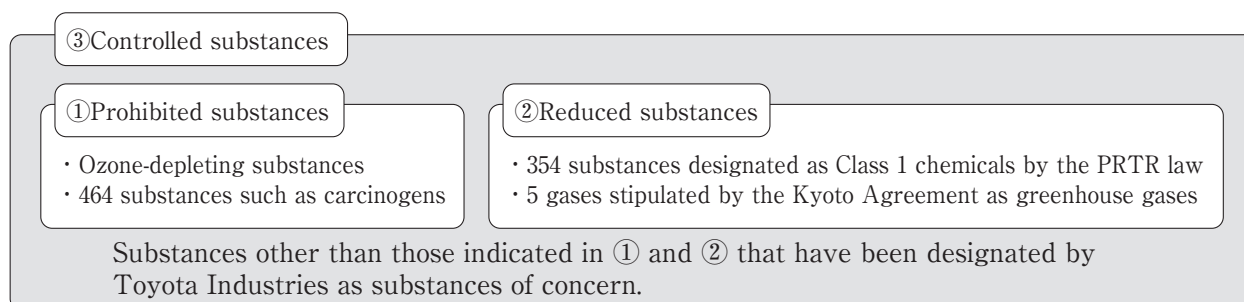
For raw materials and indirect materials, we are currently implementing prior assessment system to determine whether they can be used. In the future, we may request that you submit environmental data sheets (substance information in Toyota Industries product form) at the time of the prior assessment for raw materials and indirect materials.

##### iv) Self-inspection of management system for substances of concern

Toyota Industries requests that self-inspection be conducted at its suppliers in order to thoroughly control substances of concern. We request that you conduct self-inspection of the requirements for the management system for substances of concern based on the Check Sheet for the Management System for Substances of Concern and report on the results. In addition, we request that we be allowed to conduct audits as needed with the intent of confirming the actual management conditions at our suppliers.

### ③Suppliers Providing Raw Materials, Indirect Materials, and Equipment and Suppliers Subcontracted to Perform Construction, Cleaning, or Landscaping

The substances used in Toyota Industries' factories are classified into the following categories: prohibited substances, reduced substances, and controlled substances. These are managed according to the toxicity of the substance of concern (chemical substance) and the impact they could have on the environment. We request that suppliers delivering raw materials, indirect materials, equipment for use in Toyota Industries factories, as well subcontractors for construction, cleaning, or landscaping respond as shown below.



For details about controlled substance names, see the Toyota Industries' website.  
<http://www.toyota-industries.com/environment/library/green.html>

#### i) Noninclusion of prohibited substances and the substitution of reduced substances

For the raw materials, indirect materials, or chemical agents delivered to Toyota Industries and used within the company, we request that prohibited substances not be included and that substitution be made for reduced substances. If substitute products and materials are available, we will give priority to their purchase, so we invite proposals. Of the reduced substances, strive to reduce the use of substances covered by the PRTR law, and volatile organic compounds (VOCs) in particular.

#### ii) Reports on substances of concern

Toyota Industries is creating a management system for substances of concern with the intent of providing thorough control. Suppliers are requested to submit information on substances of concern, such as the ingredients in the corresponding products, applicable regulations and physicochemical characteristics.

Note that suppliers delivering equipment and subcontractors conducting construction, cleaning, and/or landscaping will receive individual requests from the responsible departments in Toyota Industries when necessary.

### Documents to Submit to Toyota Industries

Industry	Object	Subjects of Report	Documents to Submit	When to Submit
Raw materials, indirect materials	Raw materials or indirect materials being delivered to Toyota Industries	Controlled substances as designated by Toyota Industries	Material Safety Data Sheet (MSDS), Materials composition report	When planning to use a new direct or indirect material.
Equipment	Incidental consumables for the equipment (such as oils)	- Report if substance is intentionally added, regardless of the ratio of content.	On request by Toyota Industries	
Construction, cleaning, landscaping	Materials and chemical agents carried into the company for construction, cleaning, or landscaping	- Report if substance is included unintentionally (impurity) at a rate of 0.1w% or more (0.01w% or more for cadmium).		

## 5. Glossary

- IMDS (International Material Data System)  
A system for collecting material data
- LCA (Life Cycle Assessment)  
A method for evaluating environmental impact from production to disposal
- MSDS  
Material Safety Data Sheet
- PRTR (Pollutant Release and Transfer Register)  
A Japanese law on pollutant release and transfer
- STSZ0001G  
TICO engineering standard Control Rules For Substances of Environmental Concern

## 6. List of Attached Materials

Appendix 1

EMS Certification Survey Form

Appendix 2

Logistics CO<sub>2</sub> Emissions Report

Appendix 3

Prohibited Substances Declaration



If you have any questions regarding these guidelines,  
please contact the following offices.

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**Purchasing Department (General)**

Phone +81-566-27-5177 Fax +81-566-27-5661

**Engineering Administration Office, Research & Development Center  
(Product Environment)**

Phone +81-566-27-8191 Fax +81-566-27-5110

**Environment Office, Safety, Health & Environment Department  
(Environmental Management, Production Environment)**

Phone +81-566-27-5120 Fax +81-566-27-5669

**Business Planning & Administration Office, Trading & Logistics Division**

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# TOYOTA INDUSTRIES CORPORATION

