Managing Supply Chains That Support Stable Supply / Promoting Responsible Procurement

Basic Approach

Based on our Group mission, “Contributing to Society through Healthcare,” we conduct our corporate activities in accordance with the Terumo Group Code of Conduct with the goal of always being a company that is trusted in medical settings around the world. The Terumo Group Code of Conduct is a guide for all Terumo associates—including directors, executive officers, and employees—to make the right decisions and do the right things while holding themselves to the highest ethical standards. Terumo strives to ensure quality and stable supply in the procurement of goods and services as prescribed in the Code of Conduct while also ensuring fair and ethical business activities.

The Code of Conduct describes Terumo’s ideal relationship with business partners, including suppliers, as well as its expectations for suppliers as part of efforts to promote responsible business activities. In order to ensure the achievement of these goals, in April 2019 Terumo established the Terumo Group Procurement Policy, which delineates the basic approach of Terumo’s procurement activities, and the Supplier Guidelines, which is a set of guidelines for suppliers.

Terumo Group Procurement Policy

Terumo Corporation and Terumo Group (hereafter “Terumo”) conduct the following procurement activity in accordance with “Terumo Code of Conduct”, based on Terumo’s group mission “Contributing to Society through Healthcare.”

1. Quality, Safety
   Terumo endeavors to procure goods, services, etc. with proper quality and safety in order to offer high-quality products and services for healthcare professionals and their patients around the world.

2. Stable Procurement
   Terumo strive to ensure stable, timely and uninterrupted delivery of high-quality products. Terumo therefore endeavors to realize stable procurement by being prepared for emergency situations with suppliers.

3. Promotion of Compliance
   Terumo complies with Terumo Group Code of Conduct, laws and regulations, and company rules through procurement activity.

4. Fair Procurement
   Terumo pursues fair dealings with high ethics as a healthcare company. It has zero tolerance for bribery and corruption. Terumo also does not select or remove particular suppliers for improper reasons. The particular suppliers include, but are not limited to, companies owned by minorities, women, people with disabilities, LGBT - lesbian, gay, bisexual and transgender individuals, veterans, or located in historically underdeveloped areas, or small businesses.

5. Consideration for Human Rights and Environment
   Terumo addresses respect of human rights, safety and health, and environmental protection through procurement activity.

6. Mutual Prosperity based on Reliability with Suppliers
   Terumo endeavors to enable coexistence and co-prosperity through mutual trust with suppliers that respect this policy and follow “Supplier Guideline”
Supplier Guidelines

Terumo has established the “Supplier Guidelines,” which are the requirements for suppliers reflected in the Terumo Group Code of Conduct. These guidelines are composed of seven chapters. Whenever Terumo enters into a contract with a supplier or issues a purchase order to a supplier, the relationship will be governed by the agreed terms and conditions. In addition, the supplier shall comply with the requirements of these guidelines.

1. Quality, Safety
2. Stable Supply
3. Promotion of Compliance
4. Fair Dealings
5. Consideration for Human Rights for Labor
6. Consideration for Environment
7. Management Systems

Promotion System

The Procurement Department of Terumo Corporation plays a central role in establishing procurement-related rules and procedures and in taking other steps to promote responsible procurement that contributes to the realization of a sustainable society. At Terumo, fulfilling social responsibilities across the supply chain through coordination with suppliers is viewed as an important part of procurement. When commencing transactions with a new supplier, we present them with our Supplier Guidelines and ask for their commitment to socially responsible procurement activities and that they sign an acknowledgment indicating their agreement with these principles. In fiscal 2019, all domestic direct material suppliers were asked to sign acknowledgments to adhere to our Supplier Guidelines, and 420 suppliers signed such acknowledgments.

In procurement activities, domestic and overseas procurement and purchasing divisions manage suppliers based on the Group’s Quality Management System. The Procurement Department coordinates with these divisions to facilitate purchasing activities that are optimal from a Companywide perspective with consideration of quality, prices, and supply reliability.

Procurement Systems for Ensuring Supply Reliability

With quality and supply reliability as its top priority, Terumo strives to procure articles from the most ideal locations. In accordance with the basic supply reliability policy that impacts to the healthcare system should be minimized whenever possible, we are developing systems for securing reliable supplies together with suppliers. These systems are implemented with the understanding and cooperation of suppliers and are based on our experience with the Great East Japan Earthquake, the 2016 Kumamoto earthquakes, and the global COVID-19 pandemic.
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**EHS* Initiatives Related to Procurement**

Terumo’s business activities hinge on the support of various suppliers. Accordingly, Terumo strives to ensure a stable supply of products by implementing EHS initiatives across the value chain and endeavoring to reduce EHS risks throughout the supply chain. Initiatives in this regard have included informing suppliers of the raw materials, components, and other articles used in our products as well as the important matters pertaining to EHS and asking for their cooperation with regard to these items. We also conduct investigations to better understand the status of EHS-related initiatives of suppliers.

In addition, Terumo is taking steps to reduce greenhouse gas emissions and other environmental impacts in procurement activities. For example, we employ a joint delivery scheme to reduce the number of trips required of trucks for transporting raw materials.

* Environment, Health and Safety

**Measures for Addressing Conflict Minerals**

One of the items contained in the Supplier Guidelines is “Consideration for Human Rights for Labor.” To ensure that Terumo does not become complicit in human rights violations or environmental destruction, the guidelines stipulate that requests be made to suppliers not to procure or use raw materials, components, or products containing illegally mined tin, tantalum, tungsten, or gold. In addition, when selecting new raw materials, we ask that suppliers inform us of whether or not said materials contain any of the aforementioned conflict minerals.

**Compliance Education Regarding Procurement**

Terumo provides compliance education to improve awareness regarding compliance in procurement activities. In fiscal 2019, e-learning programs on the Terumo Group Procurement Policy and the Supplier Guidelines were instituted, targeting all associates at domestic Group companies. For overseas Group companies, regional procurement conferences were held in two locations—the United States and Japan. Domestic and overseas procurement representatives attended these conferences, where it was decided that the Terumo Group would advance procurement-related compliance promotion activities on a global scale.

**Supplier Diversity**

The Terumo Group believes that the Group and the communities in which it operates benefit from procurement practices that capitalize on the unique skills, knowledge, creativity, and talent offered by a diverse supplier base. We also recognize that a diverse supplier base contributes to economic growth. The Terumo Group Procurement Policy states that all suppliers will be equally and fairly considered for future business opportunities, and that no suppliers will be favored or refused the right to transact business with the Group for illegitimate reasons. Ultimately, Terumo seeks the most capable suppliers in terms of quality, service, cost, value, and technology.

Terumo Americas Holding Inc. (TAH) is committed to developing valuable supplier relationships with businesses owned by minorities, women, LGBT individuals, veterans, service-disabled veterans, and people with disabilities as well as disadvantaged, HUBZone, and other small businesses. Moreover, TAH is a proud member of the National Minority Supplier Development Council and the Women’s Business Enterprise National Council. This company’s procurement teams are working with the regional partners of these councils to identify more local, small and medium-sized, and diverse-owned businesses. To help further its supplier diversification efforts, TAH is also planning to attend conferences sponsored by these councils.

The Terumo Group is dedicated to partnering with suppliers that enhance its organization’s value by offering diverse solutions as it continues to uphold the principles of its Group mission—“Contributing to Society through Healthcare.”