

# Basic Policy

Tokyo Gas believes that it must fulfill its social responsibility in cooperation with business partners, rather than doing so on its own when delivering products and services to customers. In 1992, we introduced guidelines and basic requirements to pursue open, equitable and fair purchasing activities. Adhering to these guidelines, we have forged relationships of trust and jointly implement CSR initiatives. In 2017, we revised the Basic Requirements for Purchasing, Purchasing Guidelines for Suppliers and Green Purchasing Promotion Guidebook to promote procurement with even greater consideration for CSR. Together we will also enhance our brand values of Safety, Security and Reliability through a committed effort to pursue open, equitable and fair purchasing activities based on these policies.

## ■ Principles and Standards of Purchasing Practice

### Basic Policy

Our transactions and relations with suppliers are governed by Tokyo Gas Group Our Code of Conduct, which defines the values and guidelines shared by all members of the Tokyo Gas Group, and we seek to ensure that the Code is thoroughly understood and observed. Furthermore, we have stipulated a code of conduct for purchasing activities in our Principles and Standards of purchasing practice, and we strive to establish relationships of trust based on highly transparent, fair and equitable transactions with our partners.

To enhance customer trust, it is essential that not only the Tokyo Gas Group but also its suppliers practice compliance, preserve the environment, ensure occupational safety, respect human rights, and show concern for local communities. We request suppliers to adhere to our Purchasing Guidelines for Suppliers and Green Purchasing Promotion Guidebook. Each time we place an order for construction and other work, we notify suppliers of our Specifications for Common Environmental Management and seek their adherence to requirements such as legal compliance, reduced environmental impact and consideration for occupational safety and health.

#### ● Procurement Policies (Revised in Fiscal 2017)

- Principles and Standards of purchasing practice: code of conduct governing the purchasing activities of Tokyo Gas
- Purchasing Guidelines for Suppliers: requirements for doing business, including quality, legal compliance, labor, safety and human rights, environment, and local communities
- Green Purchasing Promotion Guidebook: environmental aspects of procurement that require consideration

### Principles and Standards of Purchasing Practice

To realize its Corporate Action Philosophy, Tokyo Gas established Principles and Standards of Purchasing Practice comprising the following points as a code of conduct for its purchasing activities. In fiscal 2017, we revised the Principles and Standards to promote procurement that pays even greater consideration for CSR.

#### ● Principles and Standards of purchasing practice

Tokyo Gas Co., Ltd. ("the Company") strives to practice its Corporate Action Philosophy by adhering to the following Principles and Standards of Purchasing Practice, which serves as the code of conduct governing purchasing activities.

##### 1. Openness

1.1 The Company will procure goods and services, both domestically and internationally, that meet the Company's standards for quality, safety, and cost, through procedures that are simple and easily understood.

## **2. Fairness and Equality**

- 2.1 The Company will select its suppliers in a fair and equitable manner on the basis of economic rationality, with due consideration to quality, price, reliability, guaranteed delivery, after-sales service, suitability with existing facilities, technological ability, financial health, and CSR stance.
- 2.2 The Company is fully committed to complying with the laws and regulations prohibiting bribery, corruption, misappropriation, antitrust, and other illegal behavior.

## **3. Mutual Trust**

- 3.1 The Company will establish relationships of trust with its suppliers based on fair and equitable transactions and strive to maintain and enhance the safety, security, and reliability of its brand through mutual prosperity and cooperation. Indispensable to providing stable energy is the stable supply of quality goods and services from suppliers at fair prices and within the designated delivery periods, all based on mutual trust.

## **4. Commitment to Compliance**

- 4.1 The Company and its suppliers must fully comply with the letter and spirit of all relevant laws and regulations, social norms, and corporate ethics when conducting business transactions.

## **5. Environmental Protection**

- 5.1 The Company will work with its suppliers to protect the natural environment toward realizing a resource-saving society by adopting the perspective of environmental friendliness in addition to economic considerations.
- 5.2 The Company will promote Green Purchasing in accordance with its Green Purchasing Promotion Guidebook and also to follow through with its Environmental Policies.

## **6. Occupational Safety and Respect for Human Rights**

- 6.1 The Company will work with its suppliers to ensure occupational safety and respect for human rights.

## **7. Consideration for Local Communities**

- 7.1 The Company will work with its suppliers to preserve the environment and ensure respect for human rights in local communities, while also striving to ensure their safety and security.
- 7.2 The Company will actively engage in activities that contribute to the development of local communities toward the betterment of society.

Link

▶ [Action on Resource Procurement](#)

# CSR Efforts throughout the Supply Chain

## ■ Purchasing Guidelines for Suppliers

To clarify and address the tasks in a collaborative effort, the Tokyo Gas Group sets out its requirements in the Purchasing Guidelines for Suppliers and requests that they be put into practice. Promotion of CSR will also result in reducing risks and enhancing quality across the supply chain. Our objective is to achieve mutual growth alongside our suppliers and play our part in creating a sustainable society.

### ● Purchasing Guidelines for Suppliers

The Company seeks the cooperation of its suppliers and requests that they understand and act in accordance with the Basic Requirements so as to ensure mutual trust throughout purchasing activities.

#### 1. Quality Guarantee

1.1 The Supplier must meet the requirements for quality and performance as set by Tokyo Gas and maintain that level of quality and performance over a reasonable period of time.

#### 2. Reasonable Pricing

2.1 The Supplier must offer prices deemed reasonable with respect to quality, performance, specifications, terms of delivery, terms of payment, trends in market prices, and other relevant areas.

#### 3. Compliance with Terms of Delivery

3.1 The Supplier must observe the contractual time of delivery specified by the Company.

#### 4. Safety Assurance

4.1 The Supplier must ensure the safe use and operation of its products.

#### 5. Maintenance and After-Sales Service

5.1 The inspection, maintenance, and repair services that the Supplier is required to provide should be undertaken in a fast and precise manner, an approach that should also be applied to its design and production or implementation of goods and services. In addition, the Supplier must be capable of quickly providing the necessary parts and technical assistance for standard repairs and in the event of an emergency.

#### 6. Risk Management

6.1 The Supplier must be able to respond quickly and effectively in the event of a quality-related problem or emergency such as a natural disaster or accident.

6.2 The Supplier must appropriately handle personal information and confidential information.

6.3 The Supplier must appropriately manage intellectual property, including confidential information and know-how.

#### 7. Commitment to Compliance

7.1 The Supplier must comply fully with the letter and spirit of all relevant laws and regulations, including the antitrust law and subcontractor law, and is expected to observe social norms and corporate ethics. The Supplier must also maintain a fully functioning system for the prevention and early detection of illegal behavior.

## **8. Consideration for Labor, Safety, and Human Rights**

8.1 The Supplier must act in compliance with laws, regulations, and social norms related to occupational health and safety, working conditions, and human rights, and must engage in initiatives for addressing these issues. Specific requirements include:

- Eliminating all discriminatory practices based on race, ethnicity, religion, gender, age, place of birth, nationality, physical and mental disability, academic background, social status, sexual preference, sexual identity, and other factors, and striving to provide equal opportunities and fair treatment;
- Attending to the health and safety of employees and implementing the necessary measures;
- Properly managing working hours and avoiding forcing work against the will of the employee;
- Respecting employees' right to organize and allowing collective bargaining and labor-management consultations;
- Protecting the rights of workers, complying with minimum wage requirements, and giving due consideration to providing a living wage; and
- Prohibiting child labor and forced labor and preventing illegal labor practices.

## **9. Environmental Protection**

9.1 The Supplier is required to implement sufficient measures to avoid harming the global environment, pay due consideration to environmental issues, and reduce its environmental impact. The Supplier is also expected to implement initiatives in line with the Company's Green Purchasing Guidelines.

## **10. Consideration for Local Communities**

10.1 The Supplier is required to work with its business partners to protect the environment, respect human rights, and ensure the safety and security of local communities.

10.2 The Supplier is encouraged to actively engage in activities that contribute to the development of local communities toward the betterment of society.

## **11. Supply Chain Management**

11.1 In addition to observing the guidelines, the Supplier is expected to encourage its business partners to implement the initiatives set forth therein.

## **12. Prohibition of Involvement with Conflict Minerals**

12.1 As a precondition to any business transaction, products supplied by the Supplier must not contain conflict minerals (gold ore, coltan, wolframite, and cassiterite) produced to fund militant groups in the Democratic Republic of the Congo and its neighboring countries and regions.

## **■ Specifications for Common Environmental Management**

Specifications for Common Environmental Management cover rules on issues such as legal compliance, reduction of environmental impact and consideration for occupational safety and health. We present them to suppliers whenever we commission construction and other work, requesting their cooperation.

## **■ Initiatives for Green Purchasing**

Tokyo Gas has been practicing green purchasing<sup>\*1</sup> since fiscal 1996. We systematically pursue green purchasing in accordance with our Green Purchasing Promotion Guidebook and require suppliers to adhere to specifications based on our Purchasing Guidelines for Suppliers.

<sup>\*1</sup> Placing priority on purchasing products and services with lower environmental impact.

# Green Purchasing Promotion Guidebook

The Tokyo Gas Group will promote Green Purchasing in accordance with these guidelines and by adopting the perspective of environmental friendliness, in addition to common criteria such as cost, quality, and terms of delivery, when procuring and purchasing construction works and services as well as materials, manufactured goods, and components (hereafter “goods and services”).

## 1. Purpose of Green Purchasing

1.1 Tokyo Gas endeavors to proactively and consistently contribute to protecting the global environment and building a resource-saving society, not only by reducing the environmental impact of its business activities through initiatives such as energy conservation and waste reduction but also by promoting Green Purchasing in the upstream segment of its business activities toward reducing its overall environmental impact.

## 2. Considerations for Selecting Goods and Services

- 2.1 In accordance with the Green Purchasing Guidelines laid out by the Green Purchasing Network (GPN), Tokyo Gas will select goods after considering the diverse environmental impacts throughout their life cycles, from extraction of raw materials to disposal, as explained below.
- 2.1.1 Reduction of environmental impact  
Reduced use or emission of substances that are harmful to the environment and human health. Proper control of legally designated chemical substances.
  - 2.1.2 Conservation of resources and energy  
Limited consumption of resources, energy, and water during product manufacture, use, and installation.
  - 2.1.3 Sustainable extraction and use of resources  
Sustainable extraction methods and effective utilization to prevent depletion of resources.
  - 2.1.4 Capacity for long-term use  
Enable long-term use based on ease of repair, parts exchange, and other considerations.
  - 2.1.5 Reusability  
Can be reused.
  - 2.1.6 Recyclability  
Can be recycled.
  - 2.1.7 Use of recycled materials  
Contains a significant ratio of recycled materials and reused components.
  - 2.1.8 Ease of treatment and disposal  
Can be easily treated and disposed of as waste.
  - 2.1.9 Legally compliant waste disposal  
Promotes the recycling of resources through reduced waste generation, reuse, and thorough sorting and ensures a legally compliant waste disposal process.
  - 2.1.10 Biodiversity conservation  
Mitigates direct and indirect impacts of business operations on the ecosystem.

## 3. Considerations for Selecting Suppliers

- 3.1 When selecting suppliers, Tokyo Gas will give higher priority to companies that actively pursue environmental protection initiatives, such as implementation of an environmental management system (EMS) that includes:
- 3.1.1 Establishing environmental principles and guidelines;
  - 3.1.2 Appointing dedicated environmental officers;
  - 3.1.3 Complying with environmental laws and regulations;
  - 3.1.4 Identifying the environmental impacts of business activities;
  - 3.1.5 Disclosing environmental information;
  - 3.1.6 Protecting the environment in collaboration with local communities and NGOs;
  - 3.1.7 Promoting Green Purchasing; and
  - 3.1.8 Asking suppliers to pursue environmental protection activities.

## 4. Collection and Use of Environmental Information

4.1 Tokyo Gas will actively collect, organize, and analyze environmental information on goods and services as well as manufacturers and sales companies. The information will be shared by the Purchasing Department and used to ensure appropriate management of Green Purchasing.

## **5. Note on Implementing Green Purchasing**

5.1 When undertaking procurement and purchasing, the Purchasing Department of Tokyo Gas will give priority to selecting the goods and services with the least environmental impact, from among candidates that meet requirements such as quality and terms of delivery, while at the same time striving to contain costs.

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### **Example of Promoting Green Purchasing through Electronic Catalog**

Tokyo Gas has introduced purchasing from an electronic catalog<sup>\*2</sup> that lists over 100,000 items. Office supplies, fixtures and equipment, and printed matter comprise the majority of listed items, and we place priority on products that meet green purchasing requirements. The catalog provides us with environmentally-friendly options.

In addition, we also promote the use of Tokyo Gas Recycled Paper made of paper waste generated by Tokyo Gas.

<sup>\*2</sup> Our PASPO purchasing system facilitates ordering from an electronic catalog via the Internet in a simple and timely manner

# Communication with Our Suppliers (Supplier Survey)

## ■ Communication with Our Suppliers

We disclose information on major procurement items and procurement procedures on the corporate website and provide opportunities for participation as needed. When starting a new business relationship, we screen our new partner to check the status of their CSR activities in addition to the basic requirements.

With respect to our suppliers, we conduct a survey each year on the overview of each company and their efforts on compliance and the environment, and we meet with management when the survey results indicate that meetings are necessary.

Furthermore, we engage in two-way communication with our suppliers by sharing information during meetings on a daily basis.

### Links

- ▶ [Purchasing Guidelines](#)
- ▶ [Purchasing Guidelines for Suppliers](#)
- ▶ [Green Purchasing Promotion Guidebook](#)
- ▶ [Procurement Area](#)
- ▶ [Standard Purchasing Procedure](#)

## ■ Results of Supplier Survey

### Results of FY2017 CSR Survey of Suppliers



FY2017 Survey of Suppliers	
Survey target	527 companies
Number of respondents	317 companies