

SUMITOMO RUBBER GROUP

Sustainable Natural Rubber Policy

August 2021

Introduction

As an environmentally responsible global corporate group, the Sumitomo Rubber Group ("the Group") strives to fulfil its social responsibilities throughout all of its business activities in order to contribute to the creation of a society that harmonizes the needs of the environment with the needs of human prosperity for the future.

The Group manufactures and supplies tyres and other rubber products, which use various raw materials. Among these, natural rubber, as the main raw material in tyres, is an essential resource that must be sustained for the continuity of our business. In order to ensure continuous and sustainable procurement of natural rubber, the Group recognises that it is necessary to consider not only quality, cost and delivery time, but also the environment and human rights, etc. in the interests of making natural rubber a sustainable resource.

Having joined the Sustainable Natural Rubber initiative (SNR-i) established by the International Rubber Study Group (IRSG) in October 2016, the Group has undertaken independent efforts toward achieving sustainable natural rubber.

As a founding member of Global Platform for Sustainable Natural Rubber (GPSNR), the Group is committed to cooperating in collaborative efforts involving all stakeholders.

This Policy is an update to the Sumitomo Rubber Sustainable Natural Rubber Policy (2018 Edition), drafted in accordance with the GPSNR Policy Framework that was approved on 23 September 2020.

In order to realise sustainable natural rubber, it is vital to obtain the understanding and cooperation of the full supply chain, including farmers, smallholders (small-scale household farmers), intermediary raw materials dealers, and natural rubber processors in order to attain full conformity with all points embedded in this policy.

Accordingly, the Group has defined actionable areas for collaboration with suppliers in the form of this Sustainable Natural Rubber Policy. Based on this Policy, the Group will continue to actively communicate and engage in initiatives with a wide range of stakeholders within natural rubber supply chains, as well as business partners, industry associations, NGOs, and industry experts.

“The Sumitomo Rubber Group Sustainable Natural Rubber Policy” Framework

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- 1. Zero Deforestation and Environmental Considerations (Reducing the Group’s Environmental Footprint)**

 - 2. Respecting Human Rights**

 - 3. Ensuring Thorough Compliance**

 - 4. Enhancing Transparency and Traceability**

 - 5. Improving Agricultural Yields (Supporting the Upstream Supply Chain of Natural Rubber)**

 - 6. Health and Safety Measures**

1 Zero Deforestation and Environmental Considerations (Reducing the Group's Environmental Footprint)

The Group believes that it is important to promote coexistence with nature through sustainable and biodiversity-conscious activities. As such the Group will work with stakeholders to continuously promote environmental conservation activities with a global perspective. In cooperation with stakeholders, the Group strives to eliminate deforestation and reduce damage to the environment by instilling the following ideals throughout natural rubber supply chains.

The Group will:

1 Comply with all laws and regulations regarding forest protection.

2 Strive to protect and preserve areas of High Conservation Value (HCV) and High Carbon Stock (HCS).

including:

- Producing and sourcing natural rubber in a way that does not contribute to deforestation or the degradation of High Conservation Value (HCV) areas. Identifying and managing areas for development and conservation in accordance with methodology and guidance that is consistent with the HCV Approach and with the High Carbon Stock Approach (HCSA).
- The Group acknowledges the cut off-date (1 April 2019) prescribed under the Zero Deforestation Clause of GPSNR Policy Framework. Natural rubber from areas deforested or where HCVs have been degraded after the cutoff date is considered to be non-conforming with this policy element.

3 Commit to healthy and functioning natural ecosystems,

including:

- Not using open burning/flame in new or ongoing operations for land preparation, land management, waste management, or any other reason.
- Preventing the development of or sourcing from natural rubber plantations located on peat, regardless of depth, extent, or status (wet, drained or dry).
- Supporting the long-term protection of natural forests and other ecosystems and their conservation value while restoring or supporting the restoration of deforested and degraded rubber landscapes.
- Protecting wildlife, including rare, threatened, endangered and critically endangered species, from poaching, over-hunting and habitat loss in areas under company management, and supporting wildlife protection activities.
- Protecting water resource quantity and quality, preventing water contamination from agricultural or industrial chemicals, and preventing erosion and sedimentation.
- Protecting soil quality, preventing erosion, nutrient degradation, subsidence and contamination.

4 Contribute to the realisation of a sustainable society by striving to be a company whose business and manufacturing activities are conducive to the well-being of people and the earth through the following environmentally friendly efforts to minimise negative environmental impacts.

- **Contributing to the formation of a low-carbon society.**

Minimizing and mitigating CO₂ emissions throughout the product life cycle and managing operations to minimise energy usage rates.

- **Promoting environmental footprint management.**

Including control of chemical substances and measures against odours in manufacturing processes and products.

- **Contributing to the formation of a recycling-oriented society.**

Managing operations to maximize natural resource efficiency. Waste output reduction, water usage reduction and appropriate treatment of wastewater.

- **Implementing global environmental management.**

Proactively providing internal training on environmental issues at each factory toward attaining ISO 14001 Global Integrated Certification.

2 Respecting Human Rights

Throughout its business activities, the Group will respect basic human rights and strive to build a healthy and dynamic working environment founded on ensuring the health and safety of the Group's employees.

The Group is committed to ensuring it does not infringe on the human rights of employees. The Group's Corporate Code of Conduct states "the Group will maintain a healthy working environment where no employee shall be harassed or discriminated against based on the individual's ideology, faith, religion, race, ethnicity, skin color, nationality, language, social caste, gender, sexual orientation, gender identity, age or physical handicap, etc."

In order to create a working environment where employees can work without human rights violations or harassment issues, the Group will continue to educate employees on basic labor rights and harassment prevention through internal training, etc.

1 The Group will respect human rights (including upholding the UN Guiding Principles on Business and Human Rights) and comply with the following:

- **No forced labor (ILO Convention No. 105 and No. 29 and ILO Protocol of 2014)**

The Group is committed to eliminating inhumane labour practices that constitute an affront to human dignity.

- **No child labor (ILO Convention No. 138 and No. 182)**

The Group prohibits child labour so that infants and children are not forced into labour and thereby deprived of opportunities for healthy growth and education.

- **Prohibiting inhumane treatment and discrimination (ILO Convention No. 111)**

The Group respects each worker's personality, individuality and privacy. The Group also aims to build a working environment where workers do not face harassment or discrimination.

- **Respecting freedom of association and the right to collective bargaining. (ILO Convention No. 87 and No. 98)**

The Group respects the basic rights of workers and will strive to protect and improve the standing of workers.

- **Improving working conditions. (ILO Convention No. 100)**

At a minimum, the Group will comply with all applicable laws and regulations concerning employment conditions, which include wages, working conditions, and health and safety standards. The Group will work towards improving working conditions and building positive and healthy working environments.

- **Respecting the rights of migrant workers. (ILO Convention No. 97 and No. 143)**

The Group will respect the rights of contract, temporary and migrant workers and strives in particular to practice ethical recruitment.

- Support decent living wages
- Promote gender equity

2 The Group abides by the standards set forth under the Plantations Convention concerning Conditions of Employment of Plantation Workers (ILO Convention No. 110)

3 The Group respects the principles of Free, Prior and Informed Consent (FPIC) and will not participate in land grabbing. In particular, when the Group acquires plantations and industrial sites, the Group will put into practice the guidelines on FPIC Principles developed by the UN-REDD Programme in its dealings with affected indigenous peoples and local communities. The Group respects the right of local communities to use forest resources for their everyday lives.

This includes:

— Recognizing and protecting the customary and traditional communal land tenure rights of indigenous peoples and local communities (IP/LC), including:

- Carrying out operations in accordance with the UN Declaration on the Rights of Indigenous Peoples (UNDRIP).

- Ensuring ongoing land tenure and access rights.

- Upholding traditional rights of access for hunting and gathering of animals and plants for the purpose of subsistence and indigenous cultural and religious traditions, customs, and ceremonies.

— Ensuring that the free, prior, and informed consent (FPIC) of IP/LC is secured prior to any activity that might affect their rights to their lands, territories, and resources. This includes when planning, establishing, restoring, or transforming corporate plantations and/or industrial sites, as well as associated infrastructure.

The FPIC process is done in a culturally appropriate manner and follows credible accepted methodologies and associated GPSNR guidance. IP/LC have the right to give or withhold their consent to any activity that is subject to the FPIC process.

— Where operations impinge on IP/LC rights, compensating or accommodating IP/LC through appropriate, mutually agreed measures reflecting and contained in the negotiated outcomes of the FPIC process. Adopting measures to provide remedy through mutually agreed procedures in cases where the company previously has caused or contributed to the appropriation of or harm to the lands, territories, or resources of IP/LC without securing FPIC. Implementation is jointly monitored by the community and the GPSNR member and/or by mutually agreed third party (ies). Establishing ongoing, effective, culturally appropriate channels of dialogue with indigenous people and local communities.

4 The Group is committed to encouraging the development of local communities.

— Supporting decent living conditions of local communities (e.g. drinking water, adequate housing, and sanitation).

— Supporting the right to food and food security of individuals, households and local communities.

— Supporting the economic, social and cultural rights of local people, including through access to education and employment.

3 Ensuring Thorough Compliance

The Group will comply with all applicable laws and regulations in the countries and regions in which it operates. In an effort to raise compliance awareness, the Group will further ensure that employees are continually made aware of the importance of compliance and the prevention of misconduct.

The Group will:

- 1 Fully abide by all applicable laws, regulations and rules concerning fair and free competition which are applied in each country and region, and will not in any way inhibit fair and free competition.**
- 2 Work against corruption in all of its forms, including extortion and bribery.**
- 3 Maintain healthy relationships with officials and former officials of government offices, public entities and agencies, etc. while refraining from providing any unlawful benefits, utilities, entertainment, gifts, or bribes.**
- 4 Manage and protect information that has been obtained in the course of business dealings, in an appropriate manner and in accordance with applicable laws, regulations and company rules, including: personal information, information concerning customers and clients, knowhow and customer lists in the possession of Group companies, and other technical and business information (i.e. trade secrets).**
- 5 Accurately comprehend and comply with all other applicable laws and regulations.**
- 6 Clearly identify the departments (organizations) responsible for compliance, and implement internal training or workshops to promote legal compliance within the Group.**
- 7 Monitor the Group's legal compliance situation and establish and maintain mechanisms to respond to issues identified therein. The Group will establish and maintain an in-house grievance mechanism (consistent with UNGP effectiveness criteria) to receive complaints and remedy adverse impacts caused by production and sourcing activities.**
- 8 Conduct awareness-raising activities with business partners to promote CSR activities throughout the Group's supply chain, based on the Group's CSR Code of Conduct.**
- 9 Promote social contribution activities that are closely connected to local residents living near the Group's factories. Group employees will play a key role in engaging in activities that promote social exchange with local residents. These activities will assist employees in deepening relationships with local communities and resolving issues by cultivating a trusting environment that fosters mutual understanding.**

4 Enhancing Transparency and Traceability

The Group will work to identify regions in which natural rubber supply chains pose a high risk of involving environmental destruction, human rights violations or other compliance infraction and to accurately understand the impact of these risks on local populations and other stakeholders while continually enhancing supply chain traceability so that we may better avoid and mitigate these risks.

The Group supports the traceability of natural rubber, at a minimum to an appropriate jurisdictional level, in order to ascertain or control the origin of purchased materials.

The upstream natural rubber supply chain consists of numerous stakeholders, including an estimated six million smallholders, industrial plantations, intermediary raw material dealers, and natural rubber processors worldwide. As such, tracing final products to the point of origin of raw materials is a complex task, that cannot be undertaken by the Group alone.

The Group aims to enhance traceability by conducting supply chain mapping in a flexible manner, through collaborating with concerned industry organizations and other stakeholders in the supply chain, and incorporating new technologies and innovations.

The Group conducts independent CSR assessments through Third-Party Auditing* to assess the performance of suppliers in terms of four themes: Environment, Labour and Human Rights, Ethics, and Sustainable Procurement. These assessments allow for the rating of suppliers with respect to social and environmental risk in order to prioritise risk mitigation actions.

In order To ensure the transparency of the Group's sustainable procurement activities, including environmental, social, compliance- activities as well as other matters stated in this Policy, the Group will regularly monitor progress toward company commitments in order to ascertain performance, update and disclose the progress publicly of these efforts through the company website and regular reporting on an annual basis, etc.

The Group commits to:

- Setting public, timebound and geographic-specific targets and milestones, along with their associated indicators or metrics, for fulfilling its commitments.
- Embedding commitments into decision-making processes, systems, and performance metrics of corporate management, relevant business units, joint ventures, and company affiliates and subsidiaries.
- Maintaining an active, regular stakeholder dialogue to provide relevant information, and to afford opportunities for feedback and suggestions related to the fulfilment of the Group's commitments.
- Participating in and supporting multi-stakeholder planning and policy efforts that uphold the GPSNR principles at a landscape, jurisdictional or other spatial level.

5 Improving Agricultural Yields (Supporting the Upstream Supply Chain of Natural Rubber)

The Group believes that improving quality and yields in the upstream supply chain is an important factor in ensuring the sustainability of natural rubber. The role of smallholders within the upstream supply chain is particularly important. The Group will support the improvement of agricultural productivity by widely disseminating information on effective approaches to agricultural production, breeding and selection.

The Group believes that the supply capacity of natural rubber can be increased by improving the quality of the latex (sap that is extracted from rubber trees to be processed into natural rubber) and improving productivity. Consequently, these improvements are expected to contribute to the improvement of the overall working conditions and income of suppliers. Moreover, improvements in quality and yields are also expected to reduce the need for land development related to rubber trees and processing.

6 Health and Safety Measures

The Group will comply with the health and safety-related laws and regulations of each country and region in which it operates. Further, with the aim of eliminating all hazards and accidents in the workplace, the Group will carry out pre-emptive safety activities intended to eliminate the causes of accidents and raise the level of intrinsic safety in the workplace. The Group also proactively conducts physical safety audits and visual checks on site.

The Group seeks to eliminate all accidents by identifying material issues related to health and safety and promoting a working environment and culture that will encourage all employees to be fully aware of safety issues. The Group will support safety initiatives at its natural rubber processors by conducting safety assessments and communicating good practices, past incidents, and appropriate corrective actions.

Request to Suppliers

The Group expects its suppliers to align with this Policy, strive for its implementation, and make efforts to communicate this Policy to producers further upstream. This includes setting timebound requirements for meeting these policy requirements, and ensuring that supplier codes and contracts, engagement activities, and other mechanisms reflect these supplier expectations.

The Group will proactively support the activities of its suppliers that are consistent with the principles of this Policy. In instances of supplier non-conformance with this Policy, suppliers are to establish time-bound implementation plans to move towards conformance and/or remediation of past or ongoing harms.

The Group recommends that its suppliers conduct third-party audits in order to assess their current alignment with this Policy while seeking further opportunities to implement this Policy. This includes regularly engaging the supply chain (both direct and indirect suppliers) to support conformance with company commitments through effective incentives, support mechanisms, and purchase monitoring systems.

The Group will prefer suppliers that are able to proactively promote activities that are consistent with this Policy.

If a supplier is found to be in violation of this Policy, the Group's relationship with the supplier will be reviewed, which may result in the suspension of future business transactions. with that supplier.

Inquiries on Sustainable Natural Rubber

For inquiries concerning this Policy, feel free to contact the Group through its website:

<https://www.srigroup.co.jp/english/contact/index.html>

Revision of this Policy

This Policy may be revised in response to changes in the external environment and / or changes in the circumstances of the Group's sustainable natural rubber activities.

- **Global Platform for Sustainable Natural Rubber (GPSNR)**

The GPSNR is a platform that was organised and founded by international stakeholders on October 25, 2018 in order to address the sustainability of natural rubber.

The GPSNR originated out of the World Business Council for Sustainable Development Tyre Industry Project (WBCSD* TIP) and involves various stakeholders, including natural rubber producers, natural rubber processing plants, traders, tyre manufacturers, other rubber product manufacturers, car manufacturers, non-profit organisations, and other stakeholders.

The primary function of the platform is to develop and mainstream best practices regarding sustainable natural rubber. The GPSNR is headquartered in Singapore, a global hub of natural rubber production.

*WBCSD Link: <https://www.wbcd.org/>

*GPSNR Link: <https://sustainablenaturalrubber.org/>

- **Reducing CO₂ Emissions in the Product Life Cycle**

When examining CO₂ emissions related to the production of raw materials, the life cycle of a product is not only limited to the stages of production and distribution, but also includes the stages of raw material procurement, product usage, end of life, and recycling.

- **Smallholders**

Worldwide, there are approximately six million households (30 million farmers) that are considered as smallholders within the upstream natural rubber supply chain. Approximately 85% of global natural rubber is produced by smallholders, with the other 15% produced by plantations that are owned by corporations or organisations.

- **Intermediary Raw Material Dealers**

Materials processed at natural rubber processing plants are delivered from smallholders through local brokers and multiple raw material dealers. These local brokers, as well as all layers of raw material dealers, are called intermediary raw material dealers. The lack of infrastructure such as roads in many natural rubber producing regions, in particular Indonesia, makes it extremely difficult for smallholders to distribute directly to processing plants. In regions where this is the case, such as Indonesia, improving traceability is extremely difficult because of the complex structure and layers of the many intermediary raw material dealers who make up the supply chain.

- **Natural Rubber Processing Plants**

Cup lumps are one example of the raw materials of natural rubber. These cup lumps are coagulated and hardened into a cup, collected by intermediary raw materials dealers, and then provided to natural rubber processing plants. At natural rubber processing plants, the cup lumps are crushed by machines and cleaned. This process is repeated several times until the natural rubber is finally dried. The processed and dried natural rubber is moulded into a rectangular shape, sized to a predetermined weight (e.g. 35 kg), and then shipped to users, such as tyre factories.

Terms & Definitions

- **Harvesting Latex**

The sap that is produced when a groove is sliced into the bark of a tree is called latex. Raw rubber (natural rubber) is created by the hardening of this sap. The harvesting process is referred to as 'tapping' and is often performed by smallholders called 'tappers'.

- **Third-party Auditing**

Audits performed by objective third-party auditors, which may include examining environmental, social, and/or compliance aspects, as well as sustainable procurement aspects.

- **Pre-emptive Safety Activities**

Pre-emptive safety activities are measures that are taken to prevent occupational accidents, such as a safety risk assessment.

- **Cut off-date**

The date after which deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments, respectively.

- **High Conservation Value (HCV) Areas**

HCV areas are defined into six types of areas. For more information on HCV, please refer to:
<https://hcvnetwork.org/>

- **High Carbon Stock (HCS) Approach**

The HCS Approach is based on the thinking that all forests that have higher densities or are close to the state of a primary forest should be conserved on account of the large amounts of carbon stored in such forests. HCS Areas can also be classified as HCV Areas, but HCV classification is not required. Compared to HCV, the concept of HCS Area conservation is relatively new. As such, this approach has only been adopted by private corporations, though other certifying organisations are now beginning to consider its adoption.

For more information on HCS, please refer to:
<http://highcarbonstock.org/the-high-carbon-stock-approach/>

Terms & Definitions

• Free Prior and Informed Consent (FPIC)

Information on the principle of FPIC principles is provided by the United Nation's Reducing Emissions from Deforestation and Forest Degradation (UN-REDD) Programme.

The principle of FPIC is essential from a human rights standpoint, in order to protect the cultures and livelihoods of indigenous peoples who are heavily dependent on forest resources, and are highly vulnerable to deforestation and/or changes in land usage.

For more information on UN-REDD, please refer to:

http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=8717&Itemid=53

References Materials

• Forced Labor

ILO Convention 29 – Forced Labour Convention

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C029

ILO Convention 105 – Abolition of Forced Labour Convention

https://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100_ILO_CODE:C105

For more information on forced labor, please refer to:

<https://www.ilo.org/global/topics/forced-labour/definition/lang--en/index.htm>

• Child Labor

ILO Convention 138 – Minimum Age Convention

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138

ILO Convention 182 – Worst Forms of Child Labour Convention

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C182

For more information on child labor, please refer to:

<https://www.ilo.org/ipec/facts/lang--en/index.htm>

• Employment and Occupation

ILO Convention 111 - Discrimination (Employment and Occupation) Convention

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:::NO:12100:P12100_ILO_CODE:C111:NO

• Freedom of Association/Right to Organise and Collective Bargaining

ILO Convention 87 - Freedom of Association and Protection of the Right to Organise Convention

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:::NO:12100:P12100_ILO_CODE:C087:NO

ILO Convention 98 - Right to Organise and Collective Bargaining Convention

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:::NO:12100:P12100_ILO_CODE:C098:NO

• Equal Remuneration

ILO Convention 100 - Equal Remuneration Convention

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:::NO:12100:P12100_ILO_CODE:C100:NO

• Migrant Workers

ILO Convention 97 - Migration for Employment Convention

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:::NO:12100:P12100_ILO_CODE:C097:NO

ILO Convention 143 - Migrant Workers (Supplementary Provisions) Convention

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:::NO:12100:P12100_ILO_CODE:C143:NO