

SUMITOMO RUBBER GROUP

Sustainable Natural Rubber Policy

2018 November

As an environmentally responsible global company, the Sumitomo Rubber Group (“the Group”) seeks to fulfill its social responsibility in all business activities in order to balance both the needs of the environment and human prosperity. The Group manufactures rubber-related products predominately tires, using various raw materials. Among these, natural rubber is one of key resources that must be sustained for business continuity. In order to ensure continuous and sustainable procurement of natural rubber, the Group recognizes that it is necessary to consider not only quality, cost and delivery time, but also the environment and human rights, thus to 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. More recently, with its participation in the founding of the Global Platform for Sustainable Natural Rubber, the Group is committed to cooperating in collaborative efforts involving all stakeholders.

In order to realize a sustainable natural rubber supply chain, it is vital to attain the understanding and cooperation of the supply chain, including industrial plantations, smallholders (small-scale household farmers), intermediary raw materials dealers, and natural rubber processors.

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

“The Sumitomo Rubber Group Sustainable Natural Rubber Policy” Framework

- 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. Promoting 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. 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 promoting 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).**
- 3 Not engage in illegal wilderness burning or peatland development.**
- 4 Contribute to the realization of a sustainable society by striving to be a company whose business and production activities are environmentally friendly through the following efforts to minimize negative environmental impacts.**
 - **Creating a low-carbon society**
Reducing CO₂ emissions in the product life cycle
 - **Promoting environmental footprint management**
Including control of chemical substances and measures against odors in manufacturing processes and products
 - **Building a recycling-oriented society**
Waste output reduction, water usage reduction and appropriate treatment of wastewater; and
 - **Implementing global environmental management**
Proactively providing internal training on environmental issues at each factory, and attaining ISO 14001 global integrated certification.

2 Respecting Human Rights

Within its business activities, the Group will respect human rights and strive to build a healthy and energetic working environment based on ensuring 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.

1 The Group will respect human rights and comply with the following:

- **No forced labor**

The Group is committed to eliminating inhumane labor practices that go against human dignity.

- **No child labor**

The Group prohibits child labor so that infants and children are not deprived of healthy growth and educational opportunities.

- **Prohibiting inhumane treatment and discrimination**

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 rights to collective bargaining**

The Group respects workers' rights such as freedom of association and rights to collective bargaining.

- **Improving working conditions**

At minimum, the Group complies with national regional, and local laws regarding employment conditions, which include wages, working conditions, and health and safety standards. The Group will work towards improving working conditions and building a healthy workplace.

2 The Group abides by the standards under the Plantations Convention concerning Conditions of Employment of Plantation Workers (ILO C110)

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

3 Ensuring Thorough Compliance

The Group complies with laws and regulations in the countries and regions in which it operates. The Group ensures that employees are continually made aware of the importance of compliance and the prevention of misconduct. The Group will:

The Group will:

- 1 Fully abide by all laws, regulations and rules concerning fair and free competition which are applied in each country and region, and will not inhibit fair and free competition.**
- 2 Maintain healthy relationships with officials and former officials of public entities, similar public entities and agencies, and will not provide unlawful benefits, utilities, entertainment, gifts or bribes.**
- 3 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: information about customers and clients; personal information; knowhow and customer lists in the possession of Group companies; and other technical and business information (i.e. trade secrets).**
- 4 Accurately comprehend and comply with other applicable laws and regulations.**
- 5 Clearly identify the departments (organizations) responsible for compliance, and implement internal training or workshops to promote legal compliance within the Group.**
- 6 Monitor the Group's legal compliance, and establish and maintain mechanisms to respond to identified issues.**
- 7 Conduct awareness-raising activities with business partners to promote CSR activities within the Group's supply chain, based on the Group's CSR Code of Conduct.**
- 8 Promote CSR activities closely connected to local residents living near the Group's factories. The Employees will play a key part in engaging in activities that promote social exchanges with local residents. These activities will assist employees to deepen relationships with local communities and resolve issues by cultivating a trusting environment which enables mutual understanding.**

4 Enhancing Transparency and Traceability

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

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. As such, tracing final products to the point of origin of raw materials is a complex task, and not a task that can be undertaken by the Group alone.

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

To ensure the transparency of the Group's sustainable procurement activities, including environmental, social, compliance- activities and other matters stated in this Policy, the Group will update and disclose the progress of these efforts through the company website and reports.

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

The Group believes that improving quality and yields of natural rubber in the upstream supply chain is an important factor to 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 disseminating information on effective approaches to agricultural production, breeding and selection.

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

6 Promoting Health and Safety Measures

First, the Group complies with the health and safety-related laws and regulations of each country and region in which it operates. Moreover, with the aim of eliminating all dangers and accidents in the workplace, the Group carries out Pro-active Safety Activities intended to eliminate the causes of accidents and raise the level of safety from the base up. The Group also proactively conducts physical safety audits and visual checks on site.

The Group seeks to eliminate all accidents through identifying material issues related to health and safety and promoting a working environment and culture that will engage 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.

The Group will proactively support activities of its suppliers' that are consistent with the principles of this Policy. The Group recommends that its suppliers conduct third-party audits in order to assess their current alignment to this Policy and seek further opportunities to implement this Policy.

The Group will prioritize working with 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 and this could result in the suspension of future business transactions.

Inquiries on Sustainable Natural Rubber

For inquiries regarding this Policy, contact the Group through its website:

<https://www.dunlop.co.jp/english/inquiry/other.html>

Revision of this Policy

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

Terms & Definitions

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

The GPSNR is a platform founded on October 25, 2018 and organized by international stakeholders to address the sustainability of natural rubber.

GPSNR originated from the World Business Council for Sustainable Development Tire Industry Project (WBCSD TIP), and will involve various stakeholders in the natural rubber value chain, including natural rubber producers, natural rubber processors, traders, tire makers, other rubber product manufacturers and car manufacturers, as well as nonprofit and nongovernmental organizations and other stakeholders.

The function of the platform is to define and establish best practices regarding sustainable natural rubber. The GPSNR is headquartered in Singapore, the global hub of natural rubber production.

*GPSNR Proclamation

please refer to:

<https://www.wbcds.org/Sector-Projects/Tire-Industry-Project/News/Stakeholders-launch-Global-Platform-for-Sustainable-Natural-Rubber>

*WBCSD please refer to: <https://www.wbcds.org/>

● **Processors**

Factories that collect the raw materials of natural rubber for processing and distribution to users such as tire manufacturers. Cup lumps are one example of natural rubber's raw materials. These cup lumps are tree sap that has coagulated and hardened in cups, which is then collected by intermediary raw materials dealers, and delivered to natural rubber processors. At natural rubber processors, these cup lumps are crushed by machines and cleaned with running water to wash out detritus. This process is repeated several times before the natural rubber finally dried.

● **Harvesting Latex**

The sap that is obtained by slicing a groove into the bark of a natural rubber tree is called latex. The process of harvesting latex from rubber trees is carried out by people called 'tappers'.

● **Pro-active Safety Activities**

Pro-active safety activities are measures that are taken to help prevent occupational accidents. One example of a pro-active safety activity is a safety risk assessment.

● **Third-party Auditing**

An external audit pursued from various, objective viewpoints, which may include environmental, social, compliance aspects, as well as sustainable procurement-related aspects.

Terms & Definitions

• High Conservation Value (HCV)

HCV areas are defined into six types of areas. For more information on HCV, please refer to:
<https://www.hcvnetwork.org/about-hcvf/what-are-high-conservation-value-forests>

• High Carbon Stock (HCS)

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, because of the large amounts of carbon the forest stores. HCS areas can also be classified as HCV areas, but does not require HCV classification to be considered HCS. The HCS area preservation concept is relatively new, compared to HCV, and is adopted only by private corporations, but other certifying organizations are starting to consider its adoption.

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

• Free Prior and Informed Consent (FPIC)

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

FPIC principles are essential from a human rights standpoint, rather than from the standpoint of environmental forest preservation, to protect the cultures and livelihoods of indigenous people's whom 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

• 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>