

Procurement Guidelines

【Web Edition】

January 2021

Sumitomo Rubber Industries, Ltd.

1. Introduction

We greatly appreciate your consistent cooperation and indispensable support with respect to the various business activities of the Sumitomo Rubber Group.

The Sumitomo Rubber Group procures a wide range of goods and services from throughout Japan and around the world so that we may continue to precisely pinpoint the needs of various markets and provide a sure and steady supply of products that fulfill these needs.

We believe that the success of our procurement activities in achieving these aims depends on the cooperation of the many suppliers who support our operations.

While the Sumitomo Rubber Group has long been actively engaged in various efforts that aim to contribute to the resolution of pressing social and environmental issues toward the realization of a sustainable society, we resolved to take these efforts a step further with the announcement of our New Midterm Plan in 2020. Our New Midterm Plan clearly establishes "Promoting ESG Management" as a key groupwide policy and proclaims our commitment to further expanding and enhancing various activities that aim to contribute to the accomplishment of SDGs.

In light of these developments and with an eye toward revamping our overall efforts to contribute to the realization of a sustainable society, we have decided to revise and update our Procurement Guidelines. In addition, we have also decided to directly distribute our updated Procurement Guidelines only to existing suppliers, while at the same time making them available to all through our group website.

So that we may forge stronger business relationships with our suppliers toward becoming better business partners to one another, we not only ask our suppliers to understand and practice these guidelines in their entirety, but also ask that our suppliers request the same of their own suppliers.

Your kind understanding and cooperation in this regard is greatly appreciated.

In addition, in November of 2018, our group established a "Policy on Sustainable Natural Rubber." In accordance with this new policy, we will be working to promote closer and more active cooperation among all stakeholders throughout natural rubber supply chains and beyond as part of our ongoing efforts to enhance our procurement activities with the ultimate aim of realizing a world in which natural rubber is a fully sustainable resource.

[Reference] SRI Group Website: "Policy on Sustainable Natural Rubber"
http://www.srigroup.co.jp/csr/csr/integrity/05_3.html

January 2021

Sumitomo Rubber Industries, Ltd.
Purchasing Department General Manager
Hidenori Suzuki

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2. Sumitomo Rubber Group Policy

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<Sumitomo Rubber Group Corporate Philosophy>

In order to fulfill our various responsibilities to society as an upstanding corporate citizen, we at the Sumitomo Rubber Group will continuously strive to be a reliable and widely trusted global corporate group that consistently enriches people's lives through the creation of new value while at the same time pursuing greater happiness for all of our group employees and contributing extensively to both our communities and to society as a whole.

1. Striving to live up to customer expectations while providing ever-better products based on a strong sense of responsibility and a solid grounding in the principle of "*Genchi-Genbutsu*" (seeing "Actual Places, Actual Things" with one's own eyes).
2. Trailblazing a new era by adapting flexibly to the times while maintaining a consistently solid management foundation.
3. Actively seeking out and serving new market needs through our enhanced R&D capabilities and advanced proprietary technologies.
4. Actively pursuing more environmentally responsible business operations as well as the development of more environmentally friendly technologies.
5. Creating "more attractive working environments" and contributing to "more comfortable living."

The SRI WAY

= The Values That We Cherish

○ Being Reliable & Worthy of Trust

Facing forward with honesty and integrity, responding to the trust that our customers, our colleagues and society place in us.

○ Seeking Out Challenge

Being unafraid; having the courage to persist in the face of failure.

○ Valuing One Another

Understanding and respecting each other's individuality and perspective.

<CSR Activity Basic Philosophy>

Through our **GENKI** Activities for the environment and for society, the Sumitomo Rubber Group aims to contribute to the realization of a sustainable society as a corporate group that has earned and continues to maintain the trust of society at large.

<CSR Guidelines>

G: Green Initiative

(Greening Activities)

E: Ecological Process

(Reducing Our Environmental Impact)

N: Next-Generation Product Development

(Developing Next-Gen Technologies & Products)

K: Kindness to Employees

(Various Employee-Friendly Measures)

I: Integrity for Stakeholders

(Sincerity Toward All Stakeholders)

Purchasing Department

<Procurement Policy>

- ① In addition to abiding by all applicable laws and regulations in the countries and regions in which we operate, the Sumitomo Rubber Group will also strive to raise compliance awareness throughout our group by providing clear rules and thorough education to all of our employees in order to equip them with the tools that they will need to avoid acts of malfeasance.
- ② In every aspect of our business activities, the Sumitomo Rubber Group will not only fully respect basic human rights, but will also strive to establish workplaces that are safe, healthy and friendly.
- ③ The Sumitomo Rubber Group believes that it is important to coexist in harmony with nature through business and other activities that are sustainable and that take biodiversity into account. As such, we will continue working together with various stakeholders to promote steady and continuous environmental conservation activities with a global perspective.
- ④ In addition to abiding by all laws and regulations pertaining to safety and health in each country and region in which we operate, the Sumitomo Rubber Group will also promote proactive activities intended to eliminate risk factors and enhance intrinsic safety with the aim of creating workplaces that are free of hazards and accidents.
- ⑤ In the course of our procurement operations, the Sumitomo Rubber Group will fully consider customer requirements (specifications, quality, delivery and cost) as well as risk management.
- ⑥ The Sumitomo Rubber Group will build mutually beneficial partnerships with our suppliers through business dealings that are sound and fair.
- ⑦ The Sumitomo Rubber Group will contribute to the accomplishment of SDGs by promoting sustainable procurement activities with an eye toward ESG (Environment, Society, Governance).

3. CSR Procurement Guidelines

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CSR Procurement Guidelines & Requirements of Suppliers

The Sumitomo Rubber Group believes that, when it comes to engaging in activities related to ESG (Environmental, Social & Corporate Governance), it is important that we work together with the suppliers who provide us with products and services (whether directly or indirectly). As such, we will share and explain the contents of our CSR Procurement Guidelines to all of our suppliers and ask that they actively implement and promote these guidelines throughout their organizations. At the same time, we also ask our suppliers to request the same of their own suppliers.

The Sumitomo Rubber Group actively supports the efforts of suppliers to bring their activities in line with these guidelines. In this process, we recommend that suppliers perform internal audits and/or receive external audits in the interests of understanding their present situation with respect to these guidelines and ensuring that their activities are appropriate.

Further, when making purchasing decisions, we give priority to those suppliers who are actively engaged in activities that are in line with these guidelines.

We also ask suppliers whose activities do not conform with the standards set forth in these guidelines to implement corrective action. We may reconsider our business relationship (including the possible suspension or cessation of business dealings) with suppliers who do not show improvement following such a request.

CSR Procurement Guidelines

1. Considerations for Product Quality, Service & Safety

- We shall design products in a manner that ensures sufficient product safety and full compliance with all applicable laws and regulations in each destination country and region.
- We shall establish and continuously improve a Quality Management System (QMS) and, having done so, shall strive to ensure a reliable supply of products and services that fulfill customer requirements (with respect to specifications, performance, quality and service) at competitive prices and by stated delivery deadlines.
 - * Suppliers of raw materials for tires shall obtain ISO 9001 certification for their QMS as a prerequisite. Further, we ask such suppliers to work toward obtaining IATF 16949 certification as well.
- We shall strive to ensure a reliable, uninterrupted supply of products and services by preparing contingency measures in order to respond in the event of disasters, disease epidemics or other conceivable risks.
- We shall establish organizational systems and mechanisms to allow for the continuous enhancement of the contents of our BCP(*1) with an eye toward ensuring employee safety and the continuation of business operations.

2. Fair Business Dealings (Compliance)

- We shall abide by all laws and regulations concerning fair competition in each country and region in which we operate and shall refrain from engaging in any activities or behaviors that would impede free and fair competition.
- When exporting products, we shall implement and practice appropriate export controls in order to ensure full compliance with all applicable laws and regulations in each country and region.
- We shall not abuse dominant bargaining positions or otherwise engage in activities or behaviors that unfairly disadvantage our suppliers or customers.
- We shall maintain appropriate relationships with politicians and the employees (and former employees) of government agencies and other public entities and shall not engage in bribery or otherwise make unlawful contributions. Further, we shall not engage in any activity that provides any inappropriate benefit to antisocial forces: those who would disrupt social order and work to the detriment of a healthy society.

- We shall not engage in insider trading: the buying or selling of stock or other securities based on important information about customers or other business partners that is not available to the public.
- We shall correctly understand and abide by all other applicable laws and regulations.
- We shall clearly specify a department (organization) that is responsible for compliance-related matters and shall engage in active awareness-raising activities in an effort to ensure widespread knowledge and understanding of compliance with applicable laws and regulations throughout our organization.
- We shall regularly investigate our overall compliance situation in the interests of preventing illegal activity or other malfeasance while also taking active measures (such as establishing hotlines for compliance consultations/whistleblowers) so as to be able to rapidly detect and respond to compliance issues whenever they may arise.

3. Management & Disclosure of Information

- We shall proactively disclose to the public accurate information concerning the details of our business activities, our financial situation, our business performance, the risks that we face and so forth.
- We shall provide accurate information about our products and services to customers/consumers.
- We shall actively gather information from stakeholders and, where necessary, reflect this information in our subsequent business activities.
- We shall handle, manage and protect information obtained in the course of our business dealings with suppliers or customers (including corporate and personal information), as well as trade secrets belonging to the Sumitomo Rubber Group (including knowhow, customer lists or other technical or business information), in a secure and appropriate manner as specified by applicable laws, regulations and internal rules.
- We shall enact sufficient security measures to protect computers and networks from threats while managing computer systems and networks in an appropriate manner in order to prevent damage to suppliers, customers or other parties.
- We shall appropriately protect and encourage the creation of intellectual property while making effective use thereof.

4. Considerations for Human Rights & Labor Rights

- We shall respect the personality, individuality, privacy and diversity of all employees.
- We shall prohibit harassment, discrimination or inhumane treatment of any individual for reasons relating to that individual's ideology, creed, religion, ethnicity, skin color, nationality, native language, social status, place of birth, sex, sexual orientation, gender identity, age or physical handicap, etc.
- We shall work to eliminate all forms of discrimination from our hiring and employment practices while striving to realize equality of opportunity and fairness in the treatment of employees.
- Through in-house lectures, etc., we shall continuously strive to raise awareness and educate employees on matters such as respect for basic labor rights and the prevention of harassment, etc. toward creating workplaces in which all employees can work in a positive environment that is free of harassment or human rights violations.
- We shall respect human rights, abide by all applicable laws and regulations in each country and region and observe the following.

① Prohibition Against Forced Labor

We shall pledge to work toward the abolishment of labor that is inhumane or represents an affront to human dignity. As such, we shall not force any worker to engage in labor against his or her own free will or exploit the labor of undocumented immigrants.

② Prohibition Against Child Labor

So that no child is robbed of the opportunity for healthy development or education as a result of being compelled to work, we shall prohibit all forms of child labor. Further, we shall not employ minors who have not yet reached the minimum age for employment as defined by law, convention or the recommendations of public health or welfare officials.

③ Respecting Freedom of Association & Collective Bargaining Rights

We shall respect the basic labor rights of workers and strive to protect and empower workers.

④ Improvement of Working Conditions

We shall ensure that our employment conditions and occupational health and safety practices (at least) fulfill the minimum standards set forth by laws and regulations in each country or region in which we operate. Further, we shall continuously strive to improve working conditions and create positive and healthy work environments.

⑤ Appropriate Wages

We shall abide by all applicable laws and regulations concerning the wages paid to workers (including with respect to minimum wage and overtime pay, as well as allowances and deductions, etc. that are required by law).

⑥ Reduction of Overwork (Excessive Working Hours)

We shall appropriately manage the working hours and days off of employees in an effort to reduce overwork (excessive working hours).

- We shall respect the principle of Free, Prior and Informed Consent (FPIC)(*2) and shall not participate or otherwise become involved in the expropriation or exploitation of land.

Particularly when acquiring plantations or industrial sites, we shall follow the UN-REDD Program Guidelines on FPIC and actively involve any indigenous peoples or local communities that are affected by such acquisition in the acquisition process. Further, we shall respect the rights of indigenous peoples and local communities to make use of surrounding forestry resources to support their livelihoods.

5. Considerations for Safety & Health

- We shall identify major issues relating to safety and health while working to create a corporate culture and workplace environments that protect the safety of all employees with the ultimate aim of eliminating accidents. Further, we shall maintain a current understanding of the situation vis-a-vis occupational accidents and illnesses and enact appropriate countermeasures as necessary.
- We shall assess workplace safety risks and, having done so, shall work to ensure workplace safety through the adoption of appropriate designs, technologies and management techniques. Further, we shall implement appropriate safety measures for all machinery and equipment.
- We shall identify and appropriately manage work tasks that involve subjecting the body to strain/stress in an effort to prevent injuries and illnesses stemming from such tasks.
- We shall enact, implement and practice appropriate health and productivity management for the physical and mental health of all employees.

6. Environmental Considerations

- We shall abide by all laws and regulations concerning forest conservation.
- We shall work to protect and preserve areas defined as HCV (High Conservation Value)(*3) and/or HCS (High Carbon Stock)(*4).
- We shall not engage in the illegal burning/clearing of wilderness or development of wetlands.
- We shall strive to maintain the balance of ecosystems and to preserve natural habitats through activities that account for biodiversity.
- We shall continually strive to reduce pollutants and prevent environmental pollution.
- We shall strive to be a company (and to create factories) that is kind to both people and to the environment through the following environmentally conscious efforts (i.e. efforts to reduce our environmental impact) with the aim of contributing to the realization of a sustainable society.

① Toward Forming a Low-Carbon Society

- We shall work to reduce overall CO₂ emissions during the life cycle of products.
- We shall work to reduce overall energy usage while promoting decarbonization through shifting to renewable energy sources, etc.

- We shall actively engage in the development of advanced products that reduce CO2 emissions during product usage.
- ② Promoting Environmentally Hazardous Substance Controls
- In both products and in manufacturing processes, we shall appropriately manage and control substances as required by applicable laws and regulations, as well as GADSL(*5) substances specified by the Sumitomo Rubber Group.
 - We shall implement measures to counter odors produced by production processes and products.
- ③ Toward Forming a Recycling-Oriented Society
- In addition to working to reduce the usage of energy and water, we shall also process waste water in an appropriate manner.
 - We shall promote the 3Rs (Reduce, Reuse, Recycle) with respect to waste while striving to make efficient use of resources.
 - * We shall also actively endeavor to reduce waste plastic, which is a major contributor to marine plastic pollution.
- ④ Promoting Global Environment Management
- Each of our factories shall actively engage in activities to raise environmental awareness.
 - We shall work to obtain ISO 14001 Global Integrated Certification and, having done so, shall strive to continuously improve our Environmental Management System (EMS).
 - * We prefer that suppliers obtain either ISO 14001 certification or some other government-recognized certification, such as Eco Action21(*6).

7. Contributing to Communities & Society

- We shall actively engage in social contribution activities that involve working closely with residents of local communities around our factories.
- Through employee-led efforts to plan and hold events that facilitate interactions between employees and members of local communities, we shall continue working to build stronger trust-based relationships and to resolve any issues with local communities by cultivating an environment that fosters greater mutual understanding.
- We shall engage in regular dialogs with community members, as well as NPOs and NGOs.

8. Sustainable Procurement

- We shall promote the sustainable procurement of raw materials, etc. toward contributing to the realization of a sustainable society. As such, we shall prioritize the purchase of products that have less of an impact on the environment, such as recycled rubber (or other recycled materials). Further, we shall also promote Green Procurement.
- In cooperation with supply chain stakeholders, industry organizations and so forth, we shall strive to ensure full traceability through the introduction of new technologies and other flexible efforts.
- We shall promote sustainable procurement activities throughout our supply chains, creating opportunities for communication, education and awareness-raising with our suppliers and customers through the holding of training, seminars and so forth.
- We shall engage in responsible procurement activities that account for the impact on local communities and society with respect to Congolese Conflict Minerals, Etc.(*7) and other raw materials that may potentially cause or contribute to the violation of human rights, environmental destruction or other social problems. Where there are concerns, we shall enact appropriate measures to avoid using any such materials.

※In the future, we may revise these guidelines in response to changes in the business environment or other factors affecting the activities of our group as they relate to these guidelines.

Explanations of Terms

(*1) BCP (Business Continuity Plan)

A Business Continuity Plan (BCP) is a plan that is drafted in order to ensure that a company will be able to sustain business operations and effect a rapid recovery in the event of an emergency or crisis by setting forth preparatory activities to undertake during normal periods as well as predetermined actions to undertake in order to ensure the continuation of business operations in an emergency.

(*2) FPIC (Free, Prior and Informed Consent)

The principle of FPIC (Free, Prior and Informed Consent) has been set forth and explained as part of the UN-REDD (Reducing Emissions from Deforestation and Forest Degradation) Program. This principle aims to protect indigenous peoples who rely on forests, as well as their cultures and livelihoods, from the harmful effects of deforestation and other changes in how surrounding lands are used. As such, FPIC is considered important more from a human rights perspective than from an environmental or conservation perspective.

(*3) HCV (High Conservation Value)

Areas of High Conservation Value (HCV) are defined as areas to which any of the following classifications apply.

HCV1: Areas with high concentrations of biodiversity. Areas inhabited by many and varied species, and especially areas inhabited by many endemic and/or endangered species.

HCV2: Areas that are home to major ecosystems that remain largely untouched by mankind. Many of these areas are also protected as natural heritage sites and nature parks.

HCV3: Areas that are home to rare ecosystems, and especially ecosystems or habitats that are indispensable to the survival of certain species.

HCV4: Areas that provide indispensable ecosystem services. The loss of these areas would have negative effects on water, land and other resources, potentially contributing to natural disasters such as landslides.

HCV5: Areas that are essential to the livelihoods (income, health, nutrition, water security, etc.) of local communities and/or indigenous peoples.

HCV6: Areas or scenery with cultural value and/or importance to the traditions/culture of local communities and/or indigenous peoples.

HCV Reference: <https://www.hcvnetwork.org/about-hcvf/what-are-high-conservation-value-forests>

(*4) HCS (High Carbon Stock)

High Carbon Stock (HCS) Areas are areas that, in addition to often (though not always) also being classified as HCV Areas, are home to woodlands that are in (or close to) their natural state (such as secondary forests with a high degree of natural vegetation) and that are therefore deemed to merit further protection due to concerns stemming from the large amounts of carbon stored in their trees. As the concept of HCS is much newer than HCV, the HCS Approach to conservation is currently adopted by certain companies on a voluntary basis. However, certain industry organizations are now considering adding this approach to their certification requirements.

HCS Reference: <http://highcarbonstock.org/the-high-carbon-stock-approach/>

(*5) GADSL (Global Automotive Declarable Substance List)

This is a global standard list of environmentally harmful substances, compiled by major manufacturers of automobiles, automotive parts and chemicals in Japan, Europe and North America.

(*6) Eco Action21

Unique to Japan, this Environmental Management System (EMS) was set forth by the Ministry of the Environment in order to guide companies and other organizations in voluntary efforts to protect the environment with the overarching aim of responding to global warming and other urgent environmental problems.

(*7) Congolese Conflict Minerals, Etc.

This term refers to certain minerals (tin, tantalum, tungsten, gold, cobalt, etc.) originating in the Democratic Republic of the Congo and surrounding countries and from whose sale armed insurgents derive funding for their activities in the region.

Reference Materials

- Forced Labor

ILO Convention No. 29 (Forced Labor Convention)

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

ILO Convention No. 105 (Abolition of Forced Labor Condition)

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

- Child Labor

ILO Convention No. 138 (Minimum Age Convention)

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

ILO Convention No. 182 (Worst Forms of Child Labor Convention)

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

※Contact Information for Inquiries Concerning These Procurement Guidelines:

Should you have any questions concerning these guidelines, please feel free to contact us via the inquiry form on our group website.

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