



Prourement **P**olicy for the **S**ustainable **N**atural **R**ubber

Yokohama Rubber Corporate Philosophy

【Basic Philosophy】

To enrich people's lives and contribute to their greater happiness and well-being by devoting our wholehearted energies and advanced technology to the creation of beneficial products.

【Management Policies】

- Take on the challenge of new technologies to produce new value.
- Develop proprietary business fields to expand the scope of business.
- Create a workplace that values, improves, and energizes people.
- Deal fairly with society and value harmony with the environment.

【Action Guidelines】

- Develop ourselves so that we may give our personal best.
- Trust, challenge and improve one another.
- Nurture a welcoming, open spirit.

【Corporate Slogan】

Excellence by Nature

【CSR Slogan】

Caring for the Future



Yokohama Rubber Basic Procurement Policy

By upholding the basic principle of fair and impartial transactions, Yokohama Rubber value suppliers and aim to pursue co-existence, co-prosperity, and mutual growth as equal partners. The basic procurement policy of Yokohama Rubber is as follows.

▪ **Optimal procurement of goods and services**

In order to offer high-quality products, Yokohama Rubber strives to procure optimal materials, services, works and constructions.

▪ **Fair and impartial business**

Yokohama Rubber does conduct business based on principles of fairness and free competition and seeks its suppliers from all around the world.

▪ **Rational selection of suppliers**

Yokohama Rubber chooses its suppliers on the basis of economic rationality taking into comprehensive account the quality and prices that they offer, stability of supply, technological development capabilities, and concern for the CSR and environment.

▪ **Partnership**

Yokohama Rubber nurtures fair and cooperative relationship with its suppliers through sound transactions. To build a sustainable society, Yokohama Rubber develops activities for CSR and environmental contribution throughout its supply chains

▪ **Compliance**

Yokohama Rubber complies with all relevant legislation and social norms in its procurement activities and preserves the confidentiality of information obtained in the course of business. It also endeavors to act with moderation so as to avoid causing misunderstandings in light of commonly accepted social standards.

▪ **Harmony with the environment**

Yokohama Rubber strives to procure raw materials that have less of an impact on the global environment. Yokohama Rubber contributes to conservation of biodiversity and sustainable use of natural resources including Natural Rubber.

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I .Introduction

Natural rubber is essential for the manufacture of tires and other products of Yokohama Rubber. For Yokohama Rubber to continue to supply products without interruption, a steady supply of natural rubber is extremely important. However, due to the growing global population and advances in mobility technology, there is increasing demand for tires and the raw material they are made from, natural rubber.

In order to secure natural rubber, natural rubber tree planting and large volumes of water for processing are necessary. Yokohama Rubber must be mindful of their potential impact on forests, biodiversity, rivers, and groundwater, and other environmental factors. At the same time, Yokohama Rubber must consider the land rights of indigenous peoples. Natural rubber is cultivated mostly by small-scale farmers, and therefore, there is also the need to consider potential human rights risks, in addition to the environmental problems described above.

These issues cannot be resolved overnight or without the cooperation of all of the parties throughout the entire natural rubber supply chain. Although they are not easily resolved, Yokohama Rubber will work to maintain the sustainability of natural rubber as a resource in collaboration with all parties involved.

This Procurement Policy for the Sustainable Natural Rubber (the “Policy”) describes Yokohama Rubber’s stance and initiatives toward the procurement of natural rubber and Yokohama Rubber’s expectations of its suppliers. In implementing the initiatives stated in the Policy, Yokohama Rubber asks for the support of the people associated with the natural rubber supply chain, other companies in the industry, industry associations, NGOs, and professionals.

Yokohama Rubber will publish its commitments and report publicly the status of its initiatives in accordance with this policy annually at a minimum.

※This Policy is aligned with the Global Platform for Sustainable Natural Rubber (GPSNR) Policy Framework, adopted at the 2nd GPSNR General Assembly on 23 September 2020. It also addresses the major components of the Sustainable Natural Rubber Initiative (SNR-i) developed by the International Rubber Study Group (IRSG).



II. Policy Principles

Yokohama Rubber a founding member of the GPSNR, is proudly working in accordance with the platform's goals to improve the socioeconomic and environmental performance of the natural rubber value chain. This policy will be incorporated into the process of its business activities and the results of the policy will be reported to the public.

The following principles will guide Yokohama Rubber in their efforts to ensure the sustainability of the natural rubber supply chain.

【Traceability】

- Yokohama Rubber supports the traceability of natural rubber to an appropriate jurisdictional level. The progress of these efforts will be disclosed.

【Compliance】

- Yokohama Rubber follows local, national, and international laws and rules regarding human rights, labor, land use, and the environment in all of its business activities.
- Yokohama Rubber prohibits any corrupt practices, the violation of laws protecting competition, and the abuse of any advantageous position.

【Human rights and labor】

●Respect for human rights

- Yokohama Rubber complies with the laws and regulations concerning human rights, the United Nations Universal Declaration of Human Rights (UDHR), human rights guidelines established by the International Labor Office (ILO), the United Nations Guiding Principles on Business and Human Rights (UNGPR), and other international norms regarding human rights.

●Fair and equitable treatment

- Yokohama Rubber supports fair and equal treatment and prohibits discrimination on the basis of race, nationality, religion, faith, language, gender, social status, or ethnic origin, etc.

●Harassment

- Yokohama Rubber prohibits any form of harassment, including, but not limited to, physical abuse.

●Child labor

- Yokohama Rubber prohibits child labor.
- Yokohama Rubber supports the promotion of the health and development of young workers and works to ensure it.

●Forced labor

- Yokohama Rubber prohibits forced labor and emphasizes that all forms of labor must be voluntary.
- Yokohama Rubber guarantees that their workers are free to terminate their employment.

●Adequate working conditions

- Yokohama Rubber establishes safe and healthy working conditions in accordance with the laws and regulations of the countries and regions in which Yokohama Rubber operates and complies with them.
- Yokohama Rubber provides wages including benefits to ensure decent living of the people.

These conditions apply to all workers regardless of the type of working contract.

【Environmental initiatives】

●Zero deforestation

- Yokohama Rubber commits to zero deforestation and no degradation of High Conservation Value (HCV) areas in the production and procurement of natural rubber.
- Yokohama Rubber will work to protect and conserve the High Conservation Value (HCV) areas defined by the HCV Resource Network (<https://www.hcvnetwork.org/>) and the High Carbon Stock areas defined by the HCS Approach Steering Group (<http://highcarbonstock.org/the-high-carbon-stock-approach/>).

●Prohibition of development of peatland areas

- Yokohama Rubber prohibits the discharge of water, cultivation, slash-and-burn farming, or development of peatland areas in any form.
- Yokohama Rubber complies with the laws and regulations of the countries and regions in which Yokohama Rubber operates.

●Consideration for biodiversity

- Yokohama Rubber supports the conservation of biodiversity, the protection of rare and endangered species, the preservation and restoration of natural forests and deforested and degraded rubber landscapes.

●Water management

- Yokohama Rubber commits to the effective use and recycling of water resources and the conservation of water quantity.
- Yokohama Rubber works to prevent any water contamination by natural or man-made chemical substances and to preserve water quality.
- Yokohama Rubber will respect the rights of local communities and comply with wastewater laws and regulations in the countries and regions in which Yokohama Rubber operates.

●Chemical substance management

- Yokohama Rubber complies with all laws and regulations, including, but not limited to, laws regarding management methods, usage restrictions, and reporting requirements concerning chemical substances in the countries and regions in which Yokohama Rubber operates.



【Land rights】

Yokohama Rubber recognizes and respects land rights, including customary, traditional, communal land tenure, and resources. In conducting activities (the “Activities”) that impacts the land rights, Yokohama Rubber will follow established procedures in accordance with the free, prior and informed consent (FPIC) principle together with local communities as detailed below:

- Yokohama Rubber will explain its Activities and all issues arising in relation to the Activities to the indigenous peoples and other rights holders (“Rights Holders”) in a language that they understand.
- Yokohama Rubber will participate in the decision-making of the Right Holders and grant them, with regards to the Activities, the rights to consent, make revisions, reserve their rights, and revoke their decisions.
- Yokohama Rubber will agree with the Rights Holders on measures to mitigate negative impact of the Activities to-date, compensate the Rights Holders for unavoidable damage, distribute profits, and on other monetary and legal arrangements as described in the negotiated outcomes of the FPIC process. Implementation is jointly monitored by the community and the GPSNR member and/or by mutually agreed third party(ies).
- Yokohama Rubber will seek to establish ongoing, effective, and culturally appropriate communication to ensure dialogue with Rights Holders.

【Support for suppliers, including small-scale farmers, and other parties involved in the supply chain】

- Yokohama Rubber supports and promotes the dissemination of farming techniques to increase production efficiency.
- Yokohama Rubber proactively promotes the development of leading-edge natural rubber processing technology, including technology that reduces and minimizes energy use and carbon emissions.
- Yokohama Rubber will provide technical assistance to improve the quality and yield of natural rubber.
- Yokohama Rubber will share the expertise accumulated through the YOKOHAMA Forever Forest Activities and agroforestry for the preservation and restoration of the forests.

【Creation of innovative technologies】

Yokohama Rubber is committed to technological innovation, including minimizing carbon dioxide emissions and mitigating their impact, maximizing energy efficiency, and maximizing the efficiency of natural resource use. Specific examples of these efforts include, but are not limited to, the following:

- Reduction of the mass of tires
- Improving tire durability and wear resistance
- Using recycled materials
- Providing tire retreading services
- Researching alternative materials to replace natural rubber

【Communication with suppliers】

Yokohama Rubber expects that its entire supply chain to follow this Policy and its principles. The selection and cooperation of Suppliers will be preferred for those who have complied with this policy and/or the GPSNR Policy Framework.

Yokohama Rubber will regularly engage with suppliers to communicate the company's expectations and ensure their compliance with and implementation of the Policy. Depending on the supplier's performance, a time-bound improvement plan may be requested along with a report on the supporting activities. If a supplier is found to not be in compliance with this Policy and subsequently fails to respond to the improvement requests of Yokohama Rubber or if there is no improvement after such a request is made, Yokohama Rubber may suspend its business transactions with the supplier. This is done in consideration of the environmental, social, and economic impact of the issue.

In the event that there are any circumstances preventing a supplier from implementing this Policy and its principles or that the implementation will negatively impact the supplier, Yokohama Rubber will work with the supplier to support their conformance.

Yokohama Rubber will conduct supply chain mapping and assess the social and environmental risks of its suppliers and work to mitigate these risks.

【Developing with the local community】

Yokohama Rubber contributes to the economic, social, and cultural development of our communities. We support decent living conditions, food security, and access to education in our communities including through the direct and indirect creation of jobs.

【Communication with Stakeholders and Grievance Mechanism】

- Based on this Policy, Yokohama Rubber will set and publish timebound and geographic-specific targets and milestones based on this policy. The relevant results will be published.
- Yokohama Rubber continues to engage in active and regular dialogue with its stakeholders, providing them with opportunities to provide feedback and suggestions regarding the progress of this Policy.
- Yokohama Rubber supports planning and policy efforts that are multi-stakeholder and supports the GPSNR principles.
- To ensure Yokohama Rubber's transparency regarding the Policy, Yokohama Rubber will entrust the evaluation of its implementation of the Policy to a neutral third party.
- Yokohama Rubber will establish a Grievance Mechanism (in accordance with the UNGP effectiveness standards) to ensure that any violations of this policy or its principles are taken seriously and resolved in good faith.



III. Expectations of Suppliers

Yokohama Rubber requires that their suppliers commit to and implement the items described in this chapter. Suppliers should disseminate the Policy to their affiliates, producers, and other parties throughout their entire supply chain and work to mitigate the risks related to this Policy.

【Traceability】

To gather information regarding the sources of natural rubber as broadly as possible in accordance with the GPSNR and provide them upon request to Yokohama Rubber.

【Human rights and labor】

● Respect for human rights

- To comply with laws and regulations concerning human rights, the United Nations Universal Declaration of Human Rights (UDHR), human rights guidelines established by the International Labor Office (ILO), the United Nations Guiding Principles on Business and Human Rights (UNGP), and other international norms regarding human rights.

● Fair and equitable treatment

- To support fair and equal treatment and prohibit discrimination on the basis of race, nationality, religion, faith, language, gender, social status, or ethnic origin, etc

● Harassment

- To comply with laws and prohibit any form of harassment including, but not limited to, physical abuse.

● Child labor

- To comply with laws and prohibit child labor or the employment of workers below the minimum age.
- To consider and support the promotion of the health and development of young workers.

● Forced labor

- To comply with laws and prohibit forced labor.

● Adequate working conditions

- To establish safe and healthy working conditions in accordance with the laws and regulations of the countries and regions in which business is conducted and comply with them.
- To provide wage levels that include benefits to ensure decent living of the people.

These conditions apply to all workers regardless of the type of working contract.

【Compliance】

- To comply with laws prohibiting corrupt practices, anti-competitive acts, and the abuse of advantageous positions.



【Environmental initiatives】

●Zero deforestation

- To commit to do not contribute to deforestation and not degrade High Conservation Values (HCVs) in the production and procurement of natural rubber.
- To protect and conserve the High Conservation Value (HCV) areas defined by the HCV Resource Network (<https://www.hcvnetwork.org/>) and the High Carbon Stock areas defined by the HCS Approach Steering Group (<http://highcarbonstock.org/the-high-carbon-stock-approach/>).
- To ensure no use of open burning/fire in new or ongoing operations for land preparation, land management, waste management, or any other reason other than in justified and documented cases of fire break establishment, waste management for sanitary reasons where public garbage collection is not available, phytosanitary, and other emergencies.

●Prohibition of development of peatland areas

- To not engage in the discharge of water, cultivation, slash-and-burn farming, or development of peatland areas in any form.
- To comply with the laws and regulations of the countries and regions where business is conducted.

●Consideration for biodiversity

- To support and work towards the conservation of biodiversity, the protection of rare and endangered species, preservation of natural forest landscapes, and restoration of deforested and degraded rubber landscapes.

●Water management

- To conserve water quantity through the effective use and recycling of water resources.
- To preserve water quality by preventing any contamination of water resources by natural or man-made chemical substances and preventing erosion.
- To comply with wastewater laws and regulations and respect the rights of local communities in the countries and regions where the business is conducted.

●Soil management

- To protect soil quality and prevent erosion, nutrient degradation, land subsidence, and pollution.

●Chemical substance management

- To comply with all laws and regulations, including, but not limited to, management methods, usage restrictions, and reporting requirements in the country or region where business is conducted.

【Land rights】

Suppliers are to recognize and respect land rights including customary, traditional, communal land ownership, and resources. In conducting any Activities that impacts land rights, suppliers are expected to follow established procedures in accordance with the free, prior and informed consent (FPIC) principle together with local communities with details as detailed below:

- To provide explanations about the Activities and all issues arising in relation to the Activities to the indigenous people and other right holders (“Right Holders”) in a language that they understand.
- To participate in the decision-making of the Right Holders and grant them, with regards to the Activities, the rights to consent, make revisions, reserve their rights, and revoke their decisions.
- To agree with the Right Holders on measures to mitigating any negative impact of the Activities to-date, compensate the Rights Holders for unavoidable damage, distribute profits, and on other monetary and legal arrangements as described in the negotiated outcomes of the FPIC process. Implementation is jointly monitored by the community and the GPSNR member and/or by mutually agreed third party(ies).
- To seek to establish ongoing, effective, and culturally appropriate communication to ensure dialogue with Rights Holders.

IV. Disclosure and revision

The status of the implementation of the Policy will be disclosed annually on the websites of Yokohama Rubber or by other means. Yokohama Rubber will use the knowledge and experience acquired through the implementation or feedback from stakeholders to modify the Policy as necessary.



- **International Rubber Study Group** (<https://www.rubberstudy.org/welcome>)

The International Rubber Study Group (IRSG) is an international body representing natural rubber and synthetic rubber producing and consuming stakeholders, with 36 member countries and 120 industry members (as of July 1, 2012). The Group undertakes surveys, statistics and studies on the world's demand-supply situation of natural rubber and synthetic rubber. The Group was established in 1944.

- **Sustainable Natural Rubber Initiative** (<http://snr-i.org/>)

The Sustainable Natural Rubber Initiative (SNR-i) is put forward by the International Rubber Study Group. Five guidelines are set out under SNR-i, comprising Support improvement of productivity, Enhance natural rubber quality, Support forest sustainability, Water management and Respect human and labor rights. The Group encourages governments, companies and other organizations that agree with the guidelines to undertake voluntary activities and continuous improvements based on the guidelines.

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

(<https://sustainablenaturalrubber.org/>)

An international platform established to define the sustainability of the natural rubber value chain. It is based on equity, equality and environmental sustainability and includes a wide range of stakeholders. Membership is diverse and open to all those involved in the natural rubber industry, including small-scale farmers, civil society organizations, processors, traders, tire manufacturers, automakers, and other downstream users. Already, fifty percent of the world's natural rubber demand moves through the value chains of GPSNR members.

- **Traceability**

Traceability is the capability to keep track of the subject goods (and their components and raw materials) during the course of their entire distribution channel from production to final consumption or disposal.

- **Harassment**

Harassment means behaviors that make someone uncomfortable, violate a person's dignity or cause disadvantages to the person regardless of the intention through the use of unwanted or unwelcome words, actions, etc. and/or behaviors that threaten the person who is the victim of the above behaviors.

- **Young worker**

Young workers are workers who have reached the minimum age for employment but who should still be regarded as being in the growth process.

- **Forced labor**

Forced labor is all work or services that are exacted from any person under the threat of penalty and to which the person has not voluntarily agreed. Penalties include confinement, the use of violence or intimidation and restrictions on workers' freedom of movement to go outside their workplace. Threats include the threat of inflicting injuries on workers' family members, of denouncing workers to the authorities for working illegally and of withholding the payment of wages for the purpose of keeping workers in the workplace while giving them hope that the wages will eventually be paid. Providing wages or other compensation to workers does not signify that workers have not been coerced to work.

• High Conservation Value Areas (<https://www.hcvnetwork.org/>)

High Conservation Value (HCV) areas are biological, ecologically, socially or culturally valuable areas that are outstandingly significant or critically important at the national, regional or global level. They are natural habitats that possess inherent conservation value, including the presence of rare or endemic species, the provision of ecosystem services, religious or spiritual sacred sites, or resources harvested to support local communities and indigenous peoples.

There are six categories of HCVs’.

- HCV 1: Concentrations of biological diversity including endemic species and rare, threatened or endangered species that are significant at regional, national or global levels.
- HCV 2: Landscape-level ecosystems and mosaics. Intact forest landscapes and large landscape-level ecosystems and ecosystem mosaics that are significant at global, regional or national levels, and that contain viable populations of the vast majority of the naturally occurring species in natural patterns of distribution and abundance.
- HCV 3: Rare, threatened or endangered ecosystems, habitats or refugia.
- HCV 4: Basic ecosystem services in critical situations, including the protection of water catchments and the control of the erosion of vulnerable soils and slopes.
- HCV 5: Sites and resources that are fundamental for satisfying the basic necessities of local communities or indigenous peoples (for livelihoods, health, nutrition, water, etc.).
- HCV 6: Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples, identified through engagement with these local communities or indigenous peoples

The cut-off date after which rubber produced in deforested or degraded areas will be considered non-compliant is as defined in the GPSNR Policy Framework (<https://sustainablenaturalrubber.org/policy-framework/>).

• High Carbon Stock areas

(<http://highcarbonstock.org/the-high-carbon-stock-approach/>)

Areas stratified according to the type of vegetation cover, including High Density Forest, Medium Density Forest, Low Density Forest and Young Regenerating Forest. Acts of deforestation in these areas that are subject to potential protection and development are considered to have a substantial impact on climate change and biodiversity.

• Peatlands

Marsh areas with mixtures of insufficiently decomposed plant material and mud. The development of peatlands raises the rate of plant decomposition in the soil and increases emissions of CO₂, a greenhouse effect gas, into the air. If decomposed plant material dries out and causes a fire as a result of development activities, this leads to CO₂ emissions. Accordingly, the development of peatlands is considered to have a major impact on climate change.

• Activities to influence rights to estates

Activities to influence indigenous peoples’ rights to all living spaces (land, territories, waters, coastal areas and the sky extending therefrom) and other resources owned, occupied and used by the indigenous peoples based on customs, traditions, land tenure systems and so forth, and/or their rights to maintain and enhance the spiritual relationship with their living spaces and other resources

• Free, Prior and Informed Consent (FPIC) Principles

(<https://www.unccllearn.org/sites/default/files/inventory/un-redd05.pdf>)

- Important principles for the protection of indigenous peoples' human rights.
- Free means that there is no coercion, menacing or fraudulent manipulation.
- Prior means that the consent of indigenous communities is sought before the implementation of any project, and that indigenous communities are allowed sufficient time for negotiation and the coordination of views.
- Informed means that information that covers the nature and size of a proposed project, the degree of progress, the recoverability of the project, the scope of the project's impact, the purpose of the project and other important information has been provided.
- Consent includes, as an important element, that good faith negotiations based on mutual respect and the full and fair participation of indigenous peoples (including the participation of women and young people) have occurred and includes the indigenous peoples' right to withhold their FPIC.

• Indigenous peoples and other right holders

Those who have originally lived on the subject lands and who have been maintaining and enhancing the spiritual relationship with the lands, territories, waters, coastal areas and other resources.

• YOKOHAMA Forever Forest Activities

(<https://www.y-yokohama.com/global/csr/mori>)

A project being implemented by the Yokohama Rubber Group (Yokohama Rubber's manufacturing-related bases in Japan and overseas, sales companies and group companies) to plant young seedlings of tree species that match potential local natural vegetation. Launched in 2007, the target of planting 500,000 trees that was set out in the project was achieved in 2017. Subsequently, the Group has been continuing the tree-planting activities and offering young seedlings to local communities with a goal of a total of 1,300,000 trees. These activities have the effect of regenerating dominant local vegetation and contributing to biological diversity conservation.

• Agroforestry(<https://www.y-yokohama.com/global/csr/rubber/agroforestry/>)

Agroforestry is a term created from the words agriculture and forestry, and refers to the grazing of livestock and cultivation of crops between planting trees.

• Reduction of the mass of tires

Reduction of the mass of tires means to decrease the raw materials used for tire manufacture. This decreases the use of natural rubber and generates a positive impact on curbing the spread of natural rubber plantations to protect natural forests.

• Improvement of the abrasion resistance of tires

Improvement of the abrasion resistance of tires means to mitigate the amount of wear caused by friction. By improving abrasion resistance, tire life is extended. This in turn decreases the amount of natural rubber used and generates a positive impact on curbing the spread of natural rubber plantations to protect natural forests.

• Provision of tire retreading services

Tire retreading services means services to restore tire functions and reuse them by replacing the portion of tires that becomes worn due to contact with the ground.

Reference Documents

The principles and practices outlined in the following documents will be applied in our natural rubber operations.

- United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)
- UN-REDD (2012) Guidelines on Free, Prior and Informed Consent
- RSPO (2015) Free, Prior and Informed Consent for RSPO Members
- FAO (2015) Free, Prior and Informed Consent Manual
- Yokohama Rubber Group Action Guidelines

