



TOYO TIRE GROUP

Sustainable Natural Rubber Procurement Policy (Vol. 1.0)

Established: July 2021

Introduction

Procuring natural rubber in a continuous and stable manner is an important business challenge for the Toyo Tire Group (hereinafter called the Group) as it uses the natural resource as a primary material of its products.

Meanwhile, the Group is well aware of environmental and social issues arising in areas that produce and supply natural rubber to the Group—such as deforestation, ecosystem damage, and infringement on rights of local people including workers.

The sustainable natural rubber procurement policy worked out by the Group is designed for it to address environmental protection and such social issues as human rights and labour problems through the entire supply chain process for natural rubber and promote the procuring of natural rubber in a responsible fashion as a means of supporting the development of a sustainable society.

In line with this policy and through the activities of the Global Platform for Sustainable Natural Rubber (GPSNR), the Group is determined to do its best to build a sustainable supply chain for natural rubber in collaboration with stakeholders.

It is our sincere hope that our clients would understand this policy and work to procure natural rubber in a responsible manner.

The Group will work out a report on the implementation of the policy and submit it to stakeholders on a periodical base.

1. Efforts to Ensure Legal Compliance

- Comply with international code of conduct, international treaties, and local and national laws, and rules on human rights, labour, land use and the environment through all business activities, and observe the spirit of compliance.
- Observe local and national rules, and internal rules on prevention of corruption.
- Pledge not to get involved directly or indirectly in any forms of corruption, bribery, and embezzlement.

2. Efforts to Attain Healthy and Functioning Ecosystems

- Procure natural rubber produced in a way that does not contribute to deforestation or degrade High Conservation Values (HCVs).
- Identify and manage areas subject to development and conservation based on the HCV evaluation and the High Carbon Stock Approach (HCSA).
- Natural rubber from areas deforested or where HCVs have been degraded after the cutoff date of April 1, 2019 is considered to be non-conforming with this policy element.
- We work with natural rubber suppliers to support the long term protection of natural forests and other ecosystems and their conservation values, and to support restoration activities of deforested and degraded rubber landscapes.
- Not use open burning/fire in new or ongoing operations for land preparation, land management and waste management other than justified or documented cases due to reasons listed below.
 - Fire break establishment
 - Waste management for sanitary reasons in cases where public garbage collection is not available
 - Phytosanitary and other emergencies
- Support activities aimed at protecting wildlife, including rare, threatened, endangered and critically endangered species, from poaching, over-hunting and habitat loss.
- Undertake activities to protect water quantity and quality, preventing water contamination from agricultural and industrial chemicals, and preventing erosion and sedimentation.
- Undertake activities to protect soil quality, preventing erosion, nutrient degradation, subsidence and contamination.
- Prevent the development of peatland and refrain from procuring natural rubber from plantations located on peatland.

3. Efforts to Respect All Kinds of Human Rights

- Observe international norms on human rights, including the UN Universal Declaration of Human Rights (UDHR), the UN Guiding Principles on Business and Human Rights (UNGPR), various treaties of the International Labour Organization (ILO), and international accords concerning land tenure rights of the UN Food and Agriculture Organization (FAO).
- A system enabling anonymous reporting of complaints related to supply chains has been established and the system will be operated in accordance with the UNGPR effectiveness criteria.

Desk that receives complaints

e-mail address : NRcomplaints@toyotires.co.jp

mail address: ESG Promotion Dept.

Toyo Tire Corporation

2-2-13 Fujinoki, Itami City, Hyogo 664-0847 ,Japan

- Recognize the customary, traditional, and communal land tenure rights of indigenous peoples and local communities (IP/LC), carry out operations in accordance with the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), and protect rights listed below.
 - Ongoing land tenure and access rights
 - 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
- Ensure that, prior to any activity that might affect rights of (IP/LC) , territories and resources, their free, prior and informed consent (FPIC) is secured. (This includes when planning, establishing, restoring, or transforming corporate plantations or industrial sites, as well as associated infrastructure.)
- The FPIC process is done in an appropriate manner while following credible and generally 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 the company's operations impinge on rights of indigenous peoples and local communities, compensate and accommodate them through appropriate and mutually agreed measures while reflecting the negotiated outcomes of the FPIC process.
- Adopt measures to provide remedy through mutually agreed procedures in cases where the company previously took possession of, caused harm to the lands, territories or resources of indigenous people and local communities, or contribute to either of them or both without securing FPIC. Implementation is jointly monitored by the community and the GPSNR member and/or by a mutually agreed third party or parties.

For the FPIC approach, suppliers are required to observe one of the following approaches.

- 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
- Establish ongoing, effective, culturally appropriate channels of dialogue with (IP/LC)
- Uphold applicable labour rights and labour laws in the jurisdictions where the company is operating, the UNGP, and the intent of the ILO's eight core conventions.

This includes:

- Freedom of association and collective bargaining in accordance with national and international laws and ILO Conventions No.87 and No.98
- No forced labour
- No child labour
- Decent living wages
- No discrimination
- Legal working hours
- Safe and healthy workplaces
- No abusive practices
- Gender equity

Safeguards apply to all workers, including contract, temporary and migrant workers.

4. Efforts to Support Community Livelihoods

- Support decent living conditions of local communities (e.g., drinking water, adequate housing sanitation).
- Support the right to food and food security of individuals, households and local communities.
- Support the economic, social and cultural rights of local people, including through access to education and employment.

5. Efforts to Increase Production Efficiency

- Support training for natural rubber producers, including smallholders, to improve yield and quality.
- Manage operations to minimize the amount of energy usage.
- Manage operations to maximize natural resource efficiency.
- Minimizing and mitigating carbon emissions.

6. Efforts to Effectively Implement Sustainable Natural Rubber procurement.

- Disclose timebound and geographic-specific targets and milestones and set their associated indicators for implementation.
- Embed these indicators and milestones into Toyo Tire Group companies through an internal sustainability working group.
- Maintaining an active, regular stakeholder dialogue to provide relevant information, and to afford opportunities for feedback and suggestions related to fulfillment of the company's commitments.
- Participate in and support multi-stakeholder planning to uphold the GPSNR principles in different districts and jurisdictional areas.

7. Efforts on Supply Chains and Traceability

- Conduct supply chain mapping, assess suppliers for social and environmental risks and engage in risk mitigation activities.
- Support traceability of natural rubber till an appropriate jurisdictional level to confirm or control the conformity of procured natural rubber with the GPSNR Policy Components.
- Notify all natural rubber suppliers that material produced in accordance with the GPSNR Policy Components will be preferred, set a deadline so as to meet the policy requirements and ensure that supplier codes and contracts reflect the requirements.
- Get involved in supply chains on a periodical base to support their conformity with company commitments through effective incentives, support mechanisms and procurement monitoring systems.
- In the case of non-conformity by suppliers with the GPSNR Policy Components, grasp the situation promptly and extend cooperation for the compilation of timebound implementation plans aimed at remedying past or ongoing harms.

8. Management and Disclosure of Progress toward Sustainable Natural Rubber Procurement

- Monitor the progress toward company commitments on a periodical base to ascertain the performance.
- Collect information from local stakeholders and affected parties regarding non-conformity with commitments through the use of monitoring systems.
- Disclose yearly the management of progress and outcomes toward implementation of policy-related commitments at least annually.

Terminology

- GPSNR (Global Platform for Sustainable Natural Rubber)

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

GPSNR is a cross-industry platform aimed at promoting global natural rubber production and use in a way to take environmental and social issues into more consideration.

- High Conservations Value (HCV)

HCV represents value of natural habitats, with HCV areas defined as where these values are considered to be biologically, ecologically, socially and culturally important, and to be extremely influential nationally, regionally and globally, and/or to be of outstanding significance.

Definition of HCV

Category	Definition
HCV1	Species Diversity. Concentrations of biological diversity including endemic species, and rare, threatened or endangered species, that are significant at global, regional or national levels.
HCV2	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 great majority of the naturally occurring species in natural patterns of distribution and abundance.
HCV3	Ecosystems and habitats. Rare, threatened, or endangered ecosystems, habitats or refugia
HCV4	Critical ecosystem services. Basic ecosystem services in critical situations, including protection of water catchments and control of erosion of vulnerable soils and slopes.
HCV5	Community needs. Sites and resources fundamental for satisfying the basic necessities of local communities or Indigenous Peoples (for example for livelihoods, health, nutrition, water), identified through engagement with these communities or Indigenous Peoples
HCV6	Cultural values. 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.

*Source: version 5-2 of FSC principles and criteria for forest management certification

(FSC-STD-01-001 v5-2)

- High Carbon Stock (HCS)

Areas that hold large stores of carbon, such as biodiversity-rich forests

- Free Prior and Informed Consent (FPIC)

FPIC is a principle that must be respected from the viewpoint of human rights to prevent deforestation and changes of land use from hurting livelihoods, culture and livelihood means of indigenous peoples who depend on forests for their livelihoods.