

CSR Guideline for suppliers

April 2020

The Yokohama Rubber Co., Ltd.

Global Procurement Division



1. Forward

Corporate philosophy and approach to CSR

Yokohama Rubber established its corporate philosophy in 1992. It consists of Basic Philosophy, Management Policy, Action Guidelines and Corporate Slogan. The Basic Philosophy embodies the types of business where Yokohama Rubber commits itself in all activities. The Management Policies outline basic administrative principles for upper-level management to commit themselves to. The Action Guidelines are the code of conduct for each employee to comply with.

On October 13, 2017, Yokohama Rubber celebrated its 100th anniversary. With an eye toward our next 100 years, on February 19, 2018 we announced our new medium-term management plan called Grand Design 2020 (GD2020). We are now working collectively as a group of companies to implement GD2020 under the CSR Slogan “Caring for the Future.”

Procurement activity and CSR

In procurement activities, we also published our Basic Procurement Policy in 2009 based on our CSR management vision. Furthermore, to promote CSR activities in the value chain, we established CSR guidelines for suppliers; we also held explanatory sessions for our business partners and our employees to share our CSR policies and philosophy.

In 2012, we joined the United Nations Global Compact and took initiatives in human rights matters, labor problems, and environmental issues across the entire value chain.

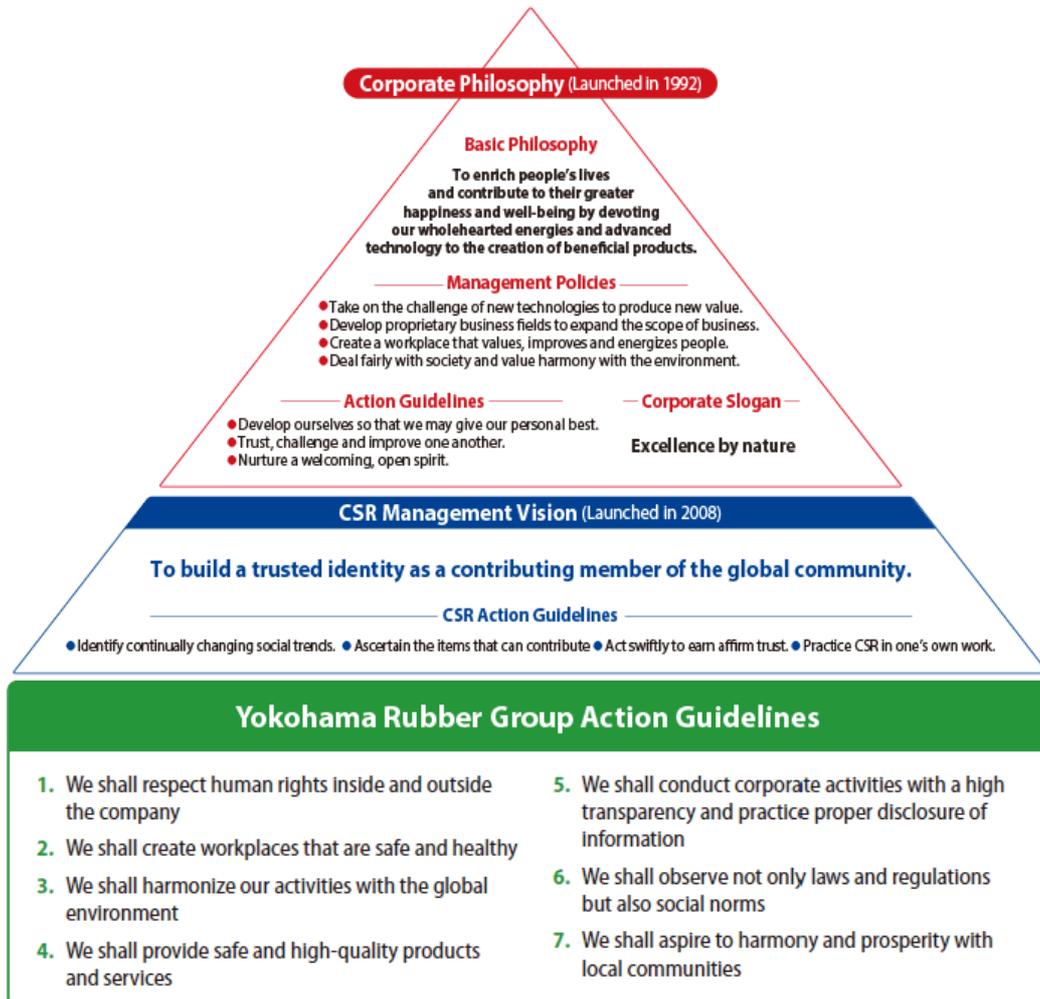
In 2018, we announced that we formulated a Procurement Policy for Sustainable Natural Rubber. We also took part in the "Sustainable Natural Rubber Platform" initiative, which was launched by the "Tire Industry Project" under the "World Business Council for Sustainable Development" and "Sustainable Natural Rubber Initiative" developed by the "International Rubber Study Group". Our goal is to realize Sustainable Natural Rubber along with the entirety of its supply chain.

We have revised this "CSR Guideline for Suppliers" previously. Now, we decided to partially revise it again to reflect the change in social conditions and the expansion of our activities.

In accordance with the purpose of this guideline, we ask you to observe the laws and the spirit of laws and practice these activities within your own company as well as to cascade the activities through to your suppliers.

Kazuhito Yanadori
Officer
Head of Global Procurement Division
The Yokohama Rubber Company Ltd.

2 Corporate Philosophy and Yokohama Rubber Group's Approach to CSR



Yokohama Rubber Group is committed to the Ten principles of the UN Global Compact and carries out the Plan-Do-Check-Act (PDCA) cycle following the framework of ISO 26000.



3. Yokohama Rubber's Basic Procurement Policy

In making our CSR management vision a reality, we conduct our procurement activities in accordance with the policies below.

- **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 business based on principles of fairness and free competition, and seeks its suppliers from all around the world.

- **Rational selection of our partners**

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.

- **Partnerships**

Yokohama Rubber nurture 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.

4. Our expectations of our business partners

Yokohama Rubber group expects our business partners to fully abide by the following requirements within their companies.

We also encourage all of our suppliers to further develop and enlighten their CSR policies and guidelines for their supply chains. We will follow up and support corrective action if our assistance is needed.

I Respect for human rights and non-discrimination

- Human rights shall be fully respected and any form of harassment or discrimination is not acceptable.

II Safe and healthy workplace

- Child labor and forced labor shall not be tolerated.
- Adequate working conditions shall be established and observed.
- A safe and healthy working environment where we strive to prevent accidents or disasters shall be provided.

III Harmonize with the global environment

- Environmental protection and conservation of biological diversity shall be promoted.

IV Safe, high-quality products and services

- A system ensuring the safety and quality of products and services shall be established and operated.
- Strive to achieve a stable supply of products and services using risk management.

V High transparency in corporate activities and proper disclosure of information

- Company information shall be disclosed fairly and openly.
- Accurate information about products and services shall be provided.
- Confidential and/or personal information shall be managed and protected properly.

VI Compliance with the law and social norms

- Companies shall comply with all related laws and regulations and follow proper business practices.
- Bribery, corruption, giving or accepting improper benefits, extortion, and embezzlement shall be prohibited and prevented.
- Anti-social forces shall be eliminated and involvement with conflict minerals that raise funds for anti-social forces shall be severed.
- Intellectual properties shall be managed and protected, and infringement upon any intellectual property rights of others shall be prevented.

VII Harmony and prosperity with local communities

- Coexistence with the local society shall be emphasized and contribution to the surrounding communities' development shall be promoted.
- Employees' social contribution activities shall be supported.

5. Explanation for the important CSR items

This section summarizes the "Our expectations for our business partners" items in detail. We hope it will help you improve and enhance your own CSR management.

5.1 Respect for human rights and non-discrimination

1) Elimination of discrimination

Do not discriminate in any aspect of employment (recruitment, dismissal, assignment of duties, etc.) on the basis of race, ethnicity, nationality, religion, gender and so on. When encountering such a situation, resolutely request behavior correction.

Discrimination means treating someone differently based on factors other than rational factors such as ability, aptitude, or effort. In addition to the forms of discrimination described previously, other factors may include but are not limited to: skin color, age, sexual orientation, disability, political affiliation, union membership, marital status, social origin, pregnancy, health status, etc.

In addition to the previously-described situations, aspects of employment may include opportunities and special treatment through salary increases, bonuses and promotions, disciplinary measures, and any other relationships between employee and employer.

2) Prohibition of harassment

Do not tolerate any form of harassment in the workplace based on any personal characteristics such as race, ethnicity, national origin, religion, gender, etc.

The broad definition of harassment is abuse or bullying behaviors that humiliate or embarrass a person in various situations. In addition to sexual harassment, harassment may involve the following:

- Power harassment: harassing behavior using the background of one's authority or superior position in the workplace;
- Maternity harassment (Pregnancy discrimination): discrimination on the basis of pregnancy, childbirth or related medical conditions;
- Moral harassment (psychological harassment): forcing one's values or morality onto others against their will.

Inhumane treatments such as abuse or corporal punishment, physical or mental coercion, and intimidation are also included in the definition of harassment.

3) Prohibition of land grabbing

In case of land acquisition for business, respect the customary land tenure rights belonging to local communities or populations, and do not directly or indirectly participate in illegitimate appropriation of land.

The acquisition of land for developing or expanding operations must respect legitimate land tenure rights, use rights and customary rights, as well as the rights of indigenous peoples and local communities that are negatively affected. The Methodology and Guidelines on "Free, Prior and Informed Consent" developed by the UN-REDD Program shall be applied.

5.2 Safe and healthy workplace

1) Prohibition of child labor

Do not use workers who are not at least the applicable minimum legal age required by the laws and regulations in each country and region.

Child labor generally refers to the employment of people who do not meet the minimum working age stipulated in the treaty or International Labor Organization recommendation, or by each country's laws and regulations.

It is also prohibited to employ people who have not completed compulsory education and to violate the laws for protecting young workers. Late-night shifts or dangerous operations by young workers may be restricted by law and regulations as they may impair their health, safety, and morality.

For this issue, not only the subject company is responsible; the entire value chain including upstream and downstream is increasingly responsible as well.

2) Prohibition of forced labor

Do not use forced labor. Guarantee that all workers are there voluntarily and that employees are free to leave work at any time or terminate their employment.

Forced labor is any work or service which people are forced to do against their own intention and includes following examples.

Compulsory labor is labor against the laborer's free-will. Debt labor is labor where freedom of job separation is restricted due to debt repayment. Slave labor is labor used as a result of human trafficking. Prison labor is inhumane labor such as causing prisoners to work in harsh environments.

Workers must not be required to deposit any government-issued identification, passports, or work permits as a condition of employment. For foreign workers, it is also important to check that they have work permits.

3) Wages, working hours

Comply with each country's and region's applicable laws and regulations regarding minimum wage, overtime allowance, wage deductions, performance-based pay, and other elements of compensation.

Comply with local legislation governing employee working time, including legal working hours, overtime hours, legal holidays, annual paid vacation, etc.

By law and regulation, working hours include the number of working days per year and number of working hours per week (excluding emergency or unusual situations) including overtime, etc. The legal limits must not be exceeded. This also applies to non-regular employees.

Wage regulations include not only minimum wage but also other allowances, including payment for overtime and statutory benefits.

4) Safe and healthy working environment

Place the highest priority on safety and health programs and make every effort to prevent occupational accidents.

Efforts to secure safety include monitoring dangerous places using sensors, following safe work procedures (including lockout/tag out*), encouraging the wearing of personal protective tools such as safety glasses, safety hats, protective gloves, etc. and providing ongoing safety training.

* "Lockout" and "tag out" are safety procedures used during maintenance or repairing of machinery. Lockout is a locking system for operation power supply that prevents unexpected actuation of a machine. Tag out is a warning measure by hanging an operation prohibition tag on the stopped machine.

Safety measures include equipping machinery with safety mechanisms such as fail-safe, fool-proof, interlocks, etc. Physical guards or barriers are to be provided and machinery should be inspected and maintained periodically.

It is highly recommended to acquire certification by recognized management systems for occupational safety and health, such as OHSAS 18001.* Using such a system requires establishing and operating a company-wide system to manage organizational structure, planned activities, accountable management, and documented procedures.

* OHSAS: Occupational Health & Safety Management System

Ensure comfortable and sanitary living facilities such as toilet facilities, company cafeterias, worker dormitories, etc.

5.3 Protection of environment and conservation of biodiversity

1) Environmental management system

Establish a company-wide management system to comply with applicable laws and regulations in each country or region and improve it continuously.

A typical Environmental Management System is ISO 14001, which requires developing a policy and improving, reviewing, and maintaining it. In other words, implement the PDCA cycle for continuous improvement in environmental preservation.

2) Control of chemical substances

In accordance with applicable laws and regulations, control environmental load substances and expel prohibited materials from production lines.

“Environmental load substances” are particular substances which are considered to have a remarkable environmental impact on the human body or the global environment. They are stipulated in the European regulations as ELV directives, RoHs directives or SVHC (Substances of Very High Concern) in REACH.

- ELV (The End of Life Vehicles) Directive is a directive by the European Union to reduce the hazardous substances resulting from the end of life of automotive products.
- RoHS (The Restriction of Hazardous Substances) Directive is a directive that restricts use of certain hazardous substances in electrical and electronic equipment.
- REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) is a European Union regulation addressing the production and use of chemical substances and their potential impact on both human health and the environment.

Products must not contain chemical substances prohibited by the laws and regulations in each country or region, and it is necessary to comply with labeling obligations, test evaluations, and reporting.

3) Reducing greenhouse gas emissions

Strive to manage and reduce greenhouse gas emissions from all phases of business activities and use energy efficiently.

It is required to minimize the use of heat and electrical energy so that the consumption of fuel resources such as petroleum, natural gas, coal, and coke can be reduced and consequently CO₂ emissions decrease.

It is also important to tackle emission reductions such as carbon dioxide, methane, nitrous oxide, HFC (hydrofluorocarbon), PFC (perfluorocarbon), SF₆ (sulfur hexafluoride), etc., which are restricted by environmental regulations.

4) Resource saving and waste reduction

Promote industrial waste reduction through effective use of resources at all stages of business activities so that the final waste amounts can be reduced.

Final waste is defined as waste that needs to be landfilled or incinerated. Continuous reduction activities include setting voluntary reduction targets for final waste, formulating a plan, and executing it reliably. Waste includes wastewater, effluent material, and sludge.

Of course, preventing pollution is the most crucial effort, but it is also important to reduce effluent or final waste by monitoring and controlling wastewater, sludge, exhaust, etc., and by improving disposal methods and recycling ways.

5) Conservation of biodiversity

Strive to preserve the balance of ecosystems and conserve the habitat at all stages of business activities.

An ecosystem is a functional group formed by creatures that thrive in certain areas, and the physical and chemical environments that surround them. There are various organisms that interact in complexity. Maintaining such biodiversity is also an important issue.

It is also required to conserve forests or peatlands and protect them from development. These are requested of company as well as of your suppliers. Your suppliers must be monitored for involvement in natural and environmental destruction.

Continuous monitoring and reduction of pollutants is required for air, water, soil, etc.

5.4 Safe and high-quality products and services

1) Ensure safety of products and services

Produce and provide products and services that meet safety laws and regulations in each country and region.

Manufacturers must design products to ensure and be responsible for product safety. It is important to ensure compliance with laws, regulations, and standards related to product safety and guarantee that essential safety is normally provided.

2) Guarantee quality of products and services

Establish and operate company-wide quality assurance systems.

Use a system of quality assurance activities or quality management such as ISO 9000 family or ISO/IATF 16949. A quality management system is an overall management system for promoting quality assurance activities; it includes an organizational structure, systematic activities, clarification of responsibility, practices, procedures, processes, and management resources.

Quality assurance activities are defined as developing quality policies, and in accordance with those policies, implementing, reviewing, and maintaining measures. Create continuous improvement by implementing the PDCA cycle for quality assurance.

3) Risk assessment and risk management

Analyze potential risks to prevent emergency situations and strive to provide a stable supply of products and services.

In order to achieve a stable supply, it is important to analyze risks related to the company's business activities and to build and operate a company-wide management system.

Preparation of a Business Continuity Plan (BCP) as a company-wide activity during normal times will enable continuation of the business and early recovery in an emergency.

A BCP is a plan for how to keep essential functions up and running during a disaster and how to recover with as little downtime as possible. A BCP considers various unpredictable events, such as natural disasters, fires, power outages, cyberattacks, and other external threats. Furthermore, Business Continuity Management, which is a strategic business management process that includes the formulation, operation, review, and improvement of the BCP, is required.

5.5 Transparent corporate management and information disclosure

1) Disclosure of information to stakeholders

Disclose financial information, operating performance, and business activities to stakeholders in a timely and appropriate manner.

Strive to maintain and develop mutual understanding and trusting relationships with stakeholders through open and fair communication.

In addition to the above, information to be disclosed includes risk information (e.g., damage caused by a large-scale disaster, occurrence of adverse effects on the environment and society, and revelation of serious violations of laws and regulations).

It is necessary to widely gather opinions and requests from stakeholders and reflect them in corporate activities and make continual efforts to improve the company.

2) Provide accurate product and service information

Provide accurate information about the products and services to consumers and customers.

Examples of accurate information include the following:

- Published specifications, performance, and handling methods in catalogs or brochures
- Inspection and quality data related to the products and services
- Information about product composition or materials
- In catalogs or advertisements related to the products and services, avoid expressions that are different from the facts or that mislead consumers or customers.

Do not include content such as libel, slander, harmful rumors, or infringement on companies' or individuals' rights.

3) Management and protection of confidential information

Confidential information, including personal data of suppliers, third parties and employees, must be obtained legitimately and in a manner that ensures its safety and appropriate and protected use.

Personal information means an individual's information that allows identification of a specific individual by name, date of birth, or other description. (This includes information that can easily be collated with other information to enable the identification of specific individuals.)

Confidential information generally refers information disclosed from documents (including electromagnetic- or optically-recorded data information) or orally disclosed, after agreement of confidentiality.

It is required not unreasonably or improperly obtaining, utilizing, disclosing, or leaking such information.

4) Export controls

Undertake appropriate procedures and management concerning export of technologies or goods as restricted by the laws and regulations of each country and region.

Technologies and goods regulated by laws and regulations include parts, products, technologies, facilities, software, etc. which are subject to export regulations based on international agreements.

5.6 Compliance with regulations and social norms

1) Compliance with Competition Laws

Comply with competition laws (antimonopoly laws or antitrust laws) of each country and the laws and regulations regarding abuse of superior positions (regulations to protect subcontractors from unfair contractor transactions).

Competition law prohibits acts that impede fair competition, such as cartels, bid rigging, and other anti-competitive practices.

A cartel is a group of independent producers whose goal is to increase their collective profits by means of price fixing, limiting supply, and/or dividing sales areas.

Bid rigging is such practices that bidders make prior arrangements with the other bidders about the successful bidder or the successful bid price.

Abuse of a superior bargaining position means to decide or change transaction conditions unilaterally, or to impose unreasonable demands or obligations by using the purchaser's position.

Procurement transactions should be done faithfully and fairly on the basis of contracts and must not abuse the superior position.

2) Anti-corruption measures

Both domestically and overseas, do not engage in bribery; do strive to build transparent and fair relationships with political and administrative bodies.

Do not engage in giving or receiving inappropriate profits or benefits with customers, suppliers, or other business partners.

Bribery is offering money, entertainment, gifts, or any other advantage or benefit in return for expecting some sort of business favor from public officers or comparable persons. The favors in return include acquisition of permission/approval for the business, winning new business, continuing transactions, or obtaining non-disclosure information. Even without seeking a return favor, gifts, services, or hospitalities to public officers beyond socially accepted norms should also be avoided.

Inappropriate offering and receiving of profits or benefits include the following:

- Bribery acts including providing or receiving gifts, prizes, entertainment, or money to or from business partners beyond the levels stipulated by law or social norms.
- Acts of providing inappropriate profits to anti-social forces (such as crime syndicates or terrorist organizations) that disrupt the social order or adversely affect sound economic activities.
- Insider trading: buying or selling corporate stock on the basis of non-public business information.

3) Eliminating anti-social forces

Avoid involvement with anti-social forces or groups.

Do not take part in acts that side with armed groups in international conflict areas.

Anti-social forces are groups or individuals that pursue economic profits through the use of violence, threats, and fraud, and include the following:

- Organized crime syndicates and their members or quasi members
- Crime syndicate affiliated companies (Companies in which crime syndicate members are substantially involved in the management. Companies that actively cooperate in maintaining or managing the crime syndicate.)
- Corporate racketeers (Groups or individuals who extort money from a company by threatening to cause trouble at the stockholders' general meetings.)

- Groups or individuals engaging in criminal activities under the pretext of conducting social campaigns or political activities
- Crime groups that specialize in intellectual crimes (Groups that, in collaboration with crime syndicates, exploit law expertise, and acquire money from stock markets or companies through stock price manipulation or insider trading.)

With anti-social forces, it is necessary to resolutely refuse unreasonable demands in order to completely sever any relationship with them. Moreover, when such an individual or a group is suspected to be an anti-social force, even if not identified completely, any relationship with them should be cut off.

Do not engage in any relationship with groups or organizations that are clearly involved in international conflicts.

In the Democratic Republic of the Congo and its neighbors, rebel forces have caused serious human rights abuses and environmental disruptions and are increasing worldwide anxiety. Some of the minerals (tin, tantalum, tungsten, gold) mined in the region are said to be funding sources for these armed groups. (These minerals are called "conflict minerals".) It is required to procure these minerals from smelters that have been identified as non-participating in the conflict or from the other smelters that have been certified as non-participating in the conflict by available reliable international frameworks.

4) Protection of intellectual property

It is important not only to protect the company's intellectual property rights, but also to prevent unethical acquisition, use, and infringement of third-party intellectual property rights.

Intellectual property rights include patent rights, utility model rights, design rights, trademark rights, and copyrights. The infringement of those rights means using, copying, quotation or citation, and diversion of the works (including technology or design) without the proprietor's permission. It includes illegitimate duplication of computer software or other copyrighted works, and illegal acquisition and use of third-party business secrets.

5.7 Mutual harmony and benefit with local communities

1) Contribute to local communities

Strive to support the community's prosperity and to build a trustful relationship with the local residents.

Do contribute to local society through business activities; furthermore, participate in volunteer activities or community-based social programs.

Aside from business activities, it is important to participate actively in a wide range of local activities, such as local events or disaster prevention activities utilizing company-owned human resources, funds, and experiences.

Having many opportunities to interact with local residents and various organizations is also a useful tactic in winning their trust. These activities include the following:

- Hosting, co-hosting, sponsoring or cooperating with art exhibitions, concerts, local festivals, sports games, etc.;
- Provision of places and facilities for local organizations;
- Tree-planting;
- Traffic safety activities;
- Factory tours;
- Disclosure and provision of Company information;
- Cleaning activities in and around the town.

2) Support for social contribution activities of employees

Establish and support a system that allows employees to actively participate in social contribution activities.

To support and encourage employees to participate in volunteer activities, develop a system that allows employees to take paid leave. This is called volunteer leave (or CSR leave). Leaves exist for similar purposes, such as bone marrow donation or for sitting as a citizen judge.

Another support system includes the employee donation and matching gifts system. In the latter system, the company adds an extra donation to the employee's donation.



Our procurement policy is "to build trusted relationships with business partners based on fair and impartial business, and to try to thrive and prosper together with them." We select suppliers based on economic rationality in total consideration of various factors, such as quality, price, supply stability, technological development capability, and concern for the environment, human rights, occupational safety and health. In the area of our production site, we hope to expand our business with business partners who favor our policies and cooperate with us. We believe that mutual harmony and the benefit of society is the most fundamental concept of CSR.

Please refer to this guideline and encourage and promote your CSR together with the Yokohama Rubber Group.

6. Supplier commitment

Yokohama Rubber Group requests that all suppliers who receive the Guideline for CSR Procurement submit the “Supplier Commitment” form signed by a legal representative.

By signing this form, the supplier acknowledges having read and accepted all the aforementioned terms and conditions with regard to all services or parts ordered by or delivered to Yokohama Rubber Group.

The supplier recognizes that Yokohama Rubber Group encourages the dissemination of the principles included in the present guidelines throughout their own supply chain.

Consent form

Company name :
Address :
Signatory’s name:
Signatory’s function:
Date:
Signature:

Please return the signed form and scanned copy to Yokohama Rubber Group Purchasing contact specified in the attachment.



CSR slogan

The Yokohama Rubber Co., Ltd.
Global Procurement Division

Country or region	Branch or Subsidiary office	Address and email address
Japan	YRC Head office, Procurement Dept.	
China		
In any Far East Asian region except Japan or China		
South East Asian region		
India		
Russia		
EU & surrounding countries		