



「TOYO TIRE Group CSR Procurement Guidelines」 (Vol.3)

Enforcement: January 2019

## **Introduction**

TOYO TIRE Group (Group) are aware that solving the various and increasingly diverse social issues through our business activities is a corporate responsibility of the Group as well as our significance in society.

Creating a sustainable supply chain is indispensable for continuing to ensure a stable supply of natural rubber and other raw materials with the quality and volume essential for the growth of our business.

On a global business, sustainable procurement activities are expanding. Our Group promotes responsible procurement supporting sustainable development by addressing social issues, e.g. human rights, labor, and environmental issues, across our global supply chain.

In order to solve social issues, we share the Group's thoughts on sustainable purchasing with our business partners and, with the cooperation of our business partners, make solving global social problems throughout the supply chain a priority.

To respond to current global social issues, we have reviewed our existing guidelines and summarized the Group's view on sustainable procurement as "TOYO TIRE Group CSR Procurement Guidelines" (Vol.3).

By sharing and collaborating on Corporate Social Responsibility (CSR) to aim for sustainable procurement with our suppliers, the Group aims to strengthen partnerships and realize further growth and evolution of our mutual businesses. We ask for your continued understanding and cooperation in implementing these guidelines as well as your appreciation of the mission to which they are dedicated.

TOYO TIRE Group



## **Philosophy**

Company Philosophy:

We will endeavor to continuously improve our products, and create value for everyone who we work with.

Our Mission:

To create excitement and surprise with our products that exceed customer expectations and enriches society.

Our Vision:

Our goal is to be a company that:

- Stays one step ahead of the future through constant technological innovation;
- Drives entrepreneurial and creative spirit through a progressive culture; and
- Shares in the enjoyment felt by everyone involved in our activities.

Our Fundamental Values: "The TOYO WAY":

### Fairness

Be fair and selfless in one's actions to benefit society.

### Pride

Take pride in one's self, work and company, and to persevere.

### Initiative

Show initiative in all matters, and take ownership of one's actions.

### Appreciation

Demonstrate sincere compassion and appreciation for people and society.

### Solidarity

Continuously advance creativity and innovation by working together to mobilize our corporate knowledge and capabilities.

## CSR Policy

### Basic Policy:

TOYO TIRE Group seeks to remain a company admired by individuals and society, each member keenly aware of their "connection" with society.

### Priority Themes:

#### Ideal status in 2020

1) Product and service reliability and innovation

Providing eco-friendly products and services founded on high quality and safety

2) Contribution to the global environment

Promoting environmental management on a Group-wide basis

3) Respect for human rights and diversity

Diverse employees actively working in an environment with a global sense of human rights

4) Collaboration with business partners

Entire supply chain engaging in CSR activities

5) Harmony with local communities

Contributing to local community development while responding to stakeholders' voices

6) Creation of safe and healthy workplaces

With priority given to safety, promoting the creation of workplaces that ensure well-being and security

7) Reinforcement of corporate governance and compliance

Engaging in business activities with integrity while constantly improving management transparency

## **Sustainable Procurement Policy for Natural rubber**

Since natural rubber is the main ingredient in tire production, the Group recognizes that a stable supply of natural rubber, in the quality and volume necessary, is essential to and a priority of our business.

According to forecasts, demand for products with natural rubber is expected to increase. This Sustainable Procurement Policy for Natural Rubber is one of the long term strategies of the Group.

To secure a sustainable natural rubber supply chain, we need to encourage communication with our business partners (Contract farm, Wholesaler, Processor, etc.). Such, natural rubber supply chain will be traceable pursuant to an audit procedure established by a third party.

Our understanding of maintaining a “sustainable natural rubber supply chain” implies that the Group:

- i) is continuously working toward improving product quality and productivity through collaborative efforts for producers and processors, (i.e. training and education, technological support, etc.)
- ii) ensures transparent and fair business practices which are compliant with (applicable laws and regulations), and
- iii) takes responsible actions toward the preservation of environment, (i.e. maintaining sustainable forests, thorough water management, etc.), and respect for human rights, (non-discrimination, land rights protection, improvement of labor conditions including health and safety, etc.)

We believe that partnerships with diverse stakeholders (not only our business partners, but also industry groups, NGOs, experts, etc.) are indispensable in the construction of a sustainable natural rubber supply chain.

Therefore, we will join to Global Platform for Sustainable Natural Rubber (GPSNR), the global initiative for this purpose, and strive to strengthen our partnership with these related organizations.

We will review this policy as necessary in response to changes in the business environment, and will periodically report to our stakeholders on our efforts.

We respect this policy and will strive to establish an open, transparent and independent

process to ensure that we are able to implement sustainable procurement throughout natural rubber value chain.

## **Basic Purchasing Policy**

Basic concept of purchasing activities:

To secure, in accordance with the Toyo Tire Group Charter of Corporate Behavior and CSR Policy, a stable supply of goods at the right quality and price, while maintaining open and fair relations with all suppliers in all parts of the world.

Based on the basic concept of purchasing activities, we will promote sustainable purchasing activities that adhere to the following principles.

### Compliance

Comply with applicable laws, regulations, and social norms.

### Partnership

Build and maintain an honest, healthy, and cooperative relationship with suppliers.

Aim for mutual growth and development through enhanced communication and stronger bonds of mutual trust.

### Transparent and fair trade

When selecting suppliers, assess them from a comprehensive standpoint that takes into account their willingness to share and collaborate on CSR initiatives as well as on quality, price, delivery, and sustainable supply capacity.

### Environmental responsibility

Promote purchasing activities that also aim to reduce impact to the global environment.

## Initiatives in CSR Procurement

The Group shares this guidelines with our business partners and will collaborate with them as described.

We will periodically share information with our business partners. We also will make suggestions and offer support for any necessary improvements.

## Compliance

- 1) Adherence to applicable laws and regulations
  - a) Adhere to International Code of Conduct, International Convention, the all applicable national and local laws in all areas of operations.
  - b) Comply with all internal rules and act with a high awareness of ethical issues.
  - c) Strive to promote compliance practice within the organization by creating and implementing action guidelines, organizational functions, education and training programs, a reporting system, and enforcement mechanisms.
- 2) Protection of intellectual property
  - a) Comply with all applicable national, state and local laws and regulations and internal rules related to intellectual property, and strive to protect the intellectual property of the Group. Respect and do not infringe on the intellectual property of other companies and individuals.
- 3) Free competition and fair trade
  - a) Comply with all applicable national, state and local laws and regulations and internal rules related to free competition and fair trade, and refrain from engaging in collusive behavior, price discrimination, private monopolies, unreasonable restraints on trade and unfair practices.
- 4) International trade controls
  - a) Conduct appropriate export/import operations while complying with all applicable national, state and local laws and regulations and internal rules related to export/import control laws.
- 5) Anti-corruption
  - a) Comply with all applicable national, state and local laws and regulations and internal rules related to the prevention of corrupt practices.
  - b) Do not directly or indirectly, be involved in any form of corruption, bribery, extortion, embezzlement, etc.
  - c) Maintain business practices with suppliers, that do not violate any applicable national, state or local laws and regulations, and do not give or receive gifts or entertainment in ways that exceed acceptable business norms. Do not give or receive financial or other



gifts for the purpose of personal benefits gain.

d) Do not provide entertainment, gifts or offer special treatment to politicians and government officials on behalf of the company.

## 6) Information management

a) Comply with all applicable national, state and local laws and regulations and internal rules related to information management, to ensure that internal and external confidential information and personal information is obtained in a legal manner, that it is adequately protected and managed, and that it is only used for appropriate business purposes.

b) When disclosing confidential or proprietary information to third parties, obtain all necessary internal and external approvals, and make such disclosures only upon receiving the third party's execution of a non-disclosure agreement.

## Products and Services

### 1) Safety

a) Provide high-quality, environmentally conscious products and services with the highest priority placed on safety.

b) Comply with all applicable national, state and local laws, regulations, and standards and internal rules related to safety.

c) Appropriately display all safety information and educate customers about the correct use of products.

### 2) Quality

a) Comply with all applicable national, state and local laws, regulations, standards, and certifications related to quality and internal rules on quality systems and other quality-related matters.

b) Maintain quality that fulfills product specifications and make continuous efforts to improve quality.

c) Conduct quality audits according to product characteristics.

### 3) Supply

a) Comply with all agreed upon supply terms, including specifications, delivery deadline, and quantity.

b) Do not ship products that fail to meet all specifications.

c) Build and operate a system to maintain a steady supply of product.

### 4) Price and cost reduction

a) Provide products at a market-competitive price, viewing quality as a major prerequisite for conducting business.

- b) Make continuous efforts to reduce price, such as through value engineering and value analysis (VE/VA).

## Employee Rights and Labor

### 1) Health and safety

- a) Comply with all applicable national, state and local laws and regulations and internal rules related to health and safety. Make continuous efforts to create workplaces that prioritize health, safety, the environment, and accident prevention.
- b) Strive to maintain appropriate work hours to prevent employees from working to excessively long hours.

### 2) Risk management

- a) Strive to strengthen resilience by creating and operating a risk management system to ensure business continuity, i.e. to facilitate a quick recovery from an accident or disaster.

### 3) Respect for diversity

- a) Respect each other and strive to create a dynamic workplace that is free of discrimination, harassment, and abuse.
- b) Respect the thoughts and values of others and do not infringe on the privacy of others or discriminate against a person in any way (nationality, race, gender, disability, illness, religion, marital status, age, etc.)

### 4) Respect for human rights and local communities

- a) Respect to the following international human rights standards:  
International Bill of Human Rights including Universal Declaration of Human Rights (UN), Guiding Principles on Business and Human Rights (UNHRC), Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO), International agreement on land ownership (FAO).
- b) Recognize and promote the human rights, local cultures, and customs of people engaged in our business activities.
- c) Do not interfere in discussions between employees and employer.
- d) Comply with all applicable national and local laws and regulations and internal rules related to employment and labor matters, such as minimum wage, overtime compensation and prohibition of child or slave labor.
- e) Follow the principle of free, prior and informed consent (FPIC)\* when acquiring property and respect the rights of indigenous people in land use.

\*Principles for respecting human rights of indigenous people. The aim is to protect the livelihoods, culture and means of living of indigenous people whose lives depend on the forest from being damaged by deforestation and changes in land use.

- f) Recognize, promote, and protect the of indigenous peoples and local communities other than the above.

## Society

### 1) Environment

- a) Conduct all business activities in consideration of the environment and in compliance with all applicable environmental laws and regulations.

- b) We will endeavor to;

- Protect biodiversity
- Limit forest destruction to net zero
- Protect and regenerate areas of High Conservation Value (HCV) and High Carbon Stock (HCS)

\*HCV (High Conservation Value) area: Biological, ecological, social and cultural values are high. These are regions with extremely significant influence at national, regional and global level, or considered very important.

\*HCS (High Carbon Stock) area: Areas with high carbon stock such as a rich-biodiverse forest.

- Protect wildlife
- Prohibit development of Peatlands\*  
\*Peatland: Areas of land with naturally formed layers of peat. The peatland ecosystem is the most efficient carbon sink on the planet.
- Protect water resources, i.e., surface water and groundwater conservation, etc.; respect the water rights of local community.
- Reduce the environmental burden, e.g., waste reduction, reduction of energy consumption and greenhouse gas emissions, chemical substance management, etc.

### 2) Responsible raw materials procurement

- a) Procure raw materials in compliance with all applicable national, state and local environmental guidelines.

- b) Make efforts to avoid procuring raw materials from countries that may be a source of human rights violations and environmental degradation, such as conflict minerals from the Congo\*.

\*Minerals produced by the Democratic Republic of Congo and neighboring countries are a source of financing for armed conflict and human rights violations in the region.

### 3) Communication with Stakeholders

- a) Provide appropriate information disclosure and two-way communication regarding issues addressed by these policies and guidelines, thereby cultivating positive relationships with stakeholders.

- b) Conduct business activities with integrity and with a high level of transparency.
  - c) Aim to secure a traceability system to track environmental and social risks.
  - d) If there is a problem in the supply chain, understand the situation, with the cooperation of stakeholders, take appropriate corrective action.
  - e) If there is an actual or suspected problem in the supply chain, stakeholders can anonymously notify the Group via a Grievance Mechanism.
- 4) Community Contribution
- a) Maintain an interest in community issues and strive to work with others toward solutions.