Natural Rubber Procurement Policy
Our commitment to “Global Platform for Sustainable Natural Rubber (GPSNR)”

Preface
ITOCHU Corporation (hereinafter “ITOCHU”) has established its sustainability approach based on the original spirit of “Sampo-yoshi” in its Basic Policy on Sustainability, which aims to bring about and lead towards a sustainable society.

In addition, ITOCHU has established ITOCHU Corporation’s Action Guidelines for Supply Chains, and ITOCHU is striving to improve its supply chains and prevent the occurrence of problems through dialogues with its suppliers.

ITOCHU has participated in the ‘Global Platform for Sustainable Natural Rubber (GPSNR)’ (established in October 2018) as one of its founding members. ITOCHU has agreed to the GPSNR’s 12 specified principles, and ITOCHU commits to fulfill the policy components.

Purpose
The purpose of ITOCHU’s policy in this area is to bring about a sustainable natural rubber supply and to fulfill ITOCHU’s social responsibilities.
* ITOCHU conducts processing operations in the natural rubber business.

Scope
ITOCHU and its subsidiaries (ITOCHU Group) are committed to the transparent implementation of this Policy and its principles. ITOCHU Group expects our suppliers to promote activities that are consistent with this Policy. We also encourage our suppliers to hold their suppliers accountable to the same standards and requirements.

Items
1. Commitment to Legal Compliance
   • Complying with applicable local, national and international laws on human rights, labor, land use, and the environment.
   • Working against corruption in all of its forms including extortion and bribery.
     + [Code of Ethical Conduct] URL
     https://www.itochu.co.jp/en/about/ethical_conduct/index.html
     + [Respect and Consideration for Human Rights] URL
     + [Environmental Policy] URL

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2. Commitment to Healthy, Functioning Ecosystems

- By establishing the traceability of our supply source, ensuring not to procure in a way that contributes to deforestation or degrade High Conservation Values (HCVs) after the cutoff date of 1 April 2019 by the guidance of GPSNR and in accordance with the HCV Approach and with the High Carbon Stock Approach (HCSA).

- Supporting the long-term protection of natural forests, other ecosystems and their conservation values, and restoring or supporting restoration of deforested and degraded rubber landscapes.

- Protecting wildlife, including rare, threatened, endangered and critically endangered species from illegal activities such as poaching, over-hunting and habitat loss, and supporting wildlife protection activities.

- Protecting water quantity and quality, preventing water contamination from agricultural and industrial chemicals, and preventing erosion and sedimentation.

- Protecting soil quality, preventing erosion, nutrient degradation, subsidence and contamination.

- Encouraging suppliers not to use paraquat and World Health Organisation (WHO) Class 1A and 1B pesticides, and to minimize the use of chemicals including pesticides and chemical fertilisers.

- Preventing the development of or sourcing from natural rubber plantations on peat by identifying suppliers that contribute to development on peat.

- Prohibiting any form of rubber production on known peat land of any depth and the use of fire in the preparation of new planting areas and replanting areas or for any other reason other than emergencies, fire break establishment or sanitary and phytosanitary reasons where waste management services are not available.

- Managing operations to minimize air pollutants to minimize odour produced from storage and processing.

3. Commitment to Respecting all Human Rights

- Respecting and protecting internationally recognized human rights (including upholding the UN Guiding Principles on Business and Human Rights (UNGP))

  + [Respect and Consideration for Human Rights] URL
  

- Establishing a system to accept opinions, proposals, and grievances and to accept inquiries from the general public and all our stakeholders including indigenous people and local communities, and maintaining a company grievance mechanism (consistent with UNGP effectiveness criteria) to receive complaints and remedy adverse impacts they have caused due to production and sourcing.

- Recognizing and protecting the customary, traditional and communal land tenure rights of indigenous peoples and local communities including carrying out operations in accordance with the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), ensuring ongoing land tenure and access rights, and upholding 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.

- Prior to any activity that might affect indigenous people and local communities, following the procedures set out in the Free, Prior and Informed Consent (FPIC) principles, which were established by the ‘Reducing Emissions from Deforestation and Forest Degradation (UN-REDD)’ program, and identifying suppliers whose activities cause any negative impacts to indigenous peoples - such as the illegal acquisition of land, – in order to avoid procurement of rubber from them.
- Remedying and rectifying through appropriate, mutually agreed measures reflecting and described in the negotiated outcomes of the FPIC process, if our business activities induce a negative impact on human rights of indigenous peoples and local communities or if involvement in such becomes clear.
- Adopting measures to provide remedy through mutually agreed procedures in cases where the company previously has caused or contributed to the appropriation of or harm to the lands, territories, or resources of indigenous peoples and local communities without securing FPIC. Implementation will be jointly monitored by ITOCHU, the community, and/or mutually agreed third parties using accepted methodologies, UN-REDD (2012) Guidelines on FPIC.
- Upholding applicable labor rights and labor laws in the jurisdictions where operating, the UN Guiding Principles on Business and Human Rights, and the intent of the International Labor Organization's eight core conventions.
  - Freedom of association and collective bargaining (ILO Convention No. 87 and No. 98)
  - No forced labor, Legal working hours, No abusive practices (ILO Convention No. 29, No.105 and its 2014 Protocol)
  - No child labor (ILO Convention No. 138 and No. 182)
  - No discrimination, Decent living wage (at least equal to the country’s minimum wage) (ILO Convention No. 111 and No. 100)
  - Gender equity
  - Safe and healthy workplaces
  - Safeguards apply to all workers, including contract, temporary and migrant workers
- Protecting the health and safety of employees, visitors, contractors and suppliers by ensuring the work areas are satisfactorily safe with following Hierarchy of Controls. This includes taking appropriate actions to eliminate hazards and reduce health and safety risks, and providing suitable personal protective equipment (PPE) if necessary.

4. Commitment to Community Livelihoods

- Supporting decent living conditions of local communities
- Supporting the right to food and food security of individuals, households and local communities.
- Supporting the economic, social and cultural rights of local people, including through access to education and employment.
5. Commitment to Increased Production Efficiency

- Offering or supporting training for natural rubber producers, especially smallholders, to improve yield and quality with sustainable tapping practice.
- Managing operations to minimize rate of energy usage by waste reduction and recycling. And minimizing and mitigating carbon emissions.
- Maximize the efficiency in natural resource usage in areas under company management.

6. Commitment to Systems and Processes to Drive Effective Implementation of Policy Components

- Committing to set public, timebound and geographic-specific targets to apply our commitments, including complying with the policy components of GPSNR in the whole supply chain by 2050.
- ITOCHU commits to embed the stated commitments into decision-making systems and processes, including through an established system of reporting and receiving approval on the target and progress made to senior management, and The ITOCHU Group Sustainability Policy to set ITOCHU Corporation's initiatives to further sustainability in accordance with our corporate mission.
  + [Sustainable Procurement: Policies and Initiatives by Product Type] Management Approach URL  
  + [Structure and System] URL  
- ITOCHU will take necessary measures to ensure that we disclose accurate and clear information and maintain a communicative relationship with our stakeholders. In doing so, we aim to be receptive and responsive to the expectations and demands of society.
  + [The ITOCHU Group Sustainability Policy] URL  
- Participating in/supporting multi-stakeholder planning and policy efforts that uphold the GPSNR principles at a landscape, jurisdictional or other spatial level.

7. Commitment to Supply Chain Assessment, Traceability, and Management Applicability

- Aiming to achieve 100% traceability for the natural rubber raw materials which we procure by 2025 through an original block chain-based traceability system,
- Conducting supply chain mapping and assessing suppliers for social and environmental risk to prioritize risk mitigation actions.
- Communicating to all suppliers of natural rubber that material produced and processed in accordance and conformance with the GPSNR Policy Components will be preferred. Providing time bound requirements to meet the policy requirements, and ensuring that engagement activities, and other mechanisms reflect these expectations to suppliers.
- Regularly engaging the supply chain (both direct and indirect suppliers) to support their conformance with company commitments through effective incentives, support mechanisms, and purchase monitoring systems.
- In instances of supplier non-conformance with GPSNR Policy Components, developing time-bound implementation plans to move towards conformance and/or remediation or past or ongoing
harm.

8. **Commitment to Monitoring and Reporting on Progress Towards, and Conformance with, Policy Components.**
   - Regularly monitoring progress toward company commitments in order to ascertain performance.
   - Establishing a system to accept opinions, proposals, and grievances and to accept inquiries from the general public and all our stakeholders.
     + [Inquiry Form]
       https://www.ptabp.co.id/contacts/representativecontacts
   - Reporting publicly on progress related to this policy annually.

**Policy regarding Operations**

We will work to review the operational policies periodically in cooperation with suppliers, specialists, NGOs and other stakeholders, while considering further initiatives for the entire supply chain aimed at the sustainability of natural rubber, all of which we shall conduct through GPSNR.

(※ This policy has not reflected the content of “Implementation Guidance” and “Reporting Requirement” of GPSNR policy component, which has not yet concluded.)

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