



# Sustainable Procurement Guidelines

## Sumitomo Riko in Europe



### Introduction

The Sumitomo Riko Group aims to be a "Global Excellent Manufacturing Company" that grows sustainably with society and continues to be selected around the world. Our CSR activities are value-creating activities that contribute to the growth of our company and meet the expectations of our stakeholders.

The Sustainable Procurement Guidelines Sumitomo Riko in Europe were created in order to ensure our suppliers to understand our approach to environmental, social and governance issues and clearly sets out our requirements for our business partners and with legal compliance.

This Supplier CSR Guidelines reflects the Sumitomo Spirit and the Sumitomo Riko Group Management Philosophy. Sumitomo Riko Group will continue to conduct CSR-conscious procurement activities with our business partners. We ask you to observe the spirit of these guidelines in your activities and to cascade it through to your suppliers.

# Guiding Principles at Sumitomo Riko Group

## The Sumitomo Spirit

The Sumitomo Spirit has been refined through the generations for 400 years based on the Founder's Precepts "Monjuin Shiigaki," which Masatomo Sumitomo, the founder of the Sumitomo family, wrote and handed on to describe how a merchant should conduct business. The basic points of the Sumitomo Spirit have been passed on in the form of the two articles of the Business Principles as management guidelines of Sumitomo companies.

Article 1: Sumitomo shall achieve prosperity based on a solid foundation by placing prime importance on integrity and sound management in the conduct of its business.

Article 2: Sumitomo's business interests must always be in harmony with the public interest. Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

### **Banji-nissei**

First of all, as a human being, one should be a person who does everything with sincerity and integrity in everything they do.

### **Shinyo-kakujitsu**

Above all, we value trust. In other words, to always live up to the trust of others.

### **Fusu-furi**

Always seek alignment with the public interest, And pursue the highest interest.

And pursue the highest interest. Do not act rashly or carelessly.

## The Sumitomo Riko Group Management Philosophy

Considering the Sumitomo Spirit, all of us at the Sumitomo Riko Group will:

1. provide superior products and services to meet customer needs based on technological innovation.
2. place top priority on safety and work to ensure the safety of people and society.
3. strive to protect the global environment and to contribute to creating better communities.
4. maintain a high standard of corporate ethics and observe all laws and regulations to earn public trust and confidence worldwide.
5. foster an invigorating corporate culture that respects our employees' diversity, personal qualities, and individuality.

## Sumitomo Riko Group Corporate Action Charter

In our efforts to realize the Vision of the Sumitomo Riko Group, we position CSR that consistently creates value at the heart of our management, and the Sumitomo Riko Group Corporate Action Charter is the basis of the Group's CSR activities. Our Corporate Action Charter was established in March 2006 by resolution of the Board of Directors following deliberations by the CSR Committee that was formed in 2005. The Corporate Action Charter was revised in October 2014 and April 2019 to reflect changes in the business environment. (detailed version is available in website)

### 1. Commitment to Customers and Realizing a Sustainable Society

We shall develop and provide socially beneficial and safe products and services through innovation that provide satisfaction to customers and earn their confidence. We shall contribute to sustainable economic growth and the resolution of social issues through such business activities.

### 2. Fair Business Practices

We shall engage in fair, transparent, and free competition, and ensure that transactions are appropriate and responsible. Also, we shall observe laws, regulations, and rules, as well as maintain a sound and proper relationship with political bodies and government agencies.

### 3. Dialogue with Stakeholders, Information Disclosure, and Information Management

In addition to communicating with a wide range of shareholders constructively, we shall interact extensively with the public, and disclose corporate information actively, effectively, and fairly to create social value by enhancing corporate and social value. We shall also protect and properly manage personal and customer data and other types of information.

### 4. Respect for Human Rights

We shall conduct business that respects the human rights of all persons.

### 5. Decent Workplace

- We shall realize work practices that will improve the capability of employees and that respect the diversity, character and personality of employees.
- We shall ensure a healthy, safe and comfortable working environment, thereby cultivating a sense of belonging and plenitude.

### 6. Global Environment

Recognizing that global environmental issues pose challenges to all humankind, and that it is an integral part of our existence and activities, we shall proactively tackle these issues.

### 7. Social Contribution

We shall actively engage in community involvement activities and contribute to community development as a good corporate citizen.

### 8. Respect for International Norms of Behaviour and Good Relations with the Community

In line with the globalization of business activities, we shall comply with laws and regulations of the countries and regions where our business operations are based and respect human rights and other international norms of behaviour. We shall also conduct business by taking into consideration the local culture and customs as well as the interests of stakeholders, and contribute toward the development of the local economy and society.

### 9. Risk Management and Crisis Management

- We shall assess risks that may arise in the future and develop measures to prevent their materialization; and if they do materialize, we shall endeavour to minimize the damage.

- We shall conduct thorough and organized crisis management in the face of actions caused by natural disasters, cyber-attacks, terrorism, antisocial forces and other crises that pose a threat to civil society and corporate activity.

#### 10. Initiative of Top Management and Implementation of this Charter

Recognizing that it is the role of top management to inculcate the spirit of this Charter throughout the Group, top management of the Sumitomo Riko Group shall take the initiative in an exemplary manner to build an effective governance system and implement the Charter within Sumitomo Riko and throughout the Group companies, while also encouraging the Group's suppliers to endorse and fulfil the principles of this Charter. Furthermore, top management shall continuously listen and respond to voices from within and outside the Group and establish internal systems to promote CSR. In the event of any violation of the Charter causing a loss of social trust, top management of the Sumitomo Riko Group shall take charge to resolve the issue, investigate and identify the causes of the lapse, and make efforts to prevent recurrence while fulfilling their responsibilities.

## Basic Policy on CSR and Sustainability

With the United Nations Sustainable Development Goals (SDGs) and the Global Compact in mind, we have categorized the aspects of CSR management into the following three perspectives and established them as our Basic CSR and Sustainability Policies. Based on these policies, we aim to "create social value" by addressing and seeking solutions for social issues, such as those represented by the SDGs, improve our corporate value and public value, and grow sustainably within society.

### **(1) Take action that does not harm society and the global environment (minimization of negative impacts)**

- Appropriate responses to risk in areas such as human rights, labor, the environment, and anti-corruption

### **(2) Contribute to solving social and global environmental challenges (maximization of positive impacts)**

- Businesses and social contribution activities that provide solutions to social challenges
- Human diversity that contributes to the emergence of innovation

### **(3) Improve engagement with stakeholders through communication and raise corporate value with a long-term view**

- Information disclosure, dialogue, collaboration

## CSR Supply Chain Management

### Basic policy on transactions

We consider Sumitomo Riko Group and its suppliers to be partners on an equal footing, and therefore we ensure that all transactions are conducted in a fair and transparent manner and that promises and contracts are always respected.

### Code of conduct

- (1) The selection of suppliers should be implemented in accordance with guidelines related to procurement. (we never decide and support a specific supplier due to personal reasons)

- (2) All determinations on terms and conditions of transaction and releases of information to suppliers should be made in a fair manner.
- (3) Sumitomo Riko Group shall pay significant attention to the management confidential information regarding suppliers and must not use such information for any purposes other than procurement activities.
- (4) Sumitomo Riko Group must not accept from its suppliers, nor ask a supplier for, any remuneration such as a gift or entertainment that exceeds the scope of social norms.

### Reaction to violations

If our employees violate the terms outlined above, we will take firm action as specified in employment regulation.

## Sumitomo Riko Group's Expectations of Suppliers

### Delivery of the highest quality products and services

Sumitomo Riko Group aims to provide products and services useful for life in terms of safety, high quality, competitive costs, and meeting customer expectations. Therefore, we ask our suppliers to supply goods and services complying with ordered specifications, safety, and quality standards, at commercially attractive prices, and to respect delivery dates and stability.

### Enhancing technological level

Sumitomo Riko Group carries out ongoing monitoring of customers' needs, and demonstrates its creativity in an effort to develop original new products and solutions. To this end, we ask our suppliers of products and services to continuously improve technological standards, develop new technologies and materials, and persistently apply VE / VA and to submit proposals for solutions.

\*VE / VA (Value Engineering / Value Analysis): analysis of a project in order to optimize costs before / after the start of production

### Supply Chain Risk Management

We expect our suppliers' cooperation with respect to appropriate preventive measures and risk management activities undertaken by Sumitomo Riko and its affiliates.

We expect our suppliers to treat the safety of local society and employees as a priority.

Subject to this principle we expect our suppliers' support to ensure a stable supply to our customers, especially in unforeseen circumstances.

To ensure short reaction time in cases of emergency, we expect our suppliers to have established a prevention measurement system such as a Business Continuity Plan (BCP).

## Business Ethics

### Compliance with Laws and Code of Conduct

Suppliers must always observe the laws, regulations, and statutes applicable to their business and the business relationship with Sumitomo Riko Group. We expect Suppliers to observe the principles stipulated in the Sumitomo Riko Group's Code of Conduct.

### Fair Trade

Suppliers shall comply with applicable antitrust laws and any regulations protecting free competition. We expect Suppliers not to abuse dominant market position or enter into anti-competitive agreements with competitors, business partners or other third parties.

### Preventing Corruption and Bribery

We do not tolerate any act of corruption and/or bribery. We expect Suppliers to refrain from any corrupt practices and behaviour, including, but not limited to offering, paying, soliciting, or accepting any kind of bribery or inappropriate payment.

**Anti-Corruption and Anti-Money Laundering:** Suppliers should not participate in or endorse any corrupt practices in whatever form, including offering or accepting bribes, excessive gifts or hospitality or facilitation payments. Suppliers should not facilitate or support money laundering. Suppliers should report any suspicious transactions and be alert for signs of money laundering.

### Avoiding Conflicts of Interest

Suppliers are expected to make decisions based on solid business judgment, not influenced by personal interest or relationship. Supplier shall have in place appropriate mechanisms to avoid situations where employee's personal interests can influence decisions.

### Data Protection and Data Security

We expect Suppliers to comply with applicable data protection laws. Suppliers must not use personal data for any purposes beyond the purpose authorized by the data subjects. Supplier must use lawful methods to obtain, keep and process personal data.

### Protection of Intellectual Property

We always expect suppliers to respect Sumitomo Riko Group and other third parties' Intellectual Property Rights. Supplier shall protect such Intellectual Property with the same degree of care they use to protect their own Intellectual Property. Supplier must comply with applicable IP-laws, regulations, and industry standards.

### Counterfeit Parts

Suppliers are expected to develop, implement, and maintain methods and processes appropriate to their products and services to minimize the risk of introducing counterfeit parts and materials into deliverable products.

Suppliers are expected to establish effective processes to detect counterfeit parts and materials and, if detected, quarantine the materials, and notify the customer and/or law enforcement as appropriate.

### Export Controls and Economic Sanctions

Suppliers must comply with all applicable export controls and economic sanctions laws and regulations when importing and/or exporting goods and services. Suppliers are expected to have in place appropriate procedures to ensure compliance with such laws and regulations.

### Promoting sound management

We aim to create long-term relationships with suppliers who demonstrate sound management practices, and to build together bonds of trust and cooperation. Therefore, we ask our suppliers to share information concerning their policies and current management situation (including financial condition).

### Information disclosure and promoting public dialogue

We ask suppliers to disclose in a timely and appropriate manner any information useful for stakeholders concerning management, finance, environmental protection, or contribution to the society, and to promote public dialogue.

### Financial Responsibility/Accurate Records

Suppliers should perform their business dealings in a transparent manner and accurately reflect them in the companies' financial reports and filings. Suppliers should confirm an adequate financial reporting system control is in place.

### Grievance Mechanism

Suppliers should establish an effective grievance mechanism in line with UN Guiding Principle 31 that allows concerns related to business ethics, human rights, or any other topic to be raised anonymously, confidentially and without retaliation.

### Remediation:

Suppliers should provide for or cooperate in remediation through legitimate processes when their business activities cause or contribute to adverse environmental or social impacts.

### Non-retaliation

Suppliers should avoid any form of threats, intimidation, and physical or legal attacks against stakeholders, including those exercising their legal rights to freedom of expression, association, peaceful assembly and protest against their business activities.

## Labour and Human Rights

Suppliers shall understand and agree to **The Sumitomo Riko Group Policy on Human Rights**.

Suppliers should implement a management system for human rights and working conditions that includes the following:

### Respecting Human Rights

Suppliers must always respect internationally recognized human and labour rights. Suppliers must not treat workers in a manner that is or may be construed inhumane, including physical and psychological abuse, coercion, or harassment. We expect Suppliers to promote and oversee compliance with human rights within their organisations.

### Non-Discrimination and Harassment:

Suppliers should not tolerate any form of discrimination or harassment in respect of employment and occupation and should provide equal employment opportunities regardless of worker or applicant characteristics such as age, gender, sexual orientation, gender identity, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union association, covered veteran status, genetic information or marital status.

### Prohibiting Child Labour

Suppliers shall under no circumstances allow children who are under the minimum age for employment. The age of employment must always be in accordance with applicable domestic regulations or with the ILO conventions on minimum employment age.

### Prohibiting Forced labour

We do not tolerate any use of forced or compulsory labour. Suppliers must at all times respect their employees' freedom to terminate their employment relationship in compliance with applicable laws.

### Women's Rights:

Suppliers should provide equal opportunity in employment and commit to equal pay for equal work.

### Diversity, Equity, and Inclusion:

Suppliers should develop and promote inclusive cultures where diversity is valued and celebrated, and everyone is able to contribute fully and reach their full potential. Suppliers should encourage diversity in all levels of their workforce and leadership, including boards of directors.

### Decent Working Hours

Suppliers must not allow workers to work exceeding the maximum working hours set by local laws and regulations, and appropriately manage working hours and days off in consideration of the law and internationally recognized standards.

### Adequate Wages and Benefits

Suppliers must comply with all applicable laws and regulations regarding payments of work (including minimum wage, overtime payments, and allowances and deductions required by law). Furthermore, it is expected that companies pay wages at a level that allows workers to support their basic needs (a living wage).

### Ethical Recruiting:

Suppliers must not mislead or defraud potential workers about the nature of the work, ask workers to pay recruitment fees, and/or confiscate, destroy, conceal, and/or deny access to worker passports and other government-issued identity documents. Workers must receive a written contract or employment notification at the start of their recruitment in a language well understood by them, stating in a truthful, clear manner their rights and responsibilities.

### Freedom of Association and Right to Collective Bargaining

In conformance with local laws and regulations, Suppliers shall respect the right to collective bargaining of workers and openly communicate with workers for improving working environments and wage conditions.

### Conflict minerals

Regarding the supply of raw materials and materials which might result in social problems related to human rights, work or the environment (e.g. conflict minerals (\*1)), it is recommended that such materials should be used reasonably, only after their impact on society has been carefully analysed and, in case of doubt, it is recommended that their use be abandoned.

(\*1) minerals extracted within territories affected by armed conflicts including, without limitation, the Democratic Republic of the Congo and neighbouring countries (tantalum, tin, gold, tungsten), which are used to fund military actions (conflict minerals).

### Rights of Minorities and Indigenous Peoples

Suppliers should respect the rights of local communities to decent living conditions; education, employment, social activities; and the right to Free, Prior, and informed Consent (FPIC) to developments that affect them and the lands on which they live, with particular consideration for the presence of vulnerable groups.

### Land Rights and Forced Eviction

Suppliers should avoid forced eviction and the deprivation of land, forests and waters in the acquisition, development or other use of land, forests, and waters.



### Private or Public Security Forces

Suppliers should not commission or use private or public security forces to protect the business project if, due to a lack of training or control on the part of the company, the deployment of the security forces may lead to violations of human rights.

## Environmental Sustainability

The Sumitomo Riko Group intends to do business always in harmony with natural environment, sticking to social expectation and rules, and to carry out all the activities from product development, design, procurement, sales to waste disposal under these principles.

Suppliers shall have or be in the process of having a documented environmental management system that ensures effective planning, action, and control of the most relevant environmental aspects of its activity. This system shall satisfy the requirements of ISO 14001 or other similar internationally recognized standards.

Suppliers are expected to ensure that all legally required permits, licenses, inspection, and testing reports are in place, up-to-date and always available for review.

### Energy Consumption, Greenhouse Gas Emissions (CO<sub>2</sub> reduction) & Climate change

Suppliers are expected to take measures to minimize the impact on climate change resulting from its activity, considering in this analysis the whole value chain (scopes I, II and III of its greenhouse gas emissions chain).

Suppliers are expected to track and document energy consumption and greenhouse gas emissions at the facility and/or corporate level.

Suppliers are expected to look for cost effective methods to improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.

Suppliers are expected to define short-term, mid-term and long-term targets to increase the share of green and/or renewable energy and to reduce its greenhouse gas emissions in line with stakeholders' requirements.

A comprehensive energy management strategy reduces greenhouse gas emissions occurring from raw materials extraction, product manufacturing, transportation, and end-of-life operations.

An effective energy management program gains management commitment, identifies constraints, establishes a baseline, and sets goals and energy reduction projects. On a regular cadence, the project execution is evaluated, measured, and verified against the performance to baseline and sets targets to close gaps or re-evaluates the process.

### Carbon Border Adjustment Mechanism (CBAM)

The Carbon Border Adjustment Mechanism (CBAM) has major implications for both importers of selected goods into the EU and producers in the countries of origin.

All suppliers of relevant products shall provide emissions data for CBAM assessment and continuously reduce emissions from the production processes and precursors (input materials).

## Water Quality & Consumption & Management

Suppliers are expected to preserve water resources through an assessment of water stress in operations and throughout the life cycle and integrate water management into the business plan.

Suppliers are expected to develop a water assessment and water balance for each operation and site, establish a baseline, set goals for reduction (e.g., cubic meters per unit), set objectives and methods to reduce with efficiency and conservation projects and measure and compare progress to goals to close gaps.

## Air Quality

Suppliers are expected to routinely monitor air emissions, integrate air emissions controls into the business plan and establish an air emissions management plan that meets or exceeds regulatory requirements for each facility

Air emissions include, but are not limited to, volatile organic compounds (VOCs), corrosives, particulate matter (PM), ozone-depleting substances, air toxics and combustion by-products generated from business and manufacturing operations.

## Natural Resources Management & Waste Reduction

Suppliers are expected to set targets for waste reduction and establish a waste management hierarchy that considers in priority order: prevention, reduction, reuse, recovery, recycling, removal and finally disposal of wastes.

Suppliers are expected to encourage and support the use of sustainable, renewable natural resources in an efficient manner such that waste and residual products are minimized over the products' lifecycle.

Suppliers are expected to handle and dispose of all waste generated through safe and responsible methods that protect the environment and the health and safety of employees and local communities.

Suppliers shall have in place systematic waste-management processes, especially those derived from its activity with Sumitomo Riko Group, giving priority wherever possible to reuse and recycling treatments wherever possible, to reuse, recycle and contribute to the circular economy.

Suppliers shall act to reduce the use of single-use plastics in their supply to Sumitomo Riko Group and in their internal operations wherever possible.

## Responsible Chemical Management

Suppliers are expected to identify and manage chemicals to ensure their safe handling, movement, storage, use, recycling or reuse and disposal.

Suppliers shall provide Safety Data Sheets/ Material Safety Data Sheets that comply with all applicable laws and regulatory requirements.

Suppliers are expected to work towards establishing programs (IMDS or equivalent) to collect data from material manufacturers for all components, identifying all process chemicals and intermediates that are identified as classified hazardous substances according to local law, or being considered for classified hazardous evaluation.

Suppliers are expected to measure data completeness against bill of materials (BOMs), identify data shortages, and take corrective measures to assure data is traceable to the material manufacturers.

Suppliers shall comply with the EU Registration Evaluation Authorization and restriction of Chemicals (REACH) requirement. "REACH makes industry responsible for assessing and managing the risks posed by chemicals and providing appropriate safety information to their users. In parallel, the European Union can take additional measures on highly dangerous substances, where there is a need for complementing action at EU level."

Reference: [http://ec.europa.eu/growth/sectors/chemicals/reach\\_en](http://ec.europa.eu/growth/sectors/chemicals/reach_en)

### Biodiversity, Land Use and Deforestation

Suppliers should protect ecosystems, especially key biodiversity areas, impacted by their operations, and avoid illegal deforestation in accordance with international biodiversity regulations, including the IUCN Resolutions and Recommendations on Biodiversity.

### EUDR - European Union Deforestation Regulation

The new EU regulation, which came into force at the end of June 2023, aims to minimise the risk of products entering the EU market that are linked to deforestation, forest degradation and the illegal displacement of local populations at the beginning of the supply chain

Products are deforestation-free if they are produced on land that was not deforested after December 31, 2020 or for which no forest damage occurred after December 31, 2020.

Specifically, the EUDR concerns products made from the raw materials beef, soy, palm oil, wood, coffee, cocoa and natural rubber. The regulation affects both the import and export of these products and their derivatives to the EU market.

The goods must also have been produced in accordance with the relevant legal provisions of the country of production - including environmental, human and labor rights. Possible land rights of indigenous peoples and local communities on the production areas must be identified and their consent clarified, if necessary, through free, prior and informed consent (FPIC).

We expect suppliers to respect and follow these Requirements and provide all relevant Information and data to fulfil the requirements of EUDR

### Soil Quality

Where appropriate, suppliers should monitor and control their impact on soil quality to prevent soil erosion, nutrient degradation, subsidence and contamination

### Noise Emissions

Where appropriate, suppliers should monitor and control the levels of industrial noise to avoid noise pollution.

## Occupational Health and Safety

Suppliers shall have or be in the process of having a documented health and safety management system that ensures effective planning, action, and control of the risks of the activity. This system shall meet the requirements of ISO 45001 or other similar internationally recognized standards.

Suppliers shall assess their risks and establish preventive measures in all positions and processes to ensure the health and safety of workers, as well as train and communicate with workers on these risks. Likewise, the company must provide the necessary personal protective equipment and make it available.

Suppliers shall develop emergency plans and instruct workers on such plans in accordance with local legislation. Suppliers shall maintain and monitor fire detection, alarm and suppression always mean and systems.

Suppliers shall use tools and equipment complying with safety regulations and shall provide adequate training to its employees.

We expect suppliers to ensure the best environment for the workers by also assessing the psychosocial risks of the workplaces.

Suppliers shall ensure that all required permits, licenses, inspection and testing reports are in place, up to date and available as required by law.

## Corporate citizenship

We encourage our Suppliers to create social value through vigorous corporate citizenship activities, addressing solutions to social issues leading to the enhancement of corporate value.

## Compliance with Sustainable Purchasing Guidelines

To confirm compliance status with these Guidelines, we may conduct a third-party assessment (SAQ). If any breach of these Guidelines occurs, suppliers are asked to report it and take measures to make improvement.

## Extending and promoting CSR values along the supply chain

We ask our suppliers to extend the spirit of our CSR guideline also to their suppliers by means of education and promotion of company CSR policies.

It is important for us that suppliers and other trade partners are committed to CSR management.

### Valid for the following SumiRiko entities

- SumiRiko AVS Holding Germany GmbH
- Sumitomo Riko Europe GmbH
- SumiRiko AVS Germany GmbH
- SumiRiko Rubber Compounding France S.A.S.
- SumiRiko SD France S.A.S.
- SumiRiko AVS Romania S.R.L.
- SumiRiko AVS Spain S.A.U.
- SumiRiko AVS Netherlands BV
- SumiRiko AVS Czech s.r.o.
- SumiRiko AVS Wuxi Co. Ltd.
- SumiRiko AVS RUS LLC
- SumiRiko Poland Sp. z.o.o
- SumiRiko Automotive Hose RUS AO
- SumiRiko Automotive Hose Poland Sp. z o.o.
- SumiRiko Italy S.p.A.
- SumiRiko Hose Otomotiv Sanayi Ticaret ve Pazarlama Limited Şirketi