

Yokohama Rubber Group's CSR

Approach to CSR

The entire Yokohama Rubber Group (including all its domestic and overseas subsidiaries) observes the 10 Principles of the United Nations Global Compact as action guidelines, and PDCA (Plan-Do-Check-Act) activities are being conducted by the entire group in accordance with the seven core subjects of ISO26000 certification.

UN Global Compact's 10 Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

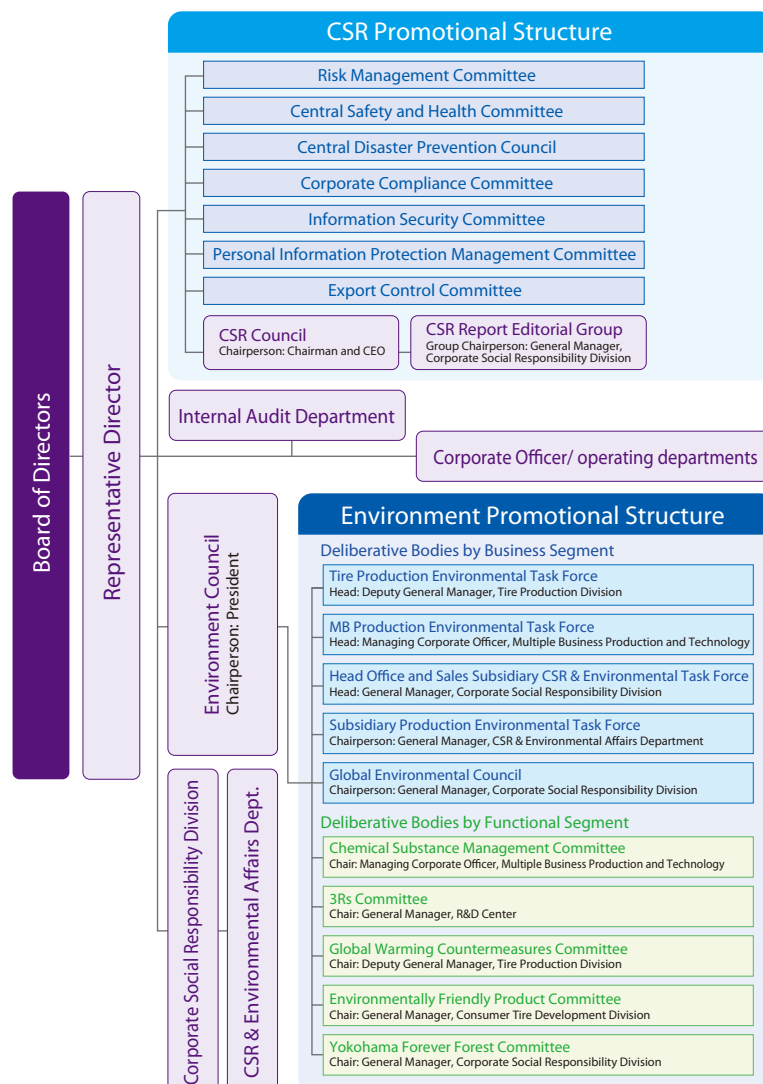


ISO26000 Seven Core Subjects

- 1 **Organizational governance**
- 2 **Human rights**
- 3 **Labor practices**
- 4 **The environment**
- 5 **Fair operating practices**
- 6 **Consumer issues**
- 7 **Community involvement and development**

CSR and Environmental Promotion Framework

Twice a year, we hold a CSR Council where our company Chairman and CEO serves as the chairperson; and an Environmental Council where our company President serves as the chairperson. These councils are part of an organizational framework that was established to discuss and develop plans for addressing the social responsibility issues that currently confront the Yokohama Rubber Group. The councils' ultimate goal is to build a trusted identity as a contributing member of the global community. We have three task forces, two sub-councils, and five committees, all of which promote environmental activities as sub-bodies within the Environmental Council. Every year the CSR Council and Environmental Council evaluate the performance of CSR activities carried out by the Group in accordance with the Seven Pillars of Core Subjects and develop plans for improvement in the subsequent fiscal year.



■ CSR and environmental management promotion framework (as of April 1, 2014)

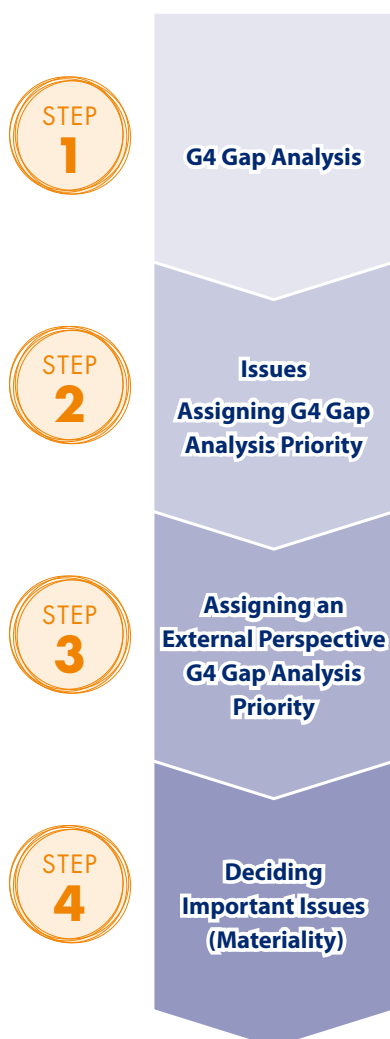
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Response to the GRI Guidelines (Version 4)

The Global Reporting Initiative (GRI), an international non-government organization (NGO) that develops and disseminates globally applicable "Sustainability Reporting Guidelines", released the revised Version 4 of its GRI Guidelines (G4) in May of 2013. The content of G4 has shifted away from the "exhaustive disclosure of information" demanded previously. Instead, it demands the "disclosure of information that focuses on important issues (material aspects)". By deeper involvement of management in CSR

activities, this development aims to have business proactively possess opinions, and for the content of information reported in CSR reports to be fixed. Because GRI shall demand the preparation of G4 rather than G3 reports from 2016 onwards, Yokohama Rubber is advancing preparations in accordance with the following steps so as to prepare for G4 reporting.

With respect to the "important issues (materiality)" identified for this company, it is planned that such shall be reported upon both on the CSR Web and in the CSR Report 2015.



Focus was placed upon the G4 demands with respect to current information disclosure levels (CSR Report 2013). The current situation was grasped vis-à-vis the content and processes of both responsive and unresponsive items. (conducted January 2014)

Analysis was conducted in accordance with this company's industries, business sectors and business regions. After completion of this analysis, the G4 gap analysis priority was assigned vis-à-vis those issues identified through discussions with related business units. (conducted January – February 2014)

Sample Evaluation the "Supplier Environmental Evaluation" Aspect: For Yokohama Rubber, a company that procures natural rubber as a raw material, there is the necessity to consider that hidden human rights risks might exist within the upper reaches of supplier chains extending beyond its scope. Moreover, if wide-ranging business activities conducted in numerous regions encompassing both developed and developing nations are considered, such risks might be easily exposed. Through coordination in-house with the parties responsible for such matters, "human rights risk" was evaluated as being "a very important aspect" for Yokohama Rubber.

Interview research was conducted among five stakeholders. From the perspective of what each of these individuals considered to be important issues (material aspects), a gap analysis priority was assigned based upon the research results. (conducted February – March 2014)

▶▶▶ The opinions received from the stakeholders are offered on P21.

Concerning those important issues identified via the degree of importance analysis, the research and discussions conducted both internally and externally in Steps 2 and 3 of the preparations, discussions shall be conducted by the CSR Council and the Board of Directors, with decisions being made accordingly. (planned October 2014)

Concerning identified important issues (materiality); ongoing improvements shall be conducted via the establishment of KPI and use of the PDCA cycle.



Mr. Hiroki Uchida,

Senior Researcher,
Cre-en Incorporated

In preparing to respond to G4, in STEP 1 we supported an evaluation of current information disclosure practices; and areas of improvement vis-à-vis the demands of G4 were identified. In Steps 2 and 3 of the process, support was received by the evaluation of some 46 aspects from both internal and external perspectives. This was done to select the issues of importance. In the future, in that within STEP 4 there is a focus upon material aspects, in that the company wants to make final decisions, there exists a desire to proactively use PDCA cycles based upon the establishment of suitable KPI. In such circumstances, some expectations may be held both with respect to establishing boundaries for each aspect, and management getting proactively involved. Such factors represent a major change in the demands that are being set forth by G4 in that they constitute necessary elements for management in the future. Although there is a sense of "saying is easy while doing is difficult" with regard to G4, in that it has up until now proceeded with measures in a honest manner, expectations may be held that Yokohama Rubber will willingly swim upstream in order to blaze its own trail to further develop its business.



Opinions from Experts

This page contains the opinions of experts that took part in interviews as part of Step 3. Each expert spoke primarily about their unique field of expertise.

Today, companies need to understand what parts of occupational safety and health and labor relations that society as a whole has an interest in and disclose information as necessary. For example, there is a strong interest in mental health initiatives among all companies. By disclosing that labor-management consultations have been carried out continuously, Yokohama Rubber will be able to correctly convey that it respects the rights of workers when expanding overseas. Additionally, the proactive appointment of female board members will be essential as Yokohama Rubber steps up its global expansion in the future.

Mr. Kenichi Kumagai

Member of the Editorial and Planning Committee,
The Japan Association for Advancement of ILO Activities
Member of the Japanese National Committee for
ISO Working Group on Social Responsibility
Member of the International Drafting Committee

Mr. Kumagai is actively involved in domestic and international deliberations on ISO26000 through its involvement as member of various committees. He is also a member of the Japan Labor Law Association.



An important perspective to keep in mind when expanding business operations into various regions is the extent to which the company contributes to local employment. Contributions to employment represent a topic of strong interest both in Japan and abroad and companies should be well aware of this. Additionally, educating consumers about sustainable consumption is another topic that must be remembered when aiming to realize a sustainable society. For example, Yokohama Rubber should tackle the challenge of communicating enhancements in its brand by appealing to consumers about its consideration of ecosystems and other matters.

Mr. Masao Seki

Associate Professor, School of Business Administration,
Meiji University
Senior Adviser on CSR, Sampo Japan Insurance Inc.

Mr. Seki was involved in the creation of ISO26000 as a representative of Japanese business. He also participates in various discussions on the topic of sustainable development at various international conferences.



I would like to draw attention to anti-corruption, in addition to those other important issues of human rights, diversity, equal pay, complaint processing systems, and the protection of customer's privacy. There is no dedicated government ministry in Japan that covers anti-corruption matters, and other countries pay much more attention to the issue of anti-corruption than we do in Japan. The UN Global Compact even has an independent provision on the issue.

With globalization advancing today anti-corruption has become an even more important issue, and companies need to have a clear policy on anti-corruption and response measures in place.

Ms. Mariko Kawaguchi

Chief Researcher
Research Division, Daiwa Institute of Research Ltd.

Ms. Kawaguchi has advised countless corporations on how to achieve a sustainable society from the perspective of corporate social responsibilities (CSR) and socially responsible investments (SRI).



Today, a company should integrate social responsibility throughout the company and practice it in its value chain. For example, in areas that produce raw materials, such as rubber plantations, a company needs to pay a great deal of attention to human rights risks it may be susceptible to. A company must also convey that it has established a proper grievance mechanism for its own use and of its stakeholders. A company must be much more sensitive about human rights issues when expanding its operation globally.

Ms. Kaori Kuroda

Executive Director
CSO Network Japan

Ms. Kuroda is an expert in community involvement and development. She established a regional forum with farmers and other community members in Fukushima Prefecture that is broadening exchange with other parts of Asia.



In identifying important issues, a company needs to consider not only the unique characteristics of its location, but also the time frame. For example, a company may be aware of the regional risks and in control of these risks at the present time, but once the weight of emerging markets increases over the medium to long term, the risks that are currently under control could grow into much larger ones. In that sense, I would like Yokohama Rubber to get the message out about both its current issues and management reporting as well as its medium- to long-term vision and awareness of issues.

Mr. Keisuke Takegahara

General Manager
Environmental Initiative & Corporate Social Responsibility-
Support Department
Development Bank of Japan Inc.

Mr. Takegahara lived in Frankfurt, Germany for a total of six years and is known as one of Japan's foremost experts in environmental finance, having developed the Development Bank of Japan's environmental loan rating system.

