



SUSTAINABLE NATURAL RUBBER POLICY

*REFERENCE DOCUMENT
2017 EDITION*



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FOREWORD

Michelin Group Purpose

"Because we believe **mobility** is essential for human development, we **innovate** passionately to make it **safer**, more **convenient** and **environmentally friendly**.

We are firmly committed to offering our customers **uncompromising quality**. That is our priority.

Because we believe in **personal fulfillment**, we want everyone to have the means to give the best of themselves; we want **to turn our differences into an asset**.

Proud of our **values of respect**, we share the same journey for **a better way forward for everyone**.

We Care About Giving People A Better Way Forward."



INTRODUCTION

As the world leader in tires production and the world's largest purchaser of natural rubber, the Michelin group strives to ensure a sustainable and responsible management of the natural rubber supply chain.

This document elaborates on the public commitments taken by the Group in 2015. The Group will require from its suppliers involved in producing, processing and marketing natural rubber to comply with this policy.

These commitments arise from the Sustainable Natural Rubber initiative (SNR-i) adopted by the International Rubber Study Group (IRSG), based on a proposal from the Industry Advisory Panel (IAP) during the World Rubber Summit held in Singapore in May 2014 and incorporating its main components¹.

The Michelin sustainable natural rubber policy hinges on five themes:

- Section 1 **Respecting people**
- Section 2 **Protecting the environment**
- Section 3 **Improving farming practices**
- Section 4 **Carefully using natural resources**
- Section 5 **Practicing good governance**



¹ www.rubberstudy.com



1.1 DEFINITIONS

Natural rubber

Natural rubber is an elastomer or natural polymer, polyisoprene, harvested in the form of latex, drawn off by making incisions into the bark of the rubber tree².

Sustainable development

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainable natural rubber policy

The Michelin sustainable natural rubber policy covers all the commitments and measures taken by the Group to foster the responsible and sustainable management of natural rubber throughout the value chain.

² The term "rubber" is a commonly used synonym of elastomer

1.2 A SUSTAINABLE RESOURCE

Natural rubber is, in itself, a sustainable and renewable natural resource, whose cultivation creates positive spin-offs from economic, social and environmental perspectives.

When done properly, the cultivation, harvesting and transformation of natural rubber provides the stakeholders in the supply chain with regular and sustainable revenues, and contributes to the development of rural areas. In addition, the supply chain can enjoy a neutral, and potentially positive, carbon footprint provided the entire supply chain is managed optimally³.

Nevertheless, there are risks. The growing world population and the development of mobility solutions will have an impact on the demand for tires and, by extension, natural rubber. If this increase in demand is not addressed wisely, it will inevitably put more pressure on forests, biodiversity and agricultural land.

Our vision is to consider sustainable natural rubber as a natural and responsible way to protect forests with high conservation value and high carbon stock, as well as foster other environmental services. This involves stakeholders in a participatory process of land use, while ensuring satisfactory production yield and improved livelihoods for local communities.



³ Source: ACV Quantis, 2013

The pentagon chart of natural rubber sustainability



1.3 THE NATURAL RUBBER VALUE CHAIN

The five main groups of stakeholders involved in the value chain are as follows:

Producers

The farmers harvest the rubber trees. It is estimated that 85% of the cultivated rubber tree areas in the world are made up of very small farms (average of 3 hectares) directly managed by owner-operators, who generally receive 60-90% of the commercial value of the natural rubber they produce, depending on the country and region.

Dealers

Intermediaries who collect and purchase natural rubber from small farms to sell to processing plants.

Processing plants

"Remilling" plants who process the raw material (latex or cup lumps) into bales of natural rubber intended for the manufacturing industry.

Traders

Brokers buy remilling plant production and sell it mainly to manufacturers.

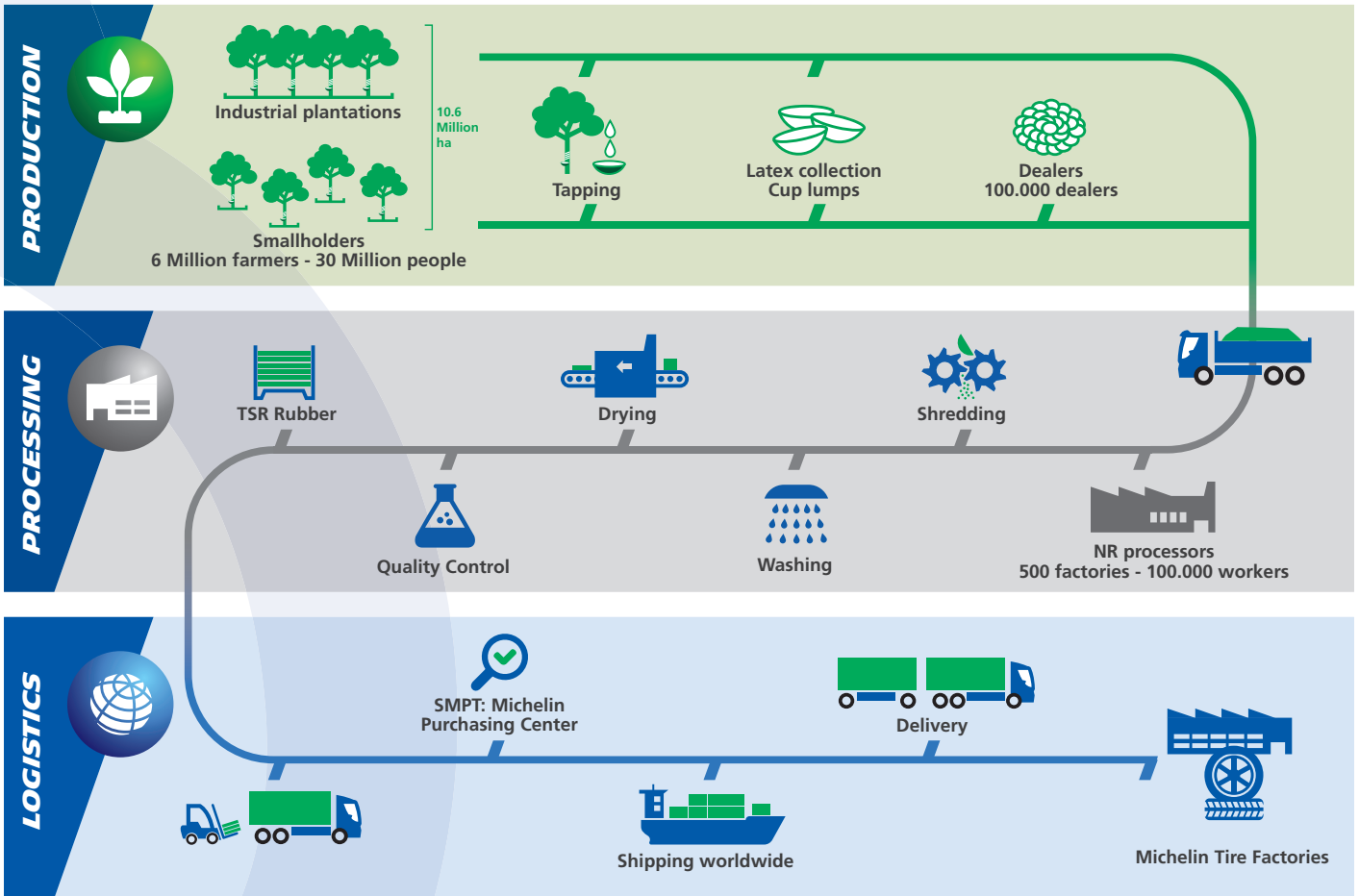
Manufacturers

As the last step in the value chain, manufacturers process the natural rubber and incorporate it into the production of finished or semi-finished products.

In some cases, a stakeholder can be both a producer and/or a dealer, remiller, and even a manufacturer.

⁴ HCS: High Carbon Stock / HCV: High Conservation Value / FPIC: Free, Prior and Informed Consent

Natural Rubber Value Chain





Section 1 Respecting people

1.1 PROMOTING CONFLICT RESOLUTION RELATED TO LAND OWNERSHIP

In addition to the applicable national and international rules, the Group recognizes the importance of identifying the possible existence of use rights or customary rights and associated rights from local communities, and in particular indigenous peoples, that might have an influence on land use.

The Group undertakes not to contribute voluntarily, directly or indirectly, to actions which might lead to the illegitimate appropriation of land to the detriment of local communities or populations.

The Group is committed to "free, prior and informed consent" (FPIC) principle of local communities likely to be affected by its operations, especially when setting up or transforming corporate plantations and/or industrial sites. In this regard, it draws on the methodology developed by the UN-REDD Programme Guidelines on Free, Prior and Informed Consent (FPIC)⁵.

The Group recognizes the rights of forest-dependent people and communities to:

- access forest resources and enjoy a fair share of the benefits from their use or commercial exploitation;
- have access to adequate farm land to ensure their food supply;
- receive fair compensation for conservation measures or commercial land use that infringe on their rights and livelihoods.

The Group understands 'local communities' to mean groups of people living in a community in a given geographic area, next to one another.

The Group understands 'free consent' to mean consent that is free of any manipulation, interference, coercion or intimidation.

The Group understands 'prior consent' to mean communicating information to the relevant people in good time and before any final decision is made.

The Group understands 'informed consent' to mean involving relevant representative institutions, providing information that is comprehensible (especially as regards language use) and accessible, such as assessments, action plans, project summaries, and any other relevant information.

⁵http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=8717&Itemid=53

1.2 IMPROVING WORKING CONDITIONS AND LIVING ENVIRONMENT

The Group aims to promote the best social practices namely:

- **Complying with and ensuring contractors' compliance with international standards** as set out in the list of reference documents provided in Attachment.
- **Protecting the health of employees and their family;** contributing to the accessibility and quality of health infrastructures; teaching best work practices (gestures and postures, work schedules, etc.); raising the awareness of workers and their family exposed to genuine risks (water quality, occupational illnesses, endemic or epidemic diseases).
- **Protecting the safety of employees;** ensuring that employees and contractors' employees use suitable personal protective equipment and collective protective equipment (particularly in remilling plants) and that they are able to work in satisfactory safety conditions.
- **Fighting all forms of discrimination** based on gender, age, ethnicity, religion or national origin (conventions 97, 111 and 143 of the ILO).
- **Prohibiting child labor** in accordance with national law, international law and the recommendations of relevant civil society organizations, as regards agricultural employment (conventions 138 and 182 of the ILO), by drawing on recommendations made by the International Partnership for Cooperation on Child Labor in Agriculture (2007).
- **Encouraging the development of local communities;** fostering the economic and social development of local communities; creating direct or indirect local jobs, increasing the employability of the local population, especially by supporting education infrastructures.
- **Promoting decent employment conditions;** promoting adequate working conditions by drawing on the best practices in force in the industry; ensuring that workers have employment contracts and that an employee's salary is at least equal to the country's minimum salary for an equivalent job (conventions 100 and 131 of the ILO); ensuring compliance with rest period entitlement.
- **Fostering freedom of association and collective bargaining** in accordance with the provisions of national and international law, and especially those outlined in conventions 87 and 98 of the ILO.
- **Fostering decent living conditions;** ensuring that employees living on site are housed in high-quality infrastructures. Ensuring a minimum livable surface area per worker, access to drinking water and electricity, sanitation system. Access to sufficient sources of food (convention 110 of the ILO).
- **Supporting the development of decent mobility conditions.** When workers live on site, ensuring that an adequate transport system is implemented, enabling employees and their family to access healthcare and education infrastructures.



Section 2 Protecting the environment

2.1 ZERO DEFORESTATION

Keen to protect natural forests, and particularly primary forests and areas of high environmental value likely to be jeopardized by the development of rubber cultivation, the Group advocates a responsible land management policy.

By all reasonable means, the Group ensures that the natural rubber it uses comes exclusively from plantations that fully comply with the "zero deforestation" principles:

- national forest protection laws are observed;
- primary forests are completely protected and preserved;
- areas of High Conservation Value (HCV) as defined and audited by the HCV Resource Network (<https://www.hcvnetwork.org/>) are protected and preserved;
- areas of High Carbon Stock (HCS) as defined and audited by the HCS Approach Steering Group (<http://highcarbonstock.org/>) are protected and preserved.

The identification of these areas using participatory mapping and the outlining of suitable management methods are subject to a consultation of all of the stakeholders involved (local communities, scientific, institutional and non-governmental organizations) to ensure economic, social and environmental needs are taken into account and the proposed farming techniques are socially accepted.

Procedures and methodologies are implemented in order to ensure that these areas are not destroyed, developed or damaged.

In clearly identified extreme cases where land development is sought, local, national and international stakeholders must be involved in the decision-making process (like in a peer review panel of the HCV Resource Network and High Carbon Stock Approach Steering Group).

2.2 CONTROLLING THE POTENTIAL IMPACT OF RUBBER CULTIVATION ON FAUNA, FLORA AND NATURAL ECOSYSTEMS

The Group works alongside civil society organizations to protect fauna, flora, water and soil and to develop the best land use plans, factoring in the economic, social and environmental needs of the local populations.

Protecting forest

On its own plantations, the Group will:

- protect all HCV* and HCS* ecosystems from any party;
- not provide incentives to convert natural ecosystems;
- prevent the use of all infrastructure for illegal activities;
- restore protected areas as required by law.

Preserving surface water and groundwater

The Group ensures that its operations related to natural rubber cultivation, harvesting and processing do not have any adverse effect on surface water or groundwater resources.



*HCV High Conservation Value
*HCS High Carbon Stock

The Group ensures the protection of streams and banks in accordance with national and international legal provisions and best environmental practices. It carries out environmental restoration operations where necessary.

It complies with local legal provisions and community rights related to using water resources.

Safeguarding peatlands

The Group refrains from any form of rubber production or drainage activity on any known peatland. These areas are fully protected and preserved as part of an action plan implemented in cooperation with local stakeholders.

The Group understands 'peatlands' to mean areas of soil that contains at least 65% of organic material regardless of the depth.



Responsibly managing waste

Wherever possible, the Group implements on its sites a system for the collection, processing and recycling of waste or byproducts generated by farming or industrial operations or by its employees and their families.

Ensuring the conservative use of chemical inputs

Rubber cultivation does not require intensive use of dangerous chemical products. However, the use of chemical products can prove necessary at various phases of production and processing in order to increase the overall efficiency of the process. The Group ensures compliance with stringent rules relating to chemical use and applies the highest standards relating to the use of chemical products (purchasing, transportation, storage, use):

- It refrains from using chemical products that are prohibited by the international Stockholm and Rotterdam conventions, including in countries where these conventions have yet to be adopted.
- It ensures that the risks of polluting water resources with natural or artificial chemical products are controlled.
- It ensures that its employees use suitable personal protective equipment and that authorized chemical products are used correctly (transportation, storage, concentration, manipulation).

The Group encourages and raises the awareness of its suppliers to observe the same principles as regards careful use of chemical inputs.

Reducing odors

Remilling operations can generate odors. At its facilities, the Group goes to great lengths to adopt best practices and the most advanced technology in order to reduce any odors. The Group encourages its suppliers to implement similar solutions.





Section 3 Improving farming practices

3.1 PROMOTING GOOD AGRICULTURAL PRACTICES

The Group actively supports the dissemination of good agricultural practices and every effort is being taken to increase yield per hectare for economic, social and environmental reasons.

Good agricultural practices enable farmers, and particularly small farmers, to cut production costs, improve working conditions and increase revenues over the long term.

Increasing yield per hectare provides a means of keeping up with the global demand for natural rubber without increasing the surface area of cultivated land, thereby reducing land pressure in forested areas and/or on food crops.

3.2 TAKING ACTION TO IMPROVE AGRICULTURAL YIELDS

The Group is committed to increasing the productivity of rubber trees through:

- research programs focusing on the most efficient varieties, rubber tree pests and agricultural technique optimization;
- operational support for the selection of varieties best suited to the environment and incentives to plant high yielding varieties when replanting;
- support for professional training bodies intended to increase the level of expertise of growers and rubber tappers;
- practical training sessions on best rubber cultivation practices intended for groups of growers, cooperatives and suppliers;
- technological transfer and promotion of good agricultural practices (planting density, tapping techniques, intercropping, handling and judicious use of chemical inputs, etc.).

Section 4 Carefully using natural resources

4.1 INCREASING THE MATERIAL EFFICIENCY OF NATURAL RUBBER

In order to meet the growing need for tires without excessively increasing the surface area of land used for rubber cultivation, the Group is committed to pursuing its research efforts to increase the material efficiency, i.e. the quantity of natural rubber used per thousand kilometers traveled.

Several actions are simultaneously being explored:

- reducing the mass of the average tire;
- increasing tire durability;
- developing technologies to progressively eliminate the need for a spare wheel;
- developing optimized tire management services for large fleets of vehicles ("Michelin Fleet Solutions");
- developing the concept of airless tires ("Michelin Tweel");
- using alternative components to natural rubber (biomaterials);
- developing retreading and regrooving services;
- recycling or reusing new materials during the production process;
- recycling or reusing used materials during the production process.





Section 5 Practicing good governance

5.1 COMBATING CORRUPTION

The Group refuses all forms of active and passive corruption. It shares the principles outlined in the Michelin Purchasing Principles with its suppliers and their subcontractors⁶.

5.2 INTERACTING WITH STAKEHOLDERS

The Group affirms its commitment to interacting with relevant local stakeholders on a regular basis, be it directly or indirectly, through its own natural rubber operations or those of its suppliers, in accordance with the Group Directive on stakeholder relations.

Information, communication and consultation systems will be put in place based on the recommendations set out in the human rights impact assessments, when they have been conducted.

Grievance mechanisms compliant with the host country's legislation will be set up to enable local stakeholders to express their point of view independently.

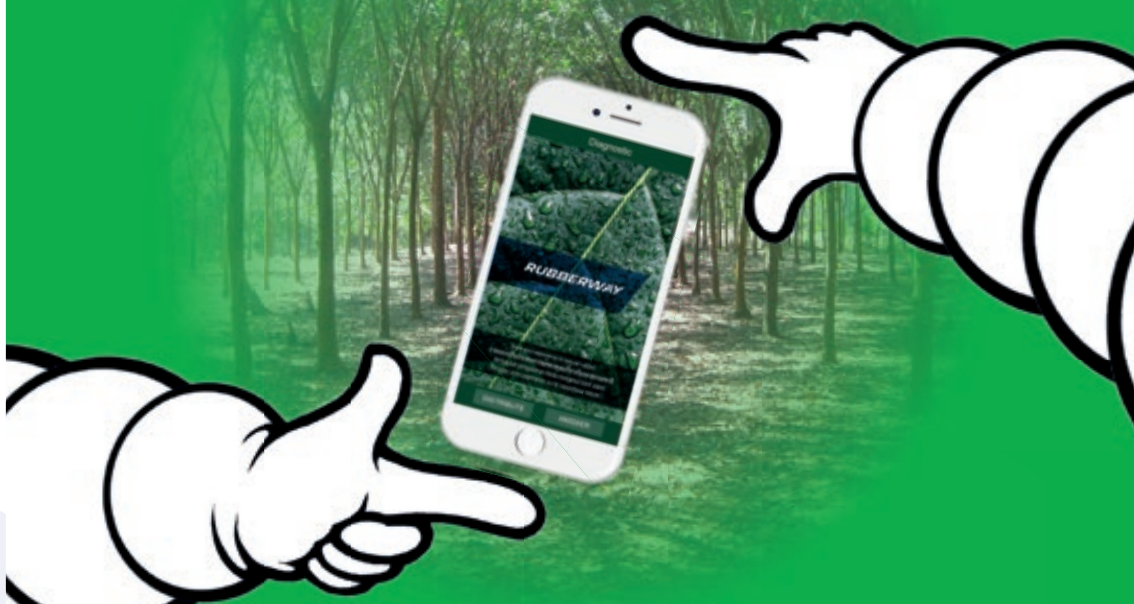
Consulting with international stakeholders

The Group will foster a strong dialogue with its international stakeholders on its natural rubber operations at global level.

At least once every two years, the Group will bring together a panel of international stakeholders for discussions on its policy and its natural rubber operations, as well as outlook for development.

This panel will include a wide range of experts, including suppliers, customers, shareholders, employees, NGOs, and representatives of international organizations and trade unions.

⁶<http://purchasing.michelin.com/>



5.3 ASSESSING SUPPLIERS

The Group expects its suppliers and their subcontractors to comply with the principles outlined above. Proven non-compliance or, where relevant, failure to apply the mutually agreed improvement programs may result in the suspension of business relations with the relevant suppliers and/or their subcontractor(s). This decision will be subject to collective considerations factoring in all of the resulting consequences, especially as regards economic, social and environmental factors.

The Group carries out independent CSR assessments of its direct suppliers representing at least 80% of its volume of natural rubber purchased.

5.4 TRACEABILITY

The Group has developed and will implement procedures and tools to trace its natural rubber supplies.

The Group will work closely with its suppliers (approved factories) to map its supply chain and overlay it with maps of environmental and social risks zones. Such traceability provides a mean to identify critical areas with high conservation value and high carbon stock as well as social issues and conflicts. The resulting map provides the basis for purchasing decisions by the Group and the development of action plans together with its suppliers whenever necessary.

Rubber supply chains have never been mapped to the approximately 6 million farmers involved globally in natural rubber cultivation. The Group thus cannot yet predict how long the process will take. However, based on the initial results of the pilot started in 2015, the Group targets to achieve this mapping for at least 80% of natural rubber purchased volumes by 2020.

5.5 TRANSPARENCY

Michelin will provide full transparency of its operations, including:

- publication of the upstream supply chain risk mapping on the purchasing website;
- appointment of a mutually acceptable independent third party to verify that the policy commitments are being implemented and publication of its report on the purchasing website;
- publication of the Michelin Sustainable Natural Rubber Dashboard on the purchasing website.



ATTACHMENT

REFERENCE DOCUMENTS

In all its upstream operations related to the consumption of natural rubber, the Group is committed to promoting, on its sites, with its suppliers and their subcontractors, the main principles outlined in the international reference documents provided below.

1.1 INTERNATIONAL REFERENCE DOCUMENTS

- United Nations Universal Declaration of Human Rights (UDHR, 1948);
- International Convention on Economic, Social and Cultural Rights (ICESCR, 1966);
- International Convention on Civil and Political Rights (ICCPR, 1966);
- International Convention on the Elimination of Racial Discrimination (ICERD, 1969);
- International Convention on the Elimination of all Forms of Discrimination against Women (CEDAW, 1979);
- Declaration on the Rights of Indigenous People (2007);
- Convention on Biological Diversity (CBD, 1992);
- The Ten Principles of the UN Global Compact (2010) to which Michelin is a signatory;
- UN Guiding Principles on Business and Human Rights (2011);
- Guidelines for Multinational Enterprises (2011);
- The main International Labor Organization conventions:
 - conventions 29 and 105 concerning forced labor;
 - conventions 138 and 182 concerning child labor;
 - conventions 87 and 98 concerning collective bargaining and freedom of association;
 - conventions 100 and 131 concerning equal remuneration and minimum wage;
 - convention 111 concerning discrimination;
 - convention 110 concerning plantations;
 - conventions 97 and 143 concerning migrant workers;
 - convention 141 concerning rural workers' organizations (1975);
 - convention 169 concerning indigenous and tribal peoples (1989);
- United Nations Convention Against Corruption (UNCAC, 2003);
- Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (2012);
- Principles for Responsible Investment in Agriculture and Food Systems endorsed by the Committee on World Food Security (2014);
- United Nations Millennium Development Goals Declaration (2000);
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (1979);
- New York Declaration on Forests (2014).

1.2 GROUP REFERENCE DOCUMENTS

The Group CSR reference documents fully apply to the natural rubber approach, in particular:

- Michelin Performance and Responsibility Charter (2002);
- Michelin Code of Ethics;
- Michelin Purchasing Principles (update 2015);
- Anticorruption commitment (DDR, § 6.2.3.b, 2014);
- A better way forward;
- Governance Handbook;
- Safety Charter;
- Group Directive concerning relations with NGOs (2013);
- Group Directive on stakeholder relations (2014);
- Group Directive concerning human rights (2016).

MICHELIN'S PURCHASING ORGANIZATION

***A GLOBAL NETWORK, WITH REPRESENTATIVES
IN MORE THAN 27 COUNTRIES***



4 PURCHASING DOMAINS

- Raw Materials
- Natural Rubber
- Industrial Purchases and Energy
- Services

4 REGIONS

- Europe
- North America
- South America
- Asia-Pacific

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TO FIND OUT MORE ABOUT

THE MICHELIN PERFORMANCE AND RESPONSIBILITY CHARTER:
"A BETTER WAY FORWARD"
www.michelin.com/corporate

OUR SUPPLIER GUIDELINES
(QUALITY, PURCHASING TERMS AND CONDITIONS, ETC.)
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