

MICHELIN SUSTAINABLE NATURAL RUBBER POLICY

REFERENCE DOCUMENT - 2021 EDITION

CONTENTS





MICHELIN GROUP PURPOSE

" Because we believe that **mobility** is essential for human development, we are **innovating** passionately to make it **safer**, more **efficient** and more **environmentally friendly**.
Our priority and firm commitment is to offer our customers **uncompromising quality**.
Because we believe that all of us deserve **personal fulfillment**, we want to enable everyone to do his or her best, and to **make our differences a valuable asset**.
Proud of our **values of respect** for customers, people, shareholders, the environment and facts, we are sharing the adventure of **better mobility for everyone**.
We care about offering everyone a better way forward."

THE “ALL SUSTAINABLE” VISION FROM MICHELIN CEO, FLORENT MENEGAUX



FLORENT MENEGAUX
MICHELIN GROUP CEO

“In the Michelin of tomorrow, everything will be sustainable”. This means that the Michelin Group is committed to profitable development for the company and its employees, with the greatest respect for our planet and its inhabitants.

For more than a century, Michelin has pushed innovation forward to create the future of mobility, to meet its customers and stakeholders’ expectations while enabling the employees of the Group to develop their full potential.

This defines our purpose: **“We care about offering everyone a better way forward”**, which nourishes both our strategic, and human and social models.

Our strategic model is based on innovation, capitalizes on our know-how, and relies on four core activities: tires, mobility-related services and solutions, unique gastronomic and travel experiences, and high-tech materials. This of course also applies to our natural rubber supply chain.



YVES CHAPOT
GENERAL MANAGER AND
CHIEF FINANCIAL OFFICER

Our human and social model is based on a double ambition: to foster our employees’ development and to pursue a balance between individual and common interests.

When it comes to addressing the current global transformations and unprecedented technological revolutions, as well as the post-Covid 19 context, Michelin always puts people at the core of its corporate vision and daily life.



HÉLÈNE PAUL
MICHELIN GROUP CPO

PURPOSE OF THE SUSTAINABLE NATURAL RUBBER POLICY

As the world leader in tires and the world's biggest purchaser of natural rubber, the Michelin group aims to lead the way in sustainable management of the natural rubber supply chain.

This document is an update of the Michelin Sustainable Natural Rubber Policy (2016 edition) that was elaborated on the public commitments taken by Michelin group ("the Group") in 2015. It directs decision-making processes, systems, and performance metrics of corporate management, relevant business units, subsidiaries, company affiliates and joint ventures. This document focuses on the natural rubber domain and is part of a larger body of work that serves to pursue sustainable development and mobility throughout all operations and domains (these documents and relevant

legal obligations can be found in Appendix 2). I am proud of all that has been achieved by our team in the past five years, helped along by the valuable contributions of our stakeholders. I am confident we can progress further all together, for the benefit of people and the planet. To that end, a roadmap, detailing our planned implementation activities for the next five years, has been developed and accompanies this Policy.

Furthermore, the Group will continue to contribute to the Sustainable Development Goals (SDGs) at all levels, including through its Sustainable Natural Rubber Policy and its influence in the natural rubber supply chain. To that end, this Policy will catalyze impact toward the 10 goals¹ described below.



^[1] The 10 goals were identified through an analysis of alignment of policy items to the SDGs at a target level.



1 NO POVERTY	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCT	13 CLIMATE ACTION	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
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Michelin is proud to be a founding member of the [Global Platform for Sustainable Natural Rubber \(GPSNR\)](https://www.gpsnr.org) [<https://www.gpsnr.org>] and this Policy is designed in accordance with the GPSNR [Policy Framework](#), approved by members on 23 September 2020.

The Group requires from its joint-ventures, suppliers and their subcontractors involved in producing, processing and marketing natural rubber to have appropriate management systems to ensure compliance with laws and regulations and to conform with all points embedded in this Policy. It contributes to capacity building activities that help our suppliers progress in their sustainability performance and equip them to implement this Policy.

Where a discrepancy has been identified through supplier assessments or available grievance mechanisms, the Group will mutually agree on an acceptable, time-bound improvement program with the associated supplier. Proven or persistent nonconformance or, where relevant, failure to apply the mutually agreed improvement programs will result in the suspension or termination of business relations with the relevant supplier and/or their subcontractor(s).

Should any tier 2 supplier (supplier of a supplier) be in proven non-conformance with this Policy, the Group will engage with the tier 1² supplier to assist in developing a time-bound improvement program to be executed by the tier 2 supplier. If improvement requirements are not met, this will also result in the termination of the tier 2 and tier 1 supplier.

Where it has been proven that suppliers are engaged in serious human rights abuses or environmental breaches, the Group will immediately suspend its business relations with the supplier and ask for immediate corrective actions. This applies to suppliers sour-

cing from or linked to any party engaged in these serious breaches.

The Group will engage its natural rubber suppliers to publish their own sustainable natural rubber policy, in line with the GPSNR Policy Framework, and expects its suppliers to hold, in turn, their suppliers and subcontractors accountable to their policy.

The Group encourages continuous improvement of the supply chain by exploring means to further support, incentivize and recognize suppliers and supply chain actors that are pursuing sustainability in their operations, including alignment with GPSNR principles.

In light of the complex and dynamic nature of the supply chain, which includes millions of smallholder farmers all over the globe, the Group is convinced that the best way forward for sustainable natural rubber relies on risk-based mapping, combined with the principle of continuous improvement. This would allow for the inclusion of all the value-chain stakeholders and a focus on impact driven progress that would optimize sustainability achievements.

^[2] The Group sources natural rubber primarily from independent suppliers. These suppliers can be individual natural rubber processing factories, a group with multiple factories or traders (natural rubber wholesalers). In every case, the Group conducts on-site audits, which through a pilot have now been expanded to include environmental and labor aspects, on individual natural rubber processing factories before they are added to an approved factory list. All suppliers, including groups and traders, have to abide by this list, meaning that all supply is known to the natural rubber processing factory level. These are collectively known as 'tier 1' suppliers.





The Michelin Sustainable Natural Rubber Policy hinges on five themes:

INTRODUCTION

A SUSTAINABLE RESOURCE

Natural rubber is a renewable natural resource, and its cultivation can create positive spin-offs from economic, social and environmental development perspectives.

When done responsibly, the cultivation, harvesting and transformation of natural rubber provides stakeholders in the supply chain with regular and sustainable revenue streams, and contributes to the development of rural areas while preserving the environment and ecosystems. In addition, the supply chain can enjoy a neutral, and potentially positive, carbon footprint provided the entire supply chain is managed optimally.

The growing global 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, ecosystems, biodiversity, agricultural land, and local and Indigenous communities.

Michelin's vision is to consider sustainable natural rubber as a natural and responsible way to uphold human rights and protect forests and ecosystems with high conservation value and high carbon stock, as well as to foster the essential environmental services they provide. This involves all key stakeholders in a participatory and transparent process, while ensuring satisfactory production yield, environmental sustainability and improved livelihoods for local and Indigenous communities with particular attention to vulnerable groups.



THE NATURAL RUBBER SUPPLY CHAIN

The six main groups of actors involved in the supply chain are as follows:

PRODUCERS

Producers harvest the latex from rubber trees. It is estimated that at least 85% of the cultivated rubber tree areas in the world are made up of very small farms (average of 2 to 3 hectares) directly managed by owner-operators (a.k.a. smallholders), who generally receive 60-80% of the commercial value of the natural rubber they produce, depending on the country and region. The remaining 15% is cultivated by large-sized (usually several thousands of hectares) industrial plantations often referred to as estates.

DEALERS

Intermediaries who collect and purchase natural rubber from some producers, typically those which are small farmers, to sell to processing factories. Dealers may also purchase in turn from other dealers, resulting in complex multi-tier supply chains.

PROCESSING FACTORIES

"Remilling plants" which process the raw material (latex or cup lumps) into bales of various grades of processed natural rubber intended for the manufacturing industry. Examples of these grades include Technically Specified Rubber (TSR), Ribbed Smoked Sheets (RSS) and centrifuged latex.

TRADERS

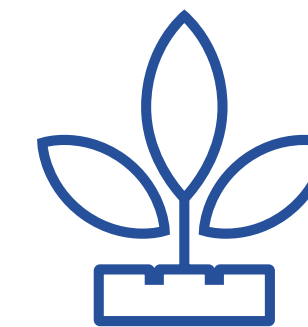
Brokers buy TSR, RSS or centrifuged latex and sell it mainly to manufacturers.

MANUFACTURERS (DOWNSTREAM USERS)

Manufacturers buy processed natural rubber directly from processing factories or through traders, then incorporate it into the production of finished or semi-finished products. In some cases, an actor can span an integrated supply chain, being a producer (plantation), processor, trader and even a manufacturer.

FINISHED PRODUCT USERS

Finished products such as tires are made from compounds that contain natural rubber. The users of these products, typically car makers, are the final consumers of natural rubber.



PRODUCTION

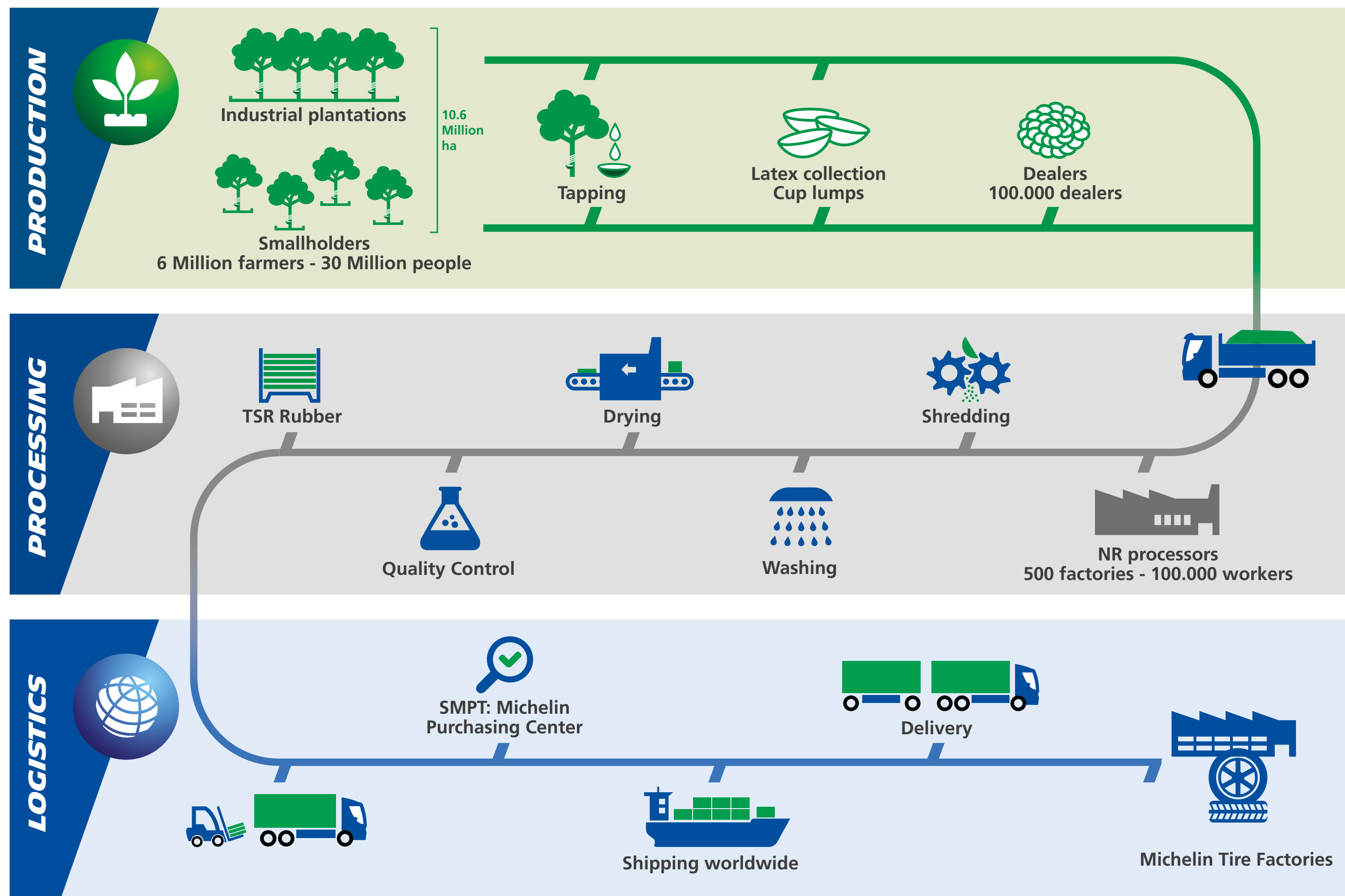


PROCESSING



LOGISTICS

NATURAL RUBBER SUPPLY CHAIN



SECTION 1

We care about people

Core contribution to UN SDG's

1 NO
POVERTY



5 GENDER
EQUALITY



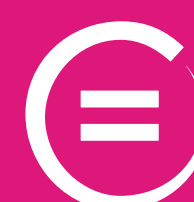
6 CLEAN WATER
AND SANITATION



8 DECENT WORK
AND ECONOMIC
GROWTH



10 REDUCED
INEQUALITIES



The group is committed to respect and uphold all Human Rights and community livelihoods.

1.1 – RESPECTING AND EMPOWERING LOCAL COMMUNITIES

RESPECTING LAND RIGHTS; in addition to applicable national and international human rights and norms, the Group recognizes and respects all legitimate tenure right holders, including the land use rights, collective and customary rights, and associated rights of local and Indigenous communities, that might have an influence on land and forest tenure and use.

The Group is committed to “zero land grabbing” and undertakes not to contribute directly or indirectly, to actions which might lead to the illegitimate appropriation of land, forests and natural resources, to the detriment of local or Indigenous communities.

The Group is committed to “free, prior and informed consent” (FPIC) of local or Indigenous communities likely to be affected by its operations, especially when setting up, restoring, or transforming corporate plantations and/or industrial sites, as well as associated infrastructure. In this regard, it complies with the FAO technical guidance on FPIC³ and methodologies developed by the UN-REDD Program Guidelines on FPIC⁴.

The Group will avoid adverse social or economic outcomes on natural resource-dependent or forest-dependent local or Indigenous communities resulting from the Group’s operations-related impact on resource access and/or use.

Where operations impinge the rights of local or Indigenous communities, local or Indigenous communities are compensated or accommodated through

appropriate, mutually agreed measures reflecting and described in the negotiated outcomes of the FPIC process.



The Group recognizes and respects the customary, collective and communal rights of forest-dependent people and local and Indigenous communities to:

- access pertinent information;
- access forest resources and enjoy their customary and traditional share of the benefits from their use for subsistence, medicinal, cultural, spiritual and religious traditions, customs and ceremonies;
- have access to adequate farm, foraging and grazing land to ensure their right to adequate food and nutrition.

^[3] http://www.fao.org/fileadmin/user_upload/faoweb/2018-New/Our_Pillars/FPIC_package_.zip

^[4] http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=8717&Itemid=53

1.1 – RESPECTING AND EMPOWERING LOCAL COMMUNITIES

All forms of forced eviction are prohibited, and involuntary resettlements are avoided or minimized, and affected persons receive the means to improve or at least restore their standard of living.

The Group will take measures to provide remedy through mutually agreed procedures in cases where the company has caused or contributed to the appropriation of or harm to the lands, territories, or natural resources of local and Indigenous communities without securing FPIC. Implementation is jointly monitored by the community and the Group and/or by mutually agreed third party(ies).

The Group makes sure to establish and ensure effective, culturally appropriate and transparent channels of dialogue with local and Indigenous communities.

ENCOURAGING THE DEVELOPMENT OF LOCAL COMMUNITIES; the Group fosters the economic, social and cultural development of local and In-

digenous communities; creating fair and decent direct or indirect jobs for both men and women, increasing the employability of the local population, especially by supporting access to education and education infrastructures, supporting community essential services and facilities (i.e. health, access to water, sanitation) and supporting sustainable livelihoods (including the right to food security through adequate food, water and nutrition).

PROMOTING GENDER EQUITY, EQUAL RIGHTS OF WOMEN AND WOMEN'S EMPOWERMENT; the Group actively supports the equitable inclusion of women across natural rubber operations, addressing barriers faced and fairness of treatment for women and men according to their respective needs. This may include equal or equivalent treatment in terms of rights, wages, benefits, obligations and opportunities.

REDUCING THE IMPACT OF ODORS AND NOISE POLLUTION LINKED TO NATURAL RUBBER PROCESSING OPERATIONS; the Group adopts international norms and best practices in order to reduce any odors and harmful noise pollution.



1.2 – UPHOLDING HUMAN RIGHTS, WORKING CONDITIONS AND LIVING ENVIRONMENT

The Group respects relevant domestic laws and international human rights legislation and promotes the best social practices. In this respect the Group is engaged in:

RECOGNIZING AND RESPECTING INTERNATIONAL HUMAN RIGHTS (including upholding the UN Guiding Principles on Business and Human Rights) by avoiding causing or contributing to adverse human rights impacts and preventing or mitigating any harm linked to company operations, making sure to take vulnerable groups into consideration.

COMPLYING WITH AND ENSURING CONTRACTORS' COMPLIANCE WITH INTERNATIONAL STANDARDS as set out in the list of reference documents provided in Appendix 2.

PROTECTING THE HEALTH OF EMPLOYEES AND THEIR FAMILY; contributing to enhance the accessibility and quality of local health provision and

infrastructure; teaching best work practices (gestures and postures, work schedules, etc.); raising the awareness of workers and their family about genuine risks (water quality, agrochemicals, occupational illnesses, endemic or epidemic diseases).

PROTECTING THE SAFETY OF EMPLOYEES; taking steps to identify employment-related hazards and prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by minimizing the causes of hazards, in a manner consistent with good international industry practice; 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 satisfactorily safe conditions. Train employees regularly on health and safety practices, follow up accidentology indicators and keep appropriate records.

FIGHTING ALL FORMS OF DISCRIMINATION based on gender, age, ethnicity, religion, national origin, marital status, sexual orientation, social status, political opinion, union membership, health status and physical or mental disability (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, in regard to agricultural employment and minimum working age (Conventions 138 and 182 of the ILO), by drawing on recommendations made by the International Partnership for Cooperation on Child Labor in Agriculture (2007).

PROHIBITING FORCED, BONDED, TRAFFICKED OR COMPULSORY LABOR AND MODERN SLAVERY including all forms of labor exploitation or any form of mental or physical coercion (ILO Conventions 105, 29 and its 2014 Protocol).

1.2 – UPHOLDING HUMAN RIGHTS, WORKING CONDITIONS AND LIVING ENVIRONMENT

RESPECTING THE RIGHTS OF MIGRANT AND CASUAL WORKERS and in particular exercising ethical recruitment practices including no direct or indirect recruitment fees for workers (ILO Conventions 97 and 143).

FOSTERING FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING in accordance with the provisions of national and international law, and especially those outlined in ILO Conventions 87 and 98. If national law substantially restricts workers' organizations, the Group will seek to enable alternative means for workers to express their grievances and protect their rights regarding working conditions and terms of employment.

ENSURE FAIR, DECENT AND SAFE EMPLOYMENT CONDITIONS; maintain working practices and working environments that are fair, inclusive, benevolent and professional; promo-

ting safe and 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 with the view of fostering an adequate/decent living wage as envisioned by the ILO (ILO Conventions 100, 105 and 131); ensuring compliance with rest period entitlement and fair working hours; ensuring that employees are informed regarding their rights under national labor and employment law.

FOSTERING DECENT LIVING CONDITIONS; ensuring that employees living on site are housed in decent infrastructure of adequate quality. Ensuring a minimum livable surface area per worker, access to safe drinking water, electricity and gender-appropriate sanitation systems. Ensure access to adequate sources of food (ILO Convention 110).

SUPPORTING THE DEVELOPMENT OF DECENT MOBILITY CONDITIONS; when workers live on site, ensuring that an adequate and safe transport system is implemented, enabling employees and their family to access healthcare and education infrastructures.

SECTION 2

We care about the environment

Core contribution to UN SDG's



The Group is committed to healthy and functioning ecosystems and recognizes the importance of ecosystem services.

2.1 – ZERO DEFORESTATION

Keen to protect ecosystems and particularly natural forests and areas of high ecological importance likely to be jeopardized by the development of rubber cultivation, the Group is committed to responsible land management across all its operations.

The Group ensures that the natural rubber it uses is produced in accordance with the "zero deforestation" principles including:

- National forest protection and environmental laws are complied with;
- Primary forests are completely protected and preserved;
- Areas of High Conservation Value (HCV) as defined by the HCV Resource Network (HCVRN) (<https://www.hcvnetwork.org/>) are protected and preserved;
- Areas of High Carbon Stock (HCS) as defined by the HCS Approach Steering Group (<http://highcarbonstock.org/>) are protected and preserved;
- No conversion of natural ecosystems.

HCV and HCS assessments are conducted before any new development, identification and management of area for development and conservation follow the methodology and guidance consistent with the HCVRN and HCSA.

The identification of these areas using participatory mapping and the outlining of suitable management methods are subject to a consultation of all of the relevant local and Indigenous communities, national Civil Society Organisations (CSOs) and international stakeholders involved (scientific, institutional or non-governmental organizations, HCV Resource Network and High Carbon Stock Approach Steering Group) to ensure economic, social and environmental needs are taken into account and the proposed farming techniques are socially and environmentally acceptable. Procedures and methodologies are implemented in order to ensure that, in the long term, any protected and preserved areas are not destroyed, developed or damaged.

The Group first adopted "zero deforestation" principles as part of its Natural Rubber Procurement Policy in 2015, and expanded on them in its first Sustainable Natural Rubber Policy in 2016. It has expected and continues to expect that all natural rubber sourced be in conformance with those policies.

GPSNR has adopted a cutoff date as part of its Policy Framework, and as such, the Group considers that natural rubber from areas deforested or where HCVs have been degraded after the cutoff date of 1 April 2019 is non-conforming with this policy element.



2.2 – CONTROLLING THE POTENTIAL IMPACT OF RUBBER CULTIVATION AND PROCESSING ON BIODIVERSITY AND NATURAL ECOSYSTEMS

The Group works alongside local and Indigenous communities and civil society organizations to protect ecosystems, biodiversity, water and soil, and to develop the best transparent and participatory land use plans, factoring in the economic, social and environmental needs of local and Indigenous communities.

PROTECTING FOREST

Beyond its zero deforestation commitment, the Group will:

- appropriately manage and maintain identified [HCV](#) and [HCS](#) areas;
- protect natural ecosystems, forests, plantations and infrastructure from unauthorised or illegal resource use, settlement and other illegal activities;
- work in restoring or supporting restoration of deforested and degraded rubber landscapes, so as to reduce fragmentation and restore ecosystem functions where applicable.

PROTECTING BIODIVERSITY

The Group undertakes to:

- Protect biodiversity in all natural rubber operations

including both set-aside areas (including HCV and HCS areas) and other areas such as production areas, taking into account the specificities of the landscape. This includes protecting forest and natural ecosystems, identifying species of risk (including rare threatened and endangered species), and implementing biodiversity/species management plans when necessary;

- Protect wildlife, including rare, threatened, endangered and critically endangered species⁵ from poaching, hunting (except certain instances of sustainable hunting by local communities for subsistence purposes that do not cause decline of local species populations), and habitat loss and supporting wildlife protection activities in the context of a landscape approach;
- Take precautions to avoid introducing any potentially invasive alien species;
- Promote ecological buffer zones around bodies of water, and between production areas and areas of high conservation value;
- Promote biodiversity conservation through education to local communities and stakeholders.

PRESERVING SURFACE WATER AND GROUNDWATER

The Group ensures that its operations related to natural rubber cultivation, harvesting and processing do not have any adverse effects relating to quality and quantity of surface water, wetlands or groundwater resources. It prevents water contamination from agricultural and industrial chemicals, and erosion and sedimentation. It ensures that all wastewater generated from natural rubber operations are properly treated in full compliance with national and local regulations and maximizes water recycling in the production process. It implements timebound improvement plans regarding quality of wastewater (including COD and BOD) and water use intensity when necessary.

It ensures the protection of wetlands, streams and banks (riparian buffers) to support stream quality and aquatic life 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.

^[5] <https://www.iucnredlist.org/>

2.2 – CONTROLLING THE POTENTIAL IMPACT OF RUBBER CULTIVATION AND PROCESSING ON BIODIVERSITY AND NATURAL ECOSYSTEMS

SAFEGUARDING SOILS QUALITY AND PEATLANDS

The Group is committed to best management practices to protect soils and peat, including but not limited to erosion control, drainage, soil functioning, nutrient conservation, and preventing subsidence and contamination.

The Group refrains from any form of rubber production or drainage activity on any known peatland. These areas are fully protected and preserved regardless of depth, extent, or status (wet, drained or dry).

NO OPEN BURNING/FIRE IN OPERATIONS

The Group refrains from using open burning/fire in new or ongoing operations for land preparation of new planting or replanting, land management, waste management, or any other reason other than

in justified and documented cases of fire break establishment, waste management for sanitary reasons where public garbage collection is not available, phytosanitary and other emergencies.

MITIGATING CLIMATE CHANGE

The Group is fully committed to minimizing and mitigating its greenhouse gas emissions.

It is actively involved in efforts to prevent climate change by minimizing the rate of energy usage and greenhouse gases emissions. Measures are taken to reduce energy use and increase energy efficiency of natural rubber processing. Sources of alternative energy, including energy cogeneration with rubber wood, are identified, evaluated and are in use where feasible.

The Group is actively exploring how the natural rubber supply chain can be part of the solution to

climate change and climate change adaptation. Possibilities include:

- Further reducing energy requirements of natural rubber processing;
- Maximizing carbon sequestration of rubber plantations (including with agroforestry systems);
- Encouraging useful application of rubber wood for energy cogeneration, lumber or furniture making;
- Exploring how rubber plantations, together with areas set-aside as natural forest, can play a role in climate-smart landscapes.

2.2 – CONTROLLING THE POTENTIAL IMPACT OF RUBBER CULTIVATION AND PROCESSING ON BIODIVERSITY AND NATURAL ECOSYSTEMS

ENSURING THE CONSERVATIVE USE OF CHEMICAL INPUTS

Rubber cultivation does not require intensive use of pesticides compared to the production of other crops. 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 safe use of chemical products (purchasing, transportation, handling, storage, use, waste collecting and disposal).

- The Group refrains from using pesticides that are prohibited by the Stockholm and Rotterdam Conventions and Montreal protocol including in countries where these conventions/protocols have yet to be adopted;

- It refrains from using WHO class Ia and Ib pesticides and paraquat, including in countries where these products are not yet banned;
- It ensures that the risks of polluting water resources with natural or artificial chemical products are controlled;
- It ensures that its employees are trained on chemical transportation, storage, handling, dilution, use and disposal;
- It ensures that its employees use suitable personal protective equipment and that authorized chemical products are used and stored safely;
- It continuously strives to reduce and minimize its global use of chemicals, including pesticides and chemical fertilizers;
- It, wherever possible, considers Integrated Pest & Disease Management, biological methods and natural or organic fertilizer.

RESPONSIBLY MANAGING WASTE

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

SECTION 3

We care about rubber farmers

Core contribution to UN SDG's

1 NO
POVERTY



8 DECENT WORK
AND ECONOMIC
GROWTH



10 REDUCED
INEQUALITIES



12 RESPONSIBLE
CONSUMPTION
AND PRODUCT



15 LIFE ON
LAND



The Group is committed to support the livelihood of rubber farmers through encouraging decent revenue and the principle of equity.

3.1 – PROMOTING GOOD AGRICULTURAL PRACTICES AND NATURAL RUBBER QUALITY

The Group actively supports capacity building, dissemination of good agricultural practices and raw rubber quality improvement. Every effort is being taken to increase yield per hectare and rubber quality for sustainable economic, social and environmental reasons.

Good agricultural practices, sustainable tapping practices and improving rubber quality enable farmers, particularly small farmers, to cut production costs, improve working conditions, diversify livelihoods, enhance climate resilience 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 on forested areas and/or land that would otherwise support food production. Yield improvement is key to minimize the land use impacts of natural rubber cultivation.



3.2 – ACTING TO IMPROVE FARMERS LIVELIHOOD AND ECONOMIC RESILIENCE



The Group is committed to improve the livelihood and economic resilience of natural rubber farmers through:

- research programs focusing on the most efficient rubber tree varieties, pest management and agricultural technique optimization;
- technological transfer and promotion of good agricultural practices (planting density, tapping techniques, intercropping, agroforestry, handling and minimizing the use of agrochemical inputs, quality etc.);
- operational support for the production of higher yield varieties (rubber clones) best suited to the environment and promoting the use of those high yielding varieties when replanting;
- support for professional training bodies intended to increase the level of expertise and skills of growers and rubber tappers;
- practical training sessions on good rubber cultivation, sustainable tapping practices, rubber

quality and livelihood improvement and farmers empowerment intended for groups of growers, cooperatives, smallholder associations, women's groups and suppliers; relevant topics could include farm management, farming practices, sustainable tapping techniques, livelihood diversification, climate change resilience, CO₂ sequestration optimization, operational health and safety, social and environmental practices, quality control, financial management, record keeping, etc;

- promotion of value creation for rubber wood, to facilitate no-burn replanting and supplement farmers revenues;
- promotion of diversified systems including mix-cropping and agroforestry;
- promotion of the valuation of ecosystems services;
- promotion of transparent, gender equitable and fair pricing.

SECTION 4

We care about natural resources

Core contribution to UN SDG's



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.

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 simultaneously exploring several actions:

- reducing the mass of the average tire;
- increasing tire durability and promoting national and international regulations that encourage and support long lasting performance R&D and products;
- 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" and "UPTIS", Unique Puncture-proof Tire System);
- developing retreading and regrooving services;
- recycling or reusing new materials during the production process;
- recycling or reusing used materials during the production process;
- supporting national and international End of Life Tire (ELT) policies that encourage collect and recycling of used tires;
- integrating Life Cycle Analysis of main tire raw materials when developing new products to reduce their potential identified impacts on ecosystems.



SECTION 5

We care about our Stakeholders

Core contribution to UN SDG's

12 RESPONSIBLE
CONSUMPTION
AND PRODUCT



15 LIFE ON
LAND



16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



17 PARTNERSHIPS
FOR THE GOALS



The Group is committed to legal compliance. It always makes sure to comply with applicable local, national and international laws on human rights, labor, land use, and the environment.

5.1 – COMBATING CORRUPTION

The Group rejects all forms of active and passive corruption, including extortion and bribery. It requires enforcement of the principles outlined in the Michelin Purchasing Principles with its joint ventures, suppliers and their subcontractors⁶.

5.2 – INTERACTING WITH STAKEHOLDERS

The Group commits to interact with relevant local and global stakeholders on a regular basis, through an inclusive, transparent and participatory approach (ensuring the inclusion of the interests of women and marginalized groups), be it directly or indirectly, in accordance with the Group Directive on stakeholder relations. It canvasses information from various sources (local stakeholders, global stakeholders and any relevant or affected parties) regarding its performance against its commitments by applying various engagement systems, through both informal and formal means.

The Group provides its suppliers and employees with a dedicated and confidential

“whistleblowing” system for reporting any situation that may constitute a breach to any Michelin codes of conduct (including this Policy). This is stated on every purchasing contract, and the link is available on the Michelin website (starting 2021).

An accessible grievance mechanism (consistent with UNGP effectiveness criteria and OECD guidelines) will be set up by 2021 to enable stakeholders to express their grievance independently and to give opportunities to remedy adverse impacts caused through production or sourcing.

Michelin is proud to be a founding member of the Global Platform for Sustainable Natural Rubber (GPSNR). The Group is strongly

^[6] <https://purchasing.michelin.com/en/document-area/>

5.2 – INTERACTING WITH STAKEHOLDERS

committed to actively support GPSNR and uphold its activities, principles and policies. The Group advocates all the actors and stakeholders of its natural rubber supply chain to join GPSNR in order to work collectively to achieve global sustainable natural rubber sourcing, production, use and recycling.

The Group participates in/supports multi-stakeholder planning and policy efforts that uphold the GPSNR principles at a landscape, jurisdictional or other spatial level.

CONSULTING WITH INTERNATIONAL STAKEHOLDERS

The Group undertakes active and regular dialogue with its international stakeholders on its natural rubber operations at a global level.

At least once every two years, the Group brings together a panel of international stakeholders for discussions on its Policy and its natural rubber operations, to create opportunities for feedback, as well as outlooks for development.



5.3 – RISK BASED APPROACH AND CONTINUOUS IMPROVEMENT

The Group is working closely with its suppliers (approved factories) to establish a risk-map of its supply chain. Such risk-mapping provides a means to identify critical areas with risk of social issues and conflicts as well as environmental risks such as deforestation. The resulting maps provide the basis for purchasing decision by the Group and the development of timebound risk mitigation action plans together with its suppliers whenever necessary.

RISK-MAPPING

With a constant Environmental, Social and Governance (ESG) progress approach, the Group is investing ever more in digital technology to develop new innovative tools to serve its sustainable development strategy. Pursuing its commitment to the production of sustainable natural rubber, the Group is deploying Rubberway®, a technological solution that maps and assesses practices and risks regarding ESG issues throughout the natural rubber industry, from natural rubber processing factories to rubber-farms.

Rubberway® provides its users (tire manufactures and their suppliers - the natural rubber processors) with risk analysis derived from the collected data and enables them to improve transparency and sustain-

ability in the natural rubber chain. The system links all the actors of a natural rubber processing factory supply chain and the risk scoring is displayed on an interactive map at a jurisdictional level which allows locating of the most at-risk areas. Through this innovative tool, the Group encourages all players in the natural rubber supply chain to adopt socially and environmentally responsible practices to keep rubber growing in a virtuous dynamic.

CONTINUOUS IMPROVEMENT

The Group strongly believes in cooperation and partnership, and is regularly engaging and supporting its natural rubber suppliers to set up appropriate management systems in order to support their continuous improvement regarding the conformance with this Policy.

The Group also supports its suppliers through the recommendation of best industrial practices, especially through its on-site quality audits. It aims to formalize some of these recommendations through the drafting of best practice guidelines (e.g. guidelines to reduce odor from processing activities).

The Group carries out independent CSR assessments⁷ of its direct suppliers representing at least

85% of its natural rubber spend. These assess the maturity of actions and systems related to sustainability by scoring the performance of suppliers in four themes: Environment; Labor and Human rights; Ethics and Sustainable Procurement. These assessments help the Group to understand relative risk among its supply base and identify suppliers with weaker performance so that they can implement improvement plans. Significant issues are addressed collaboratively through building and follow up of timebound Corrective Action Plans.

In addition, the Group audits all natural rubber processing factories in its supply chain before they are added to an approved factory list. They are subsequently re-audited every year (or every two years for factories in West Africa). These onsite audits focus on quality management, but also assess several aspects of this Policy. Gaps identified are addressed collaboratively through timebound Corrective Action Plans.

Beyond engaging with its suppliers, the Group also cooperates with relevant government agencies, universities, research centers, non-governmental organizations, and various industry players to uphold natural rubber value-chain sustainability.

^[7] Currently undertaken through EcoVadis, a global business sustainability ratings provider

5.4 – TRACEABILITY, TRANSPARENCY AND REPORTING



The Group supports the development of natural rubber traceability, at an appropriate jurisdictional level to know or control the origin of purchased materials, to understand risk, and enable risk mitigation where needed, so that purchased material can be in alignment with this Policy.

The Group is striving to provide transparency of its operations. It will work towards comprehensive disclosure of the provenance of natural rubber purchased from industrial plantations (estates), and for sources other than industrial plantations (including smallholders) will publish jurisdictional-level summaries of the Rubberway risk mapping.

The Group will report, at least annually, on various metrics (KPIs) that demonstrate progress regarding the implementation of this Policy through a dashboard on the Michelin purchasing website. A structured reporting

framework on sourcing control that captures both aspects of traceability and risk control or mitigation will also be published.

5.5 – MONITORING & IMPLEMENTATION

To facilitate the implementation of this Policy, the Group is publishing a timebound Sustainable Natural Rubber Roadmap with clear targets and milestones; these are to be defined to be geographic-specific when needed. The Roadmap is considered a subcomponent of this Policy and helps to define the specific metrics that are to be reported on the dashboard. The Group will also maintain open communication on its progress to local and international stakeholders.

Sustainability performance of our suppliers and their commitment to progress is a key factor in the Group's Supply Relationship Management.

The Group encourages its suppliers and the entire value-chain to seek continuous improvement over time by implementing knowledge-building and capacity building activities by themselves and through collaborative efforts in order to demonstrate progress in the areas covered by this Policy.

This Policy is attached to all of the Group's natural rubber purchasing contracts. The Group considers that by acknowledging a natural rubber purchasing contract, a supplier is bound to the terms of this Policy. In addition, the Group communicates that material produced and processed in accordance and conformance with the GPSNR Policy Components will be preferred.

Suppliers are expected to cascade this Policy up their respective supply chain. The Group monitors the sustainability performance and progress of suppliers through a combination of supplier and supply chain assessments. It also encourages its suppliers to publicly report on their progress and sustainability achievements.

To facilitate the implementation of this Policy, the Group will provide dedicated training sessions for its purchasing officers, as well as for its suppliers. Where needs have been identified, training will be extended to various levels of its natural rubber supply chain.

The Group reserves the right to conduct specific sustainability audits or onsite visits of its suppliers as deemed appropriate.

This Policy is subject to future updates, enhancements or changes, at any time, in light of the results and learning gained from its implementation.

For further information regarding the Michelin Sustainable Natural Rubber Policy, please contact the Michelin Natural Rubber Sustainability Officer through the Michelin Purchasing Department.

APPENDIX 1: DEFINITIONS

LOCAL COMMUNITY

A group of interacting people living in and sharing a specific environment and place, and sharing common concern around local facilities, services, and environment and which may at times depart from traditional or State definitions. Such communities may attach particular meaning to land and natural resources as sources of culture, customs, history, and identity, and/or depend on them to sustain their livelihoods, social organization, culture, traditions, and beliefs. Local communities may be legally or customarily known or designated using various terms, such as “traditional communities”. Like Indigenous Peoples (or Indigenous communities), they may use and manage land in accordance with customary tenure systems and associated rights and may depend of their land for cultural and physical survival.⁸

^[8] Source: Free, Prior and Informed Consent Guide for Roundtable on Sustainable Palm Oil (RSPO) Members. RSPO Human Rights Working Group 2015, 2018.

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 tree.

SUSTAINABLE DEVELOPMENT

Sustainable development aims to meet human development goals without compromising the ability of future generations to meet their own needs.

SUSTAINABLE NATURAL RUBBER POLICY (ALSO REFERRED TO AS “THIS POLICY”)

The Michelin Sustainable Natural Rubber Policy covers commitments and measures taken by the Group to foster the responsible and sustainable management of natural rubber throughout the value chain.

APPENDIX 2: 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 joint ventures, suppliers and their subcontractors, the main principles outlined in the international reference documents provided below.

A. 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);
- UN Guiding Principles on Business and Human Rights (UNGP, 2011);
- UN Declaration on the Rights of Indigenous People (UNDRIP, 2007);
- UN Declaration on the Rights of Peasants and Other People Working in Rural Areas (UNDROP, 2018);
- ABC of Women Worker's Rights and Gender Equality (ILO 2000);
- The main International Labor Organization conventions:
 - Conventions 29 (and its 2014 Protocol) and 105 concerning forced labor;
 - Conventions 138, 146 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);
- The Ten Principles of the UN Global Compact (2010) to which Michelin is a signatory;
- United Nations Sustainable Development Goals (UN SDGs – 2015);
- OECD Guidelines for Multinational Enterprises (2011);
- Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT, 2012);
- Principles for Responsible Investment in Agriculture and Food Systems endorsed by the Committee on World Food Security (2014);
- The Tirana Declaration (2011) "Securing land access for the poor in times of intensified natural resources competition";
- Convention on Biological Diversity (CBD, 1992);
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (1979);
- New York Declaration on Forests of the United Nations (2014);
- WHO Recommended Classification of Pesticides by Hazard;
- International Code of Conduct on Pesticide Management (FAO);
- Annex III of the Stockholm Convention on Persistent Organic Pollutants (POPS);
- Annex III of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade;
- Montreal Protocol on Substances that Deplete the Ozone layer;
- Due Diligence French Law (2017);
- Global Platform for Sustainable Natural Rubber (GPSNR) Policy Framework (2020).

APPENDIX 2: REFERENCE DOCUMENTS

B. GROUP REFERENCE DOCUMENTS

The Group CSR reference documents (available on the Michelin website) fully apply to the natural rubber approach, in particular:

- Michelin Performance and Responsibility Charter (2002);
- Michelin Purchasing Principles;
- Michelin Code of Ethics;
- Anticorruption Code of Practice;
- Groups' Guidelines – Stakeholder Relations;
- Universal Registration Document (yearly publication);
- Duty of Care Plan (yearly update).



We would like to thank our partners, stakeholders and members of civil society for their valuable and constructive feedback on this policy update.

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