

# ***SUSTAINABLE NATURAL RUBBER ROADMAP***

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*2020 - 2025 | 2020 RESULTS*

# ***SUSTAINABLE NATURAL RUBBER ROADMAP 2020 - 2025***

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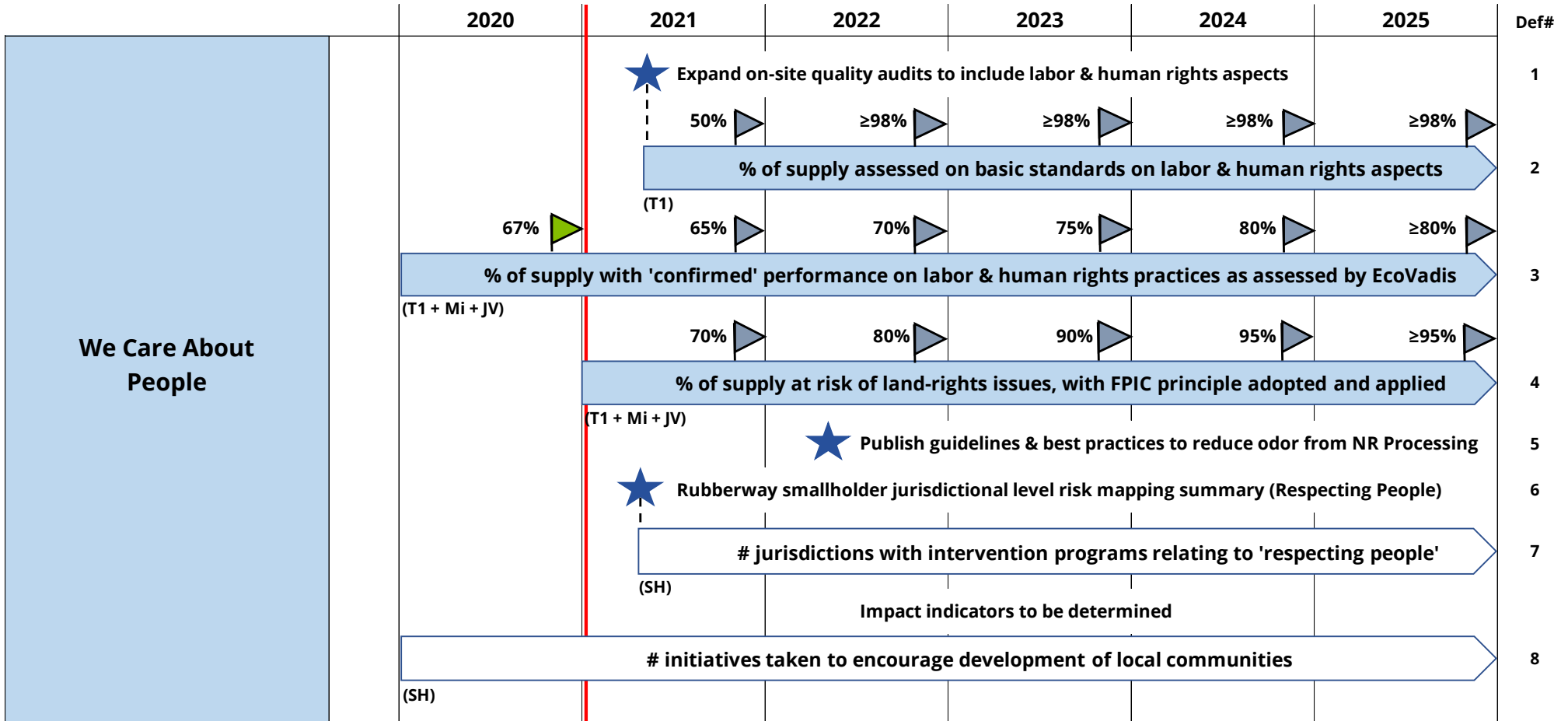
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### **ABOUT THIS DOCUMENT**

The Sustainable Natural Rubber Roadmap 2020 - 2025 sets key indicators to guide the implementation of Michelin's Sustainable Natural Rubber Policy. The categories correlate with the policy pillars to facilitate insight into Michelin's progress. The roadmap is considered a living document, and indicators can be added if they have been identified as material or removed if they are deemed no longer relevant (with rationale provided).

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# WE CARE ABOUT PEOPLE



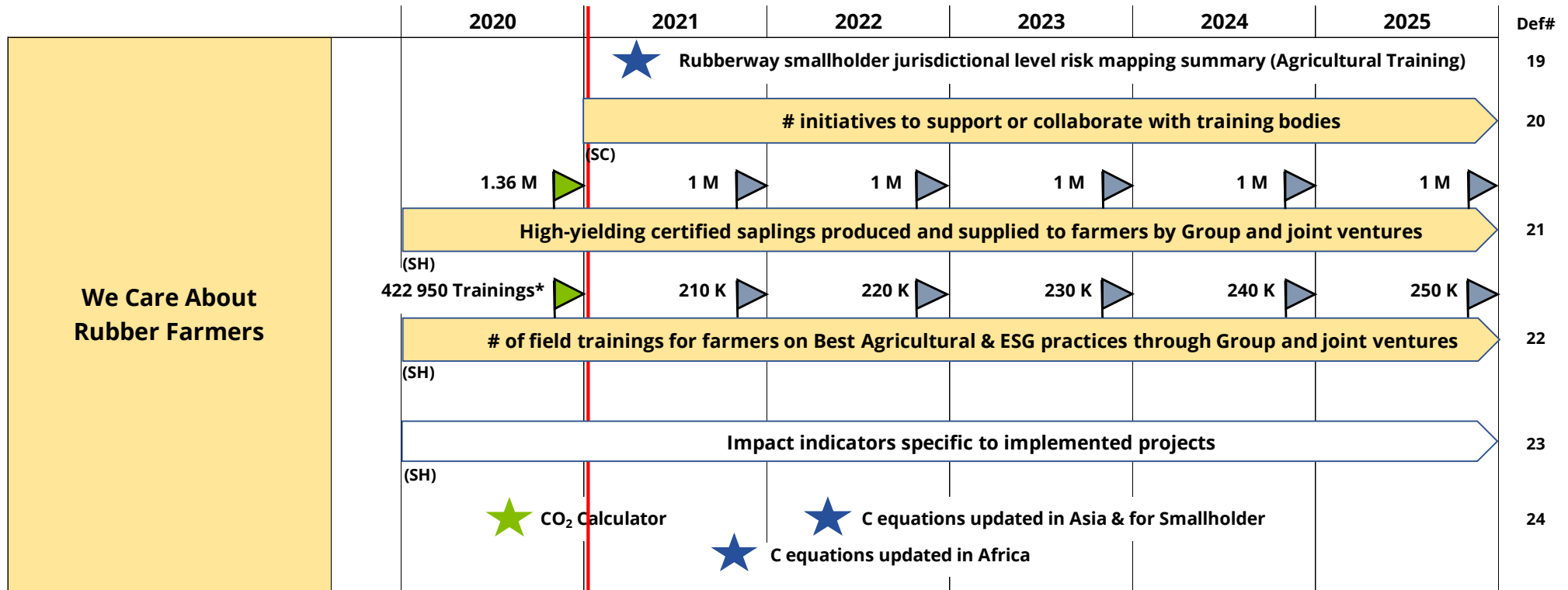
## Main target group (legend):

- T1** Direct suppliers (Tier 1 suppliers)
- Mi** Michelin owned operations (including subsidiaries whose activities relate to the production or processing of natural rubber)
- JV** Joint Ventures: within this document, defined as companies whose activities relate to the production or processing of natural rubber where Michelin Group maintains financial interest but is a minority shareholder
- SH** Smallholders
- SC** Global Supply chain

# WE CARE ABOUT THE ENVIRONMENT

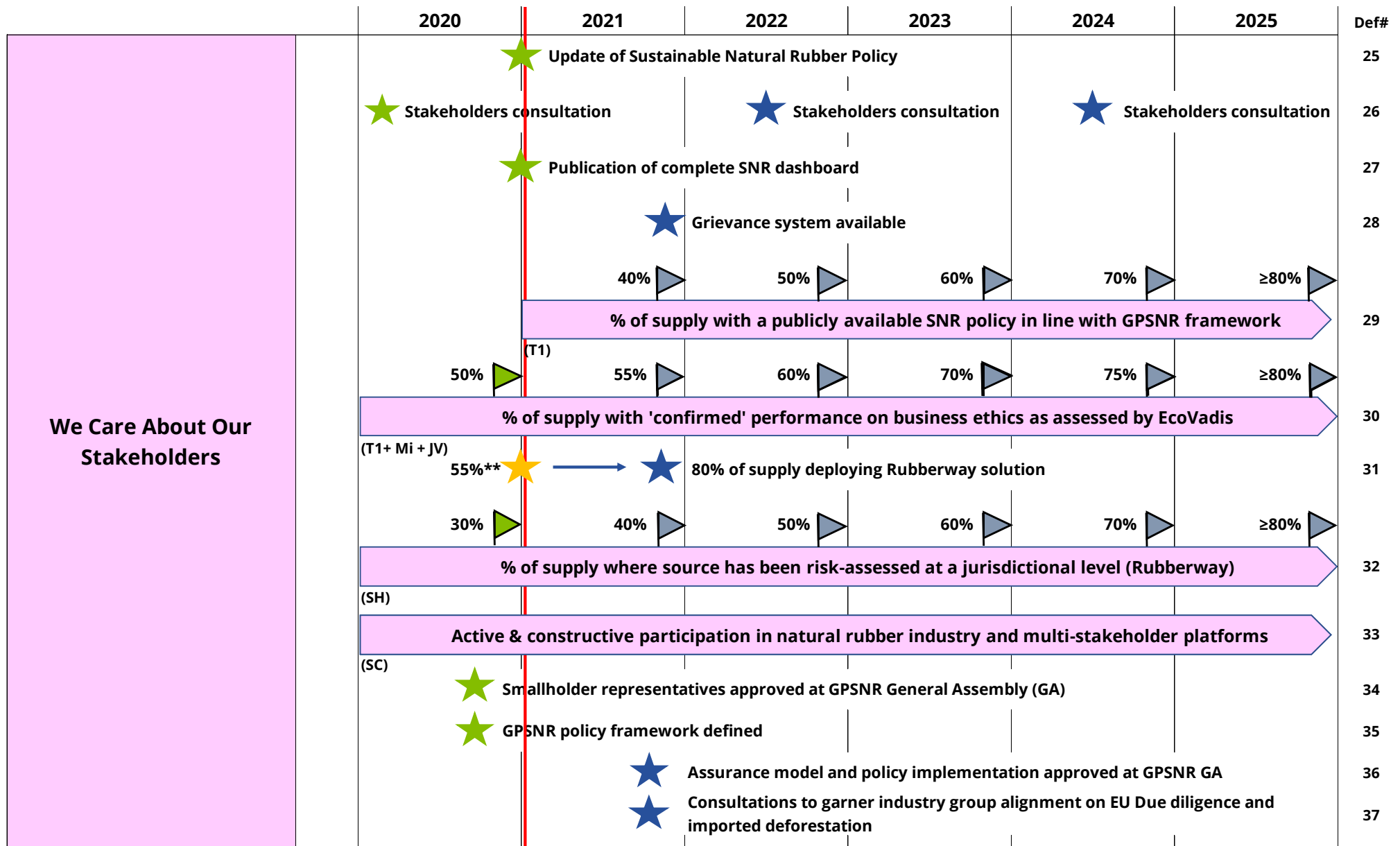
	2020	2021	2022	2023	2024	2025	Def#	
We Care About the Environment		★ Global deforestation risk analysis in collaboration with WWF France					9	
	34 000~ ha					Net gain > 34 000 ha	10	
	(Mi + JV)		70%	80%	90%	95%	≥95%	11
			★ Expand on-site quality audits to include environmental aspects					12
			50%	≥98%	≥98%	≥98%	≥98%	13
	64%	(T1) 65%	70%	75%	80%	≥80%	14	
	(T1 + Mi + JV) 86%	85%	75%	65%	55%	50%	15	
	(Mi + JV)		★ Rubberway smallholder jurisdictional level risk mapping summary (Environment)					16
			# jurisdictions with intervention programs relating to 'environment'					17
	(SH)		Impact indicators to be determined					18
		# initiatives taken to reduce pesticide use by smallholders						

# WE CARE ABOUT RUBBER FARMERS



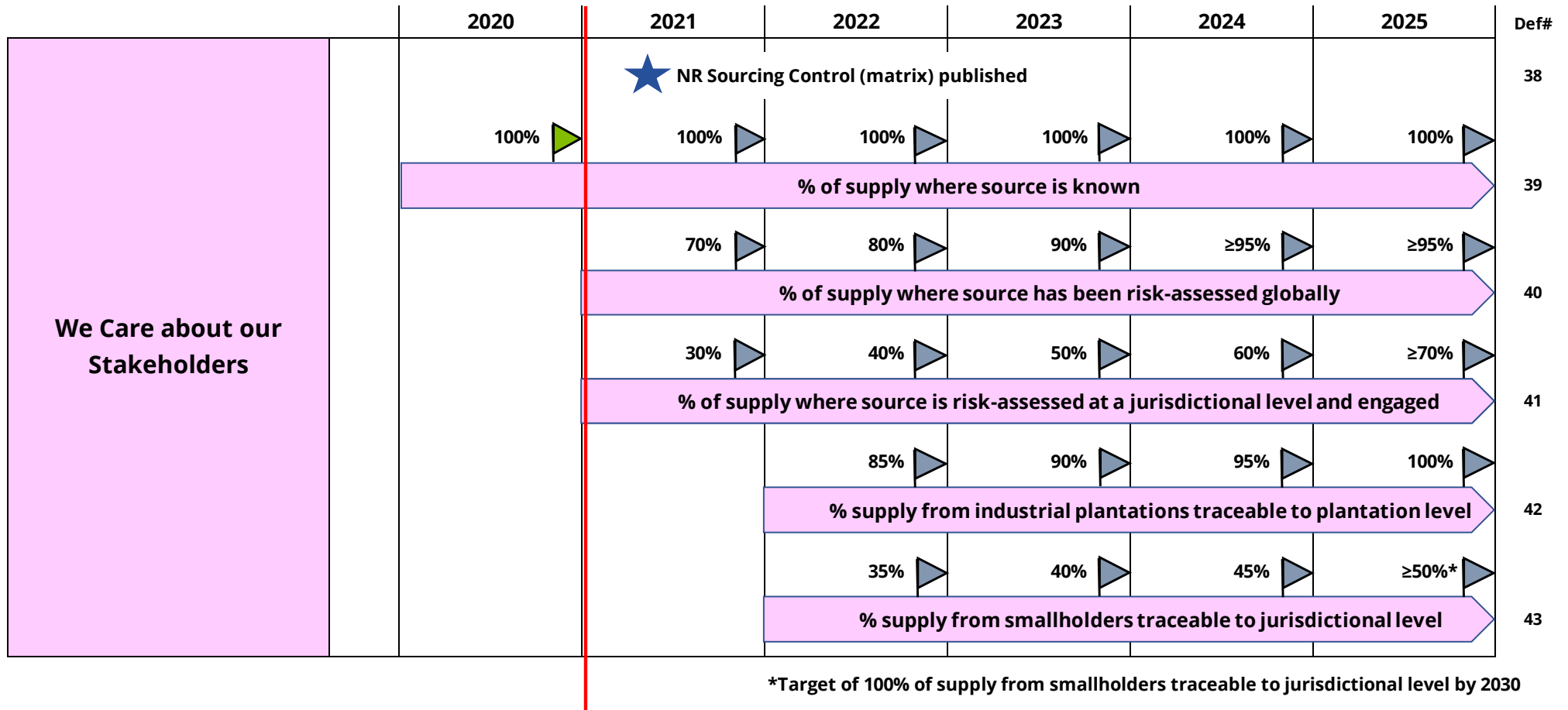
\*Number of field trainings for farmers' achieved exceeds target significantly; targets had been set noting potentially reduced number of trainings and farm visits due to global movement restrictions as a result of the Covid-19 pandemic. These also take into account that some of our partners may choose to consolidate trainings over the medium to long term in light of the restrictions. We intend to monitor the situation over 2021 and may revise the targets upward if needed.

# WE CARE ABOUT OUR STAKEHOLDERS (1)



\*\*The target of '80% of supply deploying Rubberway solution' has been postponed to 2021 due to difficulties related to inter and intra-country movement as a result of the covid-19 pandemic, which have affected training of suppliers and their own efforts to deploy the tool in their supply chains.

# WE CARE ABOUT OUR STAKEHOLDERS (2)



# DEFINITIONS

Def#	Action / Indicator	Definition
1	Expand on-site quality audits to include labor & human rights aspects	Quality audits run on-site at individual supplier natural rubber (NR) processing factories (1) before they are included in Michelin's approved supplier list (2) annually thereafter (once every two years for factories in West Africa). These audits already include health and safety aspects. Michelin will further expand these audits to include aspects relating to labor and human rights.
2	% of supply assessed on basic standards on labor & human rights aspects	<p>% of supply = % of NR volume purchased year - 1</p> <p>Assessed: On-site quality audit with expanded aspects that include labor &amp; human rights aspects conducted.</p> <p>Basic standards: Evidence that fundamental workers' rights are not infringed upon, including no evidence of child or forced labor. Evidence of appropriate health and safety practices, including the provision of appropriate personal protective equipment.</p> <p>Where gross infringements are identified, factories will need to implement timebound corrective action plans.</p>
3	% of supply with 'confirmed' performance on labor & human rights practices as assessed by EcoVadis	<p>% of supply = % of NR spend* year - 1</p> <p>*% of NR spend closely approximates % of supply volume, used for EcoVadis-related indicators as EcoVadis assessments are used across all purchasing domains and % spend is used to measure coverage.</p> <p>'confirmed' performance: Total aggregate score of supplier meeting confirmed grade as per the EcoVadis assessment methodology (<math>\geq 45/100</math>); labor &amp; human rights pillar meeting minimum of 50/100.</p>
4	% of supply at risk of land-rights issues, with FPIC principle adopted and applied	<p>Currently, supply determined to be at risk is defined to be supply originating from large natural rubber plantations where an individual management unit has an area &gt;500ha (industrial plantations). Michelin is working to develop a risk assessment framework that will determine which plantations are at risk.</p> <p>% of supply at risk of land-rights issues with FPIC principle adopted and applied = volume from supply at risk<sup>1</sup> purchased from suppliers with FPIC principle adopted and applied / volume from supply at risk<sup>1</sup> purchased from all suppliers</p> <p><sup>1</sup>Where supplier sources from a mix of industrial plantations and smallholders, volume at risk is calculated as: total volume purchased from supplier * [industrial plantation-based production of supplier / total production of supplier]</p> <p>Adopted: FPIC clause is adopted in company policy</p> <p>Applied: Evidence of FPIC mechanism having been applied where there has been new development since Michelin's policies have been published. Where there are ongoing issues related to FPIC processes, there should be an active engagement process.</p> <p>Note on medium plantations (&lt;500 and &gt;50ha): Medium plantations are typically owned by individual landowners and exist in limited number primarily in West Africa and South America; they are sometimes difficult to differentiate from smallholder farms. Michelin working with its suppliers to refine the delineation between small and medium farms, as well as to consider specific approaches for non-industrial medium farms.</p>



# DEFINITIONS

Def#	Action / Indicator	Definition
5	Publish guidelines & best practices to reduce odor from NR processing	-
6	RubberWay smallholder jurisdictional level risk mapping summary (Respecting People)	Jurisdictional-level risk mapping summary from RubberWay to be displayed on the web dashboard.
7	# jurisdictions with intervention programs relating to 'respecting people'	Cumulative number of jurisdictions where programs that address risks, identified through RubberWay, are taking place.
8	# initiatives taken to encourage development of local communities	Cumulative number of initiatives. Examples of initiatives may include activities to improve health and education infrastructures, alternative forms of employment, capability building for better livelihoods, etc.
9	Global deforestation risk analysis in collaboration with WWF France	-
10	Contribution to the conservation of environmentally, biologically and culturally important areas (ha)	Environmentally, biologically and culturally important areas: areas may include HCV and HCS area, protected area, primary forest, riparian buffer zones, important areas used for cultural and social purposes and other areas deemed to be of environmental, biological and cultural importance. Contribution includes areas conserved through Group-owned and joint venture plantations.
11	% of supply with deforestation risk with zero deforestation principle adopted and applied	<p>Currently, supply determined to be at risk is defined to be supply originating from large natural rubber plantations where an individual management unit has an area &gt;500ha (industrial plantations). Michelin is working to develop a risk assessment framework that will determine which plantations are at risk.</p> <p>% of supply at risk of land-rights issues with zero deforestation principle adopted and applied = volume from supply at risk<sup>1</sup> purchased from suppliers with zero deforestation principle adopted and applied / volume from supply at risk<sup>1</sup> purchased from all suppliers</p> <p><sup>1</sup>Where supplier sources from a mix of industrial plantations and smallholders, volume at risk is calculated as: total volume purchased from supplier * [industrial plantation-based production of supplier / total production of supplier]</p> <p>Adopted: zero deforestation clause is adopted in company policy</p> <p>Applied: Implementation of zero deforestation commitment (including HCV and HCS assessments) where there has been new development since Michelin's policies have been published. Where there are ongoing issues related to deforestation, there should be an active engagement process.</p> <p>Note on medium plantations (&lt;500 and &gt;50ha): Medium plantations are typically owned by individual landowners and exist in limited number primarily in West Africa and South America; they are sometimes difficult to differentiate from smallholder farms. Michelin working with its suppliers to refine the delineation between small and medium farms, as well as to consider specific approaches for non-industrial medium farms.</p>

# DEFINITIONS

Def#	Action / Indicator	Definition
12	Expand on-site quality audits to include environmental aspects	Quality audits run on-site at individual supplier NR processing factories (1) before they are included in Michelin's approved supplier list (2) annually thereafter (once every two years for factories in West Africa). These audits already include aspects relating to effluent treatment. Michelin will include additional aspects relating to the environment.
13	% of supply assessed on basic standards on environmental aspects	<p>% of supply = % of NR volume purchased year - 1</p> <p>Assessed: On-site quality audit with expanded aspects that include environmental aspects</p> <p>Basic standards: Evidence of provisions to mitigate risk of environmental impacts, including treatment of effluent, management of hazardous waste, and storage of chemicals.</p> <p>Where gross infringements are identified, factories will need to implement timebound corrective action plans.</p>
14	% of supply with 'confirmed' performance on environment practices as assessed by EcoVadis	<p>% of supply = % of NR spend* year -1</p> <p>*% of NR spend closely approximates % of supply volume, used for EcoVadis-related indicator as EcoVadis assessments are used across all purchasing domains and % spend is used to measure coverage.</p> <p>'confirmed' performance = total score of supplier meeting confirmed grade as per the EcoVadis assessment methodology (<math>\geq 45/100</math>); environment pillar meeting minimum of 50/100</p>
15	Volume of pesticides used in own and joint venture plantation operations against 2019 baseline	<p>Volume = volume/ha/year; kg of Active Ingredient (a.i.)</p> <p>Ha = Ha planted with natural rubber. Baseline is 2019.</p> <p>WHO class Ia &amp; Ib = 0</p> <p>Class Ia (extremely dangerous), Ib (highly hazardous), Class II (moderately hazardous), class III (slightly hazardous), U=&gt; unlikely hazardous.</p> <p>Class Ia &amp; Ib = 0%.</p> <p>Class II &amp; III to be reduced.</p>
16	RubberWay smallholder jurisdictional level risk mapping summary (Environment)	Jurisdictional-level risk mapping summary (Protecting the Environment) from RubberWay to be displayed on the web dashboard
17	# jurisdictions with intervention programs relating to 'environment'	Cumulative number of jurisdictions where programs that address risks, identified through RubberWay, are taking place.

# DEFINITIONS

Def#	Action / Indicator	Definition
18	# initiatives taken to reduce pesticide use by smallholders	Similar guidelines to those applied in owned and joint venture natural rubber plantation operations will be embedded in agricultural training and capacity building programs and interventions. Performance of owned and joint venture plantation operations are considered to be demonstration pilots for widespread adoption across the industry.
19	RubberWay smallholder jurisdictional level risk mapping summary (Agricultural Training)	Jurisdictional-level risk mapping summary from RubberWay to be displayed on the web dashboard
20	# initiatives to support or collaborate with training bodies	-
21	High-yielding certified saplings produced and supplied to farmers by Group and joint ventures	High-performing varieties of natural rubber trees (saplings a.k.a. rubber clones) that are produced in Group-owned and joint venture plantation operations and supplied to farmers. These are either sold at cost price, or at reasonable prices that are economical for farmers.
22	# of field training for farmers on Best Agricultural and ESG practices through Group and joint ventures	Number of individual trainings (one farmer can attend multiple trainings in a year. Can be conducted by Group-owned or joint venture operations, or through direct intervention projects.
23	Impact indicators specific to implemented projects: Smallholder capacity building projects (including workers' rights and gender equality)	e.g. Number of farmers (and family) engaged in the program
24	CO <sub>2</sub> calculator; C equations updated in Africa; C equations updated in Asia & for Smallholder	CO <sub>2</sub> calculator developed and running
25	Update of Sustainable Natural Rubber Policy 2021	-
26	Stakeholders consultation	1 Stakeholder dialog every 2 years

# DEFINITIONS

Def#	Action / Indicator	Definition
27	Publication of complete SNR (Sustainable Natural Rubber) dashboard	Web dashboard reporting on indicators in the Sustainable Natural Rubber Roadmap published on the Michelin Purchasing website
28	Grievance system available	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.
29	% supply suppliers having a publicly available SNR (Sustainable Natural Rubber) policy in line with GPSNR framework	Supply = NR spend for tier 1 suppliers / Total Michelin NR spend (year - 1)
30	% of supply with 'confirmed' performance on ethics as assessed by EcoVadis	<p>% of supply = % of NR spend* year - 1</p> <p>*% of NR spend closely approximates % of supply volume, used for EcoVadis-related indicator as EcoVadis assessments are used across all purchasing domains and % spend is used to measure coverage.</p> <p>'confirmed' performance = total score of supplier meeting confirmed grade as per the EcoVadis assessment methodology (<math>\geq 45/100</math>); ethics pillar meeting minimum of 50/100</p>
31	80% of supply deploying RubberWay solution	<p>% of supply = % of NR volume purchased year - 1</p> <p>[Sum of volume purchased (Y-1) from supplier NR processing factories having implemented RubberWay with 80% of their direct suppliers (Tier 2) on a proportional basis] divided by [Total Michelin volume (Y-1)]</p> <p>Remark 1: [80% of Tier 2 suppliers that should answer to RubberWay to have a significant result]</p> <p>Remark 2: NR processing factories purchasing directly from farmers (West Africa) as a reduced target: 25% of declared smallholders delivering directly at factory.</p>
32	% supply where source has been risk-assessed at a jurisdictional level (RubberWay)	<p>% of supply = % of NR volume purchased year - 1</p> <p>[Sum of volume purchased (Y-1) from supplier NR processing factories having implemented RubberWay for 5% of their smallholders (theoretical number) on a proportional basis] divided by [Total Michelin volume (Y-1)]</p> <p>Theoretical number of smallholders = NR processing factories declared production 2018 divided by [average yield of country (LMC 2018) * average farm size of country (2018)]</p> <p>Remark: NR processing factories purchasing directly from farmers (West Africa) as an increased target: 25% of declared smallholders delivering directly at factory.</p>

# DEFINITIONS

Def#	Action / Indicator	Definition
33	Active & constructive participation in natural rubber industry and multi-stakeholder platforms	Examples of platforms include natural rubber industry platforms, including sustainability related working groups within industry platforms, and multi-stakeholder initiatives such as GPSNR
34	Smallholder representatives approved at GPSNR General Assembly (GA)	-
35	GPSNR policy framework defined	-
36	Assurance model and policy implementation approved at GPSNR GA	-
37	Consultations to garner industry group alignment on EU Due diligence and imported deforestation	-
38	NR Sourcing Control (matrix) published	A structured reporting framework on sourcing control that captures both aspects of traceability and risk control or mitigation will be published.
39	% of supply where source is known	% of supply = % of NR volume purchased year - 1 Source known = source is traceable to supplier (individual natural rubber processing factory)
40	% supply where source has been risk-assessed globally	% of supply = % of NR volume purchased year -1 Risk-assessed globally: where sourced has been risk-assessed for deforestation and other high-priority risks as part of a global risk assessment (e.g. spatial analysis etc.) or with other tools of equivalent or higher resolution that achieve the same purpose (e.g. RubberWay at a jurisdictional level).
41	% supply where has been risk-assessed and engaged	% of supply = % of NR volume purchased year -1 Risk-assessed at jurisdictional level: Supply has been jurisdictionally risk-assessed with RubberWay (see indicator 32) Engaged: Where significant risk is identified based on findings from RubberWay and threats are detected, suppliers (or other supply chain actors) are implementing mitigation or engagement actions. Where risk is under control, engagement is not mandatory (and rubber supplied automatically qualifies for the indicator).

# DEFINITIONS

Def#	Action / Indicator	Definition
42	% supply from industrial plantations traceable to plantation level	<p>Data includes information from supplier declarations and supply chain studies, and sourcing mix from each individual processing factory is assigned proportionally based on Michelin purchased volume per factory (e.g. if Michelin sources 10% from a factory, and the factory has 50% of its own supply from industrial plantations traceable to industrial level, this accounts for as 5% of volume traceable in Michelin's sourcing). Traceability refers to knowledge of farm or plantation location (geolocation through central GPS location or address) or boundary information (polygon).</p> <p>Industrial plantations: &gt;500ha. Medium plantations: &lt;500 and &gt;50ha. Medium plantations are typically owned by individual landowners and exist in limited number primarily in West Africa and South America; they are sometimes difficult to differentiate from smallholder farms. Michelin working with its suppliers to refine the delineation between small and medium farms, as well as to consider specific approaches for non-industrial medium farms.</p>
43	% supply from smallholders traceable to jurisdictional level	<p>Data includes information from supplier declarations and supply chain studies, and sourcing mix from each individual processing factory is assigned proportionally based on Michelin purchased volume per factory (e.g. if Michelin sources 10% from a factory, and the factory has 50% of its own supply from smallholders traceable to jurisdictional level, this accounts for as 5% of volume traceable in Michelin's sourcing).</p> <p>Traceability to smallholders at jurisdictional level currently defined as minimum 'province level or equivalent' (sub-national level), but generally follows administrative divisions used in RubberWay (e.g. Côte d'Ivoire-Department; Indonesia-Regency; Thailand-Province).</p> <p>Smallholders definition follows GPSNR definition.</p>

## Appendix: Version Control

Version number	Published	Change Log
V1.0	26 March 2021	nil
V1.1	24 January 2022	<p>Minor updates to bring in line with Base Roadmap 2020-2025 document. No changes in original 2020 reporting:</p> <ul style="list-style-type: none"><li>• Indicator 42 and 43 : New indicators added</li><li>• Indicator 4 and 11: Updated 'estate' terminology to more widely used 'industrial plantations'. Added note on medium farms.</li><li>• Indicator 31 and 32: Minor changes in phrasing for clarity with no material change on meaning</li><li>• General: Some corrections of spelling errors</li></ul>



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