

SUSTAINABLE NATURAL RUBBER ROADMAP

2020 - 2025

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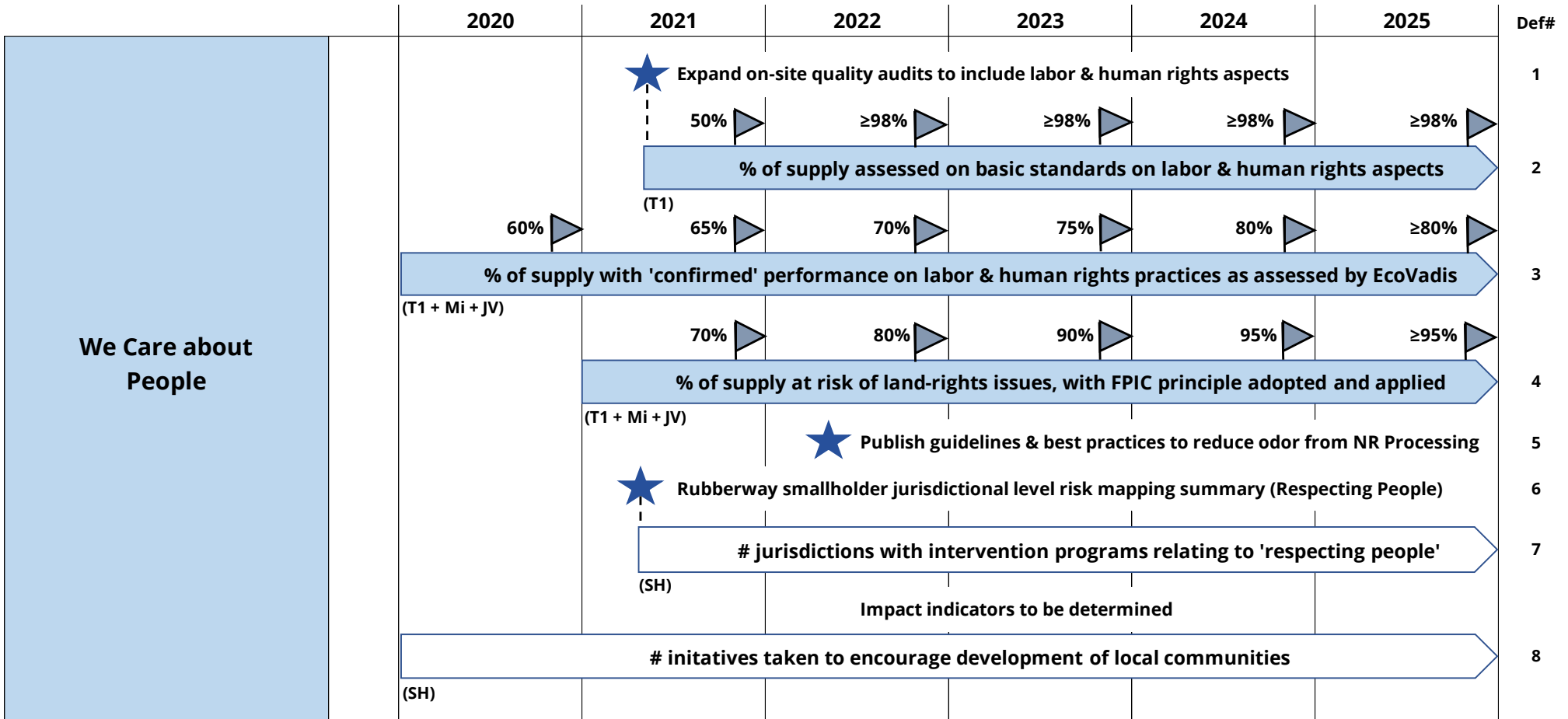
DEFINITIONS

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).

Version 1.0 | 31 October 2020

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		
		Contribution to the conservation of environmentally, biologically and culturally important areas							10
	(Mi + JV)		70%	80%	90%	95%	≥95%		
		% of supply with deforestation risk, with zero deforestation principle adopted and applied							11
			★ Expand on-site quality audits to include environmental aspects						12
	(T1 + Mi + JV)		50%	≥98%	≥98%	≥98%	≥98%		
		% of supply assessed on basic standards on environmental aspects							13
		60%	(T1) 65%	70%	75%	80%	≥80%		
		% of supply with 'confirmed' performance on environmental practices as assessed by EcoVadis							14
(T1 + Mi + JV)	95%	85%	75%	65%	55%	50%			
	Volume of pesticides used in Group and joint venture plantation operations against 2019 baseline							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					
	# initiatives taken to reduce pesticide use by smallholders							18	
	(SH)								

WE CARE ABOUT RUBBER FARMERS

		2020	2021	2022	2023	2024	2025	Def#	
We Care about Rubber Farmers			★ Rubberway smallholder jurisdictional level risk mapping summary (Agricultural Training)					19	
			# initiatives to support or collaborate with training bodies						20
		1 M ▶	(SC) 1 M ▶	1 M ▶	1 M ▶	1 M ▶	1 M ▶	1 M ▶	
		High-yielding certified saplings produced and distributed to farmers by Group and joint ventures							21
		(SH) 200 000 Trainings ▶	210 K ▶	220 K ▶	230 K ▶	240 K ▶	250 K ▶		
		# of field trainings for farmers on Best Agricultural & ESG practices through Group and joint ventures							22
		(SH)							
		Impact indicators specific to implemented projects							23
	(SH)	★ CO ₂ Calculator	★ C equations updated in Africa	★ C equations updated in Asia & for Smallholder				24	

WE CARE ABOUT OUR STAKEHOLDERS (1)

		2020	2021	2022	2023	2024	2025	Def#	
We Care about our Stakeholders			★ Update of Sustainable Natural Rubber Policy					25	
		★ Stakeholders consultation		★ Stakeholders consultation		★ Stakeholders consultation		26	
			★ Publication of complete SNR dashboard					27	
				★ Grievance system available				28	
			40%		50%		60%		29
			★ % of supply with a publicly available SNR policy in line with GPSNR framework						
		(T1)	50%		55%		60%		30
			★ % of supply with 'confirmed' performance on business ethics as assessed by EcoVadis						
		(T1 + Mi + JV)	50%		55%		60%		31
			★	→	★	80% of supply deploying Rubberway solution			
			30%		40%		50%		32
			★ % of supply where source has been risk-assessed at a jurisdictional level (Rubberway)						
	(SH)							33	
		★ Active & constructive participation in natural rubber industry and multi-stakeholder platforms							
	(SC)							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						

WE CARE ABOUT OUR STAKEHOLDERS (2)

	2020	2021	2022	2023	2024	2025	Def#	
We Care about our Stakeholders		★ NR Sourcing Control (matrix) published					38	
	100%	100%	100%	100%	100%	100%	39	
	% of supply where source is known							
		70%	80%	90%	≥95%	≥95%	40	
	% of supply where source has been risk-assessed globally							
	30%	40%	50%	60%	≥70%	41		
% of supply where source is risk-assessed at a jurisdictional level and engaged								

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 & 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 indicator 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 ($\geq 45/100$); labor & 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 $>500\text{ha}$ (estates). 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 risk¹ purchased from suppliers with FPIC principle adopted and applied / volume from supply at risk¹ purchased from all suppliers</p> <p>¹Where supplier sources from a mix of estates and smallholders, volume at risk is calculated as: total volume purchased from supplier * [estate-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>
5	Publish guidelines & best practices to reduce odor from NR processing	-

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Def#	Action / Indicator	Definition
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)	<p>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.</p> <p>Contribution includes areas conserved through Group-owned and joint venture plantations.</p>
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 >500ha (estates). 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 risk¹ purchased from suppliers with zero deforestation principle adopted and applied / volume from supply at risk¹ purchased from all suppliers</p> <p>¹Where supplier sources from a mix of estates and smallholders, volume at risk is calculated as: total volume purchased from supplier * [estate-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>

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 ($\geq 45/100$); 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 & Ib = 0</p> <p>Class Ia (extremely dangerous), Ib (highly hazardous), Class II (moderately hazardous), class III (slightly hazardous), U=> unlikely hazardous.</p> <p>Class Ia & Ib = 0%.</p> <p>Class II & 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	CO2 calculator; C equations updated in Africa; C equations updated in Asia & for Smallholder	CO2 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 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 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 ($\geq 45/100$); 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 NR processing factories having implemented a number of Rubberway questionnaires equal to 80% of the number of their direct suppliers, on a proportional basis] divided by [Total Michelin volume (Y-1)]</p> <p>Remark: 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 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 Nbr of Smallholders = NR processing factories declared production 2018 divided by [Avg yield of country (LMC 2018) * avg 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).



MICHELIN - PURCHASING GROUP DEPARTMENT

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