

Continental Sustainable Natural Rubber Sourcing Policy

1. Introduction

1.1 Sustainability at Continental

As described in our [Corporate Vision](#) and [Mission](#), Continental's Rubber Group is aware of its role in society and the responsibility that comes with it. Our goal is to actively contribute to sustainable development. We believe our corporate [Values](#) "Trust, Passion to Win, Freedom to Act and For One Another" enable us to create sustainable value for all of our stakeholders and the societies in which we operate.

For Continental, acting in a sustainable and responsible way comprises respecting the law, conserving resources and promoting climate and environmental protection, while also fulfilling our responsibilities towards our employees, partners, suppliers, customers and society. We strongly support the vision laid out by the Sustainable Development goals of the United Nations. Continental is therefore a participant of the Global Compact of the United Nations and supports its ten principles on human rights, labor standards, environmental protection and the fight against corruption. We have published relevant documents that form the basis of all business interactions including, but not limited to, the [Business Partner Code of Conduct](#) (BPCoC), the Supplier Requirement Manual. Continental's corporate spirit and ethics (e.g. integrity, honesty and compliance with the law) are documented inter alia in the [Code of Conduct](#), the [BASICS](#), the [ESH Policy](#) and the [Corporate Governance principles](#).

At Continental we strongly believe that sustainable business practices advance our ability to innovate and meet the requirements of the future, and thus they add value to the company as well as society.

1.2 Continentals Role in Natural Rubber Sourcing

The cultivation, harvesting and transformation of natural rubber (NR) provides all stakeholders along the value chain with regular revenues (see Section 3). In the context of global demand growth, it is important to focus on sustainability across the entire value chain to mitigate risks and negative impacts on workers, communities, forests, biodiversity and agricultural land. Acknowledging our responsibility, Continental aims to be an active and responsible contributor in promoting sustainable natural rubber (SNR).

The Rubber Group of Continental is a large consumer of NR. Although we generally do not have direct access to farming communities, we are committed to developing, promoting and implementing sustainable and responsible NR sourcing along the value chain.

This policy aims to provide a clear outline on responsibilities within Continentals NR supply chain for value chain partners and stakeholders. It therefore marks a starting point for a joint journey towards a more sustainable value chain for natural rubber.

2. Continental's Commitment to Sustainable Natural Rubber (SNR)

We are committed to continuously improve our knowledge on relevant development areas of SNR, translate it into solutions, reduce risks and foster supplier innovation. At Continental we have identified six areas for development:

2.1 Engaging with Suppliers and Farmers

Continental considers understanding current practices along the value chain and particularly upstream, as a key component to strive for sustainable practices both environmentally and socially. Continental will continuously review, extend and upgrade procedures, as well as explore and test alternatives for mapping potential risks and negative impacts upstream. Therefore, we are involved in initiatives, projects and activities to identify and work on solutions to improve the current industry situation step by step.

We promote and support projects and initiatives executed by trusted partners that aim at educating farmers on responsible and efficient natural rubber cultivation. We therefore actively seek partnerships with state institutions, NGOs as well as direct or indirect business partners and industry platforms to help developing NR farmers to apply best agricultural practices. It is our conviction that the resulting improvements in rubber quality and yield will lead to an increase of farmer's income and livelihood.

Together with a partner we have started a pilot project in Indonesia in 2018 to improve the sustainability of the natural rubber supply chain. In partnership with local suppliers the aims are to develop a criteria catalog for sustainable production of natural rubber, to train farmers in sustainable production in accordance with these criteria and to track the rubber from smallholders to production at Continental.

The learnings from these projects will be used for further work with suppliers.

2.2 Stakeholder Engagement

Continental commits to a strong engagement and dialogue with local and international stakeholders along and aside the NR value chain (cf. section 3). We engage in industry-wide platforms to develop agreed global sustainable natural rubber guidelines and principles. We therefore participate in an industry-wide [project](#) with other tire manufacturers to set a solid framework with standards aiming to ensure sustainable sourcing practices worldwide. As part of the Tire Industry Project, we plan to contribute to develop restoration concepts for ecosystems that were damaged due to unsustainable practices related to natural rubber business.

2.3 Increasing Traceability

Given the complexity of the natural rubber supply chain due to the fragmentation relying on a big number of small holder farmers, Continental acknowledges the current challenges towards attaining full traceability along the whole value chain. However, we are committed to engage and ensure participation from our business partners on this effort, establishing audit and verification processes with clear criteria influencing future strategic sourcing decisions and strategies. Continental targets to achieving full traceability of rubber from industrial plantations and intends to move towards full traceability for the complex smallholder supply chain through a risk-based approach.

2.4 Saving Resources

We aim to preserve resources through research and development activities that target extending product lifetime e.g. by improved anti-abrasive rubber properties or services for our customers to operate the product under optimal conditions. In addition, reduced consumption of NR is achieved by smart product design e.g. reduced tire mass. In our production processes we continuously aim to minimize the amount of waste and develop processes to reuse potential waste.

2.5 Recycling

We have developed several recycling processes, from the usage and production of [reclaim](#) to the [reworking](#) of excess production material. The [ContiLifeCycle plant](#) is currently an example of the only production facility worldwide that unites tire recycling and retreading under one roof, thus setting a new benchmark in sustainability. We aim for further extending our percentage of recycled materials used in our production.

2.6 Identification of Alternative Natural Rubber (NR) Supply Sources

To cover the expected future growth in NR demand, we conduct research projects together with external partners for the [Taraxagum®](#) rubber derived from Russian dandelion plants. Russian Dandelions can also be grown in temperate regions using existing agricultural land and thereby helping to substantially reduce the distances raw material has to travel to some of our major production sites. Furthermore, Dandelion plants also offer higher flexibility to react on variations of the NR demand situation, as the planted area can be changed on a yearly basis.

3. General Sourcing Principles – Supplier Requirements

Continental requires its employees and supply chain partners to operate ethically and abide by all applicable laws and regulations. We object to all forms of active and passive corruption and bribery. We require our direct suppliers (business partners) to comply with our BPCoC. In addition, we expect these business partners to engage with their supply chain to promote compliance with the BPCoC. To ensure required relevancy and effectiveness, we believe it is very important that all participants along the value chain are acknowledged and included in the efforts needed for sustainable practices within the industry.

The above-mentioned participants operate within a set of streams along the value chain grouped under one or more stakeholder group as follows:

Upstream:

- › Producers, including all individuals or companies harvesting rubber trees. It is estimated that about 85% of rubber tree areas worldwide are owned by small farmers, referred to as small holders.
- › Dealers or intermediaries, including those participants who collect, purchase and trade natural rubber between the producer and the processors. Depending on the region and country, dealers operate along a multi-layer setting.
- › Processors, including plants which purchase natural rubber directly from producers or dealers as raw material for processing natural rubber specified for use in manufacturing of products in various industries.
- › Traders, including brokers trading processed natural rubber between processors and manufacturers.

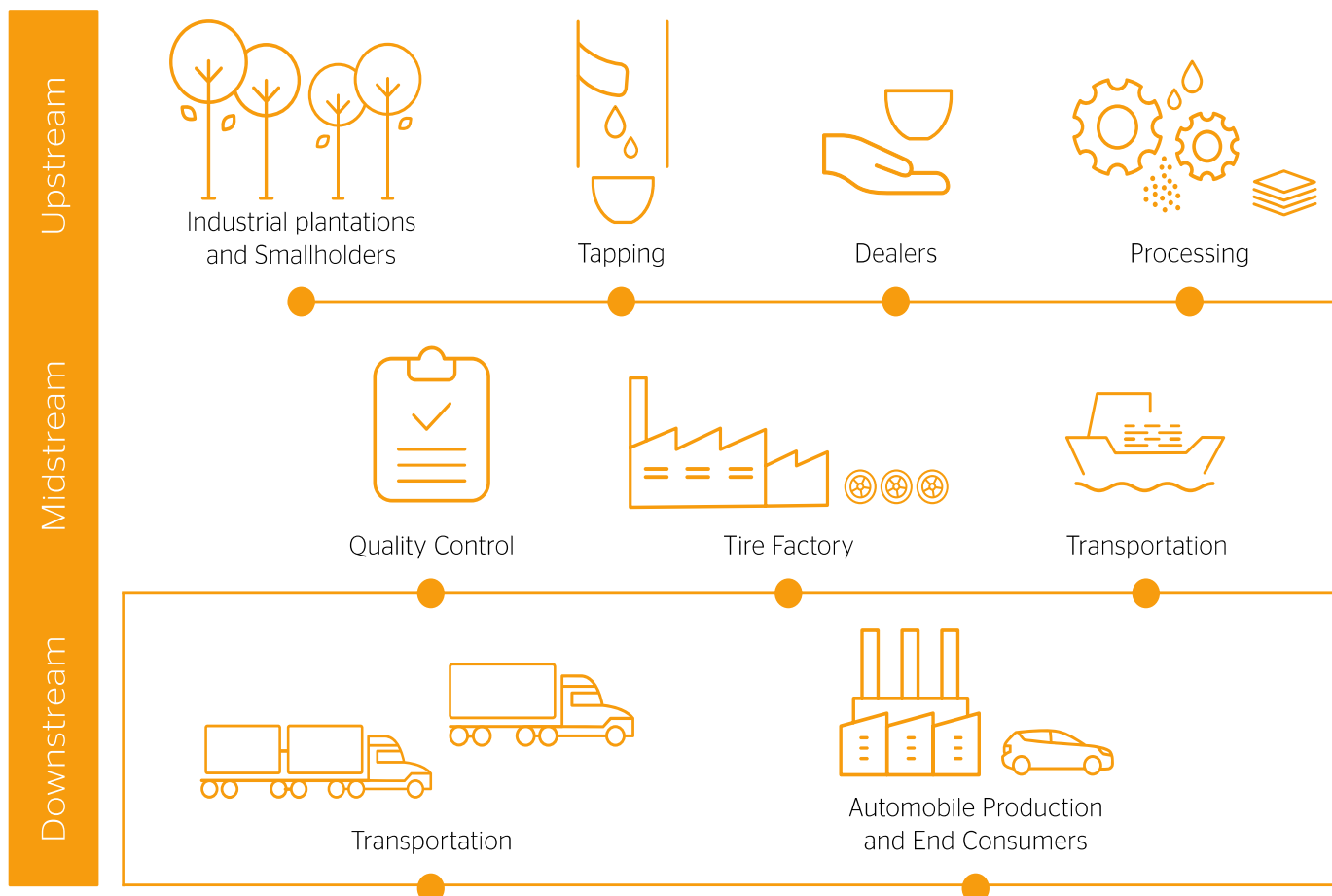
Midstream:

- › Manufacturers, including companies processing natural rubber into finished or semi-finished goods.

Downstream:

- › Customers, including users of finished or semi-finished goods produced by the above-mentioned manufacturers.

As Continental we are positioned midstream in this supply chain.



4. Environmental Principles

As a responsible company, Continental is committed to working with our business partners in protecting the environment. Protecting forests is essential to mitigate climate change, preserve biodiversity and ensure the provision of clean water. Continental supports activities targeting zero deforestation.

We expect our suppliers to verify the origin of raw material to ensure compliance with our principles and urge them to foster good agricultural practices for rubber cultivation. Water scarcity is becoming increasingly important. Therefore, we expect our direct suppliers to run and promote initiatives on water saving and recycling in order to decrease water consumption. Furthermore, all resources invested in the processing of natural rubber shall be managed efficiently and any by-products from this process shall be disposed responsibly and in compliance with applicable laws.

Business partners are required to adhere to the following principles in their own operations and expected to work towards those in the entire value-chain:

- › Protection of [high carbon stock](#) forest areas.
- › Protection of [high conservation value](#) areas including non-forest areas that contain high social and cultural values.
- › Preservation of biodiversity.
- › Protection of peatlands, regardless of depth.
- › No use of fire in the preparation of new plantings, re-plantings or any other developments.
- › Application of water efficient processes and protection of fresh water resources.

5. Social Principles

Continental is committed to respect and promote human rights, adopt the best social practices wherever possible and minimize potential negative impacts of its own business operations as laid out by the United Nations Guiding Principles on Business and Human Rights (UNGPR).

5.1 Respecting Land Tenure and Conflict Resolution

Continental acknowledges and respects the existence of use rights, or customary right and associated rights from local communities and individuals, as well as any applicable national laws regulating the use of land. Continental shall not deliberately contribute directly or indirectly to actions leading toward illegitimate appropriation of land leading to the detriment of local communities. In line with this commitment, Continental requires participants of its natural rubber supply chain, setting up operations and/or transforming plantations and/or industrial sites to engage with local communities in order to respect the Free, Prior and Informed Consent (FPIC) principle as specified by the [UN-REDD](#).

In addition to the above, Continental requires its business partners to adhere to the following principles in their own operations and expected to work towards those in the entire value-chain:

- › respect people's land tenure rights, including ensuring access to agricultural land and produce,
- › grant access to land and produce,
- › oppose and avoid any land grabbing practices or approaches without exception,
- › and grant fair compensation to local communities to allow for conservation measures and/or commercial land use.

5.2 Improving Working Conditions

We require all participants of our natural rubber upstream supply chain, in particular our direct business partners as well as industrial plantations, to adhere to the International Labor Organizations Fundamental Principles and Rights at Work (ILO), which include:

- › the right to freedom of association and the effective recognition of the right to collective bargaining (ILO C87 & C98).
- › Zero tolerance for all forms of forced, bonded or compulsory labor (ILO C29 & 105).
- › Zero tolerance for all forms of child labor. Suppliers are required to comply with applicable local child labor laws and employ only workers who meet the applicable minimum legal age requirement for their location. In the absence of local law, suppliers will not employ children under the age of 15. If local minimum age law is set below 15 years of age, employment needs to be in accordance with the respective requirements of the ILO (ILO C138 & C182).

- › Avoid any kind of discrimination based on gender, age, ethnicity, sexual orientation, faith, national origin or disability (ILO C100 & C111).

In addition, we expect business partners and industrial plantations to provide suitable working conditions per industry's best practices, including but not limited to:

- › the existence of written employment contracts,
- › remuneration at least equal to the country's minimum salaries for an equivalent job (ILO C131),
- › safeguarding fair working hours and maintain a transparent and reliable record of working hours and wages for all workers,
- › respecting the rights of migrant workers and in particular exercising ethical recruitment practices including no direct or indirect recruitment fees for workers,
- › the adoption of proper standards of prevention, assessment and management of occupational health and safety risks,
- › the implementation of policies to prevent and remediate any kind of harassment and abuse.

6. Governance and Monitoring

6.1 Policy Implementation

Continental requires its business partners to comply with all content of this policy in their own operations and further expect them to work towards those principles in the entire value-chain. It becomes effective with the date of publication. Non-compliance of business partners will lead to mandatory improvement actions. If these improvement actions are not fulfilled this may result in the termination of business relations. Where non-compliance results in negative impacts we aim to improve the situation. With external partners Continental will further develop its buying process assessments to map the potential risks and impacts along the supply chain. We reserve the right to conduct site visits in line with our BPCoC.

We have established a [Compliance & Anti-Corruption Hotline](#) to which reports can be made by any individual directly and anonymously about grievances, non-compliance, fraudulent actions and other breaches of ethics as specified in this policy.

6.2 Communication

This policy will be made available to all direct business partners in the supply chain for natural rubber. They are expected to cascade this policy down their respective supply chains. In addition, it will be available through Continentals Website. Continental reserves the right to update, enhance, or change this Policy, at any time if needed, in the course of learnings and experiences gained. From this policy we will derive internal guidelines and operational instructions for the policy implementation. We aim to update on the implementation progress on a regular basis in our sustainability reporting as well as on our Website.

Appendix

- › <http://highcarbonstock.org/>
- › <https://www.hcvnetwork.org/>
- › [UN-REDD](#)
- › [Memberships and Initiatives](#)
- › [Corporate Governance](#)
- › [Compliance & Anti-Corruption Hotline](#)
- › [Code of Conduct](#)
- › [BPCoC](#)
- › [Corporate Vision](#) and [Mission](#)
- › [Values](#)
- › [services](#)
- › [reclaim](#)
- › [reworking](#)
- › [ContiLifeCycle plant](#)
- › [Taraxagum®](#)
- › [Roadmap 2020](#)
- › [Sustainability Report 2017](#)
- › [ESH Policy](#)
- › <https://www.wbcscd.org/Sector-Projects/Tire-Industry-Project/News/Towards-a-stakeholder-led-platform-for-sustainable-natural-rubber>
- › [Compliance & Anti-Corruption Hotline](#)

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