

# Continental Sustainable Natural Rubber Sourcing Policy

# Contents

<b>1 Introduction</b>	<b>3</b>
1.1 Sustainability at Continental	3
1.2 Continental's Role in Natural Rubber Sourcing	3
<b>2 Continental's Commitment to Sustainable Natural Rubber</b>	<b>3</b>
2.1 Sustainable Natural Rubber Commitments	3
2.2 Multi-Stakeholder Approach across Natural Rubber Value Chain	4
<b>3 Respect for People</b>	<b>5</b>
3.1 Upholding Human Rights	5
3.2 Empowering Indigenous Peoples and Local Communities	5
3.3 Ensuring Free, Prior, and Informed Consent	5
3.4 Fostering Decent Working and Living Conditions	5
<b>4 Minimize Environmental Impacts</b>	<b>6</b>
4.1 Protection of High Conservation Values	6
4.2 Ensure Protection, Sustainable Management and Efficient Use of Natural Resources	6
<b>Within Continental</b>	<b>6</b>
<b>5 Fair and Equitable Value Chain</b>	<b>6</b>
<b>6 Responsible Sourcing</b>	<b>7</b>
6.1 General Sourcing Principles – Supplier Requirements	7
6.2 Increasing Transparency and Traceability	7
6.3 Governance and Monitoring	7
6.4 Communication	7
<b>Acknowledgement</b>	<b>8</b>
<b>Appendix</b>	<b>8</b>

# Acknowledgement

We would like to extend our gratitude to our stakeholders, business partners and members of civil society for their valuable feedback during the policy revision process.

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## 1 Introduction

### 1.1 Sustainability at Continental

As described in our Corporate Vision Continental 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 our stakeholders and the societies in which we operate.

For Continental, acting in a sustainable and responsible way comprises respecting the law, conserving natural 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 (SDGs) of the United Nations, with a key focus on the primary goals described below through the Continental Natural Rubber Sustainable Sourcing Policy and the natural rubber supply chain.

Continental is 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.

### 1.2 Continental's Role in Natural Rubber Sourcing

Continental is one of the world's top consumers of natural rubber (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 whole value chain. We aim to mitigate risks and negative impacts on workers, communities, forests, biodiversity, and agricultural land and climate.

This Sustainable Natural Rubber Sourcing Policy outlines our responsibilities towards our value chain partners and stakeholders. It marks the starting point for a joint journey towards a more sustainable natural rubber value chain.

## 2 Continental's Commitment to Sustainable Natural Rubber

### 2.1 Sustainable Natural Rubber Commitments

**Continental cares and is committed to source 100% natural rubber from sustainable origins by 2030.**

To continuously improve the sustainability of natural rubber value chain, this policy has identified 4 Sustainable Natural Rubber Commitments:

- › Respect for People
- › Minimize Environmental Impacts
- › Fair and Equitable Value Chain
- › Responsible Sourcing

This Sustainable Natural Rubber Sourcing Policy will be integrated into Continental's operations, decision-making processes, risk management and mitigation system, and key performance metrics of corporate management, including the relevant business units, joint ventures, and company affiliates and subsidiaries.

The following shows the Continental Sustainable Natural Rubber Sourcing Policy segments described in the context of the Sustainable Development Goals (SDGs).

### 3 Respect for People



### 4 Minimize Environmental Impacts



### 5 Fair and Equitable Value Chain



### 6 Responsible Sourcing



Continental requires from its business partners which includes 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 and in accordance and conformance with the GPSNR Policy Framework including participation and supporting multi-stakeholder planning and policy efforts that uphold the platform’s principles at a landscape, jurisdictional or spatial level.

**2.2 Multi-Stakeholder Approach across Natural Rubber Value Chain**

The Natural Rubber (NR) value chain is organized to the following stakeholder groups. Continental is positioned midstream in this value chain without any contractual agreements with the actual producers of the NR we use in our factory. Continental understands that most environmental, social, and labor issues in the NR supply chain arise at the upstream production end and that these issues need to be addressed. For that, full supply chain transparency is key. Without transparency there can be no sustainability. Continental will work with its suppliers to achieve the transparency necessary to enable sustainability of NR.

**Upstream**

- › Producers, including all individuals or companies harvesting rubber trees. It is estimated that about 85% of rubber tree areas worldwide are owned/operated by small farmers, referred to as small holders.

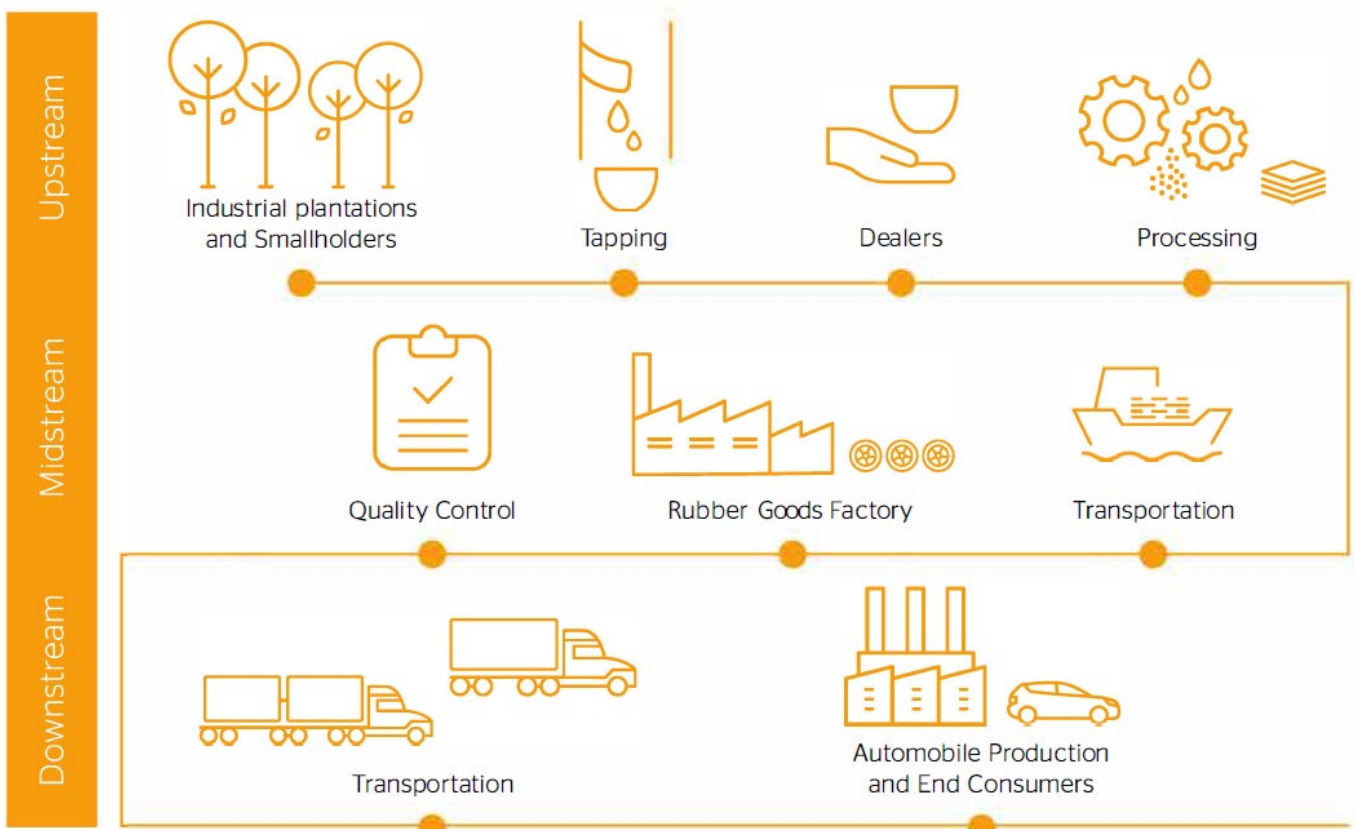
- › Dealers or intermediaries, including those participants that collect, purchase and trade natural rubber between the producers and the processors. Depending on the region and country, there could be multiple dealers operating between the producers and processors.
- › Processors, including factories that purchase natural rubber directly from producers or dealers as raw material to process for specified use in the manufacturing of natural rubber products for various industries.
- › Traders, including brokers that trade processed natural rubber between processors and manufacturers.

**Midstream**

- › Manufacturers, including companies that convert processed natural rubber into finished or semi-finished goods.

**Downstream**

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



## 3 Respect for People

Continental is committed to respect and protect human rights and adopt the best social practices according to the UN Guiding Principles on Business and Human Rights (UNGP) by avoiding causing any adverse human rights impacts and preventing and mitigating any harm from company operations.

**Zero Tolerance for all forms of Forced Labor. Zero Tolerance for all forms of Child Labor. Zero Tolerance for all forms of Land Grabbing.**

### 3.1 Upholding Human Rights

We commit and require all participants of our natural rubber upstream supply chain, in particular our direct business partners as well as industrial plantations, to uphold applicable labor rights and labor laws in the jurisdictions where operating and adhere to the UN Guiding Principles on Business and Human Rights and 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).
- › Support for gender equity. Avoid any kind of discrimination based on gender, age, ethnicity, sexual orientation, faith, national origin, or disability (ILO C100 & C111).

### 3.2 Empowering Indigenous Peoples and Local Communities

Continental recognizes and respects the customary, traditional, and communal land tenure rights of indigenous peoples and local communities (IP/LC), and requires its business partners to adhere to the following principles in their own operations and throughout the value chain:

- › Carrying out operations in accordance with the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) ensuring ongoing land tenure and access rights. Oppose to and avoid any land grabbing practices or approaches without exception.
- › Upholding traditional rights of access for hunting and gathering of animals and plants for the purpose of subsistence and indigenous cultural and religious traditions, customs, and ceremonies.

### 3.3 Ensuring Free, Prior, and Informed Consent

Continental shall not 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 will establish ongoing, effective, culturally appropriate channels of dialogue with IP/LC and it requires participants of its natural rubber supply chain to ensure the same is established together with Free, Prior, and Informed Consent (FPIC) prior to any activity that might affect IP/LC rights to their lands, territories, and resources. This includes establishing, restoring, or transforming corporate plantations and/or industrial sites, as well as any associated infrastructure. Implementation is jointly monitored by the community and the GPSNR member and/or by mutually agreed third party(ies).

IP/LC have the right to give or withhold their consent for any activity that is subject to FPIC. If any operations are found to impinge on IP/LC rights or if there are cases where the company previously has caused or contributed to the appropriation of or harm to the lands, territories, or resources of IP/LC without securing FPIC, IP/LC should be accommodated or compensated through appropriate, mutually agreed-upon measures.

In the negotiated outcomes of the FPIC process, all operations should follow 1 of the credible accepted methodologies on FPIC: UN-REDD (2012), RSPO (2015), FAO (2015).

### 3.4 Fostering Decent Working and Living Conditions

In addition, we expect business partners and industrial plantations to provide suitable working conditions per industry's good 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 to support for decent living wages (ILO C131),
- › safeguarding fair working hours and maintaining a transparent and reliable record of working hours and wages for all workers,
- › extending the safeguards detailed in this policy to the rights of migrant, contract and temporary workers and in particular exercising ethical recruitment practices including no direct or indirect recruitment fees for workers,
- › provide safe and healthy workplaces including through 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.
- › ensuring that employees living on site are housed in decent infrastructure of adequate quality, and have access to safe drinking water, and adequate sources of food, electricity, and gender-appropriate sanitation systems (ILO Convention 110).

## 4 Minimize Environmental Impacts

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.

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.

### 4.1 Protection of High Conservation Values

Continental is committed to source rubber in a way that does not contribute to deforestation and protects high conservation values, including all elements of deforestation that are defined in GPSNR's policy framework.

We are committed to protection of high carbon stock forest areas and other ecosystems including prevention of sourcing rubber from peatlands of any depth or in any state (wet, drained or dry).

Any rubber from an area that was deforested or where high conservation values have been degraded after Oct 2018 is considered non-compliant with this policy.

### 4.2 Ensure Protection, Sustainable Management and Efficient Use of Natural Resources

Business partners are expected to protect wildlife, including rare, threatened, endangered and critically endangered species from, poaching, over-hunting and habitat loss in areas under company management. We also expect them to support wildlife protection activities in their areas of influence.

Suppliers should not use fire in new or ongoing operations for land preparation, land management, waste management, or any other reason other than those described in the GPSNR policy framework as justifiable when documented

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, which include protection of soil and water quality and quantity, preventing contamination from agricultural and industrial chemicals, preventing erosion and sedimentation, and soil nutrient degradation and subsidence.

Water scarcity is becoming increasingly important. Therefore, we commit and expect our direct suppliers to run and promote initiatives on water saving and recycling to decrease water consumption and protect water quantity. In addition, all resources invested in the processing and production of natural rubber shall be managed efficiently to minimize rate of energy usage, maximize natural resource efficiency and reduce and mitigate carbon emissions. Any by-products from this process shall be disposed responsibly and in compliance with applicable laws, to prevent chemical contamination.

Business partners are expected to protect water and soil quality including by applying environmentally sound management of chemical and all wastes. This also includes reducing chemical and waste release to air, water, and soil to minimize their adverse impacts on human health and the environment.

## Within Continental

Continental aims to preserve natural resources by extending our products' lifetimes, e.g. by developing improved anti-abrasive rubber properties or providing advice to our customers on how to best handle our products. We will continue to reduce consumption of NR through smart product design, e.g. reduced tire mass, and continue to optimize our production processes to minimize waste and develop processes that reuse unavoidable waste.

Continental has developed several recycling processes, from the usage and production of reclaim to the reworking of excess production material. The ContiLifeCycle plant in Hanover, Germany unites tire recycling and retreading under one roof, thus setting new benchmarks in sustainability. We aim to further extend the percentage of recycled materials used in our production.

To address the expected growth of NR demand, Continental is involved in research projects on Taraxagum rubber derived from Russian dandelion plants. Russian Dandelions can be grown in temperate zones using existing agricultural land and thus can help to substantially reduce the distances raw material has to travel to some of our production sites. Furthermore, Dandelion production offers higher flexibility to react to fluctuations of NR demand, as decisions to plant a given area is made annually. Continental also recognizes the necessity to understand and mitigate social and environmental risks that may be associated with supply chains for alternate sources of natural rubber like Dandelion.

## 5 Fair and Equitable Value Chain

Continental is committed to a strong dialogue with local and international stakeholders of the natural rubber value chain. We are honoured to be one of the founding members of the Global Platform for Sustainable Natural Rubber (GPSNR) and have been actively involved in the multi-stakeholder platform since its launch in 2019.

As part this multi-stakeholder platform, we plan to contribute to restoration efforts for ecosystems that were damaged due to unsustainable practices related to natural rubber business. We also will seek opportunities to influence policies and land use planning that will address social and environmental challenges at a landscape or jurisdictional level.

We actively seek partnerships with agencies, members of civil society, direct or indirect business partners, and industry platforms to train farmers in best agricultural practices, create incentive mechanisms so that they can operate sustainably and help them have a more equitable place in our supply chains.

Together with a partner, we started a pilot project in Indonesia in 2018 to improve the sustainability of the natural rubber supply chain. In partnership with local suppliers, the project aims 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 tire production at Continental. The learnings from this project will be used for further work with suppliers.

Through multi-stakeholder engagement and collaboration that foster fair and equitable value chains, Continental commits to improving the livelihoods of local communities including support for the decent living conditions of local people (e.g., drinking water, food, adequate housing, sanitation) and support for their economic, social, and cultural rights through education and employment in the natural rubber value chain.

Through such projects, we also commit to support training for natural rubber producers, including smallholders, to improve yield and quality.

## 6 Responsible Sourcing

### 6.1 General Sourcing Principles - Supplier Requirements

Continental requires its employees and supply chain partners to operate ethically and abide by all applicable international, national, and regional laws and regulations on human rights, land use, environment and labor.

We object to all forms of active and passive corruption and bribery. We require our direct suppliers (business partners) to comply with our Business Partner Code of Conduct (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.

### 6.2 Increasing Transparency and Traceability

The world's natural rubber supply chain is complex with >85% of global supplies produced by >6 million farmers. Continental acknowledges the great challenges of attaining full traceability along its whole rubber value chain.

We aim to achieve full traceability of rubber from industrial plantations within 3 years. At the same time, we will move towards full transparency which includes supply chain mapping and risk assessments for the complex smallholder supply chain through the application of a risk-based approach while adopting traceability or other form of remediations, at a minimum to an appropriate jurisdictional level.

Continental is committed to ensure participation from its business partners for this effort and to establish audit and verification processes with clear criteria. Our future sourcing decisions will be based on this supply chain mapping approach to prioritize risk mitigation actions. Communicating to all suppliers of natural rubber that material produced and processed in accordance and conformance with the GPSNR Policy Components will be preferred. Providing time bound requirements for meeting the policy requirements, and ensuring that supplier codes and contracts, engagement activities, and other mechanisms reflect these supplier expectations.

### 6.3 Governance and Monitoring

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.

Continental is committed to support its business partners through capacity building activities, incentive mechanisms, trainings, and purchase monitoring systems, to equip them in effectively implementing this policy.

In instances of supplier non-compliance, Continental commits to develop time-bound implementation plans to move towards compliance and/or remediation of past or ongoing harms. If these improvement actions are not fulfilled this may result in suspension or termination of business relations.

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 this policy, in alignment with UN Guiding Principles on Business and Human Rights (UNGPR).

### 6.4 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 Continental's Website. Continental will review this policy at least every 3 years, and 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 commit to set public, timebound targets and to monitor and update on the implementation progress of this policy annually in our sustainability reporting as well as on our Website.



## Acknowledgement

The SUPPLIER hereby confirms that it acknowledges, respects, adheres to, and applies the Continental Sustainable Natural Rubber Sourcing Policy (“Policy”) and the different commitments entailed within the Policy. The SUPPLIER undertakes to ensure that all its national and international affiliates shall adhere to and apply the Policy.

\_\_\_\_\_  
Company Name:

\_\_\_\_\_  
Location:

\_\_\_\_\_  
Date:

\_\_\_\_\_  
Signature:

\_\_\_\_\_  
Name:

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Designation:

## 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](#)
- › [reclaim](#)
- › [ContiLifeCycle plant](#)
- › [Taraxagum](#)
- › [Sustainability Report 2020](#)
- › [ESH Policy](#)
- › [WBCSD-Tire Industry Project](#)
- › [Global Platform for Sustainable Natural Rubber Policy Framework](#)

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