



# GITI TIRE SUSTAINABLE NATURAL RUBBER POLICY





## Table of Contents

<b>Page</b>	<b>Description</b>
<b>1</b>	<b>Revision of Policy</b>
<b>2</b>	<b>Introduction</b>
<b>3</b>	<b>Giti Tire Expectations On Its Suppliers</b>
<b>4-5</b>	<b>People and Community</b>
<b>6</b>	<b>Environment and Climate</b>
<b>7</b>	<b>Traceability, SC Mapping and Supplier Assessment</b>
<b>7</b>	<b>Policy Implementation, Monitoring and Compliance</b>
<b>8</b>	<b>Terminology</b>



# REVISION OF POLICY

This Policy may be revised in response to changes in the GPSNR Policy Framework and / or external factors pertaining to the Natural Rubber purchasing activities of the Company.

<b><u>Edition</u></b>	<b><u>Revision Description</u></b>
Jun 2022	1 <sup>st</sup> Edition

# 1. INTRODUCTION

## 1.1 GITI TIRE AND NATURAL RUBBER SUSTAINABILITY

Natural rubber belongs to the agricultural sector. Its industry structure is massive and highly fragmented, which made up of various stakeholders from Producers (farmers and small holders, large plantation estates which harvest the latex from rubber trees), Dealers and Traders who purchase natural rubbers from the Producers, Processing Factories which processes the natural rubber into bales of various grades of processed natural rubber, Manufacturers of Rubber Products, and Customers of these Rubber Products. It is important to note that a significant amount of natural rubber is produced by small holders, with relatively little formal education.

Natural rubber is a renewable natural resource. It is one of the major raw materials for the making of tires. With increasing demand of mobility, the demand of tires is expected to grow over time. This means the demand for natural rubber will also increase in tandem. Giti Tire is aware of the impact of natural rubber production on environmental and social issues such as deforestation, health of ecosystems, and community livelihoods. Hence, procuring natural rubber as a raw material in a sustainable manner for the production of tires is an important challenge for Giti Tire.

Giti Tire is committed to help create a Sustainable Natural Rubber economy. Our natural rubber sustainability policy recognizes the importance of promoting and cultivating a sustainable supply chain that can create positive outcome from economic, environmental, and society development perspectives. As part of this commitment, Giti Tire has been a supporting member of United Nations Global Compact (UNGC) initiative, covering the areas of human rights, labour, the environment and anti-corruption. Giti Tire is also proud to be a member of the Global Platform for Sustainable Natural Rubber (GPSNR), and we are committed to actively support GPSNR and uphold its activities and policies.

The work towards achieving a Sustainable Natural Rubber economy is forever a work-in-progress. It requires the collaboration from all stakeholders. In particular, the transparency and traceability from our suppliers are critical in providing greater visibility of the upstream supply of natural rubber materials that will enable us to identify areas of improvements towards economic, environmental and governance conditions. We also require the support of our direct customers in this journey in achieving a Sustainable Natural Rubber economy.

## 1.2 SCOPE

Giti Tire is a tire manufacturer, and it does not own any natural rubber plantations or processing plants. It has to rely solely on its suppliers to access the mid-level Traders, Small Holders and Plantation Owners in this complex supply chain.

Despite this serious challenge, Giti Tire is committed to support and promote sustainable and responsible sourcing of natural rubber.

The aim of this policy is to clarify and communicate Giti Tire's commitments to the components laid out in this policy, and our expectations on our suppliers. **It aims to align with Global Platform for Sustainable Natural Rubber (GPSNR) policy framework.**



## 2. GITI TIRE EXPECTATIONS ON ITS SUPPLIERS

**2.1** Giti Tire expects its suppliers, i.e. those whom it has direct contractual and business relationships with, to understand and adhere to all components laid out in this policy. Further, Giti Tire also expects its suppliers to share and promote the content of this policy and requirements further down their respective supply chains.

**2.2** Giti Tire expects its suppliers to use reasonable means and efforts available to them to ensure all stakeholders within their supply chains to act in accordance to this policy and requirements.

**2.3** Giti Tire, together with its suppliers, will strictly comply to all relevant local, national, regional and international laws and regulations in the country in which they operate. This includes, but not limited to, the laws and regulations related labour and human rights, environment, land use, and community livelihoods. Suppliers are also required to comply with Giti Tire <Code of Conduct>.

**2.4** Giti Tire will evaluate its suppliers based on the principles laid out in this policy. Compliance with this policy is a prerequisite for considering and pursuing a good business relationship with Giti Tire. This compliance serves as a basis for Giti Tire to assure its customers of good quality products from a fair and respectful, circular and sustainable value chain.

**2.5** Giti Tire will notify suppliers that material produced in accordance with this policy will be preferred. In the unlikely event that a Supplier is not meeting the requirements, Giti Tire is committed to provide time-bound requirements for the supplier to meet the requirements of this policy. However, should the supplier is clearly unwilling or unable to reach compliance, or should Giti Tire's repeated help are unsuccessful, Giti Tire may reconsider its business relation with the particular supplier, including the possibility of termination of the business relation.

**2.6** Giti Tire reserves the right to revise, update and enhance this policy at any time as it deems appropriate, in light of any major changes in its industrial or social environment or result from new experience from its implementation. Should this happen, Giti Tire expects its suppliers to share with their own suppliers any change of the policy.





## 3. PEOPLE AND COMMUNITY

**3.1** Giti Tire is committed to upholding applicable labour rights and labour laws in the jurisdictions where it is operating, and expects the same of its suppliers.

**3.2** This includes the UN Guiding Principles on Business and Human Rights (UNGP), and the International Labour Organization (ILO) Fundamental Conventions, specifically on:

- No child labor
- No forced labor
- Freedom of association and collective bargaining
- Equal Employment Opportunity (EEO)
- Decent living wages
- No discrimination
- Legal working hours
- Safe and healthy workplaces
- No abusive practices
- Gender equity

These safeguards above apply to all workers, including contract, temporary and migrant workers, in accordance with applicable national law.

**3.3** Giti Tire will respect the customary, traditional and communal land tenure rights of indigenous peoples and local communities, in accordance to the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), and requires its suppliers to do as well.

**3.4** To support this commitment, Giti Tire expects its suppliers to apply the methodology and guidelines of Free, Prior and Informed Consent (FPIC) (based on by either UN-REDD (2012), RSPO (2015) for RSPO Members, or FAO (2015)), on any activities that might affect the rights of Indigenous Peoples and Local Communities (IP/LC). The activities include when planning, establishing, restoring, or transforming corporate plantations and/or industrial sites, as well as associated infrastructure. In cases where suppliers' operations have impinge or have previously impinged on IP/LC rights, then Giti Tire expects its suppliers to provide adequate and fair remedy through appropriate, mutually agreed measures reflecting and described in the negotiated outcome of FPIC process. Implementation is jointly monitored by the community and the GPSNR member and/or by mutually agreed third party (ies). Further, suppliers are also expected to establish effective and culturally appropriate channels for dialogue with indigenous people and local communities.



### 3. PEOPLE AND COMMUNITY

**3.5** In addition, Giti Tire is committed to respecting and empowering local communities, in particular small farmers and those communities in rubber producing areas, and expects its suppliers to do the same:

- Support decent living conditions (e.g. drinking water, adequate housing sanitation)
- Support right to food and food security
- Support economic, social and cultural rights through access to education and employment

**3.6** Stakeholders shall promptly inform Giti Tire of any known or suspected violations or improprieties related to the content of the term via the following confidential channels (in line with UNGP effectiveness criteria):

**Giti Tire (China) Investment Co. Ltd.**

**Hotline: +86 21 2207 3656**

**E-mail address: [compliance@Giti.com](mailto:compliance@Giti.com)**

**PT Gajah Tunggal Tbk (Indonesia)**

**Hotline: +62 21 5098 5916**

**Email address: [gajahjak@gt-tires.com](mailto:gajahjak@gt-tires.com)**





## 4. ENVIRONMENT AND CLIMATE

**4.1** Giti Tire is aware of the complexity and uniqueness of the natural rubber supply chain and its impact on the local ecosystem. It is committed to work with natural rubber suppliers to make the effort to attain a healthy and functioning ecosystem.

Giti Tire expects its suppliers to share its commitment and strive towards a natural rubber value chain that takes biodiversity into account:

- Produce/Procure natural rubber in a way that does not contribute to deforestation or degradation of High Conservation Values (HCVs) along the rubber value chain.
- Protect the High Conservation Value (HCV) and High Carbon Stock (HCS) forests. Natural rubber from areas that have been deforested or HCV degraded after the cut-off date of 1 April 2019 is considered to be non-conforming with this Policy.
- Support the long-term protection of natural forests, and restoration of deforested and degraded rubber landscapes
- Do not use open burning/fire for land preparation, land management and waste management without any clear and justifiable reasons.
- Support activities aimed at protecting wildlife, including rare, threatened, endangered and critically endangered species, from poaching, over-hunting and habitat loss.
- Undertake the work in protecting soil quality, protecting water quantity and quality, preventing water contamination, soil erosion, nutrient degradation, subsidence and soil sedimentation.
- Prevent the development of or sourcing of natural rubber from peatland.

**4.2** In terms of promoting the use of resources efficiently, Giti Tire is committed to continuously developing and improving our own products, functions, and production facilities to optimize material usage of natural resources, including natural rubber, in order to minimize the strain on the environment.

Giti Tire is committed, and expect its suppliers to:



Manage their operations to minimize rate of energy usage



Manage their operations to reduce the amount of waste



Take concrete actions to minimize water consumption in their operations



Support trainings and other type of knowledge and information sharing for natural rubber producers to improve quality and yield

**4.3** Giti Tire is committed to minimizing and mitigating its carbon emissions. It expects its suppliers to have a plan to develop an environmental management system, based on international standards such as ISO14001, and to cooperate with Giti Tire to conduct carbon footprint investigation, establish emission reduction targets and emission reduction measures. Giti Tire is entitled to check the existence of such a plan or the effectiveness of the environmental management system during on-site audits.

## 5. TRACEABILITY, SC MAPPING AND SUPPLIER ASSESSMENT



**5.1** Given the nature of the natural rubber supply chain where more than 85% of the supply source are from small plantation holders, Giti Tire acknowledges the challenges in achieving full traceability of the whole natural rubber supply chain. Despite this challenge, Giti Tire is committed to support initiatives with its suppliers that will lead to better traceability and mapping of the natural rubber supply chain risk to prioritize risk mitigation actions.

**5.2** Giti Tire is committed to assessing the sustainability performance of its natural rubber suppliers by conducting sustainability audits, likely through a third-party.

**5.3** Giti Tire supports and encourages its suppliers within its supply chain to take initiatives to increase traceability and transparency, at a minimum to an appropriate jurisdictional level.



## 6. POLICY IMPLEMENTATION, MONITORING AND COMPLIANCE

**6.1** This Policy reflects Giti Tire's aspirations towards achieving a more sustainable natural rubber supply chain. It requires close collaboration of all its stakeholders, including customers and suppliers, guided with a healthy dose of practical mind and sincere intentions, to implement all the requirements arising from this Policy.

**6.2** Giti Tire will aim to engage regularly with its suppliers in its supply chain to support their conformance with this Policy. Giti Tire will support multi-stakeholder planning and policy efforts that uphold the GPSNR principles at the appropriate jurisdictional level.

**6.3** Evaluating suppliers from the perspective of sustainable development is part of Giti Tire's own supply chain sustainable procurement policy. Giti Tire will regularly assess the maturity of corporate social responsibility of our major suppliers. The evaluation methods are generally as follows:

- Questionnaire
- On-site audit;
- Online audit
- Entrust a third-party agency to evaluate

**6.4** Through evaluation, we monitor the sustainability performance and progress of suppliers, identify suppliers' risks, promote and help suppliers to make improvements. Sustainability performance of our suppliers and their commitment to progress is a key factor in Giti Supply Relationship Management, and will be an important factor in the development of new supplier products and the annual comprehensive supplier performance evaluation.

**6.5** In case of proven non-compliance with this Policy, Giti Tire will work closely with the supplier to develop a time-bound improvement program that would move towards conformance with this Policy. If the non-compliance is severe, or the agreed improvement actions are not fulfilled repeatedly, then Giti Tire may review, suspend or terminate the business relation with the supplier.

**6.6** Giti Tire is committed to embed the implementation of this Policy within its internal governance and decision-making process. It will internally measure and monitor the effectiveness of the implementation of Giti Tire's sustainable procurement strategy, and to report the performance, and have dialogue with stakeholders regularly. Giti Tire will set public, time-bound, geographic-specific, improvement program based on the characteristics of the industry, and annually report publicly the progress status of the implementation of this policy.

# TERMINOLOGY

## **Forced Labour**

All work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily (according to International Labour Organisation).

## **Global Platform for Sustainable Natural Rubber (GPSNR)**

The Global Platform for Sustainable Natural Rubber (GPSNR) is committed to promoting the uptake of sustainable natural rubber in the global marketplace by addressing forest and other ecosystem conversion, biodiversity loss, human and labor rights violations and inequity in the natural rubber supply chain.

## **High Carbon Stock (HCS) approach**

The High Carbon Stock (HCS) Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The methodology was developed with the aim to ensure a practical, transparent, robust, and scientifically credible approach that is widely accepted to implement commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local peoples are respected.

## **High Conservations Value (HCV)**

An HCV is a biological, ecological, social or cultural value of outstanding significance or critical importance, as defined by Common Guidance for Identification of HCVs. The six categories of HCVs are:

### **HCV 1: Species diversity**

Concentrations of biological diversity including endemic species, and rare, threatened or endangered species, that are significant at global, regional or national levels.

### **HCV 2: Landscape-level ecosystems, ecosystem mosaics and IFL**

Large landscape-level ecosystems, ecosystem mosaics and Intact Forest Landscapes (IFL) that are significant at global, regional or national levels, and that contain viable populations of the great majority of the naturally occurring species in natural patterns of distribution and abundance.

### **HCV 3: Ecosystems and habitats**

Rare, threatened, or endangered ecosystems, habitats or refugia.

### **HCV 4: Ecosystem services**

Basic ecosystem services in critical situations, including protection of water catchments and control of erosion of vulnerable soils and slopes.

## **HCV 5: Community needs**

Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples (for livelihoods, health, nutrition, water, etc...), identified through engagement with these communities or indigenous peoples.

## **HCV 6: Cultural values**

Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples, identified through engagement with these local communities or indigenous peoples.

## **Peat**

A soil with cumulative organic layer(s) comprising more than half of the upper 80 cm or 100 cm of the soil surface containing 35% or more of organic matter (35% or more Loss on Ignition) or 18% or more organic carbon. Note for management of existing plantations in Malaysia and Indonesia, a narrower definition has been used, based on national regulations: namely soil with an organic layer of more than 50% in the top 100cm containing more than 65% organic matter.

## **Traceability**

The ability to follow a product or its components through stages of the supply chain (e.g., production, processing, manufacturing, and distribution).

## **GPSNR Policy Framework**

### **International Labour Organization (ILO)**

<https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

### **UN Declaration on the Rights of Indigenous Peoples (UNDRIP)**

<https://www.un.org/development/desa/indigenouspeoples/declaration-on-the-rights-of-indigenouspeoples.html>

### **UN Guiding Principles on Business and Human Rights (UNGPR)**

[https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf)





Information and financial figures are provided only for general information purposes and should not be relied or treated as advice on investment in Giti Tire or its shares nor on any subject discussed herein, and should not be treated as a warranty of any product offered by Giti Tire Pte Ltd. and its subsidiaries and affiliates.

© 2022 Giti Tire Pte Ltd. All rights reserved