

***DUTY  
OF CARE PLAN***  
**— 2020 —**

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# SOMMAIRE

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# INTRODUCTION

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For the fourth year in a row, Michelin has prepared a Duty of Care Plan in compliance with Act 2017-399 of March 27, 2017. It describes all of the risks incurred by the Group's businesses and its main suppliers as regards the environment, health & safety and human rights, along with the measures taken to prevent and mitigate them. For Michelin, the plan is a means to consolidate and strengthen its proactive approach to deploying risk prevention and management processes in these three areas, as well as an opportunity to deepen its due diligence with subcontractors as part of a continuous improvement process.

The Duty of Care Plan is fully aligned with the Group's values and its commitment to conducting its business responsibly with regard to all its stakeholders. Reflecting this commitment, sustainable development issues are strategically managed at the highest levels of the Group. The Group Management Committee – comprising the members of the Group Executive Committee and the heads of Legal Affairs, Purchasing and a number of other corporate functions – reviews the decisions made by the Ethics Committee and the Environment, Human Rights and Health & Safety Governance bodies during sessions led twice a year by the Executive Vice President, Sustainable Development. Since 2020, the Supervisory Board has also had a CSR Committee that oversees Michelin's response to all its corporate social responsibility issues.

The Duty of Care Plan contains and expands on the information and initiatives already embedded in the Group's policies, which underpin its sustainable development process. These include the Michelin Performance and Responsibility Charter, the Code of Ethics, the Purchasing Principles, the Health, Safety and Quality of Worklife Policy, the Environmental General Policy Note, the Employee Relations Policy and the Diversity Policy. It presents the relevant information disclosed by the Group in its Universal Registration Document, which includes the Non-Financial Performance Statement, and other annual reports. The Group has defined standards of compliance that meet prevailing standards and legislation in its host countries.

With respect to international environmental and human rights standards, since 2010 the Group has pledged to support the United Nations (UN) Global Compact and upholds the UN Guiding Principles on Business and Human Rights, the fundamental conventions of the International Labour Organization (ILO) and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. These international standards also inform the Duty of Care Plan.

Plan preparation and follow-up are coordinated by the Sustainable Development and Mobility Department, which leads a working group comprising representatives from the Internal Control, Risk Management, Environment and Prevention, Purchasing, Legal Affairs and Employee Relations Departments. Each provided input to expand and update the plan with the support of the Sustainable Development and Mobility Department.

The 2020 Duty of Care Plan offers a number of improvements on the preceding version:

- a special effort has been made to identify more precisely the Group's at-risk supplier categories and sourcing countries;
- the risks identified with natural rubber farmers are presented in detail in six sourcing countries, along with the 2020-2025 roadmap to mitigate these risks and the outcomes of the 2015-2020 mitigation process (in appendix);
- the causes and impacts of the main health, safety and environmental risks have been added;
- for each issue, the management process and governance bodies are systematically specified;
- operational examples are presented for all issues.

Some of the identified risks were discussed with the Corporate Stakeholder Committee, which met online on October 1 and 2, 2020.

In particular, members joined with the entire Group Executive Committee to review, transparently and comprehensively, questions related to a decent wage and to tire and road wear particles (TRWPs).

The scope of the Duty of Care Plan is the whole of the Michelin Group. Section 5 of the plan deals more specifically with recently acquired companies; their practices are being assessed and gradually harmonized, each within a specific timeframe.



# METHODOLOGY

## DEFINITION OF RISKS

The Duty of Care Plan, the Non-Financial Performance Statement and the information on the Group's specific risk factors are governed by different regulatory frameworks.

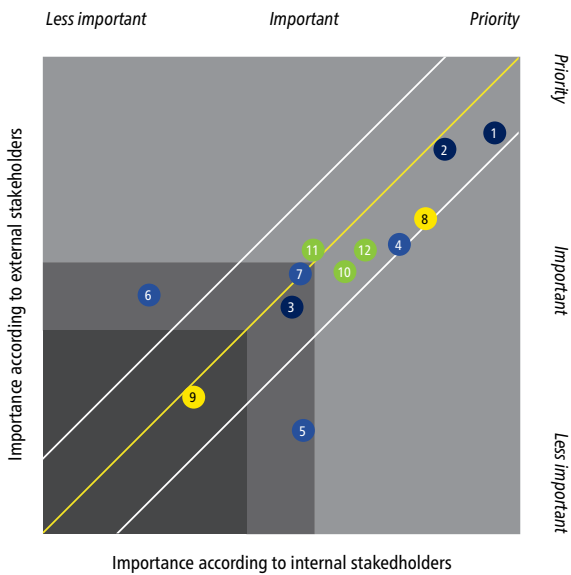
This is why all of the risk factors mentioned herein are not necessarily included in section 2.1 of the 2020 Universal Registration Document "Specific risk factors, description and associated management systems," nor among the "main risks" listed in the Non-Financial Performance Statement.

Nevertheless, all of the risk factors mentioned in the Duty of Care Plan are addressed by prevention and mitigation measures under the Duty of Care.

## MATERIALITY MATRIX

To define and manage its main social responsibility issues, the Group has prepared a materiality matrix. These issues represent not only potential risks, but also opportunities for growth and business development.

First developed in 2018, the materiality matrix is based on the findings of surveys of external stakeholders and Michelin employees in seven countries (Brazil, Canada, China, the United States, France, India and Poland) that are representative of the Group's business base. To adapt the presentation to the Duty of Care Plan, the materiality matrix displayed here shows only issues that relate to the Duty of Care Plan.



<b>Ethics and compliance</b>	
<b>1</b>	The safety of users (of Michelin products and services)
<b>2</b>	Business ethics
<b>3</b>	Responsible purchasing
<b>Human rights</b>	
<b>4</b>	Respect for Human Rights and the Duty of Care
<b>5</b>	Diversity of teams
<b>6</b>	Impact on local communities
<b>7</b>	Dialogue with stakeholders
<b>Employee health and safety</b>	
<b>8</b>	Health and well-being of staff
<b>9</b>	Impact of digital technologies on our working methods
<b>Environment and climate change</b>	
<b>10</b>	Energy transition and carbon reduction
<b>11</b>	Eco-design of our products and services
<b>12</b>	Sustainable, responsible operations

**Table of concordance Materiality Matrix/Risks of the Duty of Care Plan**

Issues shown on the matrix		Associated risk in the plan	Duty of Care Plan	URD
<b>Ethics and Compliance</b>	1	The safety of users of products and services	Consumer safety	Chap. 2.2 and 3.9 4.1.3.1 4.1.1.1
	2	Business ethics	Corruption	Chap. 3.4 4.1.2.2.d 4.1.1.2.b
	3	Responsible purchasing	Suppliers' CSR practices	Chap. 4 4.1.1.3
<b>Human rights</b>	4	Respecting Human Rights and Duty of Care	Freedom of association Privacy policy Compensation (decent wage) Child labor Forced labor	Chap. 3 4.1.2
	5	Diversity of teams	Discrimination	Chap. 3.1 4.1.2.2
	6	Impact on local communities	Adverse impact on local communities	Chap. 3.6 4.1.2.5
	7	Dialogue with stakeholders		Chap. 1.4 and 4.4 4.1.4.4 4.1.1.3
<b>Employee health and safety</b>	8	Health and well-being of staff	Occupational accidents Musculoskeletal (MSK) disorders Psychosocial risks Risk to employee safety	Chap. 2.1, 2.3, 2.4, 2.5, 2.6 and 3.2 4.1.3.3.c 4.1.3.2.b 4.1.2.3.
	9	Impact of digital technologies on our working methods	Psychosocial risks	Chap. 2.1 and 2.4 4.1.3.2.c 4.1.3.3.c
<b>Environment and climate change</b>	10	Energy transition and carbon reduction	Climate change	Chap. 1.1. and 1.2 4.1.4.1 4.1.4.3
	11	Eco-design of products and services	Resource depletion	Chap. 1.3 4.1.4.2
	12	Sustainable, responsible operations	Air and water pollution Damage to biodiversity	Chap. 1.1 and 1.4. 4.1.4.1 4.1.4.4

# 1 / ENVIRONMENTAL RISKS

(see the detailed presentation in section 4.1.4 of the Universal Registration Document)

Tires are non-biodegradable products made of renewable materials, such as natural rubber, but also synthetic materials like petroleum derivatives or chemicals, as well as metals.

A tire's contact with road surfaces causes abrasion, which generates wear particles, and, in an internal combustion-powered vehicle, requires the burning of fuel, which emits greenhouse gases. As a result, the main risk factors concern pollution from (i) the release of greenhouse gases and tire and road wear particles (TRWP) into the environment during the in-use phase, and (ii) the disposal of end-of-life tires.

Manufacturing operations consume resources (such as power and water) and generate emissions (such as CO<sub>2</sub>, volatile organic compounds or VOCs) and waste. The production process may also generate risks of chronic or accidental environmental pollution. Logistics operations mainly involve the consumption of energy and the release of CO<sub>2</sub> and other atmospheric emissions.

By potentially generating negative environmental externalities, the Group may have an adverse effect on the planet and/or its stakeholders. Michelin is committed to acting as a leading enabler of sustainable development and mobility. This naturally entails properly identifying and effectively managing the environmental risks inherent in its business.

## MAIN ENVIRONMENTAL RISKS

Risk category	Main example	Typical cause	Possible impact
<b>Accidental pollution caused by our operations</b>	Accidental spills of products harmful to the environment	Fire	Pollution (water, soil)
<b>Environmental impact of our operations</b>	Atmospheric emissions (VOC, CO <sub>2</sub> , NO <sub>x</sub> ) and effluent releases (BOD, COD, TSS)	Emissions from tire production processes	Pollution (air, water, soil)
<b>Environmental impact of our products</b>	Non-recycling of end-of-life products	Lack of collection processes	Pollution (water, air)
<b>Environmental impact of our suppliers</b>	Pollution caused by one of our suppliers' operations	Inability of suppliers to manage their performance, which could have a major direct impact on the environment (water, air and soil pollution)	Pollution (air, water, soil)

## ENVIRONMENTAL GOVERNANCE AND MANAGEMENT SYSTEM

### Governance

The Environmental Governance body is chaired by the Executive Vice President, Manufacturing, who is a member of the Group Executive Committee. It is led by the Group Environment and Prevention Director and coordinated by the Sustainable Development Director. Other members include the Executive Vice President, Research and Development and eight other standing members representing the Standards and Regulations Department, the Sustainable Development and Mobility Department, the Materials Research Department, the Risk Management Department, the Purchasing Department, the B2B On-Road section of the Research and Development Department, the Corporate Information Systems Security, Safety & Security and Environment Department, and the High-Tech Materials Business Line.

The Environmental Governance body meets two to three times a year. It validates environmental policies, objectives and strategies, and tracks the proper execution of the action plans deployed to meet the objectives. It ensures that environmental risk is under control and that, if necessary, effective preventive or remedial measures have been defined and implemented. The body is supported by the work of three multidisciplinary Operational Committees – the Carbon Strategy Committee, the Circular Economy Operational Committee and the Biodiversity Operational Committee – which are tasked with coordinating initiatives, detecting even the most latent issues, assessing emerging risks and identifying opportunities to reduce environmental impacts.

For its manufacturing, research, logistics and tertiary operations, the Group has developed an Environmental Management System (EMS) that allows each of its sites to curb its environmental impacts on a day-to-day basis and over the long term. It comprises a process to track compliance with legislation and Michelin standards, the obligation to define and meet, every year, improvement targets aligned with local issues and Group commitments, and procedures to attenuate the risks of accidental pollution. It meets the requirements of ISO 14001-2015. Since 2018, all production plants subject to certification have been certified to these standards.



Taking a holistic approach, the SME not only identifies environmental risks but also recommends mitigation and prevention processes for each one.

## KPIS AND MONITORING

Since 2005, Michelin has used a composite indicator called the Michelin Environmental Footprint (MEF) to measure the key impacts from its manufacturing operations in terms of energy consumption, water withdrawals, CO<sub>2</sub> emissions, volatile organic compound (VOC) emissions, amount of waste generated and amount of waste landfilled (i.e., not recovered or reused). To fulfill the ambition of “setting the industry standard for responsible manufacturing,” the target set in early 2016 for 2020 was to reduce the MEF by 30% compared with 2010 and by 50% compared with 2005, while using 25% less energy over the first period and 38% over the second. In 2020, despite the unusual circumstances, the MEF remained below the historical target of 50, confirming the overall success of the management process and the robust environmental progress made since the indicator was introduced in 2005.

This momentum will be sustained by the Group’s new environmental indicator, the i-MEP (Industrial Michelin Environmental Performance), which will provide updated readings compared with a new baseline year. Progress will be driven by the four environmental programs deployed by the Group in 2017, which defined their 2030 roadmaps during 2020. Based on the identified levers and projected outcomes, the new i-MEP indicator is expected to decline by one-third over the period to 2030.

### 1. 1 CLIMATE RISK (see detailed presentation in section 4.1.4.1 of the URD)

#### Preface

Greenhouse gas emissions from human activities have been contributing to the planet-wide impacts documented by the Intergovernmental Panel on Climate Change (IPCC) since 1988. The 2018 IPCC special report on “Global warming of 1.5°C” notes the following points:

- “Impacts on natural and human systems from global warming have already been observed (high confidence). Many land and ocean ecosystems and some of the services they provide have already changed due to global warming.”
- “Future climate-related risks depend on the rate, peak and duration of warming.”
- “Future climate-related risks would be reduced by the upscaling and acceleration of far-reaching, multilevel and cross-sectoral climate mitigation and by both incremental and transformational adaptation (high confidence).”

#### RISK FACTORS

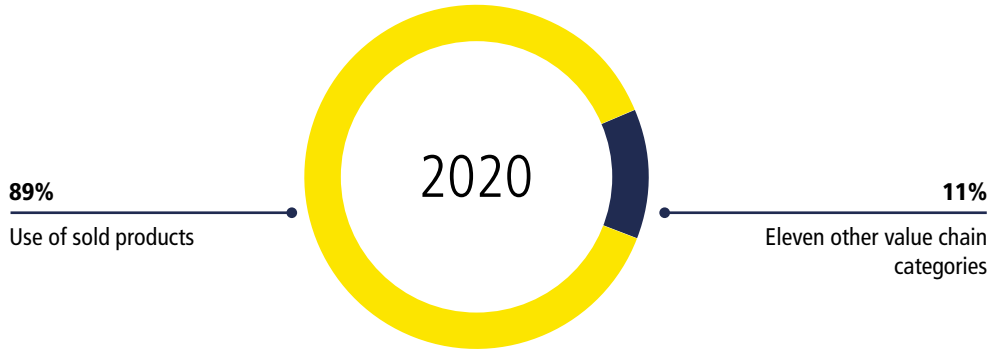
The main climate risk factor identified by Michelin is the CO<sub>2</sub> released from its tires in use and from its manufacturing and logistics operations (transporting semi-finished products between Group production facilities and delivering tires to sales outlets around the world). Life cycle assessments show that a tire’s in-use phase generates between 70% and 98% of its greenhouse gas emissions. This is due to the phenomenon of rolling resistance, which in the case of an internal combustion vehicle increases fuel consumption and therefore CO<sub>2</sub> emissions.

Scope	M t CO <sub>2</sub>	Year	Group sources covered by the inventory
Scope 1	1.01 <sup>(1)</sup>	2020	CO <sub>2</sub> emissions from boiler houses at production plants and R&D facilities
Scope 2	1.46 <sup>(1)</sup>	2020	CO <sub>2</sub> emissions from the generation of purchased electricity and steam consumed at production plants and R&D facilities
Scope 3	144	2020 <sup>(2)</sup>	CO <sub>2</sub> emissions from the 12 activity categories corresponding to the Group’s value chain (see below)

(1) See section 4.1.4.3 b Reducing the environmental footprint of the production plants/Summary table of environmental data – Group.

(2) Because the level of uncertainty for the various Scope 3 categories remains high, the Group has chosen to measure them every three years.

## Inventory of Scope 3 CO<sub>2</sub> emissions by category



### Proportion of Scope 3 emissions by category, excluding "Use of sold products"

Purchased good and services	52%
Capital goods	2%
Fuel and energy-related activities	5%
Upstream transportation and distribution	7%
Waste generated in operations	2%
Business travel	0.3%
Employee commuting	1.3%
Upstream leased assets	0.3%
Downstream transportation and distribution	6%
End-of-life treatment of sold products <sup>(1)</sup>	23%
Franchises	1%

(1) Total CO<sub>2</sub> tonnage emitted during the end-of-life treatment of sold tires has been estimated at 3.7 million tonnes based on an aggregate recovery and reuse rate of 76% (see section 4.1.4.2 b Recycle). If the reuse of secondary raw materials from the end-of-life treatment of sold tires is taken into account, as in the ISO 14067: 2018 Greenhouse Gases – Carbon Footprint of Products method, a total of 6.4 million tons of CO<sub>2</sub> were avoided. By not using new raw materials, including petroleum derivatives, the recovery and reuse of end-of-life tires helps to avoid emitting additional CO<sub>2</sub>.

## PREVENTION AND MITIGATION MEASURES

Michelin is fully aware that global climate change can seriously harm the environment and curb human rights. Accordingly, it is advocating for an energy transition and low-carbon mobility through a policy led by the Carbon Strategy Committee, structured around five priorities:

- reduce carbon emissions from its manufacturing operations in absolute value, with the goal of reaching net-zero emissions by 2050;
- reduce carbon emissions from activities in both the upstream and downstream value chain;
- reduce the amount of energy associated with tire use;
- capitalize on its expertise, culture of innovation and advanced research to develop new technologies, new low-carbon energy sources, and new forms of mobility for people and goods;
- support the introduction of a global carbon pricing system.

In May 2020, the global Science Based Targets initiative (SBTi) validated Michelin's targets designed to reduce its greenhouse gas (GHG) emissions in line with a scenario of keeping global warming to less than 2°C. The Group has pledged to lower its Scope 1 and 2 GHG emissions by 38%<sup>(1)</sup> in absolute value by 2030 compared with the 2010 baseline. Michelin is committed to reducing Scope 3 GHG emissions from fuel and energy-related activities, upstream and downstream transportation and distribution, and end-of-life treatment of sold products by 15% in absolute value by 2030 compared with the 2018 baseline. Michelin is also committed to ensuring that 70% of its raw material suppliers (as measured by their GHG emissions) have defined science-based targets by 2024.

(1) Since then, more ambitious targets have been defined for Scopes 1 and 2 (See section 4.1.1 a of the Universal Registration Document) Reducing the carbon footprint and managing the energy transition. Reducing the absolute value of CO<sub>2</sub> emissions from manufacturing operations OUR AMBITIOUS OBJECTIVES.



## CO<sub>2</sub> emissions from purchased goods and services

See section 4. Supplier risks.

## CO<sub>2</sub> emissions from manufacturing operations

Michelin has been measuring and steadily reducing its CO<sub>2</sub> emissions since 2005. In 2015, the Group committed to reducing CO<sub>2</sub> emissions from its plants by 50% over the period from 2010 to 2050. Since then, the Group has raised its objective and is now aiming to achieve, by 2050, net-zero carbon emissions from its entire production base, in line with the scenarios developed by the scientific community to keep global warming below 1.5°C<sup>(2)</sup>.

Compared with the original trajectory, a more ambitious mid-way target has been set for a 50% reduction in 2030 versus 2010.

Total CO<sub>2</sub> emissions from the Group's production plants amounted to 0.87 tonnes per tonne of finished product in 2020, a reduction of 29.9% compared with 2010.

The ratio was relatively unchanged year-on-year, with a slight 0.6% gain demonstrating resistance to the steep 16.2% decline in output. CO<sub>2</sub> emissions from the Group's production facilities, which had fallen in absolute value by 25% over the 2010-2019 period, were reduced by prevailing circumstances by a further 15.6% year-on-year in 2020, for a total -37% reduction since 2010. This long-term progress and the sustained trend momentum in 2020 are being driven by a strategy based on two levers for action:

- 1) Consuming less (energy efficiency): reducing energy used per tonne of tire produced. This indicator was down 14.1% on 2010 but up 3.7% year-on-year due to the impact of Covid-19.
- 2) Consuming better (energy transition): shifting to a less carbon-intensive energy mix. Since 2010, the share of certified renewable energy in the Group's electricity consumption has risen from 0.2% to 32%.

The Group is exploring a range of sustainable solutions to use renewable energies as sources not only of electricity but also of heat (biomass, biogas). In all, 14.6% of the heat and power used by the Group in 2020 came from renewable sources.

In addition, Michelin is helping to increase the integration of renewable sources in local power grids with its 18 on-site renewable energy installations, which are avoiding the release of almost 30,000 tonnes of CO<sub>2</sub>.

### Local example

In 2020, the Gravanches production plant in Clermont-Ferrand became the Group's first net-zero carbon emissions site. Since 2019, it has been heated by a heat pump system that recovers waste process heat and, for the past three years, has covered all of its other energy needs by purchasing electricity from guaranteed renewable sources.

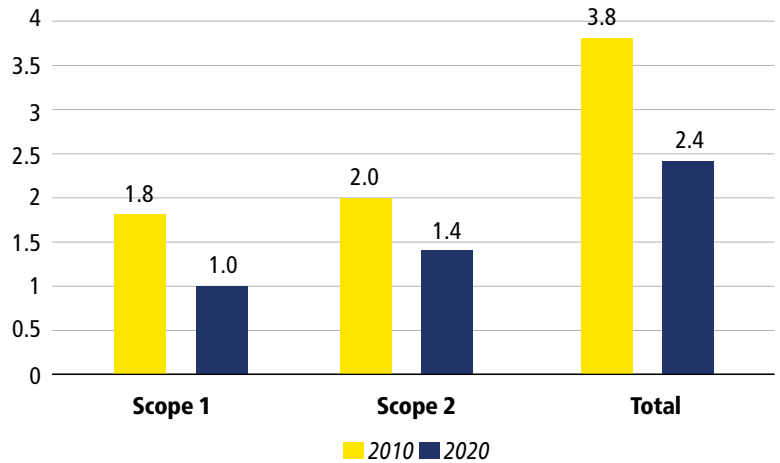
To spur these changes, an internal carbon price of 50 euros per tonne of CO<sub>2</sub> has been applied since 2016 to the economic analyses of projects requiring substantial investments.

After two years of preparation, the roadmap for improving energy efficiency to achieve net-zero carbon emissions in 2050 has now been integrated into the production plants' five-year strategic plans. The technical solutions and related capital expenditure budgets have been included in their 2021 improvement plans. Among the 11 identified technical solutions, the first to be deployed will improve the energy efficiency of the tire curing process.

Together, these projects are expected to improve energy efficiency by 37% in 2030 compared to 2010, or by 24% compared to 2019.

(2) In model pathways with no or limited overshoot of 1.5°C, global net anthropogenic CO<sub>2</sub> emissions decline by about 45% from 2010 levels by 2030 (40–60% interquartile range), reaching net zero around 2050 (2045–2055 interquartile range). IPCC Special Report: Global warming of 1.5°C.

Operational monitoring: Progress in Scopes 1 and 2 between 2010 and 2020  
(in millions of tonnes of CO<sub>2</sub>)



### CO<sub>2</sub> emissions generated by logistics

Reducing greenhouse gas emissions from logistics operations is a major priority for Michelin. In line with the commitments made to the SBTi for Scope 3 emissions, the corporate Supply-Chain Department has set an ambitious new objective: to reduce CO<sub>2</sub> emissions from supply chain and logistics operations, in tonnes, by 15% between 2018 and 2030 (2020 target met in 2019). Emissions totaled 1.277 million tonnes of CO<sub>2</sub> in 2019, representing a 2% reduction in the environmental impact over the year. In 2020, CO<sub>2</sub> emissions declined to 1.181 million tonnes, representing a 9.3% reduction compared to 2018, primarily due to drop in production output in the wake of the Covid crisis.

To successfully cut these emissions, Michelin first defined a policy based on three action levers: transport less, transport better (by optimizing loads) and transport differently (with multimodal solutions in particular). In addition, to provide sustainable, reliable and consistent CO<sub>2</sub> emissions data, measurement procedures have been set up in every region. Initiatives in the three levers were pursued in 2020, but their impact is more difficult to estimate because of the huge volume shortfall compared to previous years.

### CO<sub>2</sub> emissions generated by the in-use phase

Reducing a tire's rolling resistance by design helps to improve a vehicle's fuel efficiency, which in turn reduces both CO<sub>2</sub> emissions during use and ambient air pollutants, such as NO<sub>x</sub> and SO<sub>x</sub>. Lower rolling resistance also increases the range of electric vehicles. In 1992, Michelin was the first tire manufacturer to increase its tires' energy efficiency so that vehicles used less fuel and emitted less CO<sub>2</sub>. CO<sub>2</sub> emissions reduction is guided by a Life Cycle Assessment (LCA) of environmental impacts applied to the entire product plan, based on LCA best practices and ISO 14040 on Environmental management — Life cycle assessment — Principles and framework.

In 2015, the Group pledged to continue improving the energy performance of its tires, by reducing the amount of energy consumed during the in-use phase by 20% by 2030 compared to 2010.

When compared with 2010, improvements in the rolling resistance of Passenger car, Light truck and Truck tires sold by the Group in 2020 have saved the equivalent of 2.7 billion liters of fuel over their useful lives, thereby avoiding the release of more than 6.9 million tonnes of CO<sub>2</sub>. In 2021, the 2030 objective will also be expressed in grams of CO<sub>2</sub> per kilometer traveled.

#### Product example

Unveiled in 2020, and available in Europe and China from spring 2021, the MICHELIN e.Primacy tire takes this commitment to the next level by setting a new record in fuel efficiency. In Europe, it is category leader in fuel savings and CO<sub>2</sub> emissions, with 27% less rolling resistance than its main competitors. With the e.Primacy, Michelin became the first tiremaker to issue a tire environmental product declaration (EPD), in accordance with ISO 14025: 2006 Environmental labels and declarations — Type III environmental declarations. The two EPDs for the new line-up underscore the Group's commitment to transparently reporting the environmental impacts of its products. See [https://www.environdec.com/library/\\_?Epd=18918](https://www.environdec.com/library/_?Epd=18918)

### Emissions from managing end-of-life tires

The SBTi-validated Scope 3 target includes reducing emissions associated with end-of-life tires.

Total carbon tonnage emitted during the end-of-life treatment of sold tires has been estimated at 3.7 million tonnes based on an aggregate recovery and reuse rate of 76% (see section 4.1.4.2 b Recycle) and following the GHG Protocol guidelines (see Methodological note in chapter 4 of the Universal Registration Document). This calculation is based on the most extensive data available on end-of-life tire recovery rates and technologies around the world, as published in Global ELT Management – A global state of knowledge on regulation, management systems, impacts of recovery and technologies, TIP, December 2019 (<https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/End-of-Life-Tires-ELTs>). In addition, the report shows that in the 45 countries studied, accounting for 83.5% of vehicles used worldwide, three-quarters of the recovered ELT tonnage was reused as materials and one-quarter was burned as fuel.

However, GHG Protocol rules do not allow accounting for the greenhouse gas emissions impact of the reuse of secondary raw materials recovered from end-of-life tires to make new products, as part of the circular economy. When the reuse of secondary raw materials is taken into account, according to the ISO 14067: 2018 Greenhouse Gases – Carbon Footprint of Products method, a total of 6.4 million tonnes of CO<sub>2</sub> were avoided. In other words, the recovery and reuse of materials from end-of-life tires help to avoid CO<sub>2</sub> emissions by avoiding the use of petroleum derivatives and other virgin raw materials. This is why Michelin is developing innovative solutions for recovering and reusing end-of-life tires (see section 4.1.4.2 b Recycle) and is coordinating BlackCycle, a major project to recycle ELTs into new tires, funded in 2020 by the European Union's Horizon 2020 framework program.



## Michelin's advocacy and leadership in low-carbon mobility

Beyond offering customers products with high energy efficiency performance, Michelin is also helping to lower the carbon intensity of transportation by offering bundled services for corporate fleets, promoting innovative, hydrogen fuel cell-powered mobility solutions and building partnerships and collaborative platforms capable of bringing together a variety of mobility ecosystems through the Movin'On Summit and Movin'On LAB. In 2019, Michelin acquired the hydrogen fuel cell company SYMBIO, then joined with Faurecia to create a joint venture: SYMBIO, A FAURECIA MICHELIN HYDROGEN COMPANY, which aims to become the world leader in hydrogen mobility. Michelin is actively promoting the development of hydrogen mobility, both in France and at the European level, as a member of such regional initiatives as Hydrogen Europe, the European Clean Hydrogen Alliance, the Hydrogen Council and the French Hydrogen and Fuel Cell Association (AFHYPAAC).

Michelin also plays a prominent role in leading international forums promoting sustainable mobility and stands out in major global initiatives like the Transport Decarbonation Alliance, the Paris Process on Mobility and Climate, and Sum4All, which in late 2020 reappointed the Group to the Steering Committee for a two-year term as the only private-sector representative. In June 2020, the fourth annual Movin'On Global Sustainable Mobility Summit, held online, raised the profile of the Transport Decarbonation Alliance, a coalition calling on public and private-sector stakeholders to support zero-emission freight vehicles ahead of the COP 26 meeting.

The CDP, an environmental performance-scoring organization, awarded Michelin a grade of A- in 2020, based on its assessment that the Group had demonstrated leadership in tackling the challenges of climate change. The rating recognizes the quality of the Group's governance and strategy, the real progress made in lowering CO2 emissions and its long-term goals for reducing its carbon footprint.

## 1.2 / RISK OF AIR AND WATER POLLUTION (see detailed presentation in section 4.1.4.3 of the URD)

### RISK FACTORS

The tire manufacturing process releases VOCs, SOx and NOx and other atmospheric emissions that can be a source of pollution. Manufacturing also generates various waste products. During a tire's in-use phase, tire and road wear particles (TRWP) are generated. Lastly, end-of-life tires must be treated or recycled to avoid becoming a source of pollution.

## PREVENTION AND MITIGATION MEASURES

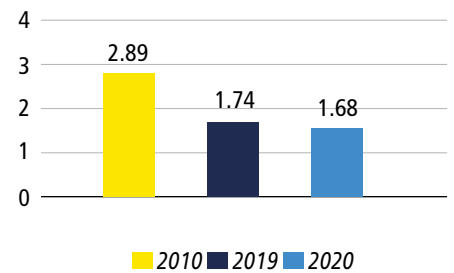
### Reducing VOC emissions

The Group's VOC objective is to phase out all VOC-generating organic solvents completely by 2050. An intermediate objective of a 50% reduction in VOC use by 2030 compared to 2019 has been set and the related capital expenditure has been authorized. In all, VOC emissions per tonne of finished product declined by 41.7% between 2010 and 2020.

This is being done in three ways:

- deploying good manufacturing practices to optimize solvent use, in particular by tracking quantities used, precisely adjusting the solvent applicators, using just the right amount of solvent and maintaining performance over time through management initiatives;
- the introduction of new process, materials and product solutions designed to reduce or remove organic solvents at certain interfaces;
- research and development teams are designing lower organic solvent use into projects, to ensure that tomorrow's products minimize their impact on VOC emissions.

Operational monitoring:  
change in VOC Emissions  
(in kg/T PF)



### Local examples

These three improvement drivers have been embraced and documented by the VOC Program, which is pursuing the initiatives underway since 2017 to deploy best practices, identify innovations and explore ways of further reducing solvent use in the future. After Bad Kreuznach in Germany in 2019, the Nyiregyhaza plant in Hungary is now the second Group facility to produce tires without any VOC-generating organic solvents.

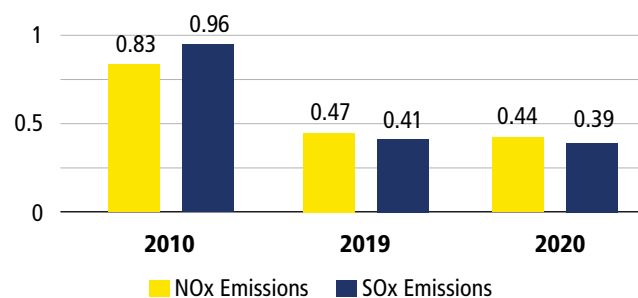


## Reduce nitrogen oxide (NOx) and sulfur oxide (SOx) emissions

### Local examples

In 2015 and 2016, four upgrades have since helped to significantly reduce NOx and SOx emissions by: (i) replacing the use of fuel oil with natural gas at three production facilities in Canada; (ii) closing the former Shenyang plant in China, which used a coal-fired boiler; (iii) replacing the on-site coal-fired steam generation facility at the Shanghai plant with the purchase of steam from a gas-fired CHP power station; and (iv) fitting a DeSOx/DeNOx scrubber on the coal-fired boiler at the Bassens plant in France. In 2020, a coal-fired boiler at the Olsztyn plant in Poland was replaced by a gas-fired installation.

### Operational monitoring: change in NOx and SOx emissions (in kg/t FP)



The elimination of coal-fired boilers in all of our production facilities by 2030 will drive a further significant reduction in these emissions.

### Reducing and recovering waste

In line with its 2050 vision, the Group has set an intermediate objective of reducing the amount of waste produced per tonne of finished product by 25% in 2030 compared to 2019. The robust pace of improvement observed since 2015 will be maintained by deploying best practices and developing recycling synergies with the Group's new businesses.

The Group's waste management policies are based on three principles:

- reducing the amount of waste produced, in particular through reuse;
- ensuring recovery of 100% of waste produced;
- ensuring recovery of at least 70% of waste materials by developing innovative outsourced recycling solutions.

Michelin is also involved in other recycling ventures, such as the partnership formed in November 2020 with Canadian start-up Pyrowave to speed up the industrialization of an innovative technology to recycle polystyrene plastic waste. With this partnership, Michelin is helping new value chains to emerge in the circular plastics economy.

### Operational monitoring

In 2020, the Group produced 95.7kg of waste per tonne of finished product, representing a 2.2% improvement on 2019. In addition, the amount of landfilled waste declined by 15.7% year-on-year, to 2.6kg per tonne of finished product. In this way, 97.4% of all waste is recovered or reused as materials or fuel, with 57 of the 78 facilities recovering at least 95%.

Indicators	Unit	2010	2018	2019	2020
VOC Emissions	kg/t PF	2.89	1.77	1.74	1.68
NOx Emissions	kg/t PF	0.83	0.50	0.47	0.44
SOx Emissions	kg/t PF	0.96	0.41	0.41	0.39
CO <sub>2</sub> Emissions	t/t PF	1.28	0.88	0.86	0.87
Waste generated	kg/t PF	109.5	98.7	97.9	95.7
Waste landfilled	kg/t FP	10.2	2.9	3.08	2.60



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### **Tire and road wear particles (TRWP) and participation in the TIP**

Since 2006, Michelin has been working to deepen our knowledge of these particles, in particular as part of the research being led by the Tire Industry Project (TIP)<sup>(3)</sup> to collect, characterize and understand both their composition and distribution, as well as their potential impact on the environment and human health.

Industry research into environmental impacts and human exposure has not, to date, revealed any specific risk in either air or aquatic environments.

The CEOs of the TIP member companies decided to add to existing knowledge by launching a new cycle of TRWP research projects for the 2020-2021 period, addressing areas such as:

- sampling of TRWP presence in different environmental compartments (air, rivers, soil, estuaries) and modeling TRWP fate in the environment;
- analyzing the degradation of TRWP;
- investigating the potential health impacts from long-term exposure to TRWP.

Independently of the various studies currently being conducted on this question, Michelin remains committed to decreasing wear particle emissions from its own tires, which have already been reduced by 5% since 2015. Michelin is going to pursue this effort and will issue an additional reduction commitment in 2021.

### **End-of-life tires: collection and recovery**

By working with industry associations, especially the TIP, Michelin is making every effort to ensure that end-of-life tires are properly collected and processed in every region around the world. To do so, the Group supports the concept of “extended producer responsibility” and is working with the leading stakeholders to develop and deploy efficient recycling solutions. Michelin is also exercising its influence to encourage material recovery, which optimizes the reuse of tire components as secondary raw materials and offers a substantially smaller carbon footprint than energy recovery.

In 2020, the TIP commissioned Deloitte to conduct a study of the collection and treatment systems used by local recyclers, with the goal of developing highly promising recycling technologies in every region of the world. The abovementioned study conducted in 2019 showed that 88% of all end-of-life tires, regardless of brand, sold in the 45 countries under review were collected and the majority of them were recovered and reused<sup>(4)</sup>.

In 2020, the Group continued to participate in end-of-life tire recycling programs through its active membership in a variety of industry associations, including the TIP, the European Tyre and Rubber Manufacturers Association (ETRMA), the United States Tire Manufacturers Association (USTMA) and the Japan Automobile Tyre Manufacturers Association (JATMA).

As part of its strong commitment to recycling end-of-life tires, in October 2017, Michelin acquired US-based Lehigh Technologies, a world-class expert in micronized powder technologies for rubber recycled from tires and other rubber-based post-industrial products.

In April 2020, the Group announced a partnership with Sweden’s Enviro to develop and mass-produce a highly innovative pyrolysis technology that recovers high-quality products like recycled carbon black and pyrolysis oil from end-of-life tires, which can then be re-incorporated into the production cycle of various industries.

(3) The Tire Industry Project brings together the world’s leading tiremakers as part of the World Business Council for Sustainable Development (WBCSD) to address the tire industry’s sustainability challenges and issues.

(4) Global ELT Management – A global state of knowledge on regulation, management systems, impacts of recovery and technologies, Tire Industry Project, December 2019. <https://www.wbcd.org/Sector-Projects/Tire-Industry-Project/End-of-Life-Tires-ELTs>

## 1.3 / RESOURCE DEPLETION RISKS (see detailed presentation in URD 4.1.4.2)

### RISK FACTORS

The tire industry uses around 32 million tonnes of materials every year, three-quarters of which are fossil-based. At the same time, worldwide mobility needs are expected to double between 2010 and 2050. Michelin has identified a risk of resource depletion and is rolling out a four-part circular economy initiative.

### PREVENTION AND MITIGATION MEASURES

#### The Michelin 4R strategy for a circular economy

To ensure that resources are used more wisely, Michelin is simultaneously rolling out four initiatives known as the Michelin 4R strategy: Reduce, Reuse, Recycle and Renew. Since 2017, the strategy has been managed by the circular economy operational committee.



#### Reduce

This aspect involves using fewer raw materials and less energy to make tires that are lighter, longer-lasting and more energy efficient, all while delivering the same safe driving experience and ever-improved performance.

But Michelin does not just set objectives for new tires, it is also committed to delivering performance over time by extensively testing worn tires, so as to demonstrate that tires can and should deliver very high performance until the tread wear indicators appear. If motorists were confident that their tires would remain safe throughout their useful lives, they would be encouraged to use them until they reached the legal minimum tread depth of 1.6 mm. If motorists used their tires until they reached the legal minimum tread depth of 1.6 mm, based on European data, this would avoid the unnecessary use of 400 million tires a year worldwide and help to reduce carbon emissions by up to 35 million tonnes a year.

## Reuse

Raw materials can also be saved during the in-use phase by repairing, regrooving and retreading tires. Michelin offers retreading solutions for Truck, Aircraft and Earthmover tires.

In all, with one retreading and two regroovings, a Michelin Truck tire can last 2.5 times longer than a new Michelin tire with just an additional 25% of material, or up to one million kilometers for certain long-haul tires with an initial lifespan of already 250,000 km.

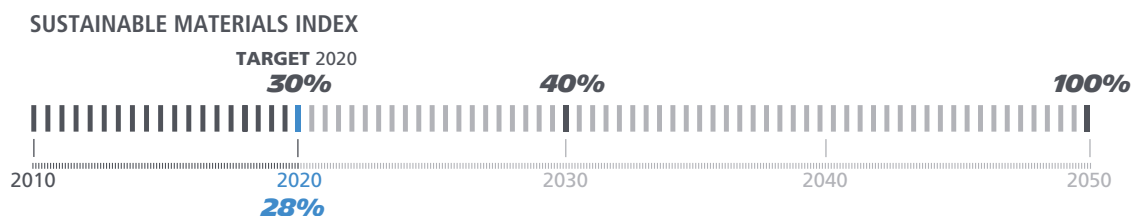
## Recycle

See above: "Reducing and managing waste" and "End-of-life tires: collection and recycling".

## Renew

The Group is encouraging the use of sustainable recycled and biosourced materials such as natural rubber and certain plant-based oils and resins, which currently account for an aggregate 28% of its sourced inputs. Michelin is committed to ensuring that by 2050, all the materials used to make its tires are sustainable.

### Operational monitoring



### Operational examples of partnerships fostering product circularity

Michelin is moving to the next level with three major new projects:

- BioButterfly, in partnership with Axens and IFPEN, is developing a bio-butadiene production process using ethanol derived from biomass. Development got underway in late 2015 with the goal of starting up a pilot plant by 2021;
- Since 2017, Michelin has also been a member of BioSpeed, a consortium of companies committed to accelerating the market uptake of next generation bio-based materials;
- BioImpulse, a collaborative public/private research project that is helping to create a new, fully-biosourced adhesive resin that is safer for human health. The consortium is coordinated by Michelin subsidiary ResiCare.

At the same time, Michelin is sustainably and responsibly developing its natural rubber supply (see section 4.1.1.3 c) A dedicated approach for natural rubber of the URD).

## 1.4 RISK OF HARMING BIODIVERSITY (see detailed presentation in section 4.1.4.4 of the URD)

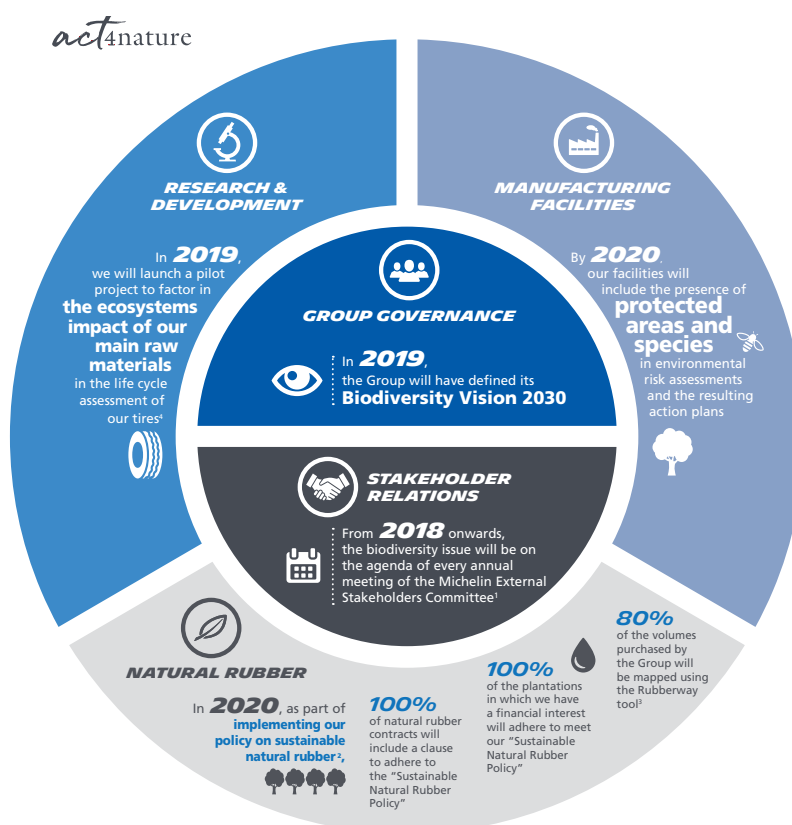
### RISK FACTORS

The risk factors that Michelin's operations represent for biodiversity mainly concern the geographical footprint of its industrial sites, the raw materials used in its tires and in particular the natural rubber production chain.

### PREVENTION AND MITIGATION MEASURES

The Group is pursuing its commitment to biodiversity alongside the **act4nature international** initiative launched by French association Entreprises pour l'Environnement (EpE).

For the first time, more than 60 business leaders signed a charter of ten common commitments, along with individual commitments for each member company. At Michelin, a multidisciplinary operational committee, set up in late 2018 and led by the Sustainable Development Department, brings together life cycle assessment experts and specialists from the Corporate Environment and Responsible Procurement Departments. It presents its recommendations to the Environmental Governance body for validation.



(1) The stakeholder committee is made up of representatives of NGOs, including the WWF, universities, international institutions, trade unions, customers and suppliers.

(2) The "Sustainable Natural Rubber Policy" stipulates the conditions in which natural rubber is produced and marketed. It specifies both environmental factors (zero deforestation, protection of areas of High Conservation Value (HCV), areas of High Carbon Stock (HCS) and peatlands) and social and human rights-related factors (working conditions and the prior free and informed consent of the populations concerned). For more information, visit <https://purchasing.michelin.com/fr/gestion-responsable-de-filiere-heveicole/>

(3) Online questionnaire for the various stakeholders involved in the upstream natural rubber supply chain. It is designed for 4 types of respondents: small-scale growers, plantations over 45 ha, intermediaries and natural rubber processing plants.

(4) Number of life cycle assessment carried out that factor in these impacts / total number of LCAs performed.



Approved by the Environmental Governance body in 2019, the 2030 roadmap for the Group's biodiversity vision will be expressed in commitments beginning in 2021, in line with the "All Sustainable" vision.

## 2030 Biodiversity Roadmap

### Research and development

- Life cycle assessments, using biodiversity criteria from the most mature LCA methods, will be performed for all of the new products manufactured and service solutions marketed in 2030.

### Raw materials

- 80% of the natural rubber volumes used by the Group comply with the environmental criteria in the "Responsible Natural Rubber Procurement Policy."
- 80% of raw material suppliers, excluding natural rubber, identified as having the greatest impact on biodiversity have had their policies and practices assessed.

### Manufacturing facilities

- 100% of the production plants have banned pesticides and herbicides\* in groundskeeping operations.
- 100% of the production plants have introduced a biodiversity management plan that appropriately addresses local issues.

Commitments expressed in 2018 that could not be met in 2020 have been carried forward into the 2030 roadmap:

- By the end of 2021, 80% of the Group's sourced natural rubber volumes have been mapped with Rubberway.
- By the end of 2022, 100% of the farms in which Michelin owns an equity interest will comply with the Responsible Natural Rubber Procurement Policy.

\* Replacement of pesticides and fertilizers by mechanical methods combined with other alternative solutions.

In 2019, the Group forged partnerships with such external stakeholders as the WWF, CDC Biodiversité via the Club B4B+, and the CIRAIG (International Reference Center for the Life Cycle of Products, Processes and Services), while actively participating in the creation of the Global Platform for Sustainable Natural Rubber (GPSNR). As of end-2019, every natural rubber contract now includes a "Sustainable Natural Rubber Commitment" clause.

As of end-2019, all production plants had inventoried their protected areas and species. When the updated data was analyzed with regard to the GRI 304-1<sup>(5)</sup> indicator, it showed that 28 facilities in eight countries, representing a total surface area of 6,600 hectares, are located less than a kilometer from one or more protected areas. These findings have been integrated into each facility's environmental risk analysis and in late 2020, management plans were revamped or deployed at the eight plants that had identified areas at risk of pollution.

## 2 / HEALTH AND SAFETY RISKS

(see detailed presentation in section 4.1.3 of the URD)

Michelin directly employs more than 123,600 people worldwide and also uses temporary employment agencies and subcontractors. Many visitors also have access to our facilities. All of these people work in a very wide variety of environments: in industrial, office and research facilities, as well as in logistics, sales operations and dealerships, which each present specific risks that can have an impact on their health and well-being.

### MAIN HEALTH & SAFETY RISKS

Risk category	Main example	Identified cause	Possible impact
<b>Occupational accidents</b>	Production machine maintenance and repair	Failure to comply with all the required lockout-tagout procedures	Bodily harm, reversible or irreversible
<b>Exposure to chemicals</b>	Handling of or exposure to hazardous materials	Failure to wear personal protective equipment	Bodily harm, reversible or irreversible
<b>Musculoskeletal (MSK) disorders</b>	Loading and unloading hand trucks and carts	Repetitive load handling with incorrect posture	Bodily harm, reversible or irreversible
<b>Psychosocial risks</b>	Depression	Unsuitable managerial practices	Psychological harm, reversible or irreversible
<b>Covid-19 pandemic risk</b>	Several people in a team infected with Covid-19	Failure to comply with precautionary measures during coffee breaks and other moments of downtime	Bodily harm, reversible or irreversible

(5) GRI 304-1: Operational sites owned, leased or managed in or adjacent to protected areas or areas of high biodiversity value outside protected areas.



## Governance

The Employee Health and Safety Governance body is chaired by the Personnel Department Chief Officer and co-chaired by the Executive Vice President, Manufacturing, who are both members of the Group Executive Committee. Led by the Group Health Coordination Director, the body also comprises five standing members representing the Corporate Safety & Environment Department, the Corporate Internal Control Audit & Quality Department, the Corporate Legal Affairs Department, the Sustainable Development and Mobility Department and the Corporate Administrative Services Office.

The Governance body meets twice a year to manage the Group-wide employee health and safety process. It determines the related policies, objectives and strategies, and ensures that appropriate resources are allocated to drive the timely, successful completion of the action plans defined and deployed to meet the objectives.

## PREVENTION AND MITIGATION MEASURES

In full alignment with its fundamental value of respect for people, Michelin is actively deploying a comprehensive range of health, safety and quality of worklife policies, as described in:

- the 2011 Health and Safety Declaration;
- the 2018 Health, Safety and Quality of Worklife Policy, the updated version of the Health Policy;
- the 2020 Environment, Prevention and Security Guidance Letter.

The Health and Safety Declaration states that “above all else, Michelin’s wish is to ensure safe and healthy conditions for everyone working in the Group.” For Michelin, these conditions include the physical and psychological well-being of employees, the quality of the working environment, and a healthy work-life balance as well as a clear commitment to employee safety.

These commitments are based on the recommendations issued by key international organizations, such as the UN, the ILO and the OECD, and prevailing standards and legislation, including ISO 26000 and the French Commercial Code.

The policies are being implemented through the Environment and Prevention Management System, which is based on ISO 14001 and ISO 45001. It is being applied in every facility to capitalize on best practices and embed them across the organization to drive consistent, continuous improvement. The system is auditable and audited.

In the production plants, the Environmental and Risk Prevention Management System is embedded in the fundamentals of the Michelin Manufacturing Way (MMW), which identifies and encourages the application of best operational excellence practices.

Every Michelin facility is staffed with risk prevention professionals, such as OSH experts, ergonomists and hygienists, and health care providers, like doctors and nurses. These professionals share best practices and leverage acquired experience at a zonal, regional, national and Group-wide level, as part of a continuous improvement process.

Training programs are helping to instill a culture of vigilance, engagement and alertness in every employee, both for themselves and for others. All of the courses emphasize the importance of embracing and demonstrating this culture of safety in the workplace.

## 2.1 / RISK OF OCCUPATIONAL ACCIDENTS (see detailed presentation in section 4.1.3.2.c of the URD)

### RISK FACTORS

At all Group facilities, whether in a production plant or an office, related to research, logistics or distribution, staff can be exposed to the risks of accidents, resulting in injuries of varying degrees. Shopfloor employees are exposed to risks related to mechanical and electrical installations, handling equipment, chemicals or tools, or moving around the workshop.

Road accidents while traveling for work purposes are also among the risks identified.

## PREVENTION AND MITIGATION MEASURES

In response to the risk of accidents in the production operations, in other operations or during business-related travel, as well as the threats of natural disaster, fire or explosion, Michelin has undertaken a prevention program to assess, manage and mitigate the health and safety risks faced by all its employees.

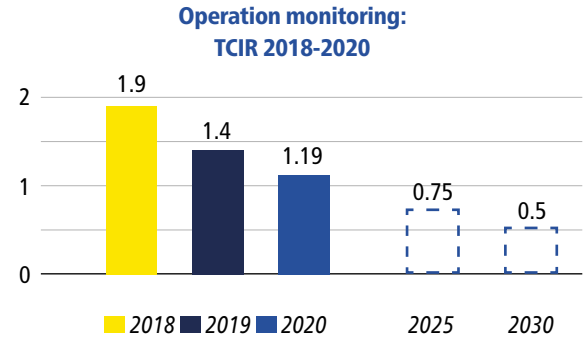


Prevention and mitigation measures are structured into three main categories that are seamlessly interconnected:

- **Technical measures**, focused on five Group Safety Programs addressing the risks the Group wants to mitigate and manage, and prioritizing responses to the most serious machinery risks.
- **Behavioral measures**, combined into the highly innovative Safety Coalition program that heightens employee alertness and engages them to demonstrate safe behavior. As a purpose-driven approach, it draws strength from the two fundamentals of engagement: leadership by managers and the active participation of every employee.
- **Organizational measures**, to support the effective management and mitigation of risks.

Since 2013, Michelin's worldwide health and safety performance has been measured using the Total Case Incident Rate (TCIR), which is based on the US Occupational Safety & Health Administration (OSHA) indicator. On the basis of every 200,000 hours worked, TCIR records the number of lost-time accidents, accidents without lost time but requiring medical treatment, incidents requiring workstation adjustments (e.g., due to ergonomic issues, and involving musculoskeletal disorders), or occurrences of an illness recognized as work-related. In this way, it takes into consideration not just accidents but every type of health and safety-related incident.

The objective of reducing TCIR to less than 2 by 2020 was amply exceeded, with the indicator standing at 1.19 at year-end.



In 2020, a review of the consolidated, Group-wide data for the year enabled management, the ergonomist and the occupational medicine team to prepare effective health and safety improvement plans. Information, awareness-building and training programs continued to be conducted for the designated health and safety experts in every region and time zone.

In 2018, a new indicator, TA+, was introduced to track the frequency, with or without lost time, of a list of accidents that the Group has prioritized. It supports a more granular approach to these accidents, while helping to improve the consistency of multi-country data. The number of TA+ accidents is recorded by a dedicated committee, chaired by the Group Safety Manager, that meets once a month with members of the Safety Department and the Group physician after monthly indicator data have been reported.

## 2.2 / RISK OF EXPOSURE TO CHEMICALS *(see detailed presentation in section 4.1.3.1.c of the URD)*

### RISK FACTORS

Staff involved in research or manufacturing operations can be confronted with the risks of exposure to chemicals which, if not controlled, may in time lead to illnesses. This can concern certain products and substances that enter into the composition of tires, along with certain molecules that are sometimes present in process fumes.

### PREVENTION AND MITIGATION MEASURES

Before any new chemical substance or mixture may be used, its possible risks are managed through a dedicated assessment procedure performed prior to issuing an authorization for use. The procedure gauges the substance's potential impact on human health and, if deemed hazardous, defines the conditions designed for safe use. In some cases, its use may be prohibited.

In addition, in recent years, procured machines and spare parts have been inspected to ensure that asbestos has not been reintroduced.

Special checks are performed on products sourced from countries where asbestos use is permitted.

Every workstation features a product data sheet written in the local language and approved by industrial hygiene experts. Based on safety data sheets, these documents are managed by a global information system, which enables real-time document sharing among experts and ensures compliance with REACH standards in Europe and the Global Harmonized System (GHS) standards in the Group's other Regions. The sheets describe the potential hazards and conditions for safe use of products used at the workstation.

Group production facilities and tires are entirely asbestos-free and procurement contracts explicitly prohibit the presence of asbestos in any sourced part or machine.



## 2.3 / RISK OF MUSCULOSKELETAL DISORDERS (see detailed presentation in URD 4.1.3.1.d.)

### RISK FACTORS

Some plant workstations involve physical strain, carrying heavy loads, repetitive movements or static work. If they are not properly supervised, these practices can, in time, lead to certain illnesses.

### PREVENTION AND MITIGATION MEASURES

Since 2002, improving ergonomics has been a major focus of Michelin's health and safety policies. The prevention of MSK disorders is designed into every industrial project, so as to attenuate any potentially negative impact on working conditions over the medium term. All of the production facilities and certain logistics hubs regularly update their workstation maps to identify action priorities, deploying standardized solutions and gradually eliminating arduous tasks. Every year, ergonomic issues across the business base are addressed by a dedicated capital budget, totaling €8.3 million in 2020.

Projects to improve ergonomics are implemented by ergonomist-led multidisciplinary teams comprised of managers, operators, prevention specialists and physicians. Each plant is deploying a five-year improvement plan. In addition to protecting employee health, reducing ergonomic hardship is also making the workstations more accessible and appealing to a wider range of people. In turn, this is supporting diversity, making workstations a more attractive job option, and enhancing people's well-being and motivation.

## 2.4 / PSYCHOSOCIAL RISKS (see detailed presentation in URD 4.1.3.3.c.)

### RISK FACTORS

Whether they work in production, administration, technology or management, employees can be exposed to stressful situations or suffer psychosocial issues at work. The risk factors associated with these situations have been identified in order to help prevent them.

### PREVENTION AND MITIGATION MEASURES

In a commitment to safeguarding employees from the psychosocial risks of stress and harassment, a variety of programs aligned with local needs and legislation have been deployed to provide:

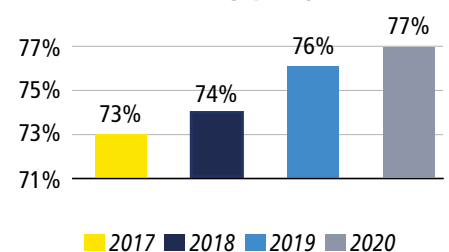
- primary prevention, through reviews, sensitivity training and initiatives to improve the quality of management. Deployed in most of the Group's host countries (North America, Spain, France, Hungary, Poland, Romania, the United Kingdom and Serbia), these measures are helping employees to protect themselves, while improving the ability of managers to detect and respond to at-risk situations;
- secondary prevention, through training and organizational improvement initiatives, particularly in at-risk segments/jobs. Programs to prevent stress with new workplace organization practices have been introduced in Germany, North America, South America, China, Spain, France, Hungary, Poland, Romania and the United Kingdom;
- tertiary prevention, through coaching, relaxation therapy, support groups and individual counseling by a psychologist or occupational physician.

During the period of corporate reorganization, employees at the facilities in Clermont-Ferrand, particularly the head office and the research center, have been able to attend personal or group support sessions provided by psychologists from a specialized firm working closely with the Personnel Department and the occupational medicine team.

Almost all of the plants and offices are leading quality-of-worklife programs that help to attenuate stress or facilitate access to medical or psychological assistance for people seeking support.

In 2020, 77% of the 88,000 people who responded to the Moving Forward Together survey were satisfied with their quality of worklife (76% in 2019).

#### Operational monitoring: satisfaction concerning quality of worklife



Since 2010, the **Medical Advisory Committee**, comprised of eight outside experts, has helped to foresee and prevent health risks, based on the latest advances in science. Its independent opinions assist Group management in addressing the health risks specific to tire manufacturing. Although the Covid-19 pandemic prevented the Medical Advisory Committee from meeting in 2020, the experts shared their expertise remotely to support the Group's management of the crisis.

## 2.5 / RISKS ASSOCIATED WITH THE COVID-19 PANDEMIC *(see detailed presentation in URD 4.1.3.2.b.)*

The Covid-19 pandemic impacted all of our host countries around the world.

As early as January, a crisis unit was set up for Group facilities in China. This was gradually followed by units in other regions and countries as the virus spread, with management centralized at corporate level.

A health protocol was quickly developed thanks to the close collaboration between the head office teams in the Corporate Safety & Environment Department and the Manufacturing Department, the Regional Health Coordination Units and the network of Regional Safety & Environment Managers, which played a decisive role in managing the crisis.

Designed to keep the business running while safeguarding employee health, the protocol was implemented prior to resuming any operations, with its rules steadily updated as knowledge of the disease improved. It has served as a benchmark for the operating regions and countries in deploying preventive measures in their production plants and offices, as well as in all types of business situations.

These protective measures were supported by a range of other responses, such as (i) protocols to manage patient care, contact tracing and self-isolation; (ii) organizational and work schedule adjustments to de-densify the workplace and enable social distancing; (iii) recommendations for break rooms, staff restaurants and employee transportation; (iv) ventilation guidance; (v) travel rules; (vi) the repatriation of expatriates and their families; and (vii) recommendations for organizing events.

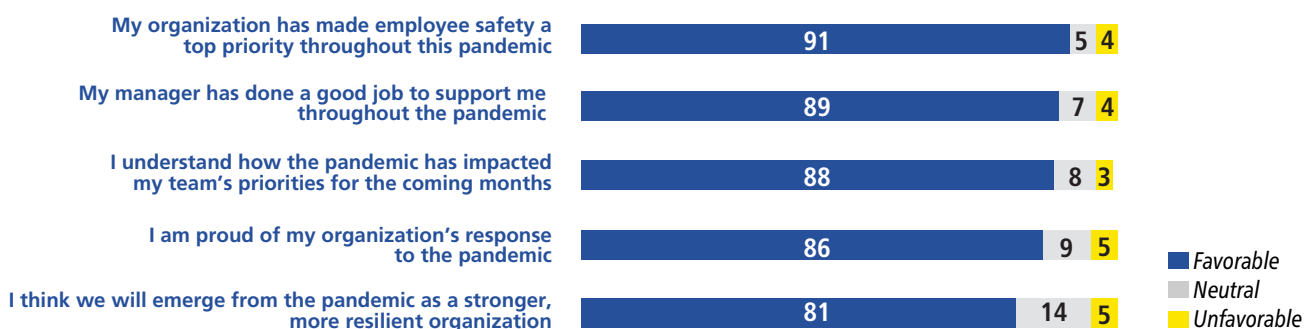
It was left to the appreciation of local managers to apply all or part of these measures, depending on the severity of the outbreak around their facility, the type of business operations and the national recommendations in effect.

The protocol was validated by an external audit firm, which also verified its effective deployment in production plants. The audit findings were shared with employee representatives.

Production output was successfully maintained at the targeted levels without any disruption, other than the curfews and lockdowns enforced by local authorities.

In answering the pandemic-related questions in the 2020 Moving Forward Together survey, employees expressed a great deal of confidence in the Group's response to the situation, with an average nine out of ten, regardless of category, considering that the crisis was well managed by the Group. This augurs well for the resilience of both employees and the Group as a whole when they emerge from the crisis.

### The People and Safety-first approach was recognized by employees, particularly Salary paid employees



## 2.6 / RISKS TO EMPLOYEE SECURITY (see detailed presentation in section 4.1.3.2.b of the URD)

### RISK FACTORS

In many of the countries in which Michelin operates, its employees can, in the course of their work or while traveling, be exposed to risks such as assault, attack or kidnapping. These risks are all the more present in countries experiencing political instability or tense security situations.

Surveillance of security risks has been heightened in response to the growing number of threats and tense situations potentially faced by Michelin employees, particularly when traveling abroad. Group security services maintain a country risk map, which is regularly updated and posted on the country intranets. It rates each country on a scale of 1 (lowest risk) to 4 (highest) and defines security guidelines and recommendations for each level. In this way, it serves as a handbook for managing the security of employees traveling to or based in countries at risk.

### PREVENTION AND MITIGATION MEASURES

Specific guidelines and measures have also been introduced to increase the security of expatriate employees and their families in high-risk countries, including pre-assignment training to raise awareness of in-country security precautions. Every year, Group security services visit the high-risk countries to assess and verify, on-site, the consistency and proper application of the Group's guidelines and recommendations.

#### Local examples

- In 2020, increased threat levels and employee exposure in Brazil, Mexico and Turkey led the Group to maintain its priority focus and heightened vigilance in these countries.
- The shifting nature of Islamist threats, particularly in Africa, Central Europe and Southeast Asia, is still being closely monitored with special attention.

In 2020, the Covid-19 pandemic had a major direct impact on the monitoring and management of Michelin employees traveling or working outside their home countries.

The threat to employee health and the attendant risks, particularly to personal safety, prompted a rapid shift into crisis mode, followed by agile adaptability, responsiveness and tight coordination among the health, travel, international mobility and other stakeholders.

## 3 / HUMAN RIGHTS RISKS (see detailed presentation in section 4.1.2 of the URD)

**In recent years, a specific work package was devoted to identifying human rights risks in the company. The Group employs more than 123,600 people and operates in 26 countries, whose legislation and culture vary widely. Its employees, the local communities around the facilities, its suppliers and also its consumers may be exposed to the risks of human rights violations. Some risks (such as child labor and forced labor) are considered very low in the Group but may be present in the supply chain.**

### GOVERNANCE AND KPIS TO GUIDE RISK PREVENTION AND MITIGATION

Michelin makes every effort to uphold human rights in all its businesses and in every host community. The Group embraces both the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Since 2010, it has supported the UN Global Compact, a United Nations-led initiative that encourages businesses to deploy sustainable and socially responsible policies.

Michelin is committed to applying worldwide the conventions of the International Labour Organization, particularly in relation to freedom of association and protection of the right to organize<sup>(6)</sup>, the elimination of discrimination in employment and occupation, the elimination of forced labor and the effective abolition of child labor<sup>(7)</sup>.

(6) (see section 4.1.2.3 Promoting responsible social dialogue of the Universal Registration Document)

(7) (see 4.1.2.1 b of the URD: Risks and prevention measures/Decent work-related risks now being assessed in the contracting chain)

These principles and guidelines form the basis for a number of internal reference documents, particularly the Michelin Performance and Responsibility Charter, the Code of Ethics, the Anti-Corruption Code of Conduct, the “Moving Forward Together: the Trademark of Mutual Commitment” document, the Manager’s Guide and the Michelin Purchasing Principles. Widely distributed among employees worldwide, all these documents have been translated into the Group’s main working languages and are available for consultation at any time on each country organization’s intranet site.

To further enhance its expertise and capitalize on best practices, Michelin also joined the Businesses for Human Rights (EDH) association, which comprises 20 French companies involved in these issues. In addition, the Group is a member of the Global Deal initiative, which promotes social dialogue and decent work around the world, and of the Business for Inclusive Growth initiative. In late 2020, Michelin also took over as chair of the Human Rights Club of the Global Compact France network.

### Governance

Since 2015, human rights issues have been addressed by a multidisciplinary operational committee that meets eight to ten times a year. It includes representatives from the Development and Sustainable Mobility, Purchasing, Internal Control, Audit & Risk Management, Employee Relations, Public Affairs, Legal Affairs and Diversities & Inclusion Departments. It prepares an annual action plan engaging Michelin in a continuous improvement process.

Since 2018, topics have also been discussed twice a year at the most senior level of the Group, in the human rights governance body chaired by the Executive Vice President & Chief Personnel Officer and including the Executive Vice President, Manufacturing, both of whom are members of the Executive Committee. It oversees the improvement action plan and the following indicators:

#### Operational monitoring

		2018	2019	2020	2020 Objective
<b>Health and safety</b>	Total Case Incident Rate (TCIR)	1.9	1.4	1.2	<2
<b>Discrimination</b>	% of women in management positions	26.8%	27.4%	28.2%	30%
<b>Workplace sentiment</b>	Employee engagement rate	80%	81%	83%	85%
<b>Suppliers</b>	% of suppliers found to be in compliance with Group standards for fair working conditions during desktop reviews of their CSR performance	80% (of the 654 suppliers assessed)	85% (of the 715 suppliers assessed)	86% (of the 828 suppliers assessed)	70% (of the 400 suppliers assessed)

In 2020, an extensive initiative was set in train to define the Group’s ambitious new human rights objectives for 2030 and the appropriate indicators to track progress over the next decade. As part of this process, a Diversities & Inclusion Management Index has been created.

### 3.1 / DISCRIMINATION RISKS (see detailed presentation in section 4.1.2.2 of the urd)

#### RISK FACTORS

Employees may be exposed to discriminatory behavior that undermines equal opportunity in their access to employment, their compensation, their access to training or their career (job assignment, qualification, classification or career promotion).

#### PREVENTION AND MITIGATION MEASURES

Michelin’s Diversities & Inclusion Policy reaffirms a number of fundamental principles and defines appropriate indicators and guidelines, particularly in the area of non-discrimination. Diversity comes in many forms, including gender, age, culture, religion, social origin, disability, sexual orientation, union membership, family situation, political opinion and physical appearance.

Michelin’s approach to diversity and inclusion is guided by three intentions: (i) that its teams be representative of all the diversity found in their local host communities; (ii) that each person be treated fairly and feel free to express his or her authentic self and uniqueness; and (iii) that diversities be experienced in a spirit of inclusion and tolerance, so that it can also help to drive collective performance.



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In 2020, a new Diversities & Inclusion Policy, aligned with the Group's new 2030 commitments and Business Score Card performance indicators, was prepared for publication in first-quarter 2021.

As part of this process, a Diversities & Inclusion Management Index was developed, with the goal of supporting more effective tracking of diversity and inclusion performance through targets set for 12 indicators in five categories, as follows:

- **Gender balance:** "Achieve parity among Group managers and, by 2030, set the gender balance benchmark in our industry";
- **Identity** (the sum of an individual's personal characteristics, such as age, sexual orientation, ethnicity or religion): "Enable every person to be who they really are and to bring their authentic selves to work";
- **Multi-national management:** "All of our host country nationalities and cultures are represented in all the corporate functions in the operating regions and at headquarters, in line with the geographical footprint of each business. "In each country and region, more than 80% of management positions are held by locals";
- **Disability:** "Michelin offers career paths to people of all abilities, in accordance with its talent development policy";
- **Equal opportunity:** "Every employee can develop his or her talents in the company, regardless of where they started at Michelin. As a manufacturing company, Michelin pays particular attention to promoting production operators."

In 2020, the Diversities & Inclusion Policy was expanded with a reference text on the company's expectations, explicitly citing as examples the twelve discrimination criteria (gender, age, disability, etc.) along with real-world situations demonstrating behaviors to be encouraged or avoided. The text, which is aligned with ILO Conventions no. 111 and no. 190, has been validated by the Human Rights Governance body and will be included in the updated Code of Ethics to be issued in 2021.

Diversities are managed by a global, multi-level organization led by the Corporate Vice President, Sustainable Development and Mobility. Its remit and objectives are approved by the Human Rights Governance body. At the corporate level, it is supported by a five-member Steering Committee with representatives from the Public Affairs, Sustainable Development and Mobility, Training and Hiring Departments and from the Employee Relations office of the Corporate Personnel Department.

An international Diversities & Inclusion network, led by the Corporate Vice President of Sustainable Development and Mobility, brings together 20 Diversities Managers from each of the Group's host countries and/or regions.

In the global "Moving Forward Together: Your Voice for Action" survey, 82% of employees agreed that the Group was capable of "creating an environment where people with diverse backgrounds can succeed."

#### **Systematically raising awareness among managers**

Michelin is highly attentive to any attempt to harass or discriminate against its employees in the workplace. To reduce the risk of discrimination, training courses have been developed to raise manager awareness. Awareness-raising campaigns and special training programs are used to instill an effective culture of diversity throughout the organization and at every level of management. Country organizations are also encouraged to develop their own local initiatives for managers and employees. In Europe, in recent years, programs have focused on gender stereotypes, sexual orientation, sexism and religion in the workplace.

#### **Local examples**

- In Brazil, teams are encouraged to take quizzes to first and foremost help open their eyes to diversity issues and their own unconscious biases. By the end of 2020, more than half of the managers and a third of the employees, or around 200 people in all, had attended the related e-learning module.
- In France, before taking up their position, line managers and development partners first participate in a training program concerning discriminatory behavior and diversity issues. This helps them to avoid stereotyping, while learning more about diversity legislation and how to anticipate high-risk situations. In addition, every employee can take stock of their own gender bias by completing an online questionnaire developed with the University of Auvergne.

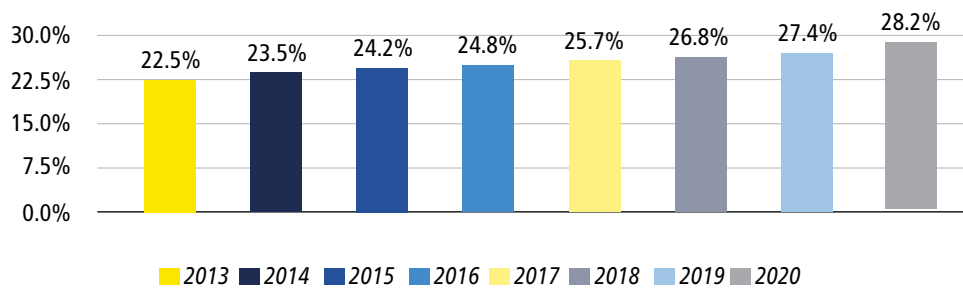
#### **Gender diversity**

Michelin is supporting gender equality in the workplace by making all positions accessible to all and ensuring strict wage parity. The percentage of women in the consolidated workforce is steadily rising, reflecting the impact of workstation design, ergonomic adaptations and special attention to career paths.





## Operational monitoring: Percentage of women in management positions



The percentage of women in management positions has steadily increased since 2018, although the 2020 figure of 28.2% fell short of the 30% target. To maintain this momentum and break the glass ceiling, the commitment has been carried over with a target of 35% in 2030, along with a target of having women account for 35% of Group Manager positions. Michelin applies a policy of non-discrimination and equal pay for equivalent profiles and positions. In 2020, the Groupwide gender wage gap stood at -2.58% versus -2.67% in 2019.

Lastly, since early 2019, MFPM has calculated and disclosed its Gender Equality Index, composed of five indicators measured in compliance with French regulations. In 2020, MFPM received a score of 93/100.

### Religion in the workplace

To provide managers with appropriate responses and minimize the risk of discrimination, a guide to religion in the workplace was designed in France, with the support of a specialized French law firm. Available on request at the French plants since 2018, the guide was updated in 2019 with an online multiple-choice questionnaire. In addition, all of the personnel managers in the French plants were given sensitivity training on religious issues. A version of the guide adapted for use in Germany, in accordance with national laws and the specific concerns of German employees, was deployed in 2020.

### Inclusion of people with disabilities

Defined in 2006, policies governing the employment of disabled people are designed to offer jobs to the disabled or to retain employees who become disabled at some point in their career.

Michelin has pledged to uphold the International Labour Organization's Global Business and Disability Network Charter since 2015. In 2019, the Group signed an international partnership agreement with Handicap International (Humanity & Inclusion) designed to develop worldwide expertise in the hiring and retaining of people with disabilities. A pilot site is being deployed in Chennai, India.

Similarly, due to the very diverse range of situations, each country's Personnel Department is expected to identify areas for improvement and define action plans effectively aligned with local practices.

In 2017, Michelin France supported its policies to hire and retain people with disabilities by (i) setting up the Handicap France taskforce, currently staffed with 23 disability employment officers, and (ii) deploying a results-oriented action plan focused on six core issues: hiring and onboarding, retention, training, sensitivity, communication and securing procurement from sheltered work centers and social enterprises. During the same year, a nationwide, three-year agreement was signed with AGEFIPH to sustainably underpin these policies and provide financial support. Talks are under way to conclude a disability agreement in line with the national agreement. At MFPM in France, disabled employees made up 6.8% of the workforce in 2019 and the legally mandated 6% quota was once again met in 2020.

### Local example

To improve its ability to hire talented young people with disabilities, in 2020 Michelin Germany partnered with the myAbility organization to deploy, in 2021, the myAbility Talent® program, which will enable Michelin to position itself and be recognized as an attractive, socially responsible, inclusive employer for students of all abilities.



### Promoting local management

Michelin is committed to nurturing the emergence of a highly skilled global team of local managers, while respecting local cultures. The guiding principle is to hire and employ people on the basis of their capabilities and potential, rather than to practice any form of discrimination. Since 2013, Michelin has been aiming to achieve a local management level of 80% in its growth areas. In 2020, the percentage was 79%.

## 3.2 / RISKS TO FREEDOM OF ASSOCIATION (see detailed presentation in section 4.1.2.3 of the URD)

### RISK FACTORS

The maturity of social dialogue can vary greatly among the Group's various host countries. Particular attention is paid to dialogue in countries whose culture or legislation does not encourage consultation with personnel.

### PREVENTION AND MITIGATION MEASURES

In 2015, Michelin issued its Labor Relations Policy, which recognizes the positive contribution of freedom of association, collective bargaining and staff representation independent of management, which are a source of proposals and ensure that employees' fundamental needs are taken into account in every host community. In the document, Michelin pledges to respect employees who agree to take on this responsibility and to include it in their potential reviews and career management. Its application around the world is overseen by a Group Director of Employee Relations, who is also tasked with improving social dialogue where it falls short of global standards.

### Local examples

The quality of the social dialogue process was maintained in Brazil and Thailand, where the engagement rate continued to improve in 2020, as it did in North America.

In addition, every manager receives training in the legal aspects of labor relations. Compliance with the commitments in the Labor Relations Policy is also verified by an internal control process.

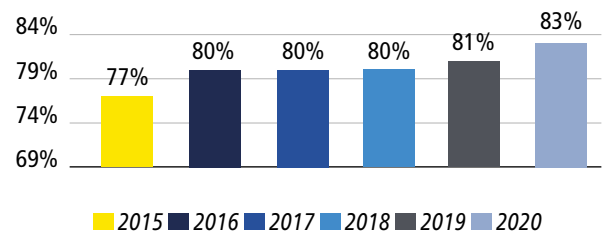
Michelin worked closely with the IndustriALL Global Union to set up a Michelin Global Works Council, which was created in early 2020 with 39 employee representatives from all the Group's Regions. Unfortunately, due to the health situation, the initial meeting had to be rescheduled for the first quarter of 2021.

It is in this same spirit of fostering wider ownership and buy-in that the Group hopes to deploy the project to simplify its corporate and administrative activities, launched in first-quarter 2020 with broad-based involvement by all employees in every phase (for further information, see section 4.1.2.3 a) of the Universal Registration Document).

The quality of employee relations is also expressed by the employee engagement rate, as measured each year in the annual "Moving Forward Together" survey of employees across the Group. In 2020, more than 88,000 employees participated, representing an 89% response rate that was two points higher than in the prior year. The overall employee engagement rate increased by two points to 83%, with gains in the vast majority (80%) of the Group's Regions.

This year the Group added five new questions to the survey to gauge employee perceptions of how Michelin was handling the health crisis. The responses showed that employees were particularly appreciative of the close connection forged with managers during the period (89% positive responses), and to the fact that each team was empowered to choose its priorities (88%). Overall, 86% of employees expressed a sense of pride in Michelin's management of the crisis.

### Operational monitoring: Engagement Rate



### Risk of labor disputes during Group restructuring operations

When it becomes necessary for the Group to close certain industrial operations, it systematically deploys measures to support employees with both internal and outplacement solutions, and carefully ensures that it takes a responsible approach to revitalizing the impacted communities, in partnership with local authorities. This is the case, for example, with the plant closures now under way in Dundee, Scotland; Bamberg, Bavaria; and La Roche sur Yon, France.



Michelin's employee support scheme during the plant closures was discussed at the Corporate Stakeholders Meeting in October 2019. All stakeholders noted that Michelin had effectively addressed the human factor during these difficult times.

The simplification and competitiveness project to support the transition of Michelin's manufacturing, corporate and administrative operations in France, announced in late 2020, is part of a broader co-construction and social dialogue process. It involves the negotiation of a three-year framework agreement that will not entail any layoffs.

### **3.3 / RISK OF CORRUPTION** (see detailed presentation in section 4.1.1.2.b of the URD)

#### **RISK FACTORS**

Michelin operates in numerous countries around the world, some of which are known to have a high risk of corruption. The Group strives to apply its Anti-Corruption Code of Practice wherever it operates.

#### **PREVENTION AND MITIGATION MEASURES**

In 2010, the Michelin Code of Ethics specified the fundamental rules and guidelines that must govern every employee's decisions with regard to preventing corruption. To strengthen this system, an easy-to-understand, practical Anti-Corruption Code of Practice for all employees was published in 2015, demonstrating the Group's commitment to building its sustained growth on fair and ethical business practices. Both Codes were reissued in 2020 with a new introduction by the current Managers.

The new Code is designed to raise manager and employee awareness of the actions that may indicate an attempt at corruption, by providing examples and offering advice on how to counter such attempts. More specifically, it deals with typical cases such as bribes, kickbacks and payoffs, the use of agents and brokers, payments for favors or other inducements, charitable or political contributions, gifts and invitations.

In 2018, Michelin introduced an Anti-Corruption Compliance Program (ACCP), structured around France's Sapin II Act. The program describes corruption and bribery-related risks and the procedures for managing them, then defines the necessary steps to ensure the Group's compliance with anti-corruption regulations. It applies to the entire Group and has been deployed in every region. In particular, it specifies policies and expected practices in such areas as corruption risk assessment, gifts and invitations, assessment of Michelin Group brokers, communication and training, accounting control, internal whistleblowing, investigations, internal control and audits, the management of mergers and acquisitions, and the related reporting processes. It notes that corruption risks are managed in each of the operating Regions under the responsibility of the Regional Presidents.

Each local team manages its employee awareness-building and training programs, based on the corruption risk analysis performed in the Region with the support of the local legal affairs department. At the corporate executive level, members of the Group Executive Committee and of the Strategic Operations Group have been trained in these issues since 2018.

In 2020, corruption risks were assessed using the methodology recommended by the French Anti-Corruption Agency. This exercise enabled the Group to classify its risks by process, business segment and geography, as well as measure corruption risks among third parties.

Based on the risk map, ethical issues are among the concerns that are systematically audited every year, with certain themes selected for special audits in response to specific requests or needs. Ethical issues (including anti-corruption) are also included in the measures reviewed during post-acquisition audits.

### **3.4 / RISK OF NEGATIVE IMPACTS ON LOCAL COMMUNITIES**

(see detailed presentation in section 4.1.2.5.f of the URD)

#### **RISK FACTORS**

Michelin operates 117 production plants in 26 countries around the world. Although many of these plants are located in business parks, the local communities live in the more or less close vicinity. The risks to them may be present during the facility's construction phase, during routine operations or on its closure. Risks in Michelin-owned rubber plantations must also be addressed.



## PREVENTION AND MITIGATION MEASURES

The action principles drafted for the Group's 2021 Code of Ethics are designed to prevent any risk of a negative impact on local communities. They take into account four situations: when a new production plant is being built, when it is being operated, when it is closed down and when rubber plantations are bought and managed. Key principles include identifying possible negative impact risks, deploying remedial action plans, maintaining dialogue with neighboring stakeholders, introducing a complaints mechanism, focusing on hiring locally and training people in the local community. The WWF was consulted on the draft project.

One result is that new plant construction projects now include local community impact studies, covering such areas as access to land and respect for the community's cultural heritage. Independent studies of this type have been performed in India, Indonesia and Mexico, resulting in recommendations that were followed by the Group. The Group also nurtures attentive dialogue with a wide variety of national and local NGOs to help protect the environment, uphold human rights and encourage the development of good practices.

### Local examples:

- In **Mexico**, before ground was broken on a new tire plant, the study found a risk concerning land rights in the local community. The Group then determined that it had the legal right to acquire the land and made sure that the project was beneficial to local economic development. In particular, it helped to finance the renovation of local public infrastructure and the creation of a vocational school.
- In **Indonesia**, the sustainable natural rubber farming and reforestation program being led as part of the RLU joint venture was designed in liaison with local stakeholders. Farmers in the region are being encouraged to improve their farming practices thanks to training programs and to grow more subsistence crops. The ethical behavior of security guards protecting Group facilities is also carefully monitored.

## 3.5 / RISKS RELATED TO THE PROTECTION OF EMPLOYEE PRIVACY AND PERSONAL DATA (see detailed presentation in section 4.1.1.2.d of the URD)

### RISK FACTORS

With its 123,600 employees and millions of consumers around the world, Michelin manages a large volume of personal data and pays particular attention to the issues of data storage and confidentiality.

## PREVENTION AND MITIGATION MEASURES

The Group is in compliance with the European Union's General Data Protection Regulation (EU) 2016/679. In addition, it has issued guidelines that apply these European standards to the transfer of employees' personal data across the global organization. The protection of employee personal data and privacy is audited by an internal control process.

## 3.6 / COMPENSATION-RELATED RISKS – LIVING WAGE (see detailed presentation in section 4.1.2.3.b of the URD)

### RISK FACTORS

Michelin's compensation policy incorporates numerous factors and is based on local benchmarks. Michelin wants to ensure that every employee receives compensation to meet the needs of themselves and their families.



## **PREVENTION AND MITIGATION MEASURES**

To enable all employees to earn a decent living, Michelin's compensation policies cover a wide variety of supplementary income sources, including bonuses and discretionary and non-discretionary profit sharing systems. The Group also protects employees from the financial consequences of an accident or illness and, in many countries, offers opportunities to save for retirement.

In 2019, a study was initiated to determine whether Group employees receive sufficient overall compensation to meet their needs and those of their families. In 2020, an effective methodology was developed with the support of the Fair Wage Initiative, an expert in this area. Consulted on the issue in October 2020, the Corporate Stakeholder Committee encouraged the Group to pursue the study.

### **3.7 / RISK OF CHILD LABOR** (see detailed presentation in section 4.1.2.1.b of the URD)

#### **RISK FACTORS**

Given the procedures in place in the Company, the risk of child labor was assessed as very low at Michelin facilities. In the supply chain, particular attention is paid to natural rubber suppliers. Initial assessments indicate that rubber tree plantations are among the agricultural sectors least affected by this issue. However, given the serious nature of the issue, the Group is keeping a close watch on this risk.

## **PREVENTION AND MITIGATION MEASURES**

Michelin intends to comply with the ILO's fundamental conventions Nos. 138 and 182 on preventing child labor across the entire value chain, from the Michelin plant to its suppliers.

Specific measures are also in place for suppliers. All of their contracts include a copy of the Michelin Purchasing Principles, which enjoin them to uphold the fundamental conventions of the ILO and, in particular, not to employ minors. Specific guidelines with respect to forced labor and child labor were added to the principles in 2020.

In November 2019, representatives from Human Resources, Risks and Sustainable Development attended a one-day training course on preventing forced labor and child labor, run by Human Resources Without Borders at Michelin's headquarters in Paris.

### **IDENTIFYING HIGH-RISK AREAS IN THE NATURAL RUBBER SUPPLY CHAIN**

The risk of child labor in the natural rubber supply chain is being addressed through the Rubberway® mobile application. Deployed by the Group in six countries since 2017, it has collected data from 42,000 rubber-tree farmers concerning their possible use of child labor and the circumstances in which it may occur (occasional help, after school, full time, etc.).

Although this phenomenon remains very marginal, a closer analysis was performed, district by district, to detect a possible local occurrence that might require remedial measures.

#### **Local example**

In late 2020, a project was launched to improve the living and working conditions of small rubber tree farmers in an Indonesian province. Designed with the Ksapa NGO, the Cascade Project also provides for training to prevent the use of child labor (see section 4.4 The specific risks of natural rubber).

Child labor guidelines have been drafted for the 2021 edition of the Code of Ethics and validated by the Human Rights Governance body. They specify Michelin's standards on the issue and condemn any practice contrary to them, within the Group or among its suppliers.



### **3.8 / RISK OF FORCED LABOR** (see detailed presentation in section 4.1.2.1.b of the URD)

#### **RISK FACTORS**

Michelin is currently assessing the risk of forced labor in its supply chain. It is still difficult to provide precise answers on this question, but Michelin wishes to analyze its subcontracting chain to better identify the sectors and countries most at risk.

#### **PREVENTION AND MITIGATION MEASURES**

In 2020, the Purchasing and Sustainable Development Departments jointly participated in discussion groups exploring the notion of decent work in the supply chain. These discussions were held as part of the Global Compact Action Platform on Decent Work, which Michelin joined in 2019, with the Human Resources Without Borders (RHSF) association, which helps companies to improve their response to forced labor and child labor issues, and through the three sessions of a Suppliers' Forum organized by our customer Volvo around supplier human rights management issues.

Participation in these events and groups has deepened our understanding and improved our practices in many areas, including forced labor, child labor, a decent wage and complaint mechanisms. Forced labor guidelines have been drafted for the 2021 edition of the Code of Ethics.

### **3.9. RISKS TO CONSUMER SAFETY** (see detailed presentation in section 4.1.1.1 of the URD)

#### **RISK FACTORS**

Because the tire is the only point of contact between the vehicle and the road, product safety has always been considered a major issue by the Group. Its products' performance in this area is recognized by consumers worldwide.

#### **PREVENTION AND MITIGATION MEASURES**

To safeguard the health of its customers, Michelin maps all of the risks involved in using its products and has deployed the appropriate prevention and mitigation measures, which are audited by the internal control teams.

#### **Governance**

The product and service quality governance system includes (i) the Corporate Audit, Quality, Internal Control and Risk Management Department, which reports to the Group's management bodies; and (ii) a Quality Network at the operations level, comprising the Quality Departments in each of the business lines, operating units and regional organizations. It defines the Group's quality policies, including applicable quality guidelines and standards.

In the case of product design and manufacturing, the Michelin Quality Approach is defined and instilled into every aspect of these processes by a quality organization supported by a quality management system. This approach is designed to manage and continuously improve the way the Group operates to guarantee quality throughout the design and production of its products and services and, more generally, fulfill its customer promises. The Michelin Group's quality standards are based on the industry's highest international standards and strictest legislation covering consumer health & safety and environmental protection.

In 2020, across the entire Group, all of its brands and all of its products, six recalls were issued, concerning 1,976 products of the total 200 million or so manufactured every year by the Group. [SASB TR-AP-250a.1] Stakeholders such as automakers, wholesalers, dealer networks and customers were also informed through appropriate channels. During each recall campaign, a multidisciplinary team managed deployment of the action plan in accordance with Group procedures. To assess the recall's effectiveness, the campaign is continuously and systematically tracked by the Quality Department. In addition to supporting intrinsic safety while behind the wheel, Michelin is helping to assess the health impact of tire use as part of the collaborative initiatives led by the Tire Industry Project, which brings together the leading tire makers in the WBCSD. For instance, a study has been conducted on the impact of wear particles dispersed during tire use (see section 1.2 Air and water pollution risks).



Michelin is also a stakeholder in a wide range of programs that promote road safety, both worldwide and in its plants' host communities. Capitalizing on the partnerships it has forged with both public and private stakeholders and consolidated over the years, Michelin is now leading the public sector forward on the path to safe mobility. The Group's affirmation of this leadership strategy translates into a broadening of the scope of "road safety" towards "safe mobility" – one of the four pillars of sustainable mobility. In this way, its impact reaches a wider audience and ties into several other sustainability-related themes, such as equality, public health, urban development and climate change.

The Michelin Corporate Foundation has joined with the Total Foundation and the International Federation of Red Cross and Red Crescent Societies to launch VIA, an independent road safety education program that hopes to reach 100,000 young people over three years. To date, it has been deployed in more than 250 schools in eight countries: Cameroon, France, India, Kenya, Mauritania, Morocco, Romania and Tanzania.

With the support of the FIA and its local automobile clubs, Michelin also successfully deployed a number of programs around the world in 2020.

#### Local examples

- In **Argentina**, creation of the CarDriverXP online video game in association with Essilor and Total
- In **China**, the Safe Roads, Safe Kids campaign.

## 4 / RISKS ASSOCIATED WITH SUPPLIERS' CSR PRACTICES (see detailed presentation in section 4.1.1.3 of the URD)

**The diversity of Michelin's subcontracting chain and its 50,000 suppliers make the question of responsible procurement a major issue for the Group. While the general procedures limit the risks with all subcontractors, Michelin prioritizes its actions according to the risks associated with the country of operation and the identified risk sectors. Raw materials, and in particular purchases of natural rubber, are therefore thoroughly monitored using a comprehensive approach.**

#### Governance

The primary conduit for expressing Michelin's social responsibility commitments to suppliers is the Purchasing Department. Its mission is to guarantee the availability of products and services the Group needs by selecting suppliers that meet our technical and cost requirements, as well as our expectations concerning environmental and social issues.

It is structured around four procurement categories: raw materials, natural rubber, industrial goods and services. At around €11.5 billion in 2020, purchases represented more than 55% of consolidated sales for the year. Michelin has around 50,000 suppliers located on every continent around the world, while the Purchasing Department has some 800 employees based across the Group's different regions.

To ensure that environmental and human rights issues are being properly managed by our suppliers, the Chief Procurement Officer is a member of the Environmental Governance body, the Human Rights Governance body and the Ethics Committee. Reporting directly to this position is a Sustainable Development Manager, who participates in the Group's operational committees dealing with the circular economy, greenhouse gas emissions, biodiversity, human rights and ethics. The responsible purchasing process is coordinated at the corporate level and managed in each purchasing category and each Region, with the support of a global Responsible Purchasing network.

The Group's assertive commitment to responsible procurement is reflected in the performance improvement initiatives led year after year, the suite of dedicated indicators tracked by the Purchasing Department management team, and the continuous training buyers receive in CSR issues. Recently acquired companies are integrated into the Group's purchasing processes gradually, following their own timetable.

After pledging to uphold France's "Responsible Supplier Relationships" Charter in October 2012, Michelin earned the French government's label of the same name in June 2014. On June 25, 2019, Michelin was awarded the Responsible Supplier Relations and Procurement Label at a ceremony at the French Ministry for the Economy and Finance in Paris. The label, which Michelin retained in 2020, recognizes French companies that have demonstrated the ability to foster balanced, sustainable relations with their suppliers.



In April 2019, Michelin's purchasing practices were certified as mature with regard to the new international ISO 20400 "Sustainable Procurement" standard. Issued by an approved third-party organization, the certificate attests to the compelling effectiveness of the Group's responsible procurement practices.



## 4.1 / IDENTIFYING CSR RISKS (see detailed presentation in section 4.1.1.3.b of the URD)

To supplement the Group's risk map, the Purchasing Department has mapped its risks in the area of corporate social responsibility. First prepared in late 2017, the risk map is regularly updated, including a top-to-bottom revamp in 2020.

The mapping exercise helps to prioritize the scheduling of CSR performance reviews and the deployment of preventive measures aligned with each purchasing category's characteristics and environment.

### METHODOLOGY OF THE 2020 RISK MAPPING EXERCISE

#### Identifying purchasing categories at risk

The map ranked purchasing categories according to their CSR risks in four areas: the Environment, Human Rights, Health & Safety and Business Ethics. Aggravating factors, such as the complexity of the supply chain, were also taken into account.

For each category, the four areas were rated from 1 (low risk/impact) to 5 (high risk/impact) based on (i) desktop reviews of public reports and analyses; (ii) internal discussions with category managers and sustainability experts; and (iii) consultations with a human rights NGO. Each purchasing category was given an overall score, reflecting the scores in each area and the impact of any aggravating factors. A matrix was then prepared positioning each category according to the risk/impact score (horizontal axis) and the amount purchased (vertical axis). Each category was represented by a colored circle representing the area(s) identified as the main risk factor(s).

#### Identifying sourcing countries at risk

The Verisk Maplecroft database allowed Michelin to identify the sourcing countries with high environmental and human rights risks.

#### Results of the 2020 risk mapping exercise

Examples of CSR-related at-risk purchasing categories (regardless of amounts purchased)		Examples of main CSR-related at-risk sourcing countries
Raw materials procurement	Other procurement	
<ul style="list-style-type: none"> <li>Natural rubber</li> <li>Raw materials containing conflict minerals, even in minute quantities</li> <li>Synthetic rubber, monomers, reinforcing fillers, chemicals, oils, metal and textile reinforcements</li> </ul>	<ul style="list-style-type: none"> <li>Construction services</li> <li>Logistics services</li> <li>Marketing collateral, work uniforms, contract employees, etc.</li> </ul>	China, Thailand, Vietnam, Russia, Indonesia, Brazil, Belarus*

\* An alert has been issued for this country and is currently being processed

Of all the Group's raw materials, the one that warrants the most attention to its environmental and social impact is natural rubber, because, generally speaking, natural rubber is 90% sourced from Asia and 85% from smallholders, usually of farms of less than four hectares. In addition, its supply chain is complex and fragmented. As a result, **a dedicated approach has been devised for natural rubber**, which is described in detail at the end of this section.

Other raw materials – synthetic rubber and monomers, reinforcing fillers (such as carbon black), metal and textile reinforcements, chemicals, etc. – are sourced primarily from chemical companies and steelmakers, with the environmental and health & safety risks proper to these industries. Note that certain raw materials contain conflict mineral derivatives and are therefore more particularly exposed to human rights risks. In response, such minerals are tracked with a dedicated process, even though their tonnages are small.

For each category having a moderate or higher impact, a summary data sheet has been prepared showing the percentage of purchasing amounts covered by CSR assessments, the other risk prevention measures in place and any recommended additional measures. These documents are shared among the Purchasing Department teams.





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## **4.2 / GENERAL MEASURES FOR PREVENTING AND MITIGATING SUPPLIERS' CSR RISKS** (see detailed presentation in section 4.1.1.3.a of the URD)

### **MICHELIN PURCHASING PRINCIPLES**

First published in 2012 and updated in 2017, the Michelin Purchasing Principles serve as the reference document for the Michelin Purchasing Department. They are grounded in Michelin's values and international commitments through the fundamental conventions of the International Labour Organization, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.

They describe the fundamental principles governing the Group's supplier relationships, and stipulate, in particular, the Group's quality standards; the environmental, social and ethical performance expected of suppliers; the supplier approval process; and the rules of professional conduct for the purchasing teams.

The Michelin Purchasing Principles may be downloaded at <https://purchasing.michelin.com/Espace-documents>.

In late 2020 and early 2021, the document was revamped to make it easier to understand by dividing it into two separate texts, one for suppliers and the other for Group buyers and their internal partners.

### **TRAINING PURCHASING TEAMS IN CSR ISSUES**

Considerable resources have been deployed to enhance the professionalism of the procurement teams and to make purchasing processes more efficient. In particular, the training program for purchasing teams comprises a dedicated Responsible Procurement module that is mandatory for buyers and encouraged for technical specifiers and key internal partners. Around 80% of currently employed buyers have been trained to date. Since 2011, 701 people worldwide have been trained in the module, including managers and buyers in the new Camso subsidiary. In 2020, the module was transformed into a series of e-learning courses, to ensure that high-quality training is available at any time for teams around the world.

To ensure compliance with the ethical guidelines specified in the Code of Ethics and the Anti-Corruption Code of Practice, the Group's reference documents, a specific online training module developed in 2017 has been rolled out across the Purchasing organization and among internal partners in contact with suppliers. Since late 2017, the module has been completed by more than 5,400 people.

Additional training programs have been offered in the operating Regions, along the lines of the procurement ethics modules specific to North America, which were completed by all of the buyers in 2020. A specific module on human rights risks in the supply chain was also developed in 2019 and has been available for all of the Group's purchasing teams since early 2020.

### **THE SUPPLIER QUALITY SYSTEM AUDIT PROCEDURE (ESQF)**

To support supplier compliance with Michelin's Quality standards and Purchasing Principles, a supplier quality system audit procedure known as ESQF has been introduced. Aside of quality issues, it addresses also the application of the health, safety, environmental and human rights standards stipulated in or derived from the Michelin Purchasing Principles.

In performing an ESQF, Michelin auditors go on-site to assess aspects including: general compliance; compliance with environmental standards; respect for human rights and compliance with health and safety standards; and the supply chain. Several questions on the ESQF evaluation form have been changed to yield a fuller picture of the supplier's environmental and employee relations performance.

Following an ESQF, Michelin auditors assign the audited supplier a score. If it is less than 80%, the supplier is deemed to have failed the audit and is required take the identified corrective measures and improve overall performance with a continuous improvement process. The initial score will later be reassessed in light of the actions implemented by the supplier. Depending on the audit findings, Michelin may terminate the supplier's contract.

In addition to ensuring compliance with Michelin Quality standards and Purchasing Principles, the audit is intended to help suppliers to drive sustainable improvement over time.

### **ASSESSING SUPPLIER CSR PERFORMANCE**

As part of the Michelin Sustainable Development and Mobility Ambitions for 2020, the Purchasing Department committed to assessing the CSR performance of the Group's 400 leading suppliers, enabling 70% of them to be confirmed as compliant with Group CSR standards.



This performance is assessed through desktop reviews conducted by the EcoVadis rating agency, which measure how Michelin's leading suppliers stand in 21 CSR indicators covering the environment, labor relations & human rights, business ethics and sustainable procurement. These reviews primarily apply to tier-one suppliers, but in some cases where Michelin procures through distributors, the tier-two supplier (producer) may be reviewed as well.

### Deployment (coverage of procurement spend)

#### By purchase category

>60% of Group procurement

>85% of natural rubber procurement

>90% of other raw materials

#### By high-risk country (for raw materials)

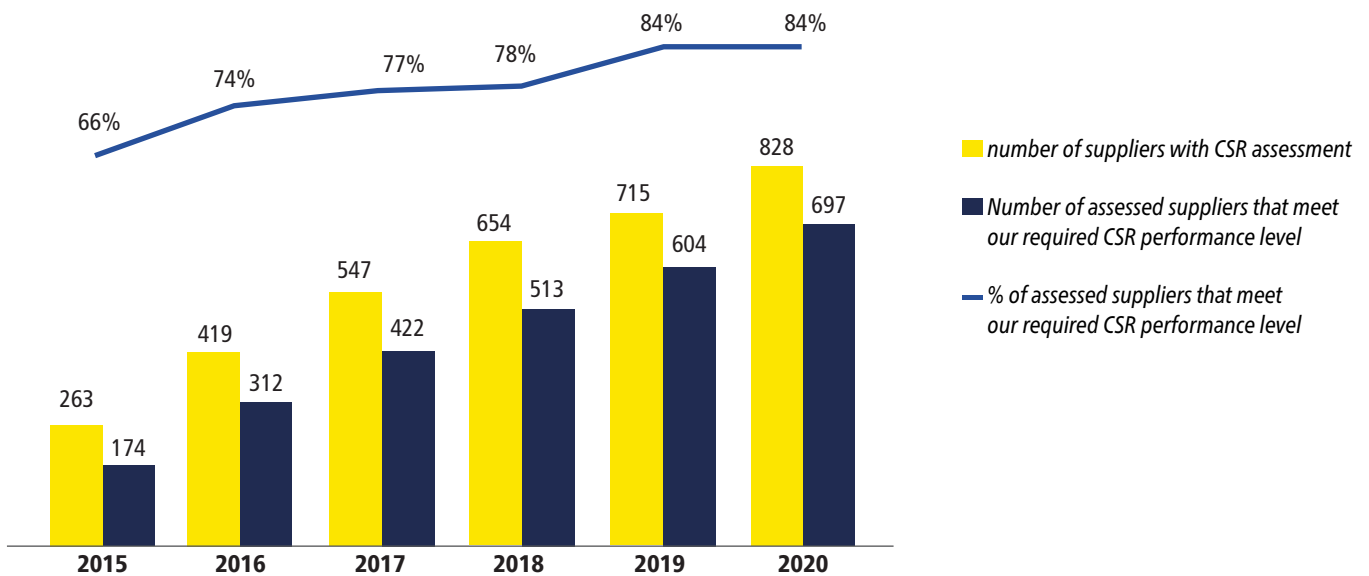
95% of sourcing in countries that pose a risk with regards to environmental protection

92% of sourcing in countries that pose a risk with regards to human rights abuses

In 2021, Camso, which was recently consolidated, will begin to perform CSR assessments of its most at-risk suppliers. At the same time, desktop reviews will be extended to better cover the most at-risk categories, which have been identified during the mapping phase as being insufficiently covered.

### Results

#### Operational monitoring: CSR suppliers' score



In 2020, out of a panel of 916 targeted suppliers, 828 or 90% submitted a valid review.

Based on their overall score, 84% of respondents, or 697 suppliers, were confirmed as compliant with Group standards in 2020.

Suppliers who fall short of confirmed compliance must implement a CSR performance improvement plan, whose progress is tracked by the purchasing teams. To manage the deployment of these remedial action plans more effectively, an indicator was introduced in 2019 to determine the percentage of suppliers that have created a remedial action plan, where appropriate.

Successful deployment is systematically confirmed by a follow-up review. Results deemed repeatedly to be very poor or a lack of engagement with sustainable development issues may lead the Purchasing Department to revise or terminate its contractual relationship with the supplier. Such a decision is always made by consensus, after discussing all of the potential consequences.



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## Steady improvement

Along with the deployed corrective actions, the careful attention paid to the assessments by both our purchasing teams and our suppliers is helping to drive steady progress.

By year-end 2020, for example, 417, or 62%, of the 671 assessed suppliers had improved and 135, or 20%, had maintained the same score. Lastly, of the 172 suppliers who had scored below expectations in the previous assessment, 100, or 58%, had delivered the expected performance.

## CSR SELF-ASSESSMENTS AND CSR CRITERIA

In 2018, a Corporate Social Responsibility (CSR) self-assessment questionnaire was prepared and issued to front-line Purchasing Department teams, who may ask suppliers to complete it whenever they deem it necessary, either during the tender phase or while the contract is in effect. The questions measure the maturity of a supplier's CSR practices, which can be used as a selection criterion if warranted.

The questionnaire is used only for suppliers whose CSR performance is not assessed by desktop reviews.

Buyers are increasingly encouraged to factor CSR criteria into their calls for tender and a list of CSR criteria has been prepared for use in drafting tender documents. These criteria may concern the CSR performance of both the potential vendor and its products, services or solutions.

## DEDICATED MEASURES IN CERTAIN PURCHASING CATEGORIES

In addition to the dedicated raw materials and natural rubber procedures described below, certain measures have been specifically defined for a number of purchasing categories deemed at risk for CSR issues.

### Examples of dedicated measures by type of procurement category

- **Purchases of marketing collateral:** restricting procurement to a limited number of suppliers that have been validated by the Purchasing Department, including as regards CSR issues
- **Purchases of construction services:** adding specific clauses to the Purchasing Principles in construction procurement contracts, keeping incident registers, conducting on-site inspections, deploying prevention plans during on-site service execution (addressing health, safety and environmental issues), etc.
- **Purchases of energy:** increasing the share of electricity from renewable sources and requiring bids on power supply tenders to include renewable energy alternatives
- **Purchases of logistics services:** supporting the Group's commitment to reducing emissions in the supply chain with, for example, requiring tender bids to include green alternatives, using a dedicated application (EcoTransit) that more accurately measures the greenhouse gas impact of transportation purchases, organizing a shipping supplier convention, etc.

## 4.3 | SPECIFIC APPROACH FOR RAW MATERIALS (see detailed presentation in section 4.1.1.3.a of the URD)

### GREENHOUSE GAS EMISSIONS (GHG)

The Group has taken a proactive approach to determining which purchasing categories and suppliers represent the largest sources of GHG emissions. These suppliers are encouraged to initiate, step up or accelerate their commitment to reducing their GHG emissions.



**Emissions inventory**

The inventory of the Group’s Scope 3 GHG emissions (indirect emissions, excluding production facilities) was conducted in 2020. Emissions from purchased goods and services (Scope 3, category 1 in the Greenhouse Gas Protocol, which excludes emissions related to purchased logistics services) are estimated at 8.5 million tonnes of CO<sub>2</sub>eq/year. This represents approximately half of all the Group’s Scope 3 emissions excluding the in-use phase (category 11) (see section 4.1.4.1 a Reducing the carbon footprint and managing the energy transition/Inventory of Scope 1, 2 and 3 CO<sub>2</sub> emissions of the Universal Registration Document).

Given that raw materials (including natural rubber) account for a massive 91% of emissions from purchased goods and services, programs to reduce supply-chain related emissions focus on raw material inputs, alongside the significant gains being made in purchased logistics services.

**CDP Supply Chain Program**

The CDP provides a comprehensive system for measuring and disclosing environmental information, in order to assess the strategies in place to abate climate change. In 2018, Michelin joined the CDP’s Supply Chain Program and engaged its leading raw materials suppliers to participate in it, encouraging them to embrace the process by estimating and publishing their greenhouse gas emissions and developing strategies to reduce them. Their submitted data are enabling the Group to calculate emissions across its supply chain more accurately and to identify opportunities for reduction. This process is playing a critical role in driving effective action across the production chain, while encouraging the deployment of best practices to reduce greenhouse gas emissions.

Conducted in 2018 and again in 2020, the campaign will be held annually going forward. Of the 69 raw material suppliers asked to submit data in 2020, 60, or 87%, responded. Together, they represented 67% of the emissions from the Group’s purchased goods and services (Scope 3 category 1, according to the inventory conducted in 2020) and approximately 50% of raw materials and natural rubber spend. 33 suppliers scored B- or higher, indicating that their approaches to climate change were fairly mature.

**Science-Based Targets for emissions reduction**

In 2020, the Science Based Targets initiative (SBTi) validated the Group’s environmental targets, which include a target relating to purchased goods and services, i.e. that suppliers representing 70% of GHG emissions from purchased goods and services (Scope 3, category 1) will have set science-based reduction targets by 2024.

During the 2020 CDP questionnaire exercise, suppliers representing 13% of category 1 emissions reported that they had set science-based targets or targets already validated by the SBTi.

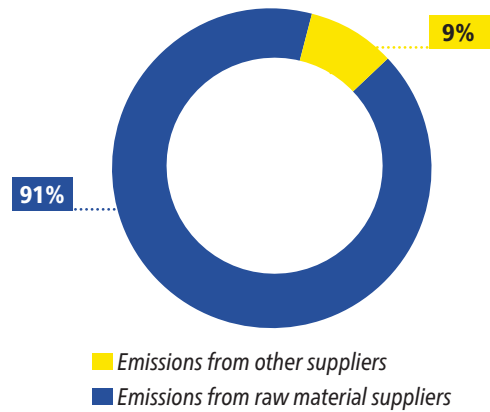
**Circular economy**

To support the Group’s commitment to using sustainable materials, the main raw materials suppliers have been requested to submit a roadmap for developing materials made from renewable or recycled sources.

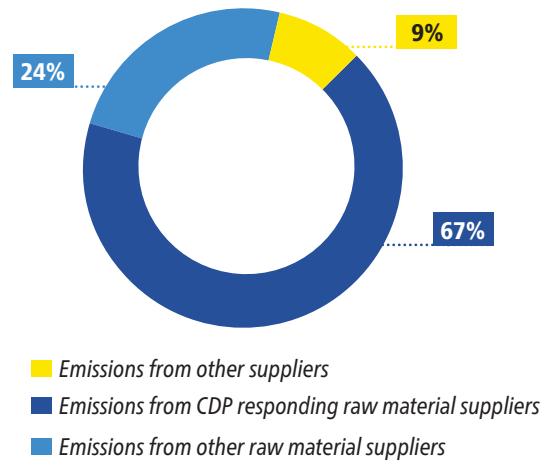
**ISO 14001 CERTIFICATION**

While raw materials suppliers are not required to earn ISO 14001 certification, it is strongly encouraged. At year-end 2020, 65% of raw materials suppliers were ISO 14001 certified.

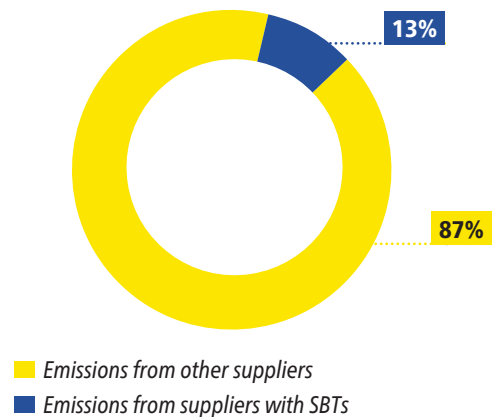
**Inventory of GHG emissions from purchased goods and services (Scope 3 category 1)**



**GHG emissions from CDP responding suppliers (Scope 3 category 1)**



**GHG emissions from suppliers with SBTs (Scope 3 category 1)**



## CRITICAL MATERIALS

The term critical material – defined as any substance whose use is highly necessary but whose supply is subject to risk – generally refers to certain ores and rare earths. Very few are used in tire manufacturing. At Michelin, they are managed in accordance with the system in place to manage supply risk for all types of raw materials, which deploys a dedicated risk management response for any material identified in the mapping exercise as posing a particular risk. These responses include signing multi-year contracts with the main suppliers, looking for new suppliers, maintaining strategic buffer inventory for critical products, seeking substitute products, and, in the case of conflict minerals, maintaining duty of care procedures (see following paragraph).

## CONFLICT MINERALS

Michelin diligently tracks the origin of certain minerals used in its products, even if the quantities are very small. Commonly referred to as “conflict minerals,” they include gold, tin, tantalum and tungsten. Since 2019, Michelin has included cobalt in this approach. The Group exercises its duty of care by applying the related OECD recommendations and using the applications developed by the Responsible Minerals Initiative (RMI). The materials and components used in Group products that contain these minerals or their derivatives have been identified and their suppliers are periodically requested to submit the RMI Conflict Minerals/Cobalt Reporting Template. These forms and inventories are then verified for compliance with the RMI lists. For all these minerals, the submitted templates enable Michelin to verify that the reporting supplier works with RMI-approved smelters.

## CHEMICALS

The Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation, which the European Union introduced to attenuate the adverse impact of chemical substances on human health and the environment, stipulates that manufacturers and importers of more than one tonne of a given chemical per year must register the substance with the European Chemicals Agency (ECHA). Producers must identify and manage the risks associated with the chemicals they make and market in the EU, demonstrating to the ECHA how the substance can be safely used and informing users of the proper risk management procedures. Michelin fulfills this registration requirement as a chemical manufacturer or importer and verifies that the chemicals it uses have been registered by the suppliers, thereby ensuring that it is in compliance with REACH.

### **4. 4 | THE SPECIFIC RISKS OF NATURAL RUBBER** (see detailed presentation in section 4.1.1.3.c of the URD)

**As one of the world’s leading purchasers of natural rubber, a critical raw material in tire manufacturing, Michelin is especially attentive to its rubber-tree supply chain.**

**Of the 30 million people who depend on rubber-tree farming for a living worldwide, six million are smallholders who produce 85% of the world’s output on small farms, generally covering less than four hectares.**

#### **RISK FACTORS:**

While rubber trees may help to mitigate climate change by absorbing CO<sub>2</sub>, their cultivation poses a certain number of environmental and social risks. The predominance of smallholders across the industry, which in some countries can include a complex network of intermediaries between the farmer and the processing facility, makes it difficult to visualize and manage risks in the supply chain. On the farms, several years of comparatively low prices, coupled with weak productivity in some countries, have adversely impacted the working conditions and livelihoods of certain smallholders. From an environmental perspective, there is a clearly identified risk of forests being stripped to plant rubber trees, with devastating effects on biodiversity. Lastly, other identified risks include conflicts over land ownership, possible seizures of the land and the use of toxic pesticides.

## PREVENTION AND MITIGATION MEASURES

### **Sustainable natural rubber policy**

Michelin was the first tire manufacturer to publish a commitment to sustainable, responsible natural rubber production and procurement. In addition to issuing its Responsible Natural Rubber Procurement Policy in 2015, the Group formalized its public commitments in its Sustainable Natural Rubber Policy issued in 2016, which will be updated in early 2021 to reflect, in particular, GPSNR guidelines (see below).



Drafted with input from environmental and human rights NGOs and other stakeholders, the Sustainable Natural Rubber Policy is now a contractual reference document for Group suppliers.

Downloadable from the Michelin purchasing website (<https://purchasing.michelin.com/Espace-documents> - in French only), the policy precisely defines the conditions for farming natural rubber, both in terms of the environment (zero deforestation, protection and preservation of peatlands, High Conservation Value areas and High Carbon Stock areas), and in terms of social responsibility and human rights (working conditions, free, prior and informed consent of the local communities, etc.). Michelin encourages every stakeholder across the supply chain to embrace responsible social, environmental and governance practices, so as to maintain rubber tree farming in a virtuous cycle of progress.

The Policy explains in detail the five core commitments that Michelin intends to fulfill and promote:

- respect all stakeholders in the natural rubber production chain, by promoting conflict resolution related to land ownership and improving working conditions and living environments;
- make rubber tree farming environmentally friendly, by combating deforestation and controlling the potential impact of rubber cultivation on fauna and flora;
- take action to improve farming practices, by helping to instill more efficient practices across the natural rubber production chain, especially among smallholders, in a commitment to increasing agricultural yields;
- encourage the careful use of natural resources by increasing the material efficiency of natural rubber used in tires. Michelin is constantly developing new technical processes that optimize the use of rubber in its products.

Michelin is an engaged stakeholder in the rubber tree farming industry, communicating transparently, refusing all forms of corruption and interacting with local and international stakeholders.

### ASSESSING STAKEHOLDERS ACROSS THE SUPPLY CHAIN

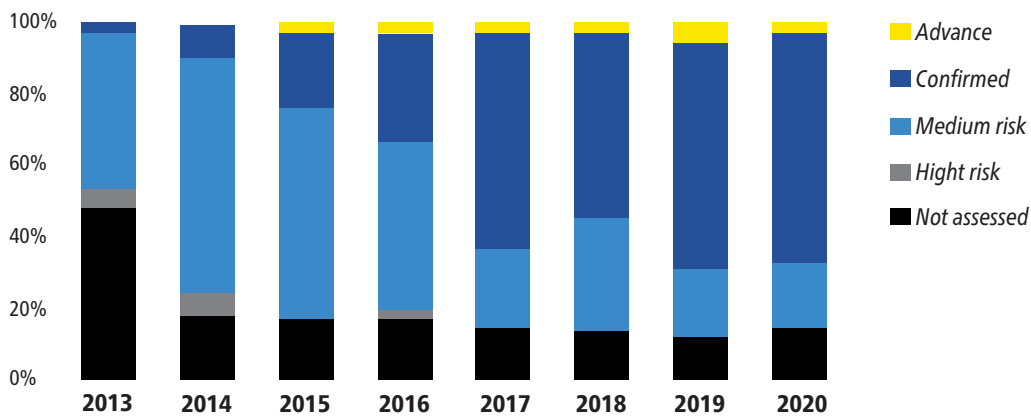
CSR practices in the Group’s natural rubber supply chain are assessed differently depending on the stakeholder:

- for our direct suppliers, desktop reviews are submitted to EcoVadis and on-site audits are performed;
- for our direct suppliers’ production facilities and upstream supply chain, risks are mapped using the Rubberway® application.

#### EcoVadis desktop reviews

The Group’s natural rubber suppliers have been participating in EcoVadis reviews of their social responsibility and environmental performance since 2013. If their results fall short of compliance, remedial action plans are deployed. In 2020, the vast majority of our natural rubber suppliers, accounting for more than 85% of our sourced natural rubber volumes, were assessed by desktop reviews. Lastly, suppliers representing 69% of total spend were confirmed as compliant with Michelin standards, which corresponds to 77% of the 2020 spend covered by the reviews.

Operational monitoring: EcoVadis suppliers performance distribution (weighted by spend)



#### On-site audits

A dedicated team performs on-site audits of every facility supplying natural rubber to the Group. These audits primarily focus on quality performance, but also cover CSR issues, such as the environment (water treatment, etc.) and employee health and safety. Every facility is audited every year or every other year, for a total of 140 per year. Follow-up audits are systematically conducted, with remedial action plans mandated in the event of shortcomings.



### The Rubberway® application

Since 2017, the Group has been deploying the Rubberway® mobile application to map, in collaboration with suppliers, the social and environmental risks posed by the practices of its stakeholders across the natural rubber supply chain, in addition to tier-one direct suppliers. These stakeholders, which include raw rubber processing plants, brokers, large plantations and smallholders, use the app to input information about their practices in such areas as human rights, the environment, agricultural training and market transparency.

These data are then analyzed and summarized on an online platform to create a map highlighting the areas of potential social and environmental risk. The results are shared with suppliers and can be used to prepare improvement plans or deploy mutually designed remedial action plans.

In 2019, a joint venture was formed with Continental AG and software publisher SMAG to make Rubberway® a stand-alone solution, accessible to every natural rubber stakeholder. This opens the way to its broader use by other tiremakers and OEMs, thereby driving faster take-up of sustainable practices across the natural rubber industry.

### Deployment and monitoring

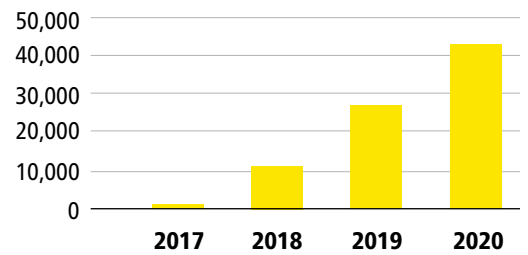
As of end-2020, 58 natural rubber processing plants had replied to the questionnaires and 42,053 questionnaires had been completed, including more than 39,000 by smallholders and covering 55% of Michelin's purchased volumes.

The app is currently deployed in Indonesia, Thailand, Côte d'Ivoire, Ghana, Nigeria, Liberia and Brazil.

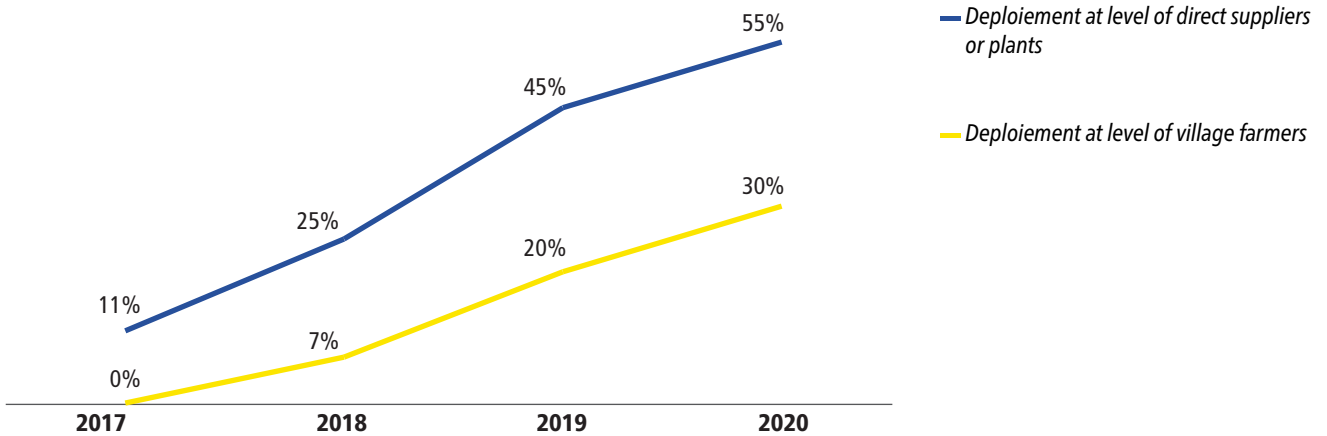
Michelin has requested that suppliers initially deploy the Rubberway app in their production facilities and with their own direct suppliers, with the goal of mapping 80% of the natural rubber volumes sourced from these channels by end 2021. In 2020, deployment was slowed by the Covid-19 crisis, so that 55% of volumes had been mapped by year-end.

However, the application is most impactful at the farmer level. Given their vast numbers (around six million worldwide), Michelin intends that enough of them participate in the Rubberway mapping exercise to ensure that it is representative of their farming practices. By the end of 2020, it was considered that this threshold had been reached for 30% of Michelin's sourced volumes, out of a targeted 80% by 2025.

Operational monitoring: total number of completed Rubberway questionnaires (cumulative)



Operational monitoring: Rubberway deployment



The results and risks identified to date are presented in the 2015-2020 report referenced below.

The progress made is transparently reported on the Michelin Purchasing website (<https://purchasing.michelin.com/fr/caoutchouc-naturel-responsable-et-resilient/> - in French only).



The following is an overview of the results, with an analysis by jurisdiction in six countries.

By the end of 2020, village farmers had been mapped across 56 jurisdictions with at least 50 respondents each. The following map, with data as of November 30, 2020, represents each jurisdiction as a square. In each country, a jurisdiction is an administrative division generally corresponding to a 100 km square.



**Local example: the Cascade project**

The review of the village farmer results prompted the Group to launch a project on the island of Sumatra, Indonesia, where there are a number of jurisdictions that present fairly high risks in several areas. Known as Committed Actions for Smallholders Capacity Development (CASCADE), the project is being conducted in partnership with mission-driven company Ksapa. It is addressing natural rubber production risks with a holistic capacity-building program that will enable village farmers to apply best practices in the areas of income, labor rights, health and safety, and the environment. It will also provide opportunities to diversify the farmers' livelihoods with intercropping and agroforestry solutions. The project was initiated in late 2020 with a field study that will lead to the deployment of results-oriented programs over a four-year period starting in 2021.





## Frontline initiatives

Led by the Group or its joint ventures, these initiatives address a broad range of sustainable natural rubber production issues. Examples include the program to grow selected high-yield rubber tree seedlings for sale to farmers, the training of around 100,000 farmers a year to transfer skills in best farming practices, and the promotion of good environmental practices. Programs have also been deployed to prevent malaria, AIDS and other diseases and to provide wider access to medical care, education and housing. The SIPH joint venture located in West Africa has set up programs of the kind described above, on both the environmental and human fronts.

### Local examples

- **Brazil:** For more than ten years, a program implemented in Salvador de Bahia has been making a significant contribution to the take-up of best farming practices and the development of new disease-resistant rubber tree species. The nearby 3,400-hectare Michelin Ecological Reserve (REM) has become one of the best-protected areas of the Atlantic Forest and a haven for biodiversity.
- **Indonesia:** In 2015, Michelin and its Indonesian partner Barito Pacific set up the RLU joint venture to develop new rubber plantations, protect primary forests and restore ecosystems on Sumatra (66,000 hectares) and in East Kalimantan on the island of Borneo (22,000 hectares). The project was undertaken in partnership with the WWF. At the end of 2020, this project has led to the creation of nearly 4,000 jobs and protected thousands of hectares of high environmental value tropical forest and local wildlife, such as Sumatran elephants and tigers and the Bornean orangutan.

In all, the environmental conservation projects being carried out either directly in Brazil or through our joint ventures in Africa and Indonesia covered more than 34,000 hectares in 2020.

## ***PARTNERSHIP WITH THE WWF AND CONSULTATIONS WITH STAKEHOLDERS***

To preserve rubber and manage its impacts, the World Wildlife Fund (WWF) and Michelin have been working together since 2015 to transform the natural rubber market by instilling sustainable practices across the entire value chain.

Building on the progress made during the first phase of their collaboration, WWF France and the Michelin Group renewed their partnership in 2019, in a joint commitment to pursuing initiatives to support a sustainable natural rubber market and in developing a pilot project in Indonesia.

At the same time, Michelin is continuing to consult regularly with both stakeholders and the leading civil society organizations involved in these issues. Every two years, for example, the Group brings together civil society organizations to report on the progress made across the natural rubber value chain and to discuss possible pathways to further improvement. The last information and consultation meeting was held in Paris in February 2020. In addition to these biennial forums, Michelin regularly works with NGOs, researchers, academics and government agencies on natural rubber sustainability issues.

In addition, the Group is involved in several think tanks exploring ways to prevent imported deforestation. In France, it is actively engaged in the talks being led by the French Ministry for the Ecological and Inclusive Transition to define a strategy to counter imported deforestation.

## ***THE GLOBAL PLATFORM FOR SUSTAINABLE NATURAL RUBBER (GPSNR)***

Michelin and its partner WWF are working together to encourage key rubber-tree farming stakeholders to take action to make responsible natural rubber production the norm. This effort was key for the establishment of the multi-stakeholder Global Platform for Sustainable Natural Rubber (GPSNR) designed to lead improvements in the socio-economic and environmental performance of the entire natural rubber industry. It was impelled by the Tire Industry Project (TIP), which brings together Michelin and ten other tire manufacturers under the auspices of the World Business Council for Sustainable Development (WBCSD). GPSNR brings together stakeholders from across the natural rubber value chain, including farmers, processors and brokers, tiremakers and other users, automakers and civil society, with the participation of a large number of NGOs. The GPSNR is primarily tasked with harmonizing standards and supporting local initiatives to improve respect for human rights, preventing land grabbing, protecting biodiversity and water resources, improving agricultural yields and increasing the transparency and traceability of the supply chain.



The platform's inaugural General Assembly was held in Singapore in March 2019. Michelin is one of three tire industry representatives and chairs the Executive Committee. Several working groups comprising all of the stakeholders are exploring pathways to progress in fulfilling the platform's mandate. In 2020, Michelin was one of the most active companies on the platform, assertively participating in four of the five working groups meeting during the year (Strategy & Objectives, Smallholder Representation, Capacity Building and Traceability & Transparency). For more information, please visit [www.gpsnr.org](http://www.gpsnr.org).



#### To find out more: 2015-2020 results, the 2020-2025 roadmap and indicator

More extensive information about our natural rubber commitments may be found on the new dedicated Michelin Purchasing website (<https://purchasing.michelin.com/fr/caoutchouc-naturel-responsable-et-resilient/>), which presents the following documents, generally organized around four themes: people, the environment, farmers and stakeholders:

- the latest version of the Sustainable Natural Rubber Policy;
- the Sustainable Natural Rubber Progress Report 2015-2020;
- the Sustainable Natural Rubber Roadmap 2020-2025;
- a set of comprehensive, regularly updated indicators that track progress on the sustainable natural rubber policy.

Direct links to supporting documents (in English):

Sustainable Natural Rubber Progress Report 2015-2020: [https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Sustainable-Natural-Rubber-Progress-Report-2015-2020\\_EN.pdf](https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Sustainable-Natural-Rubber-Progress-Report-2015-2020_EN.pdf)

Sustainable Natural Rubber Policy (edition 2021): [https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Michelin-Sustainable-Natural-Rubber-Policy\\_2021\\_EN.pdf](https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Michelin-Sustainable-Natural-Rubber-Policy_2021_EN.pdf)

Sustainable Natural Rubber Roadmap 2020-2025: [https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Sustainable-Natural-Rubber-Roadmap-2020-2025\\_EN.pdf](https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Sustainable-Natural-Rubber-Roadmap-2020-2025_EN.pdf)

## 5 / CONTROLLING CSR RISKS IN NEWLY ACQUIRED COMPANIES *(see detailed presentation in section 2.1.3. of the URD)*

### RISK FACTORS

Michelin has analyzed the main risks inherent in mergers, acquisitions and partnerships, which correspond to both the pre-acquisition and post-acquisition phases. Companies acquired by Michelin do not necessarily have the same practices and policies with regard to the environment, health & safety, human rights and procurement. Any divergence requires an in-depth review of practices in each area and in each company.

Fulfilling Michelin's strategic vision hinges in part on acquisitions, whose pace has picked up since 2014 with the purchases of such companies as Levorin, Sascar, Camso, Fenner, Multistrada and Masternaut, which now account for roughly 10% of consolidated business. Each acquisition is subject to thorough due diligence, which analyzes the acquired company's specific ethical, taxation, environmental, legal, product liability and cybersecurity risks with the support of internal and/or external specialists, in order to take appropriate mitigation and prevention measures as necessary. It is also an opportunity to identify, and take inspiration from, the best practices applied in the new entities.

An integration plan specific to each of these companies, led by a project manager, is designed and implemented under the supervision of a member of the Group Executive Committee. The outcomes are reported and shared with the Supervisory Board twice a year. Internal audits are also performed in acquired companies to ensure their compliance with Group guidelines and applicable laws and regulations.

In 2020, post-acquisition audits at Multistrada and Camso identified shortfalls against Group Environmental and Health & Safety standards. Action plans, some of which require the commitment of substantial capital expenditure, are now under way and being tracked on a regular basis.



## 6 / ALERT MECHANISMS

(see detailed presentation in section 4.1.1.2.a. of the URD)

Anonymous, protected alert procedures enable employees to report possible infractions of applicable laws and regulations, the Code of Ethics and any other Group principles and guidelines.

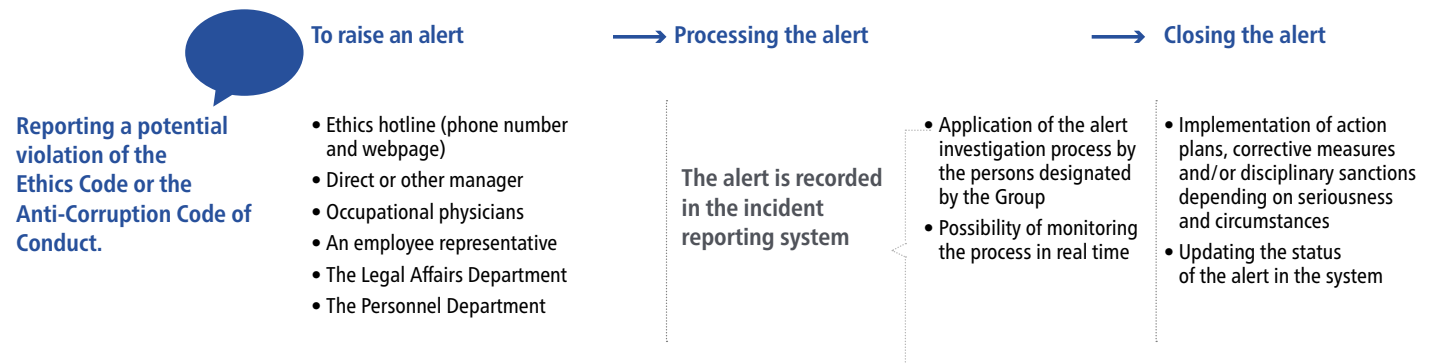
In 2020, the Group consolidated the alert lines for every region in a single external supplier, thereby making it easier for employees and external partners to raise an alert, and also improving the Group Ethics Committee's ability to oversee the ethics alert and investigation system and follow ethics indicators. In every region, possible ethics violations may be reported via an ethics hotline, a dedicated webpage, the Personnel Department, the Security Office, the legal affairs teams, direct or other managers, occupational physicians or the Regional Ethics Correspondent.

Note that, regardless of reporting channel, no one shall be authorized to take retaliatory measures against any person who, in good faith, reports a possible violation of the Code of Ethics, the law or Michelin principles and guidelines.

The Group's ethics hotline was also opened to suppliers, with a direct link posted on the Purchasing Department's website.

**Link to the ethics webpage:** <https://secure.ethicspoint.com/domain/media/fr/gui/38522/index.html>

**Phone:** 0800-90-5501 (toll-free within France)

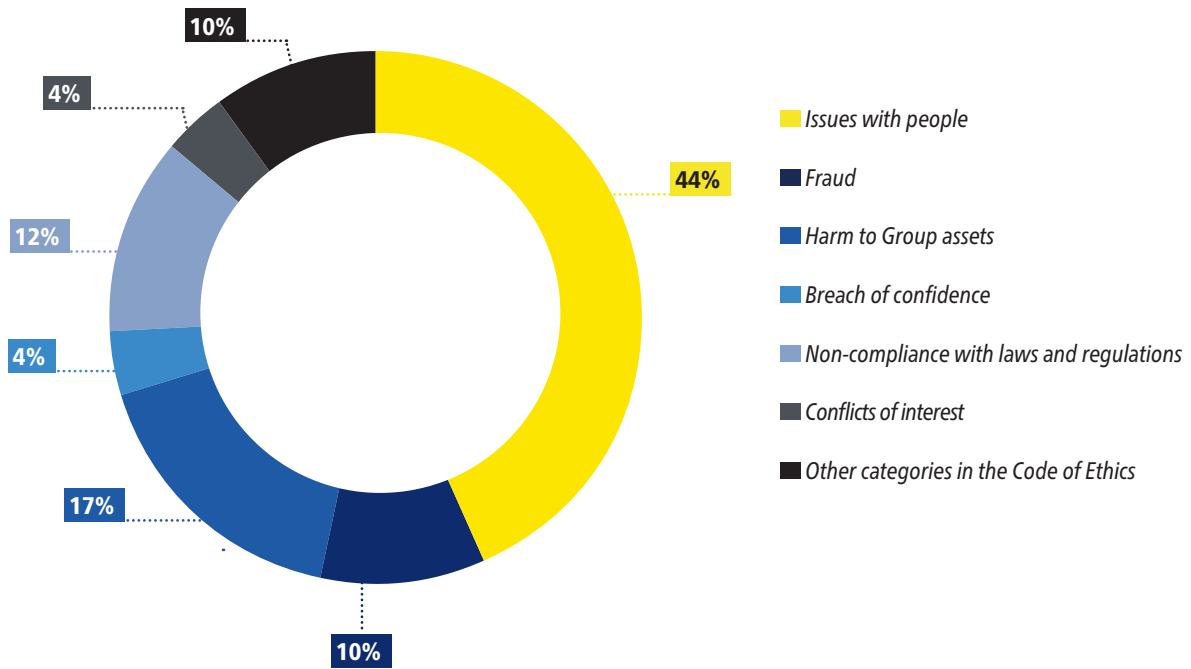


In 2020, a total of 989 incidents of alleged non-compliance were reported across the Group, a 5% decline from the 1,037 allegations recorded in 2019. All of these reports were investigated in line with the prescribed procedure. At the end of this process, concerning the investigations whose procedures were completed by the end of 2020: 20% of the allegations were deemed to be unfounded, 72% wholly or partly substantiated and 7% lacking sufficient information to justify engaging in an investigation. When ethics violations are observed, they are analyzed according to a Group-wide process defined by the Corporate Information Systems Security, Safety & Security and Environment Department.

The findings may then give rise to action plans, corrective measures and/or disciplinary sanctions depending on the circumstances and the seriousness of the violation. Proper application of this process is overseen by the regional ethics committees. Following these investigations, disciplinary measures (such as warnings, unpaid leave and dismissals) were applied internally as well as externally (legal action, civil proceedings to recover corporate assets, etc.).

Since 2012, suppliers can use the Purchasing Department website to contact the customer-supplier relations mediator in regards to any alleged or observed violation of the Michelin Purchasing Principles.

### Categories of ethics violations reported through the internal alert procedures



The mediator intervenes only when suppliers have failed to resolve the issue with their usual contacts in the Group. Over the 2017-2020 period, suppliers have requested mediation at most twice a year. These cases generally concerned invoice payment problems, which were quickly resolved by the mediator.