

**COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN  
(CGEM)**

**INTERNAL RULES OF THE SUPERVISORY BOARD**  
*(version in force, adopted on December 14, 2020)*

**Recitals**

CGEM's governance, a partnership limited by shares, is based on a clear separation of management and supervisory powers.

In accordance with its bylaws, CGEM is managed by one or more Managers, who may be General Partners, headed by the Managing Chairman. In the case of a sole Manager, the latter shall be appointed Managing Chairman in accordance with the bylaws.

The Non-Managing General Partner, SAGES, shall not take part in the management of CGEM, unless the position of Manager falls vacant. It shall participate only in certain governance-related decisions as provided for in CGEM's bylaws.

In view of its role as an independent supervisory body, the Supervisory Board and its Committees cannot comprise any of CGEM's General Partners or executive officers.

Under the conditions provided by law and CGEM's bylaws, the Supervisory Board may be comprised of one or more members representing employees, not designated by the Annual Shareholders Meeting. With the exception of certain specific legal provisions, CGEM's bylaws and these internal rules, the members of the Supervisory Board representing employees have the same rights and obligations as other members.

In accordance with French law, CGEM decided to refer to a corporate governance code drawn up by industry trade groups and selected the AFEP/MEDEF Corporate Governance Code applicable to listed companies (and supplemental materials), whose updates are regularly provided to the members of the Supervisory Board to whom it is familiar (hereinafter "AFEP/MEDEF Code").

The recommendations of the AFEP/MEDEF Code were mostly written with reference to corporations (*sociétés anonymes*) with a Board of Directors. Accordingly, the Managers and the Supervisory Board, in agreement with the Non-Managing General Partner shall:

- adapt the recommendations of this Code as needed to reflect the specific characteristics of partnerships limited by shares, as stipulated in the Code and,
- introduce relevant changes in the governance rules of the Company's corporate bodies to ensure that they are in line with these recommendations and, where appropriate, explain the differences.

The purpose of these internal rules is to clarify the Supervisory Board's roles, responsibilities and practices.

A summary of these rules is published on the Group's website and/or in its Universal Registration Document.

## 1. The Supervisory Board's roles and responsibilities

In addition to its legal responsibilities of management oversight and preparation of CGEM's corporate governance report, the Supervisory Board's roles and responsibilities, as extended by the Company's bylaws or by these internal rules, include:

- assessing the quality of the management carried out by the Managers,
- performing specific tasks related to the Managers' governance,
- reviewing the election and compensation of members of the Group's Executive Committee.

### 1.1. Assessing the quality of management

1.1.1. In accordance with Article 17 of CGEM's bylaws, in order to be able to fully assess the Group's strategy and the quality of the management carried out by the Managers, the Board shall review the information relating to the matters listed below, presented by the Managing Chairman and supplemented, where applicable, by the directors of the entities or departments concerned.

1.1.1.1. At least once a year:

- Presentation or update of the Group's strategy and competitive analysis;
- Presentation of the main budget parameters for the coming year.

1.1.1.2. For the following transactions:

- Investments;
- External growth;
- Off-balance sheet commitments;
- Disposals of assets;

the Supervisory Board is required to issue a formal opinion in cases where the transactions are material for the Group due to their nature or associated risks; for this purpose, 'material' means transactions representing at least €100 million, or at least €50 million in the case of external growth transactions.

1.1.1.3. From time to time as necessary, the presentation of:

- Information on the markets of the Group's activities;
- Quarterly reports, interim and annual reports of the Company and the Group;
- Scorecards (key indicators, long-term performance indicators);
- Decisions reflecting a significant change in the Group's strategy;
- Activities of Business Lines and Regions;
- Activities of the Departments and support functions (Human Resources, R&D, Industry, Marketing and Sales, Purchasing, Quality, Finance, Legal, Communication, etc.);
- Risk management and internal control;

- Compensation and appointment policies;
- Corporate social responsibility (CSR) policy and its implementation;
- Preparation of the Annual Shareholders Meeting.

With regard to the accounting and financial information provided for in paragraph 1.1.1.3, the presentations are made by the Chief Financial Officer and must enable the members of the Board to assess for the Company and the Group the following:

- Financial position;
- Cash position;
- Amount or nature of off-balance sheet commitments;
- Creation of shareholder value;
- Risk factors and their coverage.

1.1.2. The Supervisory Board shall review the financial press releases that are significant for the Group, in particular those relating to the announcements of interim and annual results, prepared by the Investor Relations Department and presented by the Chief Financial Officer.

1.1.3. Through its Audit Committee and under the conditions set out in the internal rules of this Committee, the Supervisory Board shall:

- Review all the internal control and risk management and internal audit systems put in place by CGEM, in particular procedures relating to the preparation and processing of accounting and financial information and in this respect it shall:
  - assess the effectiveness of these systems by taking into account any significant deficiencies identified by the Statutory Auditors during their assignment and reported to the Audit Committee,
  - hear the presentation of the Internal Control Director and the Executive Vice President, Quality, Audit and Risk Management,
- Regularly review, in relation to the Group’s strategy, opportunities and risks and the measures taken accordingly;
- Ensure that a system of prevention and detection of corruption, influence peddling and fraud is put in place.

The documents and information necessary to perform the above tasks are provided to the members of the Board under the conditions set out in Article 4.2. These documents and information also include information about the Group or its immediate environment, necessary for the successful performance of their duties, including:

- Working papers and internal presentations made to them;
- Analysts’ research reports on the Company covering finance and CSR;
- Significant information in the media.

## **1.2. Performance of specific tasks related to the Managers’ governance and compensation**

1.2.1. Under the terms and conditions set out in Articles 10, 13 and 17 of CGEM's bylaws, the Supervisory Board's approval is required, on the proposals of the Non-Managing General Partner, for:

- re-election and removal from office of any Manager, and
- payment, as applicable, of compensation to a Manager in the case of his/her removal from office following a change in strategy or a change in equity control of CGEM, provided such removal was not due to gross misconduct.

1.2.2. Under the terms and conditions set out in Articles 10, 12, 17 and 30 of CGEM's bylaws, the Supervisory Board is consulted by the General Partners or the Non-Managing General Partner, as applicable, and shall express its opinion to be addressed to the Shareholders Meeting on:

- any proposals relating to the election of new Managers,
- the election of the Managing Chairman,
- the allocation between the General Partners, Managers and the Non-Managing General Partner of the statutory share of profit to which they are entitled,
- the determination of the compensation of the General Managers.

1.2.3. In accordance with the legal provisions and/or recommendations of the AFEP/MEDEF Code, and in view of the presentation to the Shareholders Meeting for approval, the Board is consulted (i) by the General Partners, in the case of a General Manager, or (ii) by the sole Non-Managing General Partner, in the case of a Managing General Partner, to:

- set CGEM's compensation policy for the Managers, taking into account any other compensation paid by other Group companies,
- determine the criteria and conditions applicable to the components of this compensation, including annual variable compensation and medium/long-term incentive bonuses,
- assess or subsequently verify these criteria and conditions, and propose the corresponding payments, deducted from the statutory share of profit to which the General Partners are entitled, if any.

1.2.4. The decisions and opinions provided for in paragraphs 1.2.1 to 1.2.3 above shall be:

- prepared by the Compensation and Appointments Committee as set out in its internal rules,
- subject to presentations and recommendations by this Committee to the Supervisory Board and, where appropriate, to the relevant Shareholders Meeting.

### **1.3. Appointment and compensation of the members of the Group's Executive Committee**

The Board is consulted annually by the Managing Chairman on:

- appointments and career and succession plans of directors of entities and departments that make up the Group Executive Committee or who are entitled to them,
- setting diversity targets within management bodies, the methods used to implement these targets and the corresponding action plans,
- criteria for determining and implementing the compensation of the members of the Group Executive Committee, including the award of shares or financial instruments and fringe benefits.

Regarding compensation, the Supervisory Board will analyze the nature and size of the amounts, shares and/or financial instruments awarded, as well as the criteria, targets and conditions of the award and/or performance.

#### **1.4. The Board and shareholder dialogue**

Outside of the Annual Shareholders Meeting, shareholders meetings and Shareholder Consultative Committee meetings, the Supervisory Board may ask its Chairman, for the duration of his or her term, to participate in the dialogue with CGEM's main shareholders on matters relating to (i) the experience and expertise of the Supervisory Board, and, where appropriate, (ii) information relating to the Group's strategy; this information must have been publicly disclosed beforehand.

On his or her own initiative, the Chairman of the Supervisory Board may ask the Senior Independent Member or, alternatively, another member of the Supervisory Board with the relevant experience in corporate communication, to replace him or her for this task from time to time.

The Chairman must ensure that he or she has the necessary time and adequate resources to perform this task.

The Chairman shall report to the Supervisory Board on the performance of this task where necessary.

## **2. Individual situation of the members of the Supervisory Board – Senior Independent Member**

### **2.1. Independence – conflicts of interest**

A majority of the members of the Supervisory Board must be independent and without any vested interests (i.e., with no relationship of any kind whatsoever with CGEM or its management or one of its consolidated companies which might risk coloring the member's judgment). The members of the Board representing employees are not taken into account for the calculation of this majority.

Every year, the Board shall review its members' independence based on specific criteria set out in the AFEP/MEDEF Code, based on the review conducted by the Compensation and Appointments Committee, and assess whether there were any relationships between its members and CGEM or one of its consolidated companies.

In addition, the members are required to inform the Supervisory Board of any potential or existing conflict of interest and are banned from taking part in the discussion and vote on the matters concerned.

In accordance with paragraph 2 of Article L. 225-39 referring to Article L. 226-10-1 and R. 226-2 of the French Commercial Code, the Supervisory Board has established a procedure for the regular review of agreements entered into in the normal course of business, in order to obtain assurance that they are on arm's length terms. The persons directly or indirectly concerned by any of these agreements do not participate in the review. The procedure is performed by members of the Legal Department who refer to the regulatory framework governing these types of agreement.

## 2.2. Senior Independent Member

The Supervisory Board shall appoint an independent member to serve as a Senior Independent Member.

The senior independent member's role is to:

- On his or her own initiative, organize executive sessions among the independent members;
- Chair and lead the sessions which may be held at the end of a meeting of the Board or one of its Committees;
- Report on his or her activities to the Board at least once a year;
- Meet with the Chairman of the Board to inform him or her of all or some of the views or wishes expressed by the independent members during executive sessions;
- Propose the inclusion of additional items on the agenda of Supervisory Board meetings;
- Call and chair Supervisory Board meetings and set the agenda if the Chairman of the Board is unable to perform this task;
- Meet with the Managing Chairman to inform him of all or some of the views or wishes expressed by the independent members during executive sessions, after informing the Chairman of the Supervisory Board;

Receive information about any material comments on governance issues made by significant shareholders and participate in communications with them alongside the Chairman of the Supervisory Board or the Managing Chairman.

He or she shall remain in office for the duration of his or her term as a member of the Board.

However, the Senior Independent Member may be removed from office during his or her term (i) in the event of the loss of his or her status as independent member, or

(ii) at the request of the Senior Independent Member, or (iii) if the majority of the other independent members of the Board so decide.

### **2.3. Attendance and commitment – Multiple directorships – Non-competition**

The members of the Supervisory Board:

- agree to devote the necessary time and attention to their duties,
- agree to assiduously and diligently attend all the meetings of the Supervisory Board and the meetings of the Committees of which they are a member, in the case where they cannot be represented by another member in accordance with the bylaws,
- endeavor to attend all Annual Shareholders Meetings.

Beyond strict compliance with the legal provisions and the recommendations of the AFEP/MEDEF Code in relation to multiple directorships, the members of the Board shall ensure that the number and responsibilities of their office as directors or members of Supervisory Board allow them to be sufficiently available, particularly if they also hold executive positions.

To the extent that they intend to accept a new appointment or new professional responsibilities, the members of the Board undertake to inform the Board in advance.

The members of the Supervisory Board may not, in addition to their directorship, (i) hold another office as director, Chief Executive Officer or member of a management or supervisory board or (ii) provide continuous or occasional advisory or other services to a company whose own business or group business is similar to or related to the activity of CGEM or one of its consolidated companies. This prohibition shall remain applicable for as long as they remain in office and for a period of two years from the date on which the member of the CGEM Supervisory Board ceases to hold office.

### **2.4. Obligation to hold shares**

In accordance with CGEM's bylaws, each member of the Board must be a shareholder of CGEM. In addition, as long as they remain in office, the members must hold at least 400 Michelin shares and the Chairman of the Board at least 600 Michelin shares.

These provisions do not apply to members of the Board representing employees.

## **3. Committees**

The Supervisory Board may set up one or more Committees to assist the Board in performing its duties and in preparing its meetings.

The members of these Committees are appointed by decision of the Supervisory Board under the conditions of quorum and majority laid down in the bylaws.

The establishment of any Committee must be included as an item on the agenda so that the Supervisory Board can discuss it in advance, and is decided under the conditions of quorum and majority laid down in the bylaws.

Any establishment of a Committee results in the adoption by the Board of internal rules specific to that Committee defining its roles, responsibilities and practices.

These Committees act within the scope of the duties given to them by the Board and are without any decision-making power.

The Committees' work schedule is included as a specific item on the agenda so that the Supervisory Board can validate it in advance.

#### **4. Supervisory Board practices**

The Secretary of the Board is a person appointed by the Chairman of the Board.

##### 4.1 Notices of meeting

The notice of meeting includes the agenda of the meeting. Save in exceptional circumstances, it is sent to the members of the Board at least 15 (fifteen) days before each meeting by the Chairman of the Supervisory Board or by the Managing Chairman. The agenda of the meeting is prepared by the Chairman of the Supervisory Board, after first informing the Managing Chairman.

All the necessary documents to enable the members of the Board to review the items on the agenda shall be sent to them, or made available on a secure digital platform, within a reasonable period before the meeting. They may exceptionally be submitted at the meeting.

The Supervisory Board meets at least five times a year.

The tentative annual schedule of meetings is prepared by the Board for the following year, during the second meeting of the current calendar year.

##### 4.2 Meetings

Depending on the items on the agenda, the Chairman of the Board may invite the Managers and Statutory Auditors to attend the meetings, as well as the Non-Managing General Partner and any director of the Group entities or departments, after having first informed the Managing Chairman.

When the Board deliberates on the compensation of the Managers and the Chairman of the Supervisory board based on the Compensation Committee's work, it deliberates without them being present.

The Senior Independent Member appointed by the Board may organize, chair and lead executive sessions among the independent members in accordance with Article 2.2 of these internal rules.

Unless specifically prohibited by law, meetings of the Supervisory Board may be organized by secure video conference or other means of telecommunication enabling the identification of the members and ensuring their effective participation. These means transmit at least the voice of the participants and comply with technical specifications enabling the continuous and simultaneous transmission of the deliberations.

Participation of members in Supervisory Board meetings by video conference or other means of telecommunication is taken into account in the calculation of the quorum and majority, with the exception of participation on matters referred to above.

All the necessary documents to enable the members of the Board to perform their duties and consider the items placed on the agenda of the meetings shall be sent to them by the Chairman of the Supervisory Board, by postal or express mail or made available on a secure digital platform, within a reasonable period prior to the meeting. They may exceptionally be submitted at the meeting.

In addition, the Chairman of the Board may, at any time, ask the Managing Chairman to provide any document useful for the performance of the Supervisory Board's duties between meetings of the Board and, in particular, relevant information throughout the life of the Company, if the importance or urgency of the information so requires. This permanent information also includes any relevant information, such as criticism about the Company, press releases and financial analysis reports.

#### 4.3 Assessment of the Supervisory Board's practices

The Board shall assess its ability to meet the expectations of the Company shareholders by periodically reviewing its composition, organization and operation.

The assessment aims at:

- taking stock of the Board's operating practices and procedures,
- verifying that important matters during the year were properly prepared in advance and appropriately addressed,
- appraising the contribution of each member to the Board's work, based on their individual skills and expertise and their involvement in its discussions.

The process for assessing the Board's practices shall be prepared by the Chairman of the Compensation and Appointments Committee together with the Senior Independent Member and the Chairman of the Board, after consulting the Compensation and Appointments Committee.

This assessment is performed:

- annually by the Chairman of the Compensation and Appointments Committee with each member of the Board,
- at least every three years by an external consultant, with its assessment including the assessment of the practices and the individual contribution of each member.

The conclusions of the assessments of each member's individual contribution are provided to them.

Once a year, the Supervisory Board shall devote one item on its agenda to a discussion on its practices.

The report of the Supervisory Board on corporate governance sets out the conclusions of this annual assessment and the description of the activities of the Board and the Committees during the past year in compliance with the French Commercial Code and the AFEP/MEDEF Code.

#### 4.4 Training for Supervisory Board members

Upon joining the Board, the members receive training on the Group's activities. Over the course of their office, training courses may be organized to keep their knowledge on the activities current. The training courses are organized and proposed by CGEM and are covered by the latter.

Members of the Board representing employees receive training adapted to their specific duties.

#### 4.5 Minutes

The minutes of each Board meeting must contain for each agenda item a summary of the discussions, including questions and answers, as well as decisions and opinions issued by the members of the Board.

The draft minutes are sent by the Secretary to all the members of the Board no later than 15 days before the next meeting; the members are invited to submit their comments prior to the approval of the minutes at the meeting.

### **5. Compensation of the members of the Supervisory Board**

**5.1.** In accordance with the applicable law and the Company's bylaws, the Annual Shareholders Meeting:

- determines the total annual compensation payable to members of the Supervisory Board, currently set at a maximum amount of €770,000.00 (12<sup>th</sup> resolution of the Annual Shareholders Meeting of May 17, 2019),
- approves the compensation policy applicable to the members of the Supervisory Board drawn up by the General Partners, which includes the conditions for the allocation of the compensation,
- approves the information concerning the compensation of the members of the Supervisory Board paid during the year or for the past year, with the approval of the General Partners,
- approves the compensation of the Chairman of the Supervisory Board paid during the year or in respect of the previous year, with the approval of the General Partners.

**5.2.** The allocation of the Supervisory Board compensation is defined in the compensation policy presented to and voted on at the Annual Shareholders Meeting.

60% of the total compensation due to the members is based on their attendance at meetings, scheduled in advance, of the Board and the Committees on which they sit.

The compensation is paid during the first or second quarter of the year following the year in respect of which it is due to the extent that, according to the legal provisions and/or the applicable recommendations of AFEP/MEDEF Code:

- the Annual Shareholders Meeting and the General Partners approved the corresponding draft resolutions, and
- the payments concerned were not suspended or canceled as a result of a rejection of the corresponding resolution(s) by the Annual Shareholders Meeting.

**5.3.** The actions provided for in paragraphs 5.1 and 5.2 above shall be:

- prepared by the Compensation and Appointments Committee,
- presented and recommended by the Compensation and Appointments Committee to the Supervisory Board and the Annual Shareholders Meeting.

## **6. Expenses**

The travel and accommodation expenses of the members of the Supervisory Board incurred for their participation in the meetings of the Board or Committees, restricted to a reasonable amount in line with the travel policy of the Michelin Group, shall be paid directly by CGEM, or reimbursed upon presentation of receipts.

## **7. Confidentiality**

The members of the Board undertake not to express their individual views outside of the Board's internal meetings on any matters discussed in those meetings.

Outside the Supervisory Board, only collective views can be expressed, and only by the Chairman of the Supervisory Board or the Senior Independent Member.

As regards undisclosed information acquired in the course of their duties, the members of the Board are bound by strict professional secrecy exceeding the simple duty of discretion.

All information disclosed to the members of the Supervisory Board (presented or made available to them by any means), as well as the discussions, deliberations and minutes or records of meetings of the Board and its Committees, must remain strictly confidential until they are made public.

Any person called to attend a meeting of the Board or its Committees, in whole or in part, is bound by this duty of confidentiality.

## **8. Stock market ethics**

Each member was given a copy of the Michelin Market Ethics Charter, whose purpose is to (i) set out the legal and regulatory provisions relating to the possession of inside information and (ii) inform on the measures taken by CGEM to prevent any violations of securities legislation.

### **8.1. Inside Information**

The members shall refrain from:

- carrying out, on their own behalf or on behalf of third parties, transactions in the shares of CGEM and other listed companies concerned, or on any financial instrument having these shares as underlying assets, to the extent that by reason of their office they hold non-public information such as information relating to the Company's financial results, a project or a specific event that could have a notable impact on the price of the share concerned (inside information),
- disclosing inside information to third parties.

### **8.2. Closed/lock-up periods**

As members of a supervisory body of an issuer of securities traded on a regulated market, under European regulations the members of the Company's Supervisory Board must abstain from trading in the Company shares on a periodic basis.

Accordingly, the members of the Board shall receive on a timely basis the annual schedule of the periods established in line with the publication of financial releases, during which they must abstain from trading in CGEM's shares or any financial instrument having CGEM's shares as underlying assets ("derivatives").

### **8.3. Obligation to report transactions in CGEM's shares**

The reporting obligations were presented to the members of the Supervisory Board on December 1, 2016 and, pursuant to these obligations, the members (i) reported the list of persons who are closely related to them, to CGEM, and (ii) undertook to inform these persons of their reporting obligations.

In accordance with the applicable laws and regulations, the members of the Board and the persons closely related to them must report all transactions carried out in CGEM's shares and its derivatives, in excess of an aggregate amount of €20,000 per calendar year, directly to the AMF.

The members of the Board and their closely related persons must make this declaration within three working days of the transaction, by electronic means via an extranet accessible on the website of the AMF known as [ONDE](#).

In order to enable CGEM to fulfill its own disclosure obligations, the members of the Board shall provide a copy of the declarations which they sent to the AMF to the Secretary of the Board within two days after sending the declarations.

**9. Amendments to these internal rules**

Any amendment to these internal rules are adopted by decision of the Board.

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