



Michelin, a robust and dynamic governance

Monday, 7th December 2020

Welcome

Florent Menegaux

Managing Chairman, Michelin

Welcome Address

Good morning, good afternoon to every one of you. Thank you for joining us for this unusual but first Corporate Governance by Michelin. I am very happy to welcome you to have this discussion. I just want to re-emphasise the fact that we have applied very strict sanitary measures, so all of us when we will be sitting will be wearing face masks, and only when we will be here talking that we will take off our mask.

I want to remind everyone that you can start asking your questions starting from now and that a specific question-and-answer session will be forecasted in the second part of the session.

Let us first start by a quick introduction of speakers with me today. We start with Yves.

Yves Chapot: Yves Chapot, I am a Group General Manager and Group CFO.

Barbara Dalibard: Barbara Dalibard, I am the CEO of SITA and I have been part of the Michelin Group for the past 11 years.

Michel Rollier: Michel Rollier, I Chair the Board. I joined Michelin in 1996, and I was elected General Managing Partner in 2007, and stepped down in 2012 and joined the board in 2013, and I have chaired the Board since 2013.

Thierry Le Hénaff: Thierry Le Hénaff, I am Senior Independent Director of Michelin and the Audit Committee. I have been appointed Chairman and CEO of Arkema in 2006, and I have still the privilege to be at the head of the company.

Introduction

Florent Menegaux

Managing Chairman, Michelin

Specific Terms of the Partnership Limited by Shares

Very good, thank you. Thank you all for participating. Let me just start with a quick introduction. As we will be having some very specific talks, let me introduce you to the wording we will be using towards the presentation.

The first, on your right, you will see the key wording we will be using. When we refer to the 'Managers', we are talking about the Managing Chairman and Managing General Partner, myself, and the General Manager, Yves Chapot. When talking about the 'General Partners', we are talking about, again, myself, Managing Chairman and Managing General Partner, and

we are talking about the Non-Managing General Partner, SAGES. Then, when talking about the 'Supervisory Board', we are talking about the Chairman of the Supervisory Board, Michel Rollier, the Senior Independent Director, Thierry Le Hénaff, and the Supervisory Board with the Board members; and, of course, the other party to our governance, of course, the shareholders in this limited partnership.

Robust and Agile Governance Structure

Organised as a partnership limited by shares

When we move into the next element that you should see on your screen, we wanted to organise this session to reinforce the fact that our assessment of our governance is that it is robust and agile. The Compagnie Generale Des Etablissements Michelin (Michelin) has been organised since its foundation as a partnership limited by shares. We call it in France *societe en commandite par actions*, which we think is a very flexible legal framework.

With customised characteristics

Over the years, Michelin has crafted through this framework a unique and balanced governance structure, that is a key driver of its sustainable long-term success, robust corporate culture and shared values.

Continuously enhanced

Michelin constantly reviews and improves its governance and implements safeguards to provide all the necessary controls and oversight to ensure your shareholder protection and convergence of interest between all the different stakeholders.

Serving the company and its shareholders

This corporate structure provides stability and helps to protect the company against short-term pressure that could be detrimental to shareholder value. The success of Michelin has been achieved since its creation, and it is the best testament that its governance has served the company and its shareholders in an efficient manner.

Let me leave the floor and let Michel Rollier talk you through the main evolutions.

Corporate Evolution

Michel Rollier

Chairman of the Supervisory Board, Michelin

Dynamic Governance

Voluntary, proactive changes

Thank you, Florent, for this clear introduction to our governance. And to rebound on what you have just said, and before elaborating the different pillars, I would like to highlight how dynamic our governance has been since 2011.

Before 2011, there was only one significant change, which took place in 1970, when the shareholders approved the creation of SAGES as a Non-Managing General Partner. I will come back later to the key role of SAGES in our governance. The key point was that in 2011, following the review of our by-laws, there were two significant changes. The first one was that the Supervisory Board became a key actor of our governance with its powers of

control. Its mission has been enriched in the interest of the Group. As a consequence of that, its core position being opened to new horizons. Secondly, Managers' mandates have been limited to four-year terms, renewable and revocable, compared to unlimited mandates before.

Since 2002, you can see on the screen, that successive voluntary and proactive changes have been applied to our governance at instigation of the Board and the Managers. I can say today that not only Michelin meets the expectation of the Afep/Medef Code, but also, it keeps on constantly reviewing and improving its practices to make sure that shareholders' interests are better served.

Michelin Governance Pillars

Clear segregation of duties, double-check and balance oversight

Now, let us discuss Michelin's governance today. It relies on four fundamental pillars, the first of which being the shareholders to whom the Managers report on the business of the Group. The second pillar is the Supervisory Board, which exercises permanent oversight of the company's management and assesses its quality on behalf of the shareholders. The Managers that administer and manage the company today, as already indicated by Florent, we have Managing General Partner, Florent Menegaux, and a General Partner, Yves Chapot. Lastly, the Non-Managing Partners, such as SAGES, Societe Auxilliare de Gestion, already mentioned in this presentation, which has a role in the succession and remuneration processes, but it has absolutely no role in the management of the Group. Just the last point that you will notice on the screen is that there is a clear segregation of power between management and Supervisory Board in our governance.

Let us now go into detail on each of the components of this governance, who has proved its efficiency over time. I will start with the shareholders' key role in the governance.

Annual General Meetings

Ordinary and Extraordinary Shareholders Meetings

The meet in Ordinary and Extraordinary General Meetings as in any corporation. However, beyond the classic prerogatives of a general assembly, I would like to point three specificities. First specificity: Managers are elected by the shareholders meeting. Secondly, Supervisory Board Members are proposed to the shareholders by the Supervisory Board and elected after by shareholders. However, what is key is that management is not a member of the Supervisory Board, and that they do not take any part of the Supervisory Board as they do not participate to the Board to elect board members. Then we have Extraordinary Shareholders Meeting resolutions which are subject to the General Partners' approval.

Supervisory Board

Provides shareholders with effective oversight

Getting to the Supervisory Board now, it exercises permanent oversight of the company's management and assesses its quality on behalf of shareholders. It also performs specific duties regarding corporate governance and executive management. In its mission the Supervisory Board is supported by three committees: an Audit Committee, a Compensation and Appointments Committee, and a Corporate Social Responsibility Committee.

As part of its missions, it oversees and assesses the management of the Group by the Managers, with periodic review of the main components of the Group management. The Supervisory Board is regularly exposed to the Group's senior executives, the provision of a formal recommendation to the Managers for specific operations and commitments. All these oversight activities are broadly described in the Universal Registration Document. I did mention earlier that the Supervisory Board also performs specific duties as regarding corporate governance and executive management.

Specific duties regarding corporate governance

Regarding corporate governance, the Board must approve or not the Managers' renewal, their dismissal and severance payment. The Board makes a recommendation to the shareholders on the appointment of new Managers' and their compensations. Also, the Board determines the manager compensation performance criteria and assesses the Managers' compensation performance target achievement.

Specific duties in relation to the Group's executive management

Then when it comes to duties related to the Group's executive management, the Board makes a recommendation on the following points: succession planning for members of the Executive Committee, diversity objectives within management bodies and corresponding action plans, and compensation policy for members of the Executive Committee. On the right part of the slide, you have a list of best practices applied by the Supervisory Board: yearly evaluation, with an external evaluation every three years; induction policy; executive session; high level of attendance and Board diversity policy. Thierry Le Hénaff will come back to these duties later, regarding managing appointment and remuneration, and some of the best practices.

The Supervisory Board members

After having described the missions of the Supervisory Board, let me introduce you to its composition: 11 board members, including myself, two employee representatives – Delphine Roussy and Jean-Christophe Laourde – who have just joined the Board a few weeks ago, by application of the French law pact[?]. I remind you before this law was voted, Michelin's Supervisory Board already had a Michelin employee elected by shareholders. We have one Senior Independent Director, Thierry Le Hénaff, 50% of its members are women, when excluding the Chairman, and as I already said, three committees: Audit Committee, chaired by Patrick de la Chevadiere; a Compensation and Appointments Committee, chaired by Jean-Pierre Duprieu; and a Corporate and Social Responsibility Committee, chaired by Monique Leroux. All the chairs of those committees are independent, and the detail and wide scope of the Board's skills – and this is key – shows that it is in the position to efficiently oversee its missions and challenge the management in its operation.

Managers

Responsible for administering and managing the company

I have elaborated on the key roles of the shareholders and the mission of the board, two of the four pillars, let us spend some time on the role of the Managers, I guess their mission is particularly for all of you. They are accountable to shareholders for administering and managing the company. Currently, Michelin is run by two managers – Florent Menegaux, and Yves Chapot – elected in 2018 by the shareholders on the proposal of the Non-Managing General Partner, and following the Supervisory Board's positive recommendation. Florent

Menegaux is Managing Chairman, is also General Partner of the company and, as such, has unlimited personal liability for debts incurred by Michelin. Shareholders should consider that any significant mismanagement putting at risk the Group's survivability would cost him everything he has, and as a consequence his management leads to long-term focus. The Managing General Partner shares this unlimited debt responsibility with the Non-Managing General Partner.

Non-Managing General Partner

SAGES at a glance

Here, I get to the fourth pillar of the governance, the Non-Managing General Partner, the Societe Auxilliaire de Gestaion, SAGES. SAGES, whose application was approved by shareholders in 1970, has absolutely no role in the management of the Group except if the management position were to be vacant, and this would be for an interim period of a maximum of one year.

Its key role is in the succession and compensation process in very close collaboration with the Board, and you will see how it works in a few minutes. SAGES shares with the Managing General Partner, Florent Menegaux, its unlimited liability. This is why SAGES receives distributable earnings, which are mainly allocated to a contingency reserve fund. The portion of the Michelin profit paid to SAGES is capped, and only paid if Michelin makes profit.

Lastly, SAGES is rules by three groups of shareholders: one group composed of Michelin family members, one group composed of current or former Michelin executives, and one group composed of qualified and independent persons from outside Michelin. The three groups have the same shareholding and the same number of seats on its Board of Directors. The composition of it is detailed on the bottom-right part of the slide.

In addition, we would like to highlight that SAGES promotes transparency and strengthened alignment of interest of all stakeholders with the presentation of the Non-Managing General Partner and the this comprehensive overview of the pillars of Michelin governance, whose structure is robust and agile, and has proved its efficiency all along to Michelin with its long and rich history.

I would like now to give the floor to Barbara Dalibard, who will present you the key role of Independent Board Members. Thank you.

The Benefits of Michelin's Governance

Barbara Dalibard

Member of the Supervisory Board, Michelin

Independent Board Members Overview

Independence criteria are part of the diversity policy

Thank you very much, Michel. Good morning and good afternoon, everybody. As a former and the first Senior Independent Director, I am very much attached to the key role of the Independent Directors within the Supervisory Board.

Two executive sessions are organised per year

It is absolutely essential to always ensure that the voice of independent directors can be expressed in the strongest way. This is why at least two executive sessions are organised every year, without any presence of non-independent directors, and they address any kind of topic they think is relevant and, of course, specifically, the composition of the Board and its committees, the members' assessment of the presentation made by the Manager to provide any kind of feedback, suggested topics to be discussed in upcoming meetings of the Board, and also the allocation of the total compensation awarded to the Supervisory Board.

Independence within the three committees

Also, in order to strengthen the efficiency of the oversight of the management, 100% of the Committee Chairmen are independent, and by the way this is why I hand over to Jean-Pierre Duprieu the Compensation Committee; and the Compensation Committee review every year the independency of every single member of the Board. Thierry Le Hénaff, who is with us today, and is our new Senior Independent Director, his role is absolutely key to ensure the right functioning of the Board. He receives information which is about the self-assessment of the Board. He meets regularly with the Chairman to express the feedback received from the independent Directors. Also, of course, he reports his subject to the Board.

We think that today the organisation is suitable for carrying out effective oversight of the Group management and ensuring that the interest of the shareholders are correctly considered every time when a very important decision has to be taken.

I will now hand over to Thierry, who will share our governance through the review of some of our key processes. Thierry?

Governance

Thierry Le Hénaff

Senior Independent Director of the Supervisory Board, Michelin

Introduction

Thank you, Barbara, for this introduction. It is by appointment of the Supervisory Board of Michelin, I had the opportunity to appreciate how the Board was working. In particular, how its processes positively contributed to the performance of the company, the development of a value creation strategy and robust control of the Group's operations. As now a Senior Independent Director, I am particularly attentive to the efficiency and the fluidity of Michelin governance, its alignment with the shareholders' interest, and a strict respect of the balance of powers. Rather than a general overview, we thought that presenting a few key examples of processes would be the best way to underline the strength of Michelin governance.

General Managers – Succession Planning

Robust formalised process

Starting with the General Managers succession planning, you must be aware that it is a robust and formalised process that strongly involves the Supervisory Board, the Compensation and Appointments Committee, the Non-Managing General Partner, and, of course, the shareholders meeting. The policies concerning the Managers, including career and succession

plans, are developed jointly with the Non-Managing General Partner and the Compensation and Appointments Committee.

In particular, the committee reviews periodically the succession plans and career plans of key executives and assesses their performance. As you can see on the right part of this slide, the Non-Managing General Partner proposes the appointment of a manager. The Supervisory Board makes a formal recommendation to the shareholders, who elect or not the manager proposed by SAGES. When it comes to the renewal or dismissal of the Managers, the process relies on SAGES and the Supervisory Board only. Of course, the Board approves or not the proposal of renewing or dismissing a manager takes its decision in the best interest of the shareholders it represents.

Non-Executives – Nomination Process

Independent process

When it comes to the non-executive nomination process, only the Compensation and Appointments Committee, the Board, and the shareholders are involved. Except for the employee representatives, who are appointed in a different manner, the Board members are elected by the shareholders for a four-year term following an independent process led by the Compensation and Appointments Committee. From the Board's assessment conclusion to the induction of the new member, you can see on this slide the different steps of the nomination process, which ends with the shareholders vote.

Two key elements characterise this process. Whatever the need for a new member, an in-depth and frequent reviews of the required skills is performed to ensure efficient deliberation of the Supervisory Board on Michelin's key issues. When there is a need for a new member, an independent selection process is led by the Compensation and Appointments Committee with the help of an external consultant. This process includes interviews that result in a selection of the candidates submitted to the vote of shareholders. General Partners are not allowed to take any part in the vote of shareholders related to the election of a non-executive member.

Let us now move to the Managers remuneration process.

Managers – Compensation Process

Streamlined process with additional benefits for shareholders

As you know, this is the Ordinary Shareholder Meeting which approves or not the compensation policy for the manager through the ex ante vote, and the compensation awarded to the manager through the ex post vote.

Annual compensation policy

For the annual remuneration policy, as for the assessment of result, which leads to the compensation paid or awarded, the process is composed of four steps, which involves the Compensation and Appointments Committee, the Supervisory Board, the General Partners, and the shareholders. As you can see, the roles of the Board itself and its Compensation and Appointments Committee are critical in this remuneration process. Both of these instances ensure the respect of Michelin's and shareholders' interest.

The remuneration policy is designed to increase the performance and the competitiveness of Michelin in a sustainable way, supporting the Group's corporate interest in accordance with

Afep/Medef Code. The Manager's compensation consists of a fixed part, a variable part, which is predominant and depends on the achievement of demanding quantitative and qualitative objectives. These targets relate to the Group's main performance indicator which also apply to the whole Group. The variable part is spread between an annual variable compensation, including one ESG criteria, and a long-term incentive subject to existing conditions and including two ESG criteria. The Committee particularly ensures that the amounts paid or awarded to the Managers are proportionate and consistent with the company's performance and the industry and market practices. It considers inherent variability of the company's profit, its projected future profit, and in the case of the Managing Chairman and General Partner, the fact that it is in a specific situation having an unlimited joint and personal liability for the company's debts.

Board's Assessment of Management Quality

For example, the M&A process

The last topic I would like to describe is how the Board exercise an effective supervision of the company's management. To do so, I will take you through the M&A process which, as you know, has taken some importance over the last few years.

The Supervisory Board reviews all M&A large projects above €50 million, and issues a formal recommendation before any non-binding LOI is signed. That means that the Board intervenes at an early stage of the process. Every quarter the Board reviews deal flow. Twice a year, Managers report to the Supervisory Board on the acquisitions carried out over the last four years, such as, for example, Fenner, Camso, Multistrada. Every acquisition is assessed based on precise criteria, including strategic fit, quality of management, synergies, and certainly, value creation. Lastly, Supervisory Board meetings are organised when required to review the key milestones of merger and acquisition.

By sharing with you the presentation of these four processes, I hope I was able to show you that the Group's government works very well and seamlessly. Finally, as a Senior Independent Director, I can assure you that a strong desire for transparency, the protection of shareholders' rights, and the continuous push for progress are at the heart of Michelin's corporate governance.

As a matter of fact, in a more and more complex and demanding world, continuously improving the Group's processes in order to meet the best governance practices and further develop the efficiency of the Board has clearly been Michel Rollier's constant concern over his tenure as Chairman of Michelin. Let me now hand over to Michel.

A Continuous Improvement Process

Michel Rollier

Chairman of the Supervisory Board, Michelin

Backbone Principles of Michelin Governance

Common and thoughtful principles over the years.

Thank you, Thierry. I would like now to illustrate two major evolutions which have occurred in 2020 and which have kept on enhancing the governance of the Group.

The first one is the creation of the Corporate Social Responsibility Committee, which was announced during our last shareholder meeting earlier this year. As you know, since the beginning of its history, environmental and social consideration are in the DNA of Michelin's identity. Our innovation has always been geared towards environmental respect and customer satisfaction. Michelin is proud of its employees' engagement all over the world.

Board Evolution

Streamlined process with additional benefits for shareholders

In 2013, we publicly expressed that [inaudible] purpose. Given the greater expectation of our stakeholders regarding those topics, we have decided to embody environment and social assessment in the Supervisory Board with the creation of the CSR Committee. The CRS Committee has three independent members: Anne-Sophie de La Bigne, Jean-Michel Severino, who had just joined the Board, and Monique Leroux, who Chairs the committee.

The second evolution that has occurred this year is the appointment of two representatives of the Supervisory Board on the Supervisory Board. This appointment has followed an appropriate designation method allowing with the specific characteristic of Michelin and taking into account the results of the recent elections of employee representatives.

Our new colleagues will follow a formal induction process, including SciencePo certification, international onboarding process and so on.

Board Chairmanship Succession Plan

Then let me make a last point, last not least. At the 2021 shareholder meeting, the time will have come for me to leave my position as a Chairman of the Supervisory Board and I will be honoured to let this mission to Barbara Dalibard.

No need to remind you that Barbara Dalibard is a highly experimented person, currently CEO of SITA, SITA being an international leading air transport, IT and communication specialist, who knows very well Michelin, as she has been the Board member for the last 12 years. Independent Chairwoman of the Compensation and Appointments Committee from 2015 to June 2020; Senior Independent Director from 2017 to June 2020; External Member of the Michelin Corporation Innovation Board from 2013 to 2020.

My succession is a result of a streamlined process, during which the Supervisory Board examined potential external and internal candidates. Upon the recommendation of the Compensation and Appointments Committee and based on the succession plan, Barbara Dalibard has been unanimously selected by the Supervisory Board to be the next Chairperson of Michelin.

Let me say that after having interacted with Barbara Dalibard for more than 12 years, she has all my trust and I am very confident that she will do very well in her new mission.

Barbara, would you add a few words?

Additional Remarks

Barbara Dalibard

Member of the Supervisory Board, Michelin

Thank you very much, Michel. Thank you for your kind words. I would be very honoured to take your succession as the Chairperson of Michelin.

I have to say that during the last year I have developed a very strong passion for Michelin, its business, mobility, which is dear to my heart, its values. We mentioned transparency, respect of the facts.

I would say also humility but also the innovation part. So once again, I have lot of esteem for this company. And with Michel, that I would like to thank him for his support, but also for all the learning I have had during these years.

We went through a lot of changes that have been described today and trying to adapt the governance of Michelin. I have been witnessing and be part also of this evolution, to make sure that we implement the best practice. And I would like to convince you that I will make sure that we always benchmark ourselves and try to continue this journey. So we thank you very much for your support and I am looking forward to work my colleagues with Florent and Yves and make sure that Michelin is very successful on this market.

Thank you very much.

Conclusion

Florent Menegaux

Managing Chairman, Michelin

Transparency and Disclosures

Thank you, Barbara, and welcome on board as they say in the business you are in right now. Transparency and disclosures. I hope we have been convincing you that we are really working in the interest of the shareholders and making sure that all the stakeholders have only this in mind.

You have a large amount of detailed information already disclosed in the universal reference document, like the governance, participant, composition, roles and responsibilities, the Board skills, the information about the components of the compensation paid, ex ante exposed to the managers, to the Board members with report on activities of the Supervisory Board and the Committees.

We are going to go one step further with detailing more information about the SAGES and the link between the Supervisory Board and SAGES when it comes to the managers' appointment and the compensation process.

We will have further detail on the Statutory Auditors policy, rotation, independence, and also on internal rules of the Supervisory Board published on Michelin.com. We have organised regular touch points with stakeholders about the governance. So you see transparency and disclosures are clearly at the heart of everything we do.

So now we have finished our formal presentation. Thank you very much.

Q&A

Question: Why do you consider the partnership limited by shares to still be an appropriate legal framework?

Michel Rollier: Okay. Maybe in a few words. First of all, it is clear that Michelin has been organised as a general partnership since its creation in 1889, but it is a very specific legal form, that is true. But at the same time, it gives a framework which is very flexible and I think this is a key point.

And you will notice, you may have seen in my presentations that all over the last ten years we have been able to stick to the legal form, and at the same time, reinforce significantly our management, the organisation and serve better our shareholders. And I think this is a key point.

So today, I think there would be no reason to change and no reason not to keep this legal form. Maybe I should ask one thing. Michelin is a business which is geared towards long-term. We have to take long-term decision. It is our business and addressed the same as we have demonstrated over the last ten years. We can at the same time guarantee the long-term view for the management and life, and at the same time serve our shareholders and allow them to be reassured regarding how the business is overseen and oversight in behalf of the shareholders.

There is one specific point maybe which has been very well highlighted in this presentation and specifically by Thierry, which is the role of the specific general partnership. Again, it is a non-managing partner and it is in our bylaw. And it plays a role, you may have seen, which has been clearly described by Thierry.

And I think this role, which is operated in close relationship with the Board, proved to be very efficient. And let me just highlight that in 2018 when it comes to the transition and nomination of new partners and new managers, Yves and Thierry, it worked very well. So again it works. I think it guarantee on one side, it ensure on one side, keep long-term orientations and at the same time I think we have been able, over the ten years, to prove that shareholders are well protected and well informed.

It is a very open legal entity. I would say we are very open. I have seen Florent did mention just before that there is number of touch points between shareholders and the management. And this is key. So again, we are very open company. I think we serve our shareholders. We are a successful company. We are among the best players in the tyre industry. So that is fine.

Question: How does the current collective skill set of the Board match the company's strategic plan?

Barbara Dalibard: Yes. We have been working a lot as part of the Compensation Appointment Committee and the Board to define the way to recruit new Board Members. So we try to have as much diversity as possible, all kinds of diversity, geographical. Make sure

that the people who are there match our markets, but also look at seven different skill sets and make sure that we can basically tick all the boxes.

So just to take an example, the appointment of Jean-Michel Severino was very much frame along this way to try to see what kind of compensations were needed at the Board level. And Jean-Michel I think is matching that. And unfortunately, we will have to replace Michel. This is, I can tell you, a very tough action. But we are, of course, going to target somebody with a strong background in the automobile industry in order to make sure that this kind of competencies are present at the Board.

So we have this review permanently. We adapt the skills to make sure that we have the best set.

Yves Chapot: Maybe Thierry, you want to complete?

Thierry Le Hénaff: Yes. To complete what Barbara had said, I would like to say that it is not only the individual skill of everyone. I think it is also the way the Board is working, the meetings of the Board are working and there is a strong dialogue, an open transparency between each member of the Board and also with the management.

So I see not only the skills are very well defined and implemented, but the way they are bringing to each other, I think, is very impressive is my feelings since now I have been in the Board for nearly two years. And this is a feeling that I get at each Board meeting.

Question: Regarding the way the Board oversees the management during the COVID crisis, did you have special Board meetings during the COVID-19 crisis?

Michel Rollier: Yes, the answer is yes. We had several Board meetings during the crisis which were mainly focused on two points. One, ask management to guarantee that safety of our employees was clearly ensured, and second point was very obviously to make sure that everything was made to guarantee the cash position of the company and [inaudible] was not confirmed using screens and so on. Thank you.

Yves Chapot: Maybe Florent you may add some points.

Florent Menegaux: As managers, we regularly inform the Board on the evolution of the situation. So we had two meetings in March. We did several simulation, financial simulation to have the cash stress points to understand where we would be. So we had also an update in April and May. And as we exited the crisis in most countries around the world just before the summer, we stopped this but we had our more formal meetings. And we did not have special meeting since the second wave that hit Western Europe.

Speaker: Yeah. So just to add to Florent to make the link with the previous question, also it was the opportunity for Michelin's management to benchmark with what was happening in other companies because we are, in the Board, many of them also having the same crisis to hand on and I think to have a very rich conversation from this standpoint.

Question: Regarding the compensation of managers, so are environmental and social metrics included in remuneration considerations? And how do they align with the sustainability strategy of the company?

Barbara Dalibard: Absolutely. So we started, I would say, this journey to implement this kind of measure very soon in the process and of course before we create the CSR. So both

for the short-term incentive and the long-term incentive, we have integrated these kind of measures. So employee safety, of course, is key, so a measure by the TCIA[?]. There is also, I would say, the environmental footprint of Michelin, which is followed and part of the long-term incentive, as well as the engagement trait.

And basically one of the things we will discuss with the new CSR committee is these measures, the evolution of these measures, to make sure that it is very much linked with the strategy of the company and the objective we give ourselves from this standpoint.

Yves Chapot: Regarding the structure of the existing committees within the Board, is the current committee's structure optimal?

Barbara Dalibard: I can start perhaps because it was one of the discussions we had during one of our executive session. So Thierry with myself, and we ask ourselves we had at the time two committees, the Audit Committee and the Compensation Committee. So we looked once again at all the topics we had to manage within Michelin and there was a consensus to decide to create this CSR Committee.

And what we have been doing also is to really, and here, Michel was in the driving seat, to look at the scope of this committee, make sure it was matching the scope of the different committees and there was nothing dropped, I would say, but also everything included between the committees. So just to take an example, the CSR will follow the long-term diversity objective of Michelin in terms of employees, where the compensation committee is more looking at, let us say, the talent pool and the management pool.

And when it comes to the risk management, there are also some environmental risk. So there are, I will say, supervised by the audit committee. But I will say the details will be, of course, managed by the CSR Committee. So yes, we think that we have a good structure, but of course we will discuss it on a permanent basis. And I am sure that Thierry will bring us some new ideas.

Michel Rollier: Yeah. Thank you, Barbara. And also we can add that the level of independent inside each committee is quite large. And I think it is a very important point. So because of that the committee are very complementary to the role of the Board.

Question: Does the company legal structure inhibit risk-taking or does it prevent contemplating bolder steps to reposition the portfolio of businesses?

Michel Rollier: I can start maybe. In fact two questions, does the legal structure inhibit risk-taking? No. It does not guarantee one, that the general managing partner is fully responsible. And being responsible does not prevent you from taking risk. It just oblige you to take reasonable risk. That is the first point.

And you may have noticed looking at what we have been doing over the last years that we have taken some bolder steps to reposition the portfolio business and there comes so and some other activity which have been acquired. So my answer is very clear. It does not inhibit risk, but it puts maybe a bit more pressure on all the actors when it comes to risks taking. Maybe Florent you should add a word.

Florent Menegaux: Yes, absolutely. In the interest of the company, we are able to make strong strategic decisions and bolder decision. The beauty of our corporate governance

structure is that I have a lot of interest in seeking advice from the Board and making sure that before making a decision, before making a move, I have really consulted largely.

Question: Is the Board considering the use of derogatory powers for next year's remuneration due? And if yes, in what conditions?

Barbara Dalibard: Yes. I would like to start by the decision that have been taken this year, I would say, related to remuneration, because as you have seen and I explained it during the last general assembly, the management decided to decrease significantly their salaries. And this was really a very strong action that was taken and well possible within the company.

So we are looking at it. We have not taken any decision so far. We will look at it as they think the different elements of this. Once again the efforts that have been done by the teams everywhere that perhaps needs to be compensated when in 2020 there was a strong decrease in the management compensation that was by the way due at a given point. So it was a proactive move.

So we have not decided. We will look at it and come back to you during the next AGM.

Question: So what is the Supervisory Board's role in the risk management framework of the company? Is there a specific committee of the Board in charge of specific industry risks?

Michel Rollier: The audit committee is clearly in charge of specific industry risks. It is responsibly to analyse and consider the cartography, which is made, and to assess the evolution and how each risk is clearly taken in charge, and if needed, right mitigation are found. So again, it is an audit committee. And the audit committee clearly reports to the Board on the specific item. May be Thierry?

Thierry Le Hénaff: Yes, I could add that in the Board itself for every big project, major project which is presented by the management. We have a clear analysis of the potential risk of the project, which is presented and where it could lead us. And there is also on top of the audit committee, especially sensitivity of the Board members on the risk issued[?] and for each major project presented, we look at it quite in detail.

Barbara Dalibard: And also perhaps, as I mentioned, if I may add this, within the CSR Committee, they will have a deep dive, I would say, in the ESG risk and opportunities. It will be of course feed the audit committee as described by Michel. So this is one of the articulation we have tried to implement between the different committees to make sure that we could go deep enough and broad enough.

Question: Have there been an example of where Supervisory Board has pushed back on M&A proposal from the management?

Barbara Dalibard: I do remember at least one case where we had a lot of discussion and it was quite interesting coming back to the diversity of Board members. We had some questions that were coming from different angles, the financial angle, the risk angle, the technology angle. So in some cases, yes, we did some push back. I think it is not a black and white discussion. At the end, it was a management decision, of course, to decide not to go. But I would say very much fed by our discussion at the Board.

Question: Does unlimited personal liability in a partnership structure results in managers being overly conservative in terms of targeting growth, M&A, new opportunities? Does it also

result in a lazy balance sheet as a management first priorities to minimise risk rather than target growth? Finally, how does your responsibility to employees tie in with the need to address your excessive fixed-cost base in Western Europe?

Michel Rollier: That is different questions at the same time. Regarding the first point, I think I already answered. No, the consequence is not a concern to be too conservative and we have given example of new M&A opportunities which have been seized. It is clear that we look at them very carefully. It is clear that Florent knows his responsibility. But the strategy of Michel is a strategy which is very offensive.

We are for growth. The second point is lazy balance sheet, no. Between 2000 and 2010[?], there was a clear focus on cash. We have clearly had[?] to reinforce our cash position. Just keep in mind that over the last years we have made some share buyback which gives clear proofs that we want to optimise at the same time the return on capital employed.

Regarding the third point, yes, we need to address your excessive fixed-cost base in Western Europe. I will ask Florent to answer that.

Florent Menegaux: The first element is that I have, with Yves, only the interest of Michelin in the medium and long-term, and therefore, the interest of the shareholder insight. And you are going to see in April that we have very ambitious goals and targets. So none of the corporate structure inhibits anything. And it is more due to the choice that the SAGES and the Supervisory Board are making in appointing the managers that are going to run Michelin.

The last element is about the restructuring. We have a duty to make sure that we have a strong social cohesion in Michelin. The reason why the Group is performing is because we have been able, over the past years, to reinforce the cohesion. So therefore, we have a duty towards the people that may suffer from restructuring to accompany them and to help them find new stable positions.

So none of this has inhibited us from making restructuring or repositioning of fixed cost based in Western Europe. The fact that it takes some time is because we have to sometimes reallocate production. We have to rethink the way we organise our production. And that is why sometimes it may seem to be longer than what somebody would expect.

But I can assure you that, as Michel mentioned it, we are in a long-term business. And making this kind of move takes time. And we have been very active. And I can justify that for the past now 20 years, we have heavily changed our footprint, heavily, not only in Western Europe but also in many other parts of the world.

But all the time, every time we have taken the same commitment. First, we wanted every employee that would be affected by the decision to have a new stable position and we stay there up until there for the new position. The second commitment we make is that we are going to revitalise. We regenerate the equivalent number of jobs that have been lost in new positions in different businesses everywhere we have had to intervene.

Question: How can Michelin take the lead in Europe's moves towards the green economy?

Florent Menegaux: I think we have already shown that for many, many years. First was with the invention of the radial. It was really a revolution because we could carry more load

with far less fuel consumption and with using far less tyres. So it was the first commitment. And in Michelin's DNA, we constantly have that in mind.

Our purpose is we care about giving people a better way forward. And therefore, everyday we do, we try to enhance and improve everything we do.

So the second element has been in 1992 when we have invented the low rolling resistance tyre and we were the first one. At that time, nobody was caring about what we had invented. Now it is really a determining factor in the tyre industry, and almost everyone is moving to that technology now.

We have also made some bold moves. We were talking about bold moves. We have, for example, started our investment in the hydrogen fuel cell 15 to 20 years ago, because we had anticipated far before this became on top of the agenda. We had anticipated that electro-mobility would be crucial. So therefore that is why we had started to work on technology that would impact the new power of engines.

So we are constantly moving into the same direction and all the time, we call it all sustainable. We try. We are finding the best equilibrium between profit generation, people development and the environment.

Question: Can you elaborate on the new corporate social responsibility committee?

Barbara Dalibard: So as I said, we decided to create this committee last year and also with some strong involvement of two of our previous Supervisory Board, Monique Leroux and Anne-Sophie de La Bigne. And as I said, it was part of the decision process to appoint new Board members to also ask have somebody with a profile of Jean-Michel Severino that we are welcoming at the Board.

So basically we decided to have a broad scope for this CSR group related to both, I would say, the environmental landscape, which is, of course, by definition, but also diversity looking at ethics, compliance, health, safety, once again, not overlapping with the other committees but trying to make sure that we look at CSR in the broadest sense.

So in order to do that, we have benchmarked the similar committees in different large companies. And together with Monique, future chair, and now chair, Michel and myself, and we look at the different elements of the scope in order to make sure that we would have once again good complementary functioning with the other committees, but also the broader scope to this committee.

Question: What is the company's policy regarding related-party transaction. Are they subject to Board's approval?

Michel Rollier: The answer is yes. I think this is the answer which was expected. I have nothing to add. The answer is yes subject to Board approval.

Question: Can the imposition of a European Union carbon border tax limit the flow of imported Asian tyres to Europe? Is not this important from an ESG perspective?

Florent Menegaux: Possibly. The EU carbon border tax may limit the flow of imported tyres from wherever they come. I think for many, many years now we have pushed regulatory environment that gives fair rules of the game in international competition. We, at Michelin, we like competition because it strengthened you. So it makes you stronger.

However, it makes you stronger for as long as your competitor is applying with the same rules of the game than you. So this idea of carbon tax at the EU border maybe a good idea. It has to be a very well synchronised also with what is happening in Asia, China and North America. But in principal, it can be very positive.

Yves Chapot: So I think there is a last question coming on our corporate purpose.

Florent Menegaux: The Michelin's purpose is we care about giving people a better way forward. That is basically our purpose. So we do this in two elements. One is making sure that the world is in motion and that we help people in their mobility and we enhance their mobility. And the second thing is life in motion means also making sure that people, whether inside the Group or even interacting with Michelin, people are also developing while interacting with Michelin. That is basically our purpose.

Yves Chapot: Okay. So thank you very much for your question. This was the last question. And I will let the floor to Florent for a few words of conclusion. Thank you.

Florent Menegaux: Thank you, Yves. We, I think, had a very interesting session. So thank you very much for your questions and for your interest in our corporate governance. So we will be interacting with you in the future. And you will tell us whether you think this type of session is useful for you.

We created this specific venue because we never have enough time to go into detail on our governance. And here and there, we receive questions that show that our governance may not be as well understood as it should be. So we wanted to be totally transparent with all of you. So thank you very much for your participation. I extend my thanks to Michel Rollier. We have plenty of time during now and our May or June Annual General Meeting.

But thank you and thank you to Barbara, thank you for Yves, and thank you to Thierry to participate to this event. And we will see you soon in 2021 and I hope without mask. Thank you.

[END OF TRANSCRIPT]