Answers to written questions submitted to the Annual Shareholders Meeting

Business

Questions submitted by the Shareholder Consultative Committee

Michelin recently announced a partnership with Sweden’s Enviro to transform used tires into raw materials, and the Group also uses recycled metal in its tires. Are you undertaking any other initiatives in support of the circular economy?

Michelin has partnered with Enviro to develop and mass produce an innovative pyrolysis technology to recycle end-of-life tires. This investment in Enviro is a good illustration of our commitment to developing our activities in the area of recycling and sustainable materials.

During our Group’s long history, our teams of physicists and chemists have acquired exceptional expertise in High-Tech Materials, their simulation, their production process and scale-up and their applications. We constantly enhance this recognized expertise through research partnerships, internal innovations and targeted acquisitions.

For Michelin, these High-Tech Materials are a key driver of its “All Sustainable” vision. In the same way as for the Biosourcing and Renew projects, the innovative recycling technologies of the High-Tech Materials business contribute to our vision of a balanced development strategy that meets emerging needs while preserving our planet’s resources.

Which avenues of research is Michelin pursuing to improve a vehicle’s energy efficiency by lowering the rolling resistance of its tires?

We believe that mobility has to be safer, more affordable, more efficient and more environmentally friendly. These demands all represent opportunities to demonstrate the value of our technologies in meeting the expectations of our customers and modern society.

One way of achieving more environmentally friendly mobility is to use tires as a means of improving a vehicle’s energy efficiency. To this end, we have developed two approaches, each of which has opened up potential avenues of research and development:

a. Making vehicles more energy efficient by more effectively managing the materials used to make tires:
   i. 20% of a car’s energy, and 25% of a truck’s, is used to overcome the rolling resistance of its tires.
   ii. Since 1992 and the launch of Energy Saver, the world’s first green tire, Michelin has been steadily reducing the rolling resistance of its tires, without adversely impacting their other performance factors, especially safety. For example, Michelin was the first tiremaker to incorporate silica into its tires, even though it is very complicated to use. Even today, not all tire manufacturers are capable of working with this material. Michelin is pursuing its R&D commitment to move forward in this area.
   iii. Long-lasting performance: it is not enough to produce a tire that is “clean” when new; it also has to deliver consistently clean performance throughout its useful life. This is why Michelin is dedicated to raising awareness of its tires’ long-lasting performance, which benefits the environment in two ways, by improving energy efficiency and by reducing raw materials use.
b. Supporting cleaner mobility with **services and solutions** to help fleets improve their energy efficiency by better maintaining their tires, optimizing routes, etc. This also involves enhancing the **connectivity** of both the tires and the fleet vehicles.

In addition to improving a tire’s impact on energy efficiency, Michelin is working to reduce the environmental footprint of its tire production. In this, our Research & Development teams are being inspired by our **4R strategy** (**Reduce** materials use, **Reuse** products, particularly by regrooving and retreading tires, **Recycle** end-of-life tires and use **Renewable** materials). This strategy is ideally expressed in the **VISION** concept, whose first embodiment was unveiled in 2020 with the **UPTIS** prototype.

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**Hydrogen: can you give us an update on Symbio and tell us more about the project being led by SAS HymPulsion, which was created in partnership with Engie?**

The transportation industry is a core factor in three major challenges: improving air quality, reducing carbon emissions and supporting the energy transition. Today, Michelin is convinced that hydrogen-powered mobility offers an indispensable solution for meeting all three of these challenges at once. Hydrogen technology will play a key role in driving the massive expansion of electric vehicles and the realization of tomorrow’s zero-emission mobility. The hydrogen fuel cell is particularly well suited to high-use and long-range applications, while offering seamless compatibility with battery technology.

Michelin demonstrated its faith in the potential of the hydrogen mobility market by acquiring Symbio in early 2019 and, later that year, joining with Faurecia to form Symbio, a Faurecia Michelin Hydrogen Company. Michelin and Faurecia have initially committed to invest €140 million in the joint venture, which is designed to create a world leader in hydrogen fuel cell systems by folding the two partners’ existing assets into our Symbio subsidiary. A new production plant is being built in France this year to consolidate the joint venture’s current facilities.

Michelin is also expressing its commitment by creating unprecedented, far-reaching public-private partnerships, such as the Zero Emission Valley Project in the Auvergne Rhône-Alpes region, which is spearheading the massive, simultaneous deployment of hydrogen vehicles and the related infrastructure. The project also includes the creation of a dedicated company, HymPulsion, to build and operate 20 hydrogen filling stations.
Environment

Questions submitted by the French Sustainable Investment Forum

Which of your business operations are not compatible with the Paris Agreement (i.e., a climate scenario limiting the increase in global temperatures to well below 2°C and pursuing efforts to further hold the temperature increase to 1.5°C)? What initiatives are underway to withdraw from those operations in 2020?

We do not have any operations that are fundamentally incompatible with the Paris Agreement over the long term. In October 2019, Michelin submitted greenhouse gas emission reduction targets to the Science Based Targets initiative (SBTi), which recently officially validated them as compatible with climate science. The targets for Scope 1 and 2 emissions from our manufacturing operations are in line with the objective of limiting the increase in global temperatures to 2°C.

In addition, we are supporting all our customers and suppliers in their transition to carbon-free operations as sustainably as possible. Michelin manufactures components that are designed not only to comply with the Paris Agreement but also to enable our customers to speed their own energy transition.

How do your capital expenditure/development plans fit into a climate scenario compatible with the Paris Agreement?

The Michelin Group is supporting the energy transition and low-carbon mobility by deploying a policy defined in 2015 and structured to meet four priority objectives:

- reduce the absolute value of carbon emissions from its manufacturing operations;
- reduce the amount of energy associated with tire use and optimize the use of materials by ensuring long-lasting performance;
- capitalize on its expertise, culture of innovation and advanced research to develop new technologies, new low-carbon energy sources, new forms of mobility for people and goods and new bio-sourced or recyclable materials;
- support the introduction of a global carbon pricing system.

These four objectives are all addressed in the Group’s capital expenditure plans. Since 2016, an internal carbon price of €50 per tonne of CO₂ has been applied in calculating return on investment in capital projects.

In addition to its products and services, Michelin is also investing to make mobility more sustainable through the Movin’On system.

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1 The Science Based Targets initiative is a collaboration between CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It assesses and approves the CO₂ emissions reduction targets submitted by companies, primarily according to how well they align with the Paris Agreement objective of limiting the average increase in global temperatures to well below 2°C (preferably 1.5°C).
How do you analyze the impact of your operations on global and local ecosystems (for example, on biodiversity)? What are your top five impacts on these systems (positive and negative)?

Michelin, like every company, relies on biodiversity and ecosystem services, such as the supply of raw materials, water provisioning and climate regulation, to conduct its business sustainably.

Aware of how biodiversity is deteriorating under pressure from human activity[1], it has identified three main material negative or positive impacts that its operations can have on biodiversity and ecosystems:
- The impact of rubber farming on changes in land use or on deforestation.
- The impact of product use or its production operations on climate change.
- The impact of its manufacturing facilities and end-of-life products on the physical and chemical pollution of the environment.

Led by an environmental strategy spanning the entire product life cycle, the Group is focusing its initiatives on three main pathways to improvement:
- **Developing sustainable natural rubber farming practices.** (see the Sustainable Natural Rubber Policy at https://purchasing.michelin.com/fr/gestion-responsible-de-filiere-heveicole/).
- **Designing environmental stewardship into every product, by selecting the right materials, tire architecture and production processes, and ensuring the effective collection and processing of end-of-life tires.** (see the 2019 Universal Registration Document, page 175).

In 2018, the Group formalized its commitment to biodiversity by joining the act4nature initiative launched by French association Entreprises pour l’Environnement (EpE). It signed a charter of ten common commitments, along with five individual commitments specific to Michelin. *(For more information on these commitments and the initiatives undertaken in 2019 to fulfill them, see the 2019 Universal Registration Document, page 190).*
- **Governance:** Determine the Group’s biodiversity vision through 2030.
- **Dialogue with stakeholders:** Add biodiversity to the agenda of the External Stakeholders Committee.
- **Research and development:** Factor the ecosystems impact of our main raw materials into the life cycle assessment of our tires.
- **Natural rubber:** Have our suppliers adopt the “Sustainable Natural Rubber Commitment” and add questions about biodiversity to the Rubberway questionnaire. Ensure that the “Sustainable Natural Rubber Commitment” is applied on plantations in which Michelin has a financial interest.
- **Manufacturing facilities:** Incorporate the presence of protected areas and species in the immediate vicinity of sites into the environmental risk assessments for sites and associated action plans

[1] Main sources of pressure on biodiversity from human activity: (1) changes in land and sea use; (2) direct exploitation of organisms; (3) climate change; (4) pollution, and (5) invasive alien species. Report of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), May 2019.
Social

Questions submitted by the French Sustainable Investment Forum

The coronavirus crisis is going to severely weaken the economy, particularly for small and very small companies. In response, does Michelin plan to modify payment terms for its suppliers and, if so, how and in what countries?

Since the beginning of the crisis, Michelin has made it a point to pay all of its suppliers in a timely manner. The corporate Purchasing Department has also deployed a worldwide system for tracking small suppliers who may be at risk, so that appropriate support measures can be taken on a case-by-case basis.

How is Michelin preparing its employees for the 21st century transitions that are reshaping your industry?

We are getting them ready with initiatives in a number of areas, including working methods, job skills and practices, and digitalization. In particular, we have:

- Created a unit to track and analyze the various aspects of what is known as the “future of work” (working from home, the gig economy, collaborative working, etc.).
- Implemented a new strategic workforce planning (SWP) process, which is helping us to identify the skills we will need in the future.
- Strengthened our ability to agilely and continuously develop the technical skills of our employees, with the extensive support of digital resources. This is addressing the fact that never again will a career be built around the skills acquired early on in a person’s career or in a single job family.
- Broadened and deepened our digital culture.
- Developed new mindsets and practices, both among employees and as a group, based on our new ICARE leadership model focused on empowerment and accountability.

Do you have a definition of a “decent wage” that is not limited to the local minimum wage? If so, what is it? How does your company guarantee its employees a decent wage, particularly in your leading host countries?

Michelin defines a decent wage as compensation that enables an employee to meet the needs of his or her family (food, housing, transportation, children’s education, healthcare), while also saving for the future and purchasing “standard” consumer goods (depending on each country’s standard of living).

In the interests of fairness and consistency, Michelin has a single compensation strategy for all units, professions and employee categories, with the same management rules and procedures in every host country. Employees are paid according to their level of responsibility, guaranteeing each one compensation that is competitive in the local job market. Every year, we participate in compensation surveys conducted by specialized firms such as Hay and Mercer, thereby ensuring that our compensation practices are well positioned against industry benchmarks.

In addition, in most of our host countries, national healthcare, insurance and pension systems are supplemented to ensure that employees enjoy competitive local benefits.
Do your discretionary employee profit-sharing systems in France take environmental and social criteria into account? If so, how and to what extent?

In our French companies, discretionary profit-sharing agreements are renegotiated every three years. The criteria for the 2020-2022 period are now being negotiated. They are being determined exclusively at the individual unit level to incentivize superior performance in the local business and market environment, and to enable employees to see the direct link between delivered results and how their engagement is rewarded. Environmental and social criteria are included in this process. For example, criteria currently being discussed include tracking waste or process wastage, environment-related progress ideas, community engagement and skills development. Criteria will no longer be set at the Group or MFPM level, but solely at the unit level. Every agreement under negotiation includes a social criterion and 40% have an environmental criterion.

In your employee savings plans, what proportion of the funds have been certified as socially responsible (by such French organizations as CIES, Finansol or Greenfin)?

The PEE offers one SRI fund and the PERCO four SRI funds, one of which is shared with the PEE. The Group is naturally exploring ways to encourage employees to invest their savings in more responsible and/or greener funds. However, any such shift can only occur once we have finished reviewing how employee savings may evolve in the years to come, particularly in light of the new PACTE Act in France.

Governance

Questions submitted by the French Social Investment Forum

Is the breakdown of the Company’s tax bill by country discussed by the Board of Directors as a whole and/or the Audit Committee? Do you have any plans to publish the breakdown?

Michelin is organized as a partnership limited by shares and, as such, it has a supervisory board and not a board of directors. The Company applies the recommendations set out in the Corporate Governance Code for Listed Companies (“AFEP/MEDEF Code”, revised version dated June 2018). In accordance with the introduction to the Code, these recommendations are adapted as necessary to reflect the Company’s organization as a partnership limited by shares (“SCA”).

The Supervisory Board exercises permanent oversight of the Company’s management and assesses its quality on behalf of the shareholders, presenting a report thereon at each Annual Shareholders Meeting. The guiding principles of the Company’s policy with regard to taxation were presented to the Audit Committee of the Supervisory Board.

In addition, in line with its country-by-country reporting obligations, the Company presented the breakdown of its tax bill to the tax authorities. This information is not currently published.

In the interests of transparency, the Company has signed up to the French government’s tax partnership scheme designed to forge a relationship built on trust between the taxpayer and the tax authorities.
Are the potential threats to social cohesion from wage gaps discussed by the Board of Directors and has a policy been defined in this respect?

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The Supervisory Board exercises permanent oversight of the Company’s management and assesses its quality on behalf of the shareholders, presenting a report thereon at each Annual Shareholders Meeting. In 2019, the Supervisory Board examined inter alia the assessment of Michelin’s social model prepared by the Managing Partners, and in 2020, the Board’s Compensation and Appointments Committee examined the Company’s diversity policy.

In 2019, the Human Rights Operational Committee initiated a process designed to verify that every Group employee receives sufficient compensation to meet the needs of themselves and their families. To define a gap analysis method applicable to the entire Group, a number of experts, such as BSR, Fair Wage Initiative, WageIndicator and Anker, were consulted during the year.

The Company has also published this year a set of compensation ratios comparing the compensation of the Managers and the Chairman of the Supervisory Board with the average and median compensation of workers employed by Manufacture Française des Pneumatiques Michelin.

Does the Board of Directors discuss the Company’s gender equality policy – in terms of compensation, career paths, promotion to management positions – and the related targets?

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Michelin applies a policy of non-discrimination and equal pay for equivalent profiles and positions. The same audited method for calculating wage data has been used worldwide since 2012, enabling comparisons between the pay levels of men and women in positions of equivalent responsibility.

As part of the gender diversity agreement negotiated in France by the unions and Manufacture Française des Pneumatiques Michelin (MFPM), the gender wage gap in the Company was assessed by independent researchers at the National Institute of Demographic Research (NIDR). The study reviewed comprehensive compensation data for all MFPM employees, looking at both base salary and base salary plus additional compensation for each
year since 2013. After factoring out such variables as age, seniority, job position and level of responsibility, the study showed that the residual value of differences in compensation between women and men is less than 1% in every employee category. It also showed that promotion rates are the same or slightly more favorable for women, regardless of employee category.

To fulfill Michelin’s commitment to hiring and promoting more women managers, a dedicated action plan has been deployed in every Region. With the Group’s proprietary method for detecting high-potentials, particular attention is being paid to the defining criteria. Michelin is committed to having women account for 30% of all managers by 2020. The percentage of women managers and supervisors (level of individual responsibility of A to N, according to the Hay method used by the Group) has risen steadily over the years. In 2019, it stood at 27.4%, up from 26.8% in 2018 excluding the dealership networks and recently acquired companies.

Do you plan to publish the opinion of your social partners on your Group’s Non-Financial Performance Statement?

We do not currently give a copy of our Non-Financial Performance Statement to our social partners. However, environmental and social issues are discussed with employee representatives during meetings of the national Works Councils, European Works Council and, in the near future, the Global Works Council.