DUTY OF CARE PLAN 2019
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For the third year in a row, Michelin has prepared a Duty of Care Plan in compliance with French Act No. 2017-399 of March 27, 2017. It describes all of the risks incurred by the Group and its main subcontractors as regards the environment, health & safety and human rights, along with the measures taken to prevent and mitigate them. For Michelin, the plan is a means to consolidate and strengthen its proactive approach to deploying risk prevention and management processes in these three areas, as well as an opportunity to deepen its due diligence with subcontractors as part of a continuous improvement process.

The Duty of Care Plan is fully aligned with the Group’s values and its commitment to conducting its business responsibly with regard to all its stakeholders. Michelin’s corporate governance system includes a Sustainable Development and Mobility Committee, comprising every member of the Group Executive Committee as well as the Heads of the Legal Affairs, Purchasing, and Sustainable Development and Mobility Departments. It coordinates four governance bodies, dedicated to the Environment, Human Rights, Health & Safety and Ethics.

The plan expands on the information and initiatives already embedded in the Group’s policies, which underpin its sustainable development commitment. These include the Michelin Performance and Responsibility Charter, the Code of Ethics, the Purchasing Principles, the Health, Safety and Quality of Worklife Policy, the Environment and Prevention General Policy Note, the Labor Relations Policy and the Diversity Policy. It presents the relevant information disclosed by the Group in its Universal Registration Document, Statement of Non-Financial Performance and other annual reports. The Group has defined standards of compliance that meet and often exceed prevailing standards and legislation in its host countries.

With respect to international environmental and human rights standards, the Group has pledged to support the UN Global Compact and upholds the UN Guiding Principles on Business and Human Rights, the fundamental conventions of the International Labour Organization and the OECD Guidelines for Multinational Enterprises. These international standards also inform the Duty of Care Plan.

The plan is tracked and updated through a dedicated process, which was coordinated in 2019 by a Sustainable Development and Mobility Department. This coordination involved a working group comprising representatives from the Internal Control, Risk Management, Environment and Prevention, Purchasing, Legal Affairs and Employee Relations Departments. Each one provided input to expand and update the plan with the support of the Sustainable Development and Mobility Department. Over the past two years, human rights risks, in particular, were analyzed in greater detail. Improved understanding of this issue meant that the related risks to the Group and the measures in place to mitigate them could be described more accurately.

The Corporate Stakeholders Committee held its annual meeting on October 11, 2019 in Paris over an entire day. It was attended by almost all of the Executive Committee, including the Chief Executive Officer, and the 12 external stakeholders. It was an opportunity to submit certain items of the Duty of Care Plan to the stakeholders and review various recommendations issued in 2018, in particular the encouragement to measure the environmental impact of the Group’s digitalization and Michelin’s approach to building sustainable development into the newly-acquired companies. Workshop sessions also discussed Michelin’s social approach to plant closures, reviewed the latest data on tire wear particles and examined the Group’s CO₂ roadmap. The day’s discussions yielded numerous suggestions and recommendations, such as committing to carbon neutrality in 2050 or taking the research on wear particles to a broader audience. The suggestions were summarized in a report sent to the outside stakeholders and to Michelin’s senior managers, and points to work were adopted for 2020. Michelin’s 2018 Duty of Care Plan was also sent to the 12 members of the Group’s Corporate Stakeholders Committee in March 2019, prompting discussions on the subject.

The scope of the Duty of Care Plan includes the whole of the Michelin Group. Chapter 5 of the plan deals more specifically with recently acquired companies; their practices are being assessed and gradually harmonized, each within a specific time frame.
DEFINITION OF RISKS

The Duty of Care Plan, the Statement of Non-Financial Performance and the information on the Group’s specific risk factors obey different regulatory frameworks.
This is why not all of the risk factors mentioned in this Duty of Care Plan are included in the Group’s 2019 Universal Registration Document under Chapter 2.1 “Specific risk factors, description and associated management systems”, nor among the "main risks" listed in the Statement of Non-Financial Performance. Nevertheless, all of the risk factors mentioned in the Duty of Care Plan are addressed by prevention and mitigation measures under the Duty of Care.

MATERIALITY MATRIX

Within the framework of its corporate social responsibility, the Group maps out a materiality matrix to identify and manage its main issues. The stakes shown on this matrix are at once opportunities for Michelin to grow and develop its businesses and issues that could involve risks.

The materiality matrix shown here, produced in 2018, is the outcome of consulting outside stakeholders and Michelin employees in seven countries (Brazil, Canada, China, the United States, France, India and Poland) that are representative of the Michelin Group’s operations.

To adapt the presentation to the Duty of Care Plan, the materiality matrix displayed here shows only issues that relate to the Duty of Care Plan.

<table>
<thead>
<tr>
<th>Ethics and compliance</th>
<th>Human rights</th>
<th>Employee health and safety</th>
<th>Environment and climate change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The safety of users (of Michelin products and services)</td>
<td>4 Respect for Human Rights and the Duty of Care</td>
<td>8 Health and well-being of staff</td>
<td>10 Energy transition and carbon reduction</td>
</tr>
<tr>
<td>2 Business ethics</td>
<td>5 Diversity of teams</td>
<td>9 Impact of digital technologies on our working methods</td>
<td>11 Eco-design of our products and services</td>
</tr>
<tr>
<td>3 Responsible purchasing</td>
<td>6 Impact on local communities</td>
<td></td>
<td>12 Sustainable, responsible operations</td>
</tr>
<tr>
<td>Issues shown on the matrix</td>
<td>Associated risk in the plan</td>
<td>Duty of Care Plan</td>
<td>URD</td>
</tr>
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<td>----------------------------</td>
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<tr>
<td><strong>Ethics and compliance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 The safety of users of Michelin products and services</td>
<td>Consumer safety</td>
<td>Chap 3.1.</td>
<td>4.1.1.1.</td>
</tr>
<tr>
<td>2 Business ethics</td>
<td>Corruption</td>
<td>Chap 3.5.</td>
<td>4.1.1.2.b.</td>
</tr>
<tr>
<td>3 Responsible procurement</td>
<td>Suppliers’ CSR practices</td>
<td>Chap 4.</td>
<td>4.1.1.3.</td>
</tr>
<tr>
<td><strong>Human rights</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Upholding human rights and duty of care</td>
<td>Child labor, Forced labor, Freedom of association, Privacy policy, Compensation (decent wage)</td>
<td>Chap 3.</td>
<td>4.1.1.2, 4.1.1.2.d</td>
</tr>
<tr>
<td>5 Diversity of teams</td>
<td>Harassment and discrimination</td>
<td>Chap 3.2.</td>
<td>4.1.2.2.</td>
</tr>
<tr>
<td>6 Impact on local communities</td>
<td>Negative impact on local communities</td>
<td>Chap 3.8.</td>
<td>4.1.2.5.f.</td>
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<tr>
<td>7 Dialogue with stakeholders</td>
<td></td>
<td>Introduction</td>
<td>4.1.2.5</td>
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<tr>
<td><strong>Employee health and safety</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Health and well-being of staff</td>
<td>Occupational accidents, Psychosocial risks, Risk to employee safety</td>
<td>Chap 2.1., 2.4. and 2.5.</td>
<td>4.1.3.</td>
</tr>
<tr>
<td>9 Impact of digital technologies on our working methods</td>
<td>Psychosocial risks</td>
<td>Chap 2.4.</td>
<td>4.1.3.3.c.</td>
</tr>
<tr>
<td><strong>Environment and climate change</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Energy transition and carbon reduction</td>
<td>Climate change</td>
<td>Chap 1.1. and 1.2.</td>
<td>4.1.4.1, 4.1.4.3.</td>
</tr>
<tr>
<td>11 Eco-design of our products and services</td>
<td>Resource depletion</td>
<td>Chap 1.3.</td>
<td>4.1.4.2.</td>
</tr>
<tr>
<td>12 Sustainable and responsible operations</td>
<td>Air and water pollution, Damage to biodiversity</td>
<td>Chap 1.2., Chap 1.4</td>
<td>4.1.4.4.</td>
</tr>
</tbody>
</table>
Tires are non-biodegradable products made of renewable materials (such as natural rubber and resins), but also non-renewable materials (such as petroleum derivatives, chemicals and metals). They become worn through use and have a limited lifespan. As the only point of contact between a vehicle and the road, they require the burning of fuel, which emits greenhouse gas emissions. Between 70% and 95% of tires’ environmental impact (CO₂ and other factors combined) during their life cycle occur during tire use.

Manufacturing operations consume resources (such as power and water) and generate emissions (such as CO₂, volatile organic compounds or VOCs) and waste. The production process may also generate risks of chronic or accidental environmental pollution. Logistics operations mainly involve energy consumption and the generation of atmospheric emissions, including CO₂.

Michelin is committed to acting as a leading enabler of sustainable development and mobility. This naturally entails properly identifying and effectively managing the environmental risks inherent in its business.

For its manufacturing, research, logistics and tertiary operations, the Group has developed an Environmental Management System (EMS) that allows each of its sites to curb its environmental impacts on a day-to-day basis and over the long term. It consists of a process to track compliance with legislation and Michelin standards, coupled with an obligation to define and meet, every year, improvement targets aligned with local priorities and Group commitments, and provisions for preventing accidental pollution hazards. It meets the requirements of the ISO 14001-2015 standard. Since 2018, all of the Group’s eligible manufacturing facilities have achieved certification to this standard.

The comprehensive Environmental and Risk Prevention Management System (SMEP) not only identifies environmental risks but also recommends mitigation and prevention processes for each one. The Group has also set up an environmental performance indicator, known as the Michelin Environmental Footprint (MEF), based on six criteria: energy consumption, water intake, VOC emissions, CO₂ emissions, amount of waste generated and the amount of waste landfilled.

### 1.1 | CLIMATE RISK

**RISK FACTORS**

The main climate risk factors identified by Michelin are the CO₂ emissions generated by tires in use and those generated by manufacturing and logistics operations (transporting semi-finished products between Group plants and delivering tires to sales outlets around the world). Life cycle analyses show that the tire usage phase generates between 70% and 98% of a tire’s greenhouse gas emissions. This is due to the phenomenon of rolling resistance, which increases the vehicle’s energy consumption and therefore its CO₂ emissions.

<table>
<thead>
<tr>
<th>Scope</th>
<th>M t CO₂</th>
<th>Year</th>
<th>Domains covered by the Group’s inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>1.40</td>
<td>2019</td>
<td>CO₂ emissions from the boiler plants at production and R&amp;D sites.</td>
</tr>
<tr>
<td>Scope 2</td>
<td>1.52</td>
<td>2019</td>
<td>CO₂ emissions from generating the electricity and steam used by the production and R&amp;D sites.</td>
</tr>
<tr>
<td>Scope 3</td>
<td>140</td>
<td>2018¹</td>
<td>CO₂ emissions from the 11 categories of operation in the value chain relevant to the Group (cf. below).</td>
</tr>
</tbody>
</table>

¹ Because the level of uncertainty regarding the various Scope 3 categories remains high (between 10% and 30%), the Group has decided to carry out the calculations every three years. The Group plans to update the calculation for the year 2019 in 2020.
Prevention and Mitigation Measures

Michelin is well aware that global climate change can seriously damage the environment and curb human rights. Accordingly, it is pushing for an energy transition and low-carbon mobility through a policy drawn up in 2015 and revolving around four priorities:

• Lower the absolute value of CO₂ emissions from manufacturing operations;
• Reduce the energy consumption generated by tires in use;
• Support the introduction of a global carbon price;
• Use its know-how, culture of innovation and strategic anticipation to develop new low-carbon technologies and energies, and new mobility solutions for people and goods.

An operational carbon strategy committee has been spearheading this approach since 2015.

In 2018, Michelin made a commitment to SBTi, a global initiative aimed at setting greenhouse gas emission reduction targets in line with a scenario of keeping global warming to less than 2°C. In October 2019, the Group submitted its proposed targets for Scopes 1, 2 and 3. At end-2019, the proposal was being examined.

Michelin’s carbon performance was also placed on the agenda of the Corporate Stakeholders Committee meeting on October 11, 2019. The Corporate Stakeholders Committee encouraged Michelin to commit to carbon neutrality by 2050.

CO₂ emissions from manufacturing operations

Michelin has been measuring and steadily reducing its CO₂ emissions from manufacturing since 2005. In 2015, the Group pledged to halve CO₂ emissions from its plants over the period from 2010 and 2050. As awareness of the climate emergency grew, in 2019 it set a new, more ambitious mid-way target of a 38% reduction in 2030 versus 2010. Meeting this stricter target prepares us to aim for carbon neutrality across our manufacturing base by 2050 and sets on a course compatible with keeping climate warming below 1.5°C.
In absolute values, the Group’s emissions were reduced by one quarter over the period, from close to 4 million tons in 2010 to less than 3 million in 2019. These improvements were driven by a two-pronged strategy designed to:

1) reduce energy use (specific consumption decreased by 17.2% between 2010 and 2019);
2) shift to a less carbon-intensive energy mix. (Since 2010, the share of certified renewable energy in the Group’s electricity consumption has gone from 0.2% to 31%.)

To spur these changes, an internal carbon price of 50 euros per tonne of CO2 has been applied since 2016 to the economic analyses of projects requiring substantial investments.

**CO2 emissions generated during logistics**
Reducing greenhouse gas emissions from logistics operations is a major priority for Michelin, which is why in 2013 it pledged to reduce these emissions by 10% over the 2010 to 2020 period. This target was exceeded a year ahead of schedule, with an aggregate 10.27%, thus decreasing in Scope 3 emissions for upstream and downstream transportation.

To successfully cut these emissions, Michelin first defined a policy based on three action levers: transport less, transport better (load optimization) and transport differently (with multimodal solutions in particular). In addition, to provide sustainable, reliable and consistent CO2 emissions data, measurement procedures have been set up in every Region.

**CO2 emissions generated by the in-use phase**
Given the impact of tire usage on vehicle CO2 emissions, tire design is critical. CO2 emissions reduction is guided by a program of Life Cycle Assessment (LCA) of the environmental impact, applied to the entire product plan and based on LCA good practice and the ISO 14040 Environmental management — Life cycle assessment — Principles and framework standard.

In 1992, Michelin was the first tire manufacturer to increase its tires’ energy efficiency so that vehicles used less fuel and emitted less CO2.

Today, Michelin’s highly energy-efficient MICHELIN Primacy 4 Passenger car tire, the sixth generation of the MICHELIN Energy™ tire invented in 1992, significantly reduces fuel consumption and with it, carbon emissions. Introduced in 2018, the MICHELIN Primacy 4 Passenger car tire, significantly reduces carbon emissions by 2.5g/km for an average European car compared with the previous 2012 generation.

**Emissions generated during end-of-life tire management** (see “End-of-life tires: collection and recycling” p 10)
The proposed Scope 3 SBTi targets include a target of reducing emissions associated with end-of-life tires.

**Michelin’s advocacy and leadership in low-carbon mobility**
Aware that the tire is only one of the factors in low-carbon mobility, Michelin is also helping to decarbonize the transportation sector by marketing service offerings for professional fleets and promoting innovative mobility solutions. In 2019, Michelin acquired the hydrogen fuel cell company SYMBIO then joined with Faurecia to create a joint venture: SYMBIO, A FAURECIA MICHELIN HYDROGEN COMPANY, which aims to become the world leader in hydrogen mobility.

Michelin also plays a prominent role in leading international forums promoting sustainable mobility and stands out in major global initiatives such as the Transport Decarbonation Alliance, Sum4All and the Paris Process on Mobility and Climate. For the third consecutive year, in 2019 it co-organized the Movin’On Summit, the global sustainable mobility summit in Montreal, which drew 5,000 key public and private players.

CDP, the non-financial rating agency that assesses organizations’ performance on climate change issues, awarded the Group a score of “A-” for 2019, which corresponds to the “Leadership” level. This result recognizes the Group’s governance and strategy, its achievement in lowering CO2 emissions and its long-term ambitions for reducing its carbon footprint.
1.2 RISK OF AIR AND WATER POLLUTION (see detailed presentation in URD 4.1.4.3)

RISK FACTORS
The tire manufacturing process releases gases and particles into the air (VOC, SOx and NOx), which can be a source of pollution.
Manufacturing also generates various waste products.
During tires’ in-use phase, tire and road wear particles (TRWP) are generated.
Lastly, end-of-life tires must be treated or recycled to avoid becoming a source of pollution.

PREVENTION AND MITIGATION MEASURES

Reducing VOC emissions
The Group’s strategy to lower its VOC emissions is based on reducing the use of organic solvents in production processes. VOC emissions per tonne of finished product were reduced by a total of 39.8% between 2010 and 2019.

This is being done in three ways:

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

These three improvement drivers have been embraced and documented by the VOC Program, which is pursuing the initiatives underway since 2017 to deploy best practices, identify innovations and explore ways of further reducing solvent use in the future.

Reducing nitrogen oxide (NOx) and sulfur oxide (SOx) emissions
In 2015 and 2016, four upgrades helped to significantly reduce NOx and SOx emissions by: replacing the use of fuel oil with natural gas at three production facilities in Canada; closing the former Shenyang plant in China, which used a coal-fired boiler; replacing the on-site coal-fired steam generation facility at the Shanghai plant in China with the purchase of steam from a gas-fired CHP power station; fitting a “DeSOx/DeNOx” scrubber on the coal-fired boiler at the Bassens plant in France.

The elimination of coal-fired boilers at our production facilities by 2030 will drive a further significant reduction in these emissions.
Reducing and managing waste

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

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

Operational monitoring:

In 2019, the amount of waste generated per tonne of finished product declined by a slight 0.8% year-on-year, to 97.9 kg, while the weight of landfilled waste rose by 5.1% to 3.1 kg per tonne of tires produced, primarily due to disruptions in certain recovery outlets.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Unit</th>
<th>2010</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOC emissions</td>
<td>kg/t FP</td>
<td>2.89</td>
<td>1.77</td>
<td>1.74</td>
</tr>
<tr>
<td>NOx emissions</td>
<td>kg/t FP</td>
<td>0.83</td>
<td>0.50</td>
<td>0.47</td>
</tr>
<tr>
<td>SOx emissions</td>
<td>kg/t FP</td>
<td>0.96</td>
<td>0.41</td>
<td>0.41</td>
</tr>
<tr>
<td>CO₂ emissions</td>
<td>t/t FP</td>
<td>1.28</td>
<td>0.88</td>
<td>0.86</td>
</tr>
<tr>
<td>Waste generated</td>
<td>kg/t FP</td>
<td>109.5</td>
<td>98.7</td>
<td>97.9</td>
</tr>
<tr>
<td>Waste landfilled</td>
<td>kg/t FP</td>
<td>10.2</td>
<td>2.9</td>
<td>3.08</td>
</tr>
</tbody>
</table>

Tire and road wear particles (TRWP)

Since 2006, Michelin has been working to deepen its knowledge of tire and road wear particles (TRWP): an agglomeration of both tire and road materials. It is actively involved in the Tire Industry Project (TIP), which has initiated studies to collect, characterize and understand both the composition and the dispersion of these particles, as well as to assess their potential impact on the environment and human health.

Industry research into the environmental impact and human exposure has not, to date, revealed any specific risk in either air or aquatic environments. The issue was discussed at the Corporate Stakeholders Committee meeting in October 2019.

In November 2019, TIP member CEOs decided to deepen current knowledge by launching a further cycle of research (2019-2021) on:

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

End-of-life tires: collection and recycling

The deployment of technically and economically viable systems to recycle and dispose of end-of-life tires is a major challenge that Michelin is determined to address, in every country, in cooperation with all stakeholders concerned. Indeed, for many years, the Group has been encouraging the introduction of effective solutions and continues to play a leading role.

Studies conducted in 2019 showed that 88% of all end-of-life tires sold in the 45 countries under review – all manufacturers combined – were collected and most of them were recovered (recycled, reused). In addition, for more than ten years now, Michelin has been ensuring that all of its tire manufacturing waste is recovered. Collection and recycling systems have been introduced, in accordance with local legislation. As part of its strong commitment to recycling end-of-life tires, in October 2017, Michelin acquired US-based Lehigh Technologies, a world-class expert in micronized rubber powder technologies.
1.3 RESOURCE DEPLETION RISKS (see detailed presentation in URD 4.1.4.2)

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

PREVENTION AND MITIGATION MEASURES

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

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

But Michelin is also committed to delivering performance over time by extensively testing worn tires, so as to demonstrate that tires can and should deliver very high performance until the tread wear indicators appear. If all motorists used tires until they reached the legal minimum tread depth of 1.6 mm, this would avoid the unnecessary use of 400 million tires a year worldwide and help to reduce carbon emissions by up to 35 million tonnes a year (based on European data).
**Reuse**

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

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

**Recycle**

See p. 10: “Reducing and managing waste” and “End-of-life tires: collection and recycling”.

**Renew**

Michelin encourages the use of sustainable recycled or biosourced materials like natural rubber and certain plant-based oils and resins, which currently account for an aggregate 26% of its sourced inputs. Over the next 30 years, Michelin aims to incorporate up to 80% sustainable materials in Michelin tires.

![Operational monitoring: Sustainable materials as an average percentage of tire mass](chart.png)

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

- **BioButterfly**, in partnership with AXENS and IFPEN, is developing a bio-butadiene production process using ethanol derived from biomass. Development got underway in late 2015, with the goal of starting up a pilot plant by 2021;
- **Since 2017**, Michelin has been a member of BioSpeed, a consortium of companies committed to accelerating the development of next generation bio-based materials.

At the same time, Michelin is sustainably and responsibly developing its natural rubber supply (see URD 4.1.1.3 c) A dedicated approach for natural rubber).
1.4 RISK OF HARMING BIODIVERSITY (see detailed presentation in URD 4.1.4.4.)

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

PREVENTION AND MITIGATION MEASURES

In 2018, the Group formalized its commitment to biodiversity by joining the act4nature initiative launched by French association Entreprises pour l’Environnement (EpE).

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

Approved by the Environmental Governance body in 2019, the 2030 roadmap for the Group’s biodiversity vision will be expressed in commitments beginning in 2021.

In 2019, the Group forged partnerships with such outside stakeholders as the WWF, CDC Biodiversité via the Club B4B+, and the CIRAIG (International Reference Center for the Life Cycle of Products, Processes and Services), while actively participating in the creation of the Global Platform for Sustainable Natural Rubber (GPSNR).

As of end-2019, every natural rubber contract now includes a “Sustainable Natural Rubber Commitment” clause. One-third of the plantations have been audited, with compliance action plans to be deployed in 2020. 45% of volumes have been mapped with Rubberway® (see p. 30).

As of end-2019, all plants have inventoried their protected areas and species. Management plans are being deployed on the sites that have identified protected areas at risk of pollution. When the updated data was analyzed with regard to the GRI 304-1 indicator, it showed that 28 facilities in eight countries, representing a total surface area of 6,600 hectares, are located less than a kilometer from one or more protected areas.

* GRI 304-1: Operational sites owned, leased or managed in or adjacent to protected areas or areas of high biodiversity value outside protected areas.
Michelin directly employs more than 127,000 people worldwide and also uses temporary employment agencies and subcontractors. Many visitors also have access to our facilities. All of these people work in a very wide variety of environments: in industrial, office and research facilities, as well as in logistics, sales operations and dealerships, which each present specific risks that can have an impact on their health and well-being.

**PREVENTION AND MITIGATION MEASURES**

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

- the 2011 Health and Safety Declaration;
- the 2018 Health, Safety and Quality of Worklife Policy, following the updated version of the Health Policy;
- the 2018 Environment and Prevention General Policy Statement.

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

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

This policy is being implemented through Michelin’s “Environment and Prevention” Management System, which is based on the international ISO 14001 standard. It is being applied in every facility to capitalize on best practices and embed them across the organization to drive consistent, continuous improvement. The system is auditable and audited.

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

Since 2010, the Medical Advisory Committee, comprised of eight outside experts, has helped to foresee and prevent health risks, based on the latest advances in science. Its independent opinions assist Group management in addressing the health risks specific to tire manufacturing.
2.1 / RISK OF OCCUPATIONAL ACCIDENTS (see detailed presentation in URD 4.1.3.2.c.)

RISK FACTORS
At all Group facilities, whether in a production plant or an office, related to research, logistics or distribution, staff can be exposed to the risks of accidents, resulting in more or serious injuries. Shopfloor employees are exposed to risks related to mechanical and electrical risks, handling equipment, chemicals or tools, or moving around the workshop. Road accidents while traveling for work purposes are also among the risks identified.

PREVENTION AND MITIGATION MEASURES
In response to the risk of accidents in the production operations, in other operations or during commutes or other Group-related business travel, as well as the threats of natural disaster, fire or explosion, Michelin has undertaken a prevention program to assess, manage and mitigate the health and safety risks faced by all its employees. Since 2013, Michelin’s worldwide health and safety performance has been measured using the Total Case Incident Rate (TCIR), which is based on the US Occupational Safety & Health Administration (OSHA) indicator. On the basis of every 200,000 hours worked, TCIR records the number of lost-time accidents, accidents without lost time but requiring medical treatment, incidents requiring workstation adjustments (due to ergonomic issues or musculoskeletal disorders, for example), or occurrences of an illness recognized as work-related. In this way, it takes into consideration not just accidents but every type of health and safety-related incident. The system also records incidents involving temporary workers and contractor employees. Such incidents are then reviewed with the companies concerned to help them prepare improvement action plans.

Consolidated TCIR declined to 1.43 in 2019 from 1.94 the year before, primarily due to the very good performance in the dealerships (down 40%) and the manufacturing operations (down 19%).

In 2019, a review of the consolidated, Group-wide data for the year enabled management, the ergonomist and the occupational medicine team to prepare effective health and safety improvement plans. Information, awareness-building and training programs continued to be conducted for the designated health and safety experts in every Region and time zone.

In 2018, a new indicator, TA+, was introduced to track the frequency, with or without lost time, of a list of accidents that the Group has prioritized. It supports a more granular approach to these accidents, while helping to improve the consistency of multi-country data.

2.2 / RISK OF EXPOSURE TO CHEMICALS (see detailed presentation in URD 4.1.3.1.c.)

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

PREVENTION AND MITIGATION MEASURES
Before any new chemical substance may be used, its possible risks are managed through a dedicated assessment procedure performed prior to issuing an authorization for use. The procedure gauges the substance’s potential impact on human health and, if deemed hazardous, defines the conditions for its safe use. In some cases, its use may be prohibited. In addition, in recent years, procured machines and spare parts have been inspected by the Group to ensure that asbestos has not been reintroduced.

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

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

Group production facilities and tires are entirely asbestos-free and procurement contracts explicitly prohibit the presence of asbestos in any sourced object or machine.
2.3  |  RISK OF MUSCULOSKELETAL DISORDERS  
(see detailed presentation in URD 4.1.3.1.d.)

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

PREVENTION AND MITIGATION MEASURES
Since 2002, improving ergonomics has been a major focus of Michelin’s health and safety policies. The prevention of MSK disorders is designed into every industrial project, so as to attenuate any potentially negative impact on working conditions over the medium term. All of the production facilities and certain logistics hubs regularly update their workstation maps to identify action priorities, deploy standardized solutions and gradually eliminate deleterious tasks. Every year, ergonomic issues across the business base are addressed by a dedicated capital budget, totaling €16.8 million in 2019.

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

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

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

PREVENTION AND MITIGATION MEASURES
In a commitment to safeguarding employees from the psychosocial effects of stress and harassment, a variety of programs aligned with local needs and legislation have been deployed:

- through reviews, sensitivity training and initiatives to improve the quality of management, deployed in most of the Group’s host countries (North America, Spain, France, Hungary, Poland, Romania, the United Kingdom and Serbia);
- through training and organizational improvement initiatives, particularly in at-risk sectors/jobs; initiatives to prevent stress by adjusting work organization have been introduced in Germany, North America, South America, China, Spain, France, Hungary, Poland, Romania and the United Kingdom.
- through coaching, relaxation therapy, support groups and individual counseling by a psychologist or occupational physician.

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

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

In the 2019 Avancer Ensemble survey, 76% of the 81,200 respondents said they were satisfied with the Quality of Worklife (as against 74% in 2018 and 73% in 2017).

In 2019, the Medical Advisory Committee turned its attention to the impact of artificial intelligence and digitalization on employees. This subject was also discussed with the Stakeholder Committee in 2019. As in most companies, the growing use of digital technologies at Michelin is driving far-reaching changes with knock-on effects on staffing levels, job content, working methods and even organization. To gauge the social impact of digitalization, the company and its European Works Council have commissioned the consulting firm Plein Sens to conduct a study into the issue. The findings should be released in the first half of 2020.
2.5 RISKS TO EMPLOYEE SECURITY (see detailed presentation in URD 4.1.3.2.b.)

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

Group security services maintain a country risk map, which is regularly updated and posted on the country intranets. It rates each country on a scale of 1 (lowest risk) to 4 (highest) and defines security guidelines and recommendations for each level. In this way, it serves as handbook for managing the security of employees traveling to or based in countries at risk.

**PREVENTION AND MITIGATION MEASURES**

Specific guidelines and measures have also been introduced to increase the security of expatriate employees and their families in high-risk countries, including pre-assignment training to raise awareness of in-country security precautions. Every year, Group security services visit the high-risk countries to assess and verify, on-site, the consistency and proper application of the Group’s guidelines and recommendations. One such in-country inspection was conducted in India in February 2019.

In 2019, social, political and security unrest in certain South American countries (Bolivia, Ecuador and Chile), Hong Kong and the Persian Gulf prompted the Group to increase its vigilance and take a number of measures to reduce employee exposure, including temporary travel bans.

Given the size of the Group’s local presence and business operations, special attention is being focused on Brazil, home of the Group’s headquarters for the South America Region; the United Arab Emirates, in response to the worsening situation in the region; and Mexico, due to the presence of a production plant in the State of Guanajuato, which is suffering from high levels of insecurity.
In recent years, a specific work package was devoted to identifying human rights risks in the company. The Group employs 127,000 people and has manufacturing operations in 17 countries and broader business operations in 170 countries with varied legislations and cultures. Its employees, the local communities around the facilities, its suppliers and also its consumers can be exposed to the risks of non-respect for human rights. Some risks (such as child labor and forced labor) are considered very low in the Group but may be present in the supply chain.

3. 1 GOVERNANCE AND INDICATORS TO GUIDE RISK PREVENTION AND MITIGATION

Michelin strives to uphold human rights in all of its operations and wherever it is present. The company recognizes the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Since 2010, Michelin has been a signatory to the United Nations Global Compact, an initiative set up and led by the United Nations, which encourages enterprises to adopt a socially responsible attitude through 10 principles.

Michelin also recognizes the ILO’s fundamental Conventions, particularly in relation to freedom of association and protection of the right to organize, the elimination of discrimination in employment and occupation, the elimination of forced labor and the effective abolition of child labor.

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

To enhance its expertise and capitalize on best practices, in 2017, Michelin also joined the association Entreprises pour les droits de l’homme (Businesses for Human Rights), which comprises 17 French companies involved in these issues. In addition, the Group is a member of the Global Deal initiative, which promotes social dialogue and decent work around the world. In 2018, Michelin provided funding to the Human Resources Without Borders (RHSF) association, which helps companies to extend decent work in their supply chains.

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

Since 2018, proposals have been approved twice a year by a governance body chaired by the Executive Vice President & Chief Personnel Officer and including the Executive Vice President, Manufacturing, both of whom are members of the Executive Committee.
It oversees the improvement action plan and the following indicators:

<table>
<thead>
<tr>
<th>Operational monitoring:</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health and safety</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Case Incident Rate (TCIR)</td>
<td>2.54</td>
<td>2.14</td>
<td>1.9</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Discrimination</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of women in management positions</td>
<td>24.61%</td>
<td>25.57%</td>
<td>26.8%</td>
<td>27.4%</td>
</tr>
<tr>
<td><strong>Workplace sentiment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee engagement rate</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>81%</td>
</tr>
<tr>
<td><strong>Suppliers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of suppliers found to be in compliance with Group standards for fair working conditions during desktop reviews of their CSR performance</td>
<td>74% (of the 419 suppliers assessed)</td>
<td>78% (of the 547 suppliers assessed)</td>
<td>80% (of the 654 suppliers assessed)</td>
<td>82% (of the 715 suppliers assessed)</td>
</tr>
</tbody>
</table>

Guidelines were drawn up in 2019 on child labor and working hours. They set out the principles adopted by the Group in line with the ILO Conventions and the other human rights laws, along with guidelines for their implementation by HR managers, purchasers and business managers.

Aware that human rights risks may also arise in its supply chain, Michelin decided in 2019 to integrate supplier CSR risks into its Group risk map.

**3.2 RISK OF HARASSMENT AND DISCRIMINATION** (see detailed presentation in URD 4.1.2.2.)

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

**PREVENTION AND MITIGATION MEASURES**

In 2018, the Group’s Diversity Policy was prepared and widely distributed in every operating Region (formerly “Geographic Zone”). It reaffirms a number of fundamental principles and defines appropriate indicators and guidelines, particularly in the area of non-discrimination. There are many types of diversity. For example, the Diversity & Inclusion process, as expressed in the Diversity Policy, is structured around four priority diversities – gender, nationalities and cultures, age and disabilities – while remaining attentive to emerging expectations with regard to issues such as religion in the workplace or gender identity and sexual orientation.

An international Diversity & Inclusion network, led by the Corporate Vice President of Sustainable Development and Mobility, brings together 20 Diversity & Inclusion Managers from each of the Group’s host countries and/or regions. They support managers and Personnel Department employees, especially development partners and recruiters, one of whose objectives is to promote diversity. Since 2018, an in-house social media network has linked the Diversity & Inclusion Managers to the Corporate process leaders, enabling everyone to immediately share the latest news from the country organizations and to discuss policies and best practices in real time. In 2019, an intranet platform was set up to enable Diversity & Inclusion Managers to track their indicators in real time.

**Systematic awareness raising for managers**
Michelin is highly attentive to any attempt to harass or discriminate against its employees in the workplace. To reduce the risk of discrimination, training courses have been developed to raise manager awareness. Corrective measures are taken whenever indicated by the results of internal audits. Awareness campaigns and special training programs are used to instill an effective culture of diversity throughout the organization and at every level of management. Country organizations are also encouraged to develop their own local initiatives for managers and employees. In Europe, in recent years, programs have focused on gender stereotypes, sexual orientation, sexism and religion in the workplace. Before taking up their position, all line managers and development partners participate in a training program concerning discriminatory behavior and diversity issues, which helps them to avoid stereotyping, understand diversity legislation and anticipate high-risk situations. Based on a pilot stereotype and sexism awareness tool, each country organization can prepare its own sensitivity modules or kits, communication campaigns and other applications aligned with the local culture.
Gender diversity
Michelin is supporting gender equality in the workplace by making all positions accessible to women and ensuring strict gender wage parity.
The percentage of women in a management position in the Group is steadily rising, reflecting the impact of women-friendly hiring policies, workstation ergonomics and career paths.

Operational monitoring: % of women in management

In 2019, it stood at 27.4%, up from 26.8% in 2018. Michelin’s objective is to have women account for 30% of all managers by 2020. Michelin applies a policy of non-discrimination and equal pay for equivalent profiles and positions. In 2019, the Group-wide gender wage gap stood at -2.67% (versus -2.58% in 2018 and -2.8% in 2017).

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

Michelin’s disability policy
Defined in 2006, policies governing the employment of disabled people are designed to offer jobs to the disabled or to retain employees who become disabled at some point in their career. In 2017, Michelin France supported its policies to hire and retain people with disabilities by setting up the Handicap France taskforce, currently staffed with 23 disability employment officers, and deploying a results-oriented action plan focused on six core issues: hiring and onboarding, retention, training, sensitivity, communication and securing procurement from sheltered work centers and social enterprises. During the same year, a nationwide, three-year agreement was signed with AGEFIPH to sustainably underpin these policies and provide financial support.

At MFPM in France, disabled employees made up 7.2% of the workforce in 2018 and the legally mandated 6% quota will once again be amply exceeded in 2019.

In 2019, the Group signed an international partnership agreement with Handicap International (Humanity & Inclusion) designed to develop worldwide expertise in the hiring and retaining of people with disabilities. A pilot site is being deployed in Chennai, India.

Promoting local management
Michelin is committed to nurturing the emergence of a highly skilled global corps of local managers, while respecting local cultures. The guiding principle is to hire and employ people on the basis of their capabilities and potential, rather than to practice any form of discrimination. Since 2013, Michelin has been aiming to achieve a local management level of 80% in its growth areas. In 2019, the percentage was stable at 75%.
3.3 | RISKS TO FREEDOM OF ASSOCIATION (see detailed presentation in URD 4.1.2.3.)

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

PREVENTION AND MITIGATION MEASURES
In 2015, Michelin issued its Labor Relations Policy, which recognizes the positive contribution of freedom of association, collective bargaining and staff representation independent of management, which are a source of proposals and ensure that employees’ fundamental needs are taken into account in every host community. In it, Michelin pledges to respect employees who agree to take on this responsibility and to include it in their potential reviews and career management. The policy has been explained to the Group’s 7,500 managers, from Executive Committee members to plant supervisors. Its application around the world is overseen by a Group Director of Employee Relations, who is also tasked with improving social dialogue where it falls short of Group standards.

As a result of these efforts, significant improvements have been made in recent years in several host countries, particularly Thailand and Brazil. In addition, every manager receives training in the legal aspects of labor relations. Compliance with the commitments in the Labor Relations Policy is also verified by an internal control process.

In 2019, Michelin worked closely with the IndustriALL Global Union to set up a Michelin Global Works Council drawing together all of the Group’s trade unions. The positive state of employee relations is also expressed by the employee engagement rate, as measured each year in the annual “Moving Forward Together” survey of employees across the Group.

In 2019, the overall employee engagement rate rose to 81%. The engagement rate remained stable at around 81% for management, technicians, employees and supervisors. The rate for the rest of the workforce continued to increase and, for the first time, rose slightly above that for the previous group.

Risk of labor disputes during Group restructuring operations
Two plants were shut down in 2019: La-Roche-sur-Yon in France and Bamberg in Germany. In 2018, it was announced that the Dundee plant in Scotland will cease operating by mid-2020. Numerous steps were taken to help the employees concerned find another job and pursue their career. Today, 50% of the Dundee employees have already found another job.

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

3.4 | RISKS RELATED TO THE PROTECTION OF EMPLOYEE PRIVACY AND PERSONAL DATA (see detailed presentation in URD 4.1.2.d.)

RISK FACTORS
With its 127,000 employees and millions of consumers around the world, Michelin manages a large volume of personal data and pays particular attention to the issues of data storage and confidentiality.

PREVENTION AND MITIGATION MEASURES
The Group is in compliance with the European Union’s General Data Protection Regulation (EU) 2016/679. In addition, it has issued guidelines that apply these European standards to the transfer of employees’ personal data across the global organization. The protection of employee personal data and privacy is audited by an internal control process.
RISK FACTORS
Michelin operates in numerous countries around the world, some of which are known to have a high risk of corruption. The Group strives to apply its Anti-Corruption Code of Practice wherever it operates.

PREVENTION AND MITIGATION MEASURES
In 2010, Michelin formalized a set of basic rules and guidelines to govern all employee decisions related to preventing corruption in its Code of Ethics. To strengthen this system, an easy-to-understand, practical Anti-Corruption Code of Practice was published in 2015 for all employees, demonstrating the Group’s commitment to building its sustained growth on fair and ethical business practices.

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

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

Each local team manages its employee awareness-building and training programs, based on the corruption risk analysis performed in the Region with the support of the local legal affairs department. In addition, members of the Group Executive Committee were trained on this topic in 2018.

A global risk assessment identified 13 countries in which the Group operates and which have a high risk of corruption.
3. 6 / RISK OF CHILD LABOR (see detailed presentation in URD 4.1.2.1.b.)

RISK FACTORS
Given the procedures in place in the company, the risk of child labor was assessed as very low at Michelin facilities. In the supply chain, particular attention is paid to natural rubber suppliers. Initial assessments indicate that rubber tree plantations are an agricultural sector lowly affected by this issue. However, the issue is so serious, that the Group is keeping a close watch on this risk.

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

Specific measures are also in place for sub-contractors. All contracts include a copy of the Purchasing Principles, which enjoin them to uphold the fundamental conventions of the ILO and, in particular, not to employ minors.

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

IDENTIFYING HIGH-RISK AREAS IN THE NATURAL RUBBER SUPPLY CHAIN
The risk of child labor in the natural rubber supply chain is being addressed through the Rubberway® mobile application. Deployed by the Group in six countries since 2017, it has collected data from 26,800 rubber-tree farmers concerning their possible use of child labor and the circumstances in which it may occur (occasional help, after school, full time, etc.).

Even if the phenomenon appears to be extremely marginal, an even closer analysis was performed, district by district, to detect a possible local occurrence that might require remedial measures.

An instruction on child labor was written and approved by the Human Rights Governance Body in 2019, laying down Michelin’s standard on the subject and condemning any practice contrary to these standards, within the Group or among its suppliers.

3. 7 / RISK OF FORCED LABOR (see detailed presentation in URD 4.1.2.1.b.)

RISK FACTORS
Michelin is currently assessing the risk of forced labor in its supply chain. It is difficult, as yet, to provide precise answers on this question, but Michelin wants to analyze its subcontracting chain to gain a clearer idea of the sectors and countries most at risk.

PREVENTION AND MITIGATION MEASURES
In 2019, the Purchasing and Sustainable Development Departments jointly participated in think tanks exploring the notion of decent work in the supply chain. Michelin joined the Global Compact Action Platform on Decent Work and was chosen by its customer Volvo to take part in three sessions of a suppliers’ forum on the subject in Sweden. In 2018, Michelin provided funding to the Human Resources Without Borders (RHSF) association, which helps companies to promote decent work in their supply chains.

Participation in these events and groups has deepened our understanding and improved our practices in many areas, such as forced labor, child labor, the decent wage and complaint mechanisms.

A survey of forced labor was drawn up and a status report on the subject was presented to Volvo and six of its suppliers on December 10, 2019. Three company employees also took a training course by RH Sans Frontières on detecting the risks of forced labor.
3. 8 / RISK OF NEGATIVE IMPACTS ON LOCAL COMMUNITIES
(see detailed presentation in URD 4.1.2.5.f.)

RISK FACTORS
Michelin owns 78 sites in the world: industrial, research, or natural rubber transforming sites. Even if many of these facilities are located in business parks, the local populations live in the more or less close vicinity. The risks to them can be present during the facility’s construction phase, during routine operations or on its closure. In the rubber plantations owned by Michelin, the Group must also address the risks posed to the local populations.

PREVENTION AND MITIGATION MEASURES
In 2019, action principles designed to prevent any risk of a negative impact on local communities were prepared, based on four situations: when a new production plant is being built, when it is being operated, when it is closed down and when rubber plantations are bought and managed. The WWF was consulted on the text, the key principles on which included identifying possible negative impact risks, deploying remedial action plans, maintaining dialogue with neighboring stakeholders, introducing a complaints mechanism, focusing on hiring locally and training people in the local community.

That new plant construction projects now include local community impact studies, covering such areas as access to land and respect for the community’s cultural heritage. Independent studies of this type have been performed in India, Indonesia and Mexico, resulting in recommendations that were followed by the Group. In Mexico, for example, before ground was broken on a new tire plant, the study found a risk concerning land rights in the local community.

The Group then determined that it had the legal right to acquire the land and made sure that the project was beneficial to local economic development. In particular, it helped to finance the renovation of local public infrastructure and the creation of a vocational school.

In 2015, Michelin and its Indonesian partner Barito Pacific set up the RLU joint venture to develop a program to develop sustainable natural rubber plantations and reforest concessions on Sumatra (66,000 hectares) and in East Kalimantan (20,000 hectares). The program was designed in liaison with local stakeholders. Farmers in the region are being encouraged to improve their farming practices thanks to training programs and to raise more subsistence crops.

The ethical behavior of security guards protecting Group facilities is also carefully monitored. Around 80% of our security guards in Europe and North America have received sensitivity training in human rights issues they may face on the job.

3. 9 / COMPENSATION-RELATED RISKS – LIVING WAGE
(see detailed presentation in URD 4.1.2.3.b.)

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

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

In 2019, a process was initiated to define a methodology designed to verify that every Group employee receives sufficient compensation to meet the needs of themselves and their families.

In 2014, a study had been conducted into employee purchasing power in eight European countries. Action plans were introduced in Romania, Poland and Hungary. In Romania, for example, medical insurance was provided for all employees and meal vouchers allocated. Following this study, numerous measures were introduced.
**Risks to Consumer Safety**
(see detailed presentation in URD 4.1.1.1.)

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

**PREVENTION AND MITIGATION MEASURES**

To safeguard the health of its customers, Michelin maps all of the risks involved in using its products and has deployed the appropriate prevention and mitigation measures, which are audited by the internal control teams. The Group has committed to improving its products' performance, including safety, by 10% between 2010 and 2020.

In addition to supporting intrinsic safety while behind the wheel, Michelin is helping to assess the health impact of tire use as part of the collaborative initiatives led by the Tire Industry Project, which brings together the leading tiremakers in the WBCSD. For instance, a study has been conducted on the impact of wear particles dispersed during tire use.

Michelin is also a stakeholder in a wide range of programs that promote road safety, both worldwide and in its plants’ host communities. This document, which is available in 14 languages, is accessible online at https://purchasing.michelin.com/Espace-documents. It is included in any contract between Michelin and one of its suppliers. In addition to this document, the standard procurement contracts contain a specific clause on child labor.
The diversity of Michelin’s subcontracting chain and its 50,000 suppliers make the question of responsible procurement a major issue for the Group. While the general procedures limit the risks with all subcontractors, Michelin prioritizes its actions according to the risks associated with the country of operation and the identified risk sectors. Raw materials and in particular purchases of natural rubber are therefore the focus of very thorough vigilance and comprehensive approach.

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

The Purchasing Department is structured around four procurement sections: raw materials, natural rubber, industrial inputs and services. At €13.1 billion, in 2019, purchases represented close to 60% of consolidated net sales for the year. The Group has around 50,000 suppliers located on every continent, while the Purchasing Department has some 700 employees based across the geographic regions where the Group operates.

### 4.1 Identifying CSR Risks

In addition to the Group map, in which it was decided in 2019 to include suppliers’ CSR risk, the Purchasing Department has mapped risks for the various categories of purchases and according to the country of origin.

#### RAW MATERIALS PROCUREMENT

Of all the raw materials, natural rubber merits close scrutiny from an environmental and societal viewpoint. This is because 90% of the natural rubber is sourced from Asia, and 85% of the volumes are produced on small plantations; the supply chain is complex and fragmented. Accordingly, a special approach has been developed for natural rubber. It is described in detail at the end of the section.

For the other raw materials - synthetic rubber and monomers, reinforcing fillers (such as carbon black or silica), metal reinforcements and textile reinforcements, chemicals, etc. - a very thorough risk-mapping tool has been developed. This tool factors in many different types of risks, including CSR risks. It should be noted that conflict minerals are also considered a high-risk material, for which a specific approach is used.

#### INDUSTRIAL INPUTS AND SERVICES

The Group mapped the CSR risks in these purchasing categories, with a focus on five areas: the environment, human rights, business ethics, health & safety and supply chain management.

Then, using the Verisk Maplecroft database, Michelin identified the Group’s supplier countries in which high environmental and human rights risks were identified.

This mapping exercise will be regularly updated to guide future decisions concerning the CSR performance assessment process as applied to suppliers of manufacturing inputs or services, and to set up appropriate preventive actions, depending on the type and context of the purchasing category.

#### RISK ASSESSMENT BY COUNTRY OF ORIGIN

The Verisk Maplecroft database of countries deemed to represent a risk for the environment and human rights helps identify suppliers that operate in high-risk countries.
4.2 | GENERAL MEASURES FOR PREVENTING AND MITIGATING SUPPLIERS’ CSR RISKS

(see detailed presentation in URD 4.1.1.3.a.)

MICHELIN PURCHASING PRINCIPLES

The Michelin Purchasing Principles, the reference document for the Michelin Purchasing Department, were published in 2012 and updated in 2017. They are underpinned by the Group’s values and its international commitments through the ILO’s Fundamental Principles, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.

This document describes the fundamental principles governing the Group’s supplier relationships. It specifies: the rules of professional conduct for the Group’s purchasing teams; the supplier approval process; the Group’s quality standards and the environmental, social and ethical performance expected of Group suppliers.

TRAINING PURCHASING TEAMS IN CSR ISSUES

Considerable resources have been deployed to enhance the professionalism of the procurement teams and to make purchasing processes more efficient. In particular, the training program for purchasing teams comprises a dedicated Sustainable Procurement module that is mandatory for buyers and encouraged for technical specifiers and key internal partners. Around 85% of the current buyers have been trained. In all, it has been completed by 637 people worldwide since 2011.

To support compliance with the ethical guidelines specified in the Code of Ethics and the Anti-Corruption Code of Practice (the Group’s reference documents), an online training module was developed in 2017. It is deployed across the Purchasing organization and among internal partners in contact with Group suppliers. Since late 2017, over 4,100 people have completed the online module.

Further training courses are conducted in the various Regions. For example, modules on procurement ethics specific to North America were each completed by 76 people from the Purchasing Department in 2019 (100% of the buyers). A specific module on human rights risks in the supply chain was also developed in 2019 and has been available for all of the Group’s purchasing teams since early 2020.

THE SUPPLIER QUALITY SYSTEM AUDIT PROCEDURE

To support supplier compliance with its Quality standards and the Purchasing Principles, Michelin has introduced a “supplier quality system audit procedure” (ESQF), in particular to assess application of the health, safety, environmental and human rights standards stipulated in or derived from the Michelin Purchasing Principles.

In performing an ESQF, Michelin auditors go on-site to assess the following aspects:

a. general compliance;
b. compliance with environmental standards;
c. respect for human rights and d. compliance with health & safety standards;
d. the supply chain.

In 2018, several questions were added to the ESQF audit form to support a more thorough review of the suppliers’ employee relations and their social and environmental performance.

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

In addition to ensuring compliance with the Purchasing Principles, the audit is intended to help suppliers to drive sustainable improvement over time.
ASSESSING SUPPLIER CSR PERFORMANCE

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

Michelin has assessed its key suppliers’ CSR performance through desktop reviews conducted by the EcoVadis rating agency, which measure how they perform on 21 CSR indicators in four areas: the environment, labor relations & human rights, business ethics and responsible procurement. In 2019, of the 812 suppliers targeted for an assessment, 715 have a valid assessment which corresponds to an 88% response rate. These suppliers account for around 60% of the Group’s procurement (not including newly-acquired companies).

In 2019, 84% of the respondents, i.e. 604 suppliers, achieved an overall score that was confirmed as compliant with Group standards.

Suppliers who do not meet the mark are required to implement an action plan to boost their CSR performance, monitored by Michelin’s purchasing teams. To more accurately guide the deployment of corrective action plans, an indicator was introduced in 2019 to show the percentage of suppliers that have effectively created the requisite action plan.

### Operational monitoring: Suppliers’ CSR score

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Suppliers with CSR Assessment</th>
<th>Number of Assessed Suppliers that Meet Our Required CSR Performance Level</th>
<th>% of Assessed Suppliers that Meet Our Required CSR Performance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>263</td>
<td>174</td>
<td>66%</td>
</tr>
<tr>
<td>2016</td>
<td>419</td>
<td>312</td>
<td>74%</td>
</tr>
<tr>
<td>2017</td>
<td>547</td>
<td>422</td>
<td>77%</td>
</tr>
<tr>
<td>2018</td>
<td>654</td>
<td>513</td>
<td>78%</td>
</tr>
<tr>
<td>2019</td>
<td>715</td>
<td>604</td>
<td>84%</td>
</tr>
</tbody>
</table>

CSR SELF-ASSESSMENTS AND CSR CRITERIA

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

The questionnaire is used for suppliers whose CSR performance is not assessed by the authorized rating agency.

At the same time, a list of CSR criteria has been prepared for use in drafting tender documents, if buyers and other internal partners feel that they are relevant. The CSR criteria may relate to the CSR performance of the companies consulted, or the CSR performance of the products and services offered.
4.3 | SPECIFIC APPROACH FOR RAW MATERIALS (see detailed presentation in URD 4.1.1.3.a.)

ANALYSIS BY COUNTRY OF ORIGIN

Although 90% of its raw materials spend is covered by desktop CSR reviews, Michelin has verified that these reviews were actually performed for suppliers operating in countries at risk. Using Verisk Maplecroft data ranking countries based on their risks, the verification exercise demonstrated that the desktop reviews of raw materials suppliers cover:

• 94% of Michelin’s spending in countries that pose a medium risk with regards to environmental protection; Michelin does not have any suppliers based in countries that pose a high risk with regards to environmental protection;
• 93% of Michelin’s spending in countries that pose a high or medium risk with regards to human rights abuses;
• 93% of Michelin’s spending in countries that pose a high or medium risk with regards to child labor.

The exercise also identified ten new suppliers who were asked to submit desktop CSR reviews in 2018.

CO₂ EMISSIONS

The CDP provides a comprehensive system for measuring and disclosing environmental information, which helps to assess a company’s climate change strategies. In 2018, Michelin joined the CDP’s Supply Chain Program and asked its main raw materials suppliers to take part. This helps initiate a process involving our suppliers and motivating them to measure and report their greenhouse gas emissions and develop strategies to reduce them. The responses help the Group calculate emissions along its supply chain and find ways to reduce them. This process plays a critical role in driving effective action across the production chain, while encouraging the deployment of best practices to reduce greenhouse gas emissions.

This campaign was run in 2018 and the findings analyzed in 2019. It will be run again in 2020. A total of 67 suppliers were polled in 2018, with an 85% response rate.

CONFLICT MINERALS

Michelin diligently tracks the origin of certain minerals used in its products, even if they are only used in very small quantities. Gold, tin, tantalum and tungsten are commonly classified as “conflict minerals” because of the role they play in certain guerrilla wars, in particular in the Democratic Republic of Congo. For all these minerals, the submitted templates attest that the reporting supplier works with RMI-approved smelters. Since 2019, Michelin has included cobalt in its approach. To ensure that its minerals are sourced from supply chains that meet its standards and do not finance any hostilities, Michelin requires suppliers exposed to this risk to fill out the Conflict Minerals/Cobalt Reporting Template, developed by the Responsible Minerals Initiative (RMI), a business platform that promotes the sustainable sourcing of gold, tin, tantalum, tungsten and cobalt.

CHEMICALS

The Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation, which the European Union introduced to mitigate the adverse impact of chemical substances on human health and the environment, stipulates that manufacturers and importers of more than one tonne of a given chemical per year must register the substance with the European Chemicals Agency (ECHA). Producers must identify and manage the risks associated with the chemicals they make and market in the EU, demonstrating to the ECHA how the substance can be safely used and informing users of the proper risk management procedures. Michelin fulfills this registration requirement as a chemical manufacturer or importer and verifies that the chemicals it uses have been registered by the suppliers, thereby ensuring that it is in compliance with REACH.
4.4 | THE SPECIFIC RISKS OF NATURAL RUBBER (see detailed presentation in URD 4.1.1.3.c.)

RISK FACTORS
Rubber-tree farming poses specific risks to both the environment and society. The natural rubber supply chain is also particularly complex and fragmented, which considerably complicates visibility and risk control. From an environmental perspective, there is a clearly identified risk of primary forests being stripped to plant rubber trees, with devastating effects on biodiversity. From a social perspective, while the majority of plantations are very small in size and rubber prices can fluctuate widely, there are risks in relation to working conditions in general and the low pay for farmers in particular. Lastly, other identified risks include conflicts over land ownership and a possible seizure of the land, along with the use of toxic pesticides.

As one of the world’s leading purchasers of natural rubber, Michelin is especially attentive to its rubber supply chain, which provides the raw material essential for manufacturing tires.

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

PREVENTION AND MITIGATION MEASURES

Sustainable natural rubber procurement policy
Michelin was the first tire manufacturer to publicly announce its commitment to sustainable natural rubber production. To support the Natural Rubber Procurement Policy published in 2015, the Group has formalized its public commitments in a Sustainable Natural Rubber Policy published in 2016.

This policy was drafted with input from stakeholders, particularly environmental and human rights NGOs, and is now a contractual reference document for the Group’s suppliers.

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

The policy details and explains the five core commitments that Michelin intends to uphold and promote:

• respect all stakeholders in the natural rubber production chain, by promoting conflict resolution related to land ownership and improving working conditions and living environments;
• make rubber tree farming environmentally friendly, by combating deforestation and controlling the potential impact of rubber cultivation on fauna and flora;
• take action to improve farming practices, by helping to instill more efficient practices across the natural rubber production chain, in a commitment to increasing agricultural yields;
• encourage the careful use of natural resources by increasing the material efficiency of natural rubber used in tires. Michelin is constantly developing new technical processes that optimize the use of rubber in its products;
• make rubber tree farming a source of better governance. Michelin is an engaged stakeholder, communicating transparently, refusing all forms of corruption and interacting with local stakeholders.

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

ASSESSING OUR NATURAL RUBBER SUPPLIERS AND THE RUBBERWAY APP

• For our direct suppliers: using EcoVadis desktop reviews and onsite audits.
• For our direct suppliers’ plants and their upstream supply chain: with the Rubberway application.

In 2017, this commitment led to the deployment of the Rubberway® mobile application to map the CSR practices of the various stakeholders in the natural rubber supply chain (raw rubber processing plants, brokers, large plantations and smallholders). They can use the app to input their CSR data, which are then analyzed on a web platform to create a map highlighting the areas of potential social and environmental risk.
The data are shared with suppliers and can be used to prepare improvement plans.

To date, 53 natural rubber processing plants have replied to the questionnaires, over 27,000 questionnaires have been filled in, including more than 25,000 by smallholder plantations, which account for 45% of the volume bought by Michelin. The Group plans to map 80% of its sourced natural rubber volumes by 2021.

The app is currently deployed in the following countries: Indonesia, Thailand, Ivory Coast, Ghana, Nigeria and Brazil.

The results are transparently reported on the Michelin Purchasing website (https://purchasing.michelin.com/en/responsible-management-natural-rubber-supply-chain/).

In 2019, a joint venture between Continental AG and SMAG (a software publisher) was set up with a view to making Rubberway® a stand-alone solution, accessible to all natural rubber users. This paves the way for a much broader use of the application by other tire makers and component suppliers, which will hasten the adoption of responsible practices in the natural rubber industry.

**PARTNERSHIP WITH THE WWF AND GLOBAL PLATFORM FOR SUSTAINABLE NATURAL RUBBER**

Since 2015, Michelin has partnered with the WWF to encourage key rubber-tree farming stakeholders to embrace forward-looking sustainability policies so that responsible natural rubber production becomes the norm.

To pursue the progress made in the first phase of the partnership, in 2019 WWF and the Michelin Group renewed their joint commitment for four years. The aim is to pursue the efforts to establish a sustainable natural rubber market and develop a pilot project in Indonesia. In 2019, the partnership was extended to include sustainable mobility and the protection of biodiversity.

At the same time, Michelin is pursuing regular consultations with the Corporate Stakeholder Committee and the main civil society organizations involved in these issues. Every two years, the Group gathers civil society organizations together to report on the progress made in the natural rubber value chain and discuss ways forward. The latest information and consultation meeting took place in Paris in February 2020.

The Group is also involved in various think tanks on combating imported deforestation. In France, it is actively engaged in the talks being led by the French Ministry for the Ecological and Inclusive Transition to define a strategy to counter imported deforestation.

Michelin and its partner WWF are working together to encourage key rubber tree farming stakeholders to take action so that responsible natural rubber production becomes the norm. This effort was key for the establishment of a multi-stakeholder platform (the Global Platform for Sustainable Natural Rubber – GPSNR) designed to lead improvements in the socio-economic and environmental performance of the entire natural rubber industry. It was impelled by the Tire Industry Project (TIP), which brings together 11 tire manufacturers (including Michelin) under the auspices of the World Business Council for Sustainable Development (WBCSD). The platform gathers stakeholders from across the natural rubber value chain, including natural rubber suppliers, processors and resellers, tiremakers and other users, automakers, civil society and numerous NGOs. The GPSNR is primarily tasked with harmonizing standards and encouraging action on the ground to improve respect for human rights; preventing land grabbing; protecting biodiversity and water resources; improving agricultural yields; increasing the transparency and traceability of the supply chain.

The platform’s inaugural General Assembly was held in Singapore in March 2019. Michelin is one of the three representatives of tiremakers, and chairman of the GPSNR Executive Committee. Several working groups gathering all of the stakeholders are exploring the ways forward to accomplish the set tasks. In 2019, Michelin in involved in four of the five working groups (Strategy & Objective, Smallholder Representativeness, Capacity Building, Traceability & Transparency), making Michelin one of the platform’s most active companies. For further information, see www.gpsnr.org.
Michelin has analyzed the main risks inherent in mergers, acquisitions and partnerships, which correspond to both the pre-acquisition and post-acquisition phases. They include: risk that expected synergies may not be achieved; risk of losing key employees; risk of strategic misalignment with a partner in a joint venture.

The business acquired by Michelin will not necessarily have the same practices and policies with regard to the environment, health & safety, human rights and purchasing principles. These divergent practices require in-depth analysis for each company and in each domain.

Michelin’s strategy hinges on external growth, which has been gathering pace since 2014 with the acquisitions of Levorin, Sascar, Camso, Fenner, Multistrada and Masternaut, which now account for roughly 10% of the Group’s business. Each acquisition is subject to very thorough due diligence, depending on the specific risks of the company acquired (ethical risk, taxation, environment, legal, product liability, cybersecurity) with the support of internal and/or external specialists, in order to take appropriate mitigation and prevention measures, if necessary. It is also an opportunity to identify, and take inspiration from, the best practices applied in the new entities.

An integration plan led by an integration project manager is designed and implemented, under the supervision of a member of the Group Executive Committee. The results are reported and shared with the Supervisory Board twice a year.
Anonymous, protected whistle-blowing procedures enable employees to report possible infractions of the Code of Ethics and Anti-Corruption Code of Practice as well as suspected failures to apply the Michelin Performance and Responsibility Charter. In every Region, ethical violations may be reported via an ethics hotline, a dedicated web page, local legal affairs teams, career managers, direct managers or, in some cases, occupational physicians or employee representatives.

In 2019, the Group recorded a total of 1,037 reports of alleged ethics violations – up 7% on 2018 (965 reports). All reports are then investigated. When violations of the rules of ethics are reported by employees, they are analyzed using a process applicable to the entire Group and defined by the Information System Security, Security and Environment Corporate Direction. Based on the information contained in the reports, the latter decides on the best way to conduct the internal investigations, which may subsequently prompt action plans, corrective measures and/or disciplinary sanctions, depending on the seriousness and the circumstances. Following the investigations, disciplinary measures (warnings, unpaid leave and dismissals) were applied and legal action was taken for certain violations (charges were brought for fraud, etc.).

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

The mediator intervenes only when suppliers have failed to resolve an issue with their usual contacts. Over the period 2017-2019, the mediator was called in no more than twice a year, and quickly resolved the issues raised by the suppliers, which generally concerned problems of invoice payment.

Categories of ethics violations reported through the internal whistleblowing procedures

- Issues involving people: 39%
- Violation of Group assets: 28%
- Fraud: 14%
- Non-compliance with laws and regulations: 12%
- Other categories in the Code of Ethics: 8%
- Conflicts of interest: 6%
- Breach of confidentiality: 3%
- 2%