MICHELIN PERFORMANCE AND RESPONSIBILITY

6

6.1_ 2010 EMPLOYEE AND ENVIRONMENTAL INFORMATION PUBLISHED IN COMPLIANCE WITH FRENCH NRE LEGISLATION

Michelin is actively deploying a sustainable development process, known as *Michelin Performance and Responsibility*. Its fundamental principles are presented in the Michelin Performance and Responsibility Charter, which is available on request or may be downloaded from www.michelin.com. To further support its practical application, a summary handbook was published in 2010. A core component of this process is Michelin's understanding of its social and environmental challenges, which enables it to identify the most effective ways to drive balanced, responsible growth both in its own business and in its industry as a whole, and to support better, more sustainable mobility.

Published in February 2011, the 2010 Annual and Sustainable Development Report presents the detailed results from programs underway to meet the Group's growth and financial performance objectives while effectively fulfilling all of its responsibilities. Readers are strongly encouraged to consult the report, which is available upon request from the Investor Relations Department or at www.michelin.com.

The 2010 Annual and Sustainable Development Report is a combined document presenting the Group's 2010 strategy and results in every aspect of its business, thereby expressing the seamless integration of all of its performance and responsibility objectives.

The employee and environmental information in sections 6.2 and 6.3 below comply with article L.225-102-1 of the French Commercial Code and the related application decrees of February 20 and April 30, 2002, which require a company to disclose in its Annual Report "information on the way in which it takes into account the social and environmental impact of its business".

Michelin is continuing to formalize and improve the reliability of its indicators, which are used by its 70 production facilities in 18 countries and by its sales and marketing operations. The Group is committed to obtaining as accurate an understanding as possible of each site's social and environmental responsibilities and to driving continuous improvement, year after year, in the quality of this information. Unless otherwise specified, the scope of reporting is the entire Group.

For the fifth consecutive year, PricewaterhouseCoopers was commissioned to review the procedures used to prepare the indicators presented in this document.

The 2010 review opinion may be found in section 6.4.

In the following tables, indicators marked with two asterisks were verified during the review.

6.2_ 2010 EMPLOYEE INFORMATION

6.2.1. NUMBER OF EMPLOYEES

6.2.1.a) Number of employees, breakdown by gender, employee movements, fixed-term contracts, overtime and subcontractor employees

Employees on payroll at December 31, 2010

(regardless of work contract)

	Europe	North America	South America	Asia-Pacific	Africa & the Middle East	Group Total
Number of employees on payroll**	68,057	21,778	5,673	14,502	1,080	111,090

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

Full-time equivalent employees at December 31, 2010

(regardless of work contract)

	Europe	North America	South America	Asia-Pacific	Africa & the Middle East	Group Total
Number of full-time equivalent employees**	63,441	20,994	5,086	14,458	1,078	105,057

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

Employees on payroll by gender**

(regardless of work contract)

WOMEN AS A PERCENTAGE OF EMPLOYEES ON PAYROLL AT DECEMBER 31, 2010

	Europe	North America	South America	Asia-Pacific	Africa & the Middle East	Group Total
Production workers	7.7%	13.4%	4.5%	4.7%	0.6%	8.3%
Administrative and technical staff	27.5%	27.8%	27.4%	28.1%	20.9%	27.5%
Managers	16.9%	15.2%	15.9%	19.9%	11.5%	16.7%

Scope of reporting: Group excluding Euromaster and TCI.

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

Since 2010, full data from the distribution networks are being gradually integrated into the reporting system.
Overall, women accounted for 14.4% of total employees on payroll, compared with 14.0% in 2009 and 13.9% in 2008.

Employee movements in 2010

(employees on payroll regardless of work contract)

	Europe	North America	South America	Asia-Pacific	Africa & the Middle East	Group Total
Natural attrition	2,345	942	255	1,309	144	4,995
Negotiated redundancies	2,003	914	240	749	17	3,923
Early retirement	466	540	0	4	1	1,011
New hires	4,770	2,713	922	3,169	345	11,919

Scope of reporting: Group excluding Euromaster and integrating TCI, Brazil and Serbia.

Excluding temporary workers, 11,700 people were hired in 2010.

Fixed-term contracts

In 2010, fixed-term contracts accounted for 1% of total Group payroll.

Overtime and contractor employees

Overtime may be used to offset a lack of available personnel or to respond to customer demand. In 2010, overtime accounted for 5.2% of the total number of hours worked by production workers in the Group, with the rate varying from 2% in Europe to 9.9% in Asia.

Overtime pay for all job categories amounted to 2.1% of total payroll for the year.

Contractor employees working on Group sites (excluding Euromaster and TCI) represented an average 2.8% of full-time equivalent employees in 2010, with the proportion ranging from 0% in Africa and the Middle East, where subcontractors are not used, to 5.7% in South America.

6.2.1.b) Redundancy plans, job retention initiatives and retraining, placement and support programs

Michelin's manufacturing strategy is to increase production capacity in the growth markets of Eastern Europe, Asia and South America while enhancing competitiveness in the developed, mature markets of Western Europe, North America and Japan.

Restructuring and employee support measures in 2010

A number of programs to reorganize the manufacturing base were undertaken in North America and Europe. They were announced eight to fourteen months in advance so that the employees concerned could be properly prepared and appropriate support measures defined with employee representatives. All of the employees were offered opportunities within the Group or individual support if an outside solution was preferred or unavoidable. Despite the recession, there were no layoffs attributable to the weak economy and the Group successfully maintained social cohesion while retaining the capabilities needed to support the recovery in demand. Having emerged from this unprecedented crisis stronger than ever, Michelin can now step up its capital programs to become more competitive and capture growth in emerging markets.

Restructuring programs were systematically accompanied by a wide range of initiatives, generally exceeding the minimum legal requirements, to avoid outright dismissals wherever possible and to support each employee concerned. These included:

- An ongoing process of foreseeing and facilitating opportunities for transfers and outplacement in France and Italy, with job search training provided in resume writing, interview techniques and job market monitoring;
- Individual inplacement opportunities, either in the same unit or in another Group company, including expatriate positions. Primarily used in France, Italy and the United States in 2010, inplacement is the preferred solution and is generally supported with assistance in finding housing and jobs for spouses;
- Early retirement systems, such as the CATS program in France, the *mobilita corta* and *mobilita lunga* agreements in Italy, conventional or *contrato de relevo* early retirement plans in Spain and similar schemes in the United Kingdom. These systems all helped to avoid separations during the year;
- Group-financed outplacement services by employment offices and outplacement consultants.

In France, an innovative employee support program based on Career Transition Workshops (ATP) is systematically deployed whenever a plant is reorganized or closed. The outcomes at the Toul plant have been particularly encouraging, with 94% of the people concerned having found a new job as of December 31, 2010. Building on this experience, new Career Transition Workshops have been also introduced at Vendeville, near Lille, to support employees from the Noyelles-lès-Seclin plant.

In Europe, Canada and the United States, the Michelin Development program is designed to help create jobs in the Group's host regions (see section 6.2.10 below on the regional impact of targeted job and economic development initiatives). Its projects can facilitate career transitions outside the Group, while maintaining or stimulating local economic growth by creating a large number of new jobs.

Voluntary separation plan in France

In 2009, a voluntary separation plan was presented and implemented to support the announced developments in Michelin's operations in France. By proposing early or pre-retirement arrangements and outplacement support, the plan aimed to free up jobs for employees affected by site reorganizations. It was offered to all employees under permanent contracts on the payrolls of MFPM, SEAM and SODG as of October 1, 2009.

As of October 31, 2010, 1,874 employees had volunteered for the plan, with 1,801 opting for early or pre-retirement arrangements and 73 for outplacement support. Of these 1,874 employees, nearly 1,400 were still counted in the Group's workforce at December 31, 2010. The plan enabled the Group to adjust its workforce in France, in terms of both numbers and skills, as part of the human resources planning process and to give jobs to 212 employees from reorganized sites who wanted to pursue their careers at Michelin through inplacement.

Career change support in Italy

Launched in October 2008, the plan to reorganize the Italian manufacturing base will run through 2009-2013. To facilitate the transfer or outplacement of affected employees, a job transition office has been maintained at the Turin-Stura plant. By the end of 2010, new career opportunities had been found for 90% of the people concerned, through in and outplacements, support in creating a business, retraining and placement assistance and early retirement plans.

6.2.2. WORKING HOURS, PART-TIME WORK AND ABSENTEEISM

6.2.2.a) Working hours

Working hours in the manufacturing plants and the research, logistics, sales and administrative facilities are strictly organized according to the applicable labor laws of the country concerned. For full-time non-shift employees, the annual work time varies from 1,690 hours in Hungary to 2,224 hours per year in Colombia, and 213 days in France and Hungary to 260 days in the US and Mexico.

Working in shifts enables a plant to operate up to seven days a week and 360 days a year, thereby optimizing capacity utilization. In exchange, shift workers enjoy significantly reduced working hours and certain compensation benefits. On a Group-wide basis, more than 63,000 people work in shifts, mostly in three 8-hour shifts, but also in four 8-hour shifts, five 8-hour shifts, two 12-hour shifts and week-end shifts, reflecting different manufacturing requirements, prevailing legislation and local practices.

Following on from a union agreement signed on May 12, 2009, regular telecommuting is now gradually being introduced at Manufacture Française des Pneumatiques Michelin. While a review of the past 18 months has shown that the system can effectively enhance work-life balance, it is still relatively unused, with fewer than a hundred employees currently working regularly from home. They include both men and women, more technical and administrative staff than managers, women in the early months of pregnancy and a few disabled employees who find commuting to work physically straining. If correctly explained and managed, telecommuting can also attract younger employees and may therefore be a factor in developing generational diversity.

6.2.2.b) Part-time work

Part-time contracts, which are common in many host countries, concerned 2.2% of the total workforce, across all job categories, in 2010.

Part-time employees by gender and job category as a percentage of total employees at December 31, 2010

	Women	Men	Total
Production workers	4.3%	1.5%	1.8%
Administrative and technical staff	8.2%	1.3%	3.2%
Managers	8.3%	0.4%	1.7%
TOTAL	**6.7%**	**1.4%**	**2.2%**

Scope of reporting: Group excluding Euromaster.

6.2.2.c) Production worker absenteeism

In most host countries, absenteeism at Michelin facilities tends to be lower than national rates in similar industries. Group-wide, the number of hours of absence, regardless of the cause, represented 3.8% of the expected number of hours worked.

Sick leave**	Lost time due to occupational injury	Long-term leave	Group Total
2.05%	0.11%	1.65%	3.8%

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

6.2.3. COMPENSATION, PAYROLL TAXES, GENDER EQUALITY, DISCRETIONARY AND NON-DISCRETIONARY PROFIT-SHARING AND EMPLOYEE SAVINGS PLANS

Total employee benefits expense in 2010 *(in € millions)*	Production workers	Administrative and technical staff	Managers	Fixed-term contracts	Reversals of surplus provisions	Taxes, provisions and advances
4,836	1,883	1,752	766	61	(7)	381

"Taxes, provisions and advances" includes taxes, provisions for post-retirement benefits, stock-option advances and other long-term advances.

6.2.3.a) Compensation, payroll taxes and other employee benefits

Employee benefits expense amounted to €4,836 million or 27.0% of net sales in 2010, of which €1,043 million in employer payroll taxes.

The total may be analyzed as follows:

(in € millions)		
Wages and salaries	3,419	70.7%
Employer payroll taxes	1,043	21.6%
Benefit contributions, pensions, severance and retraining costs	365	7.5%
Share-based payments	9	0.2%
TOTAL	**4,836**	**100.0%**

Michelin is committed to offering competitive compensation and raises in every host country by seeking the best possible balance between employee fulfillment and financial performance. This crucial balance is carefully managed, as compensation levels have a direct impact on production costs and, by extension, on the Group's ability to withstand competitive pressure. The Group's policy is to offer tailored, fair and competitive compensation that reflects each employee's performance and level of responsibility. Compensation policies are designed with a long-term approach, taking into account career development, evolving market conditions and local practices.

A wide range of profit-sharing and bonus systems have been introduced, which vary by country and employee category. For the sake of consistency, these systems are all governed by similar rules and procedures, albeit with adaptations in each host country to align them with local job markets and legislation.

Because pay scales are pegged to criteria specific to each country, in particular to reflect widely varying local conditions (such as inflation ranging from a negative 2.4% in Qatar to a positive 29.1% in Venezuela), the average pay rise for the year is not a meaningful indicator. However, in France, which has the largest number of employees (around 25,000 on the payroll at December 31, 2010, including Euromaster) and where inflation ran at 1.5%, pay increases in 2010 were as follows:

Production workers	+2.3%
Administrative and technical staff	+2.5%
Managers	+3.6%

Data for France

Employee benefit policies, in such areas as post-retirement benefits, insurance and health care coverage, reflect the Group's social responsibility commitment.

6.2.3.b) Gender equality

In each country and employee category, the average wage differential between men and women is calculated for the three levels of responsibility at which women are most represented, in order to obtain a meaningful indicator. An average weighted for the number of employees in each country is then calculated for the Group.

Group average pay differential between men and women employees

Category	Differential
Production workers	-2.77%
Administrative and technical staff	-1.10%
Managers	-5.53%

The differential stems from the fact that women employees tend to have less seniority than men, and therefore less experience and lower job responsibility. In addition, statistical monitoring is difficult given the number of entry-level hires now underway following the retirement of older employees. Regardless of job category, however, the methods used to manage compensation and assess performance are exactly the same for men and women in every country. Performance appraisals and assessments of an individual's contribution are based solely on professional criteria, which are clearly listed in exhaustive detail in Michelin's standards manuals. Any failure to do so would violate the Group's most fundamental principles of fairness.

6.2.3.c) Discretionary and non-discretionary profit-sharing, employee savings plans and employee share issues

In October 2010, Michelin carried out a €1.22 billion share issue to finance its faster growth. However, the time required to complete legal formalities in certain countries prevented the Managing Partners from offering the shares to all employee shareholders. As a result, only 29% of employee shareholders subscribed the new shares, reflecting the following factors:

- Employees in eligible countries held shares representing a little less than 50% of the pre-emptive subscription rights;
- Of these employees, 60% exercised their pre-emptive subscription rights.

Employee shareholders who did not participate in the share issue were still able to protect their interests by selling their pre-emptive subscription rights.

In addition to salary and performance-based bonuses (for meeting either personal or corporate targets), overtime pay and compensation directly related to the nature of work performed, employees are also offered supplementary compensation in forms that vary widely depending on local legislation. These include discretionary profit-shares, non-discretionary profit-shares, contributions to supplementary health insurance, retirement savings plans and employee savings plans with matching employer contributions of up to 50%. Seventeen country organizations provide such programs, benefiting nearly 72,000 employees. The amounts awarded under these supplementary programs vary considerably from one country to another and can account for up to 30% of an individual's compensation.

At Manufacture Française des Pneumatiques Michelin, the 2008-2010 discretionary profit-sharing agreement signed with the trade unions uses multiple indicators to calculate profit-shares, as follows: i) the number and success rate of Progress Ideas; ii) the reduction in the Group's environmental footprint, as measured by the decline in waste produced, waste landfilled, CO_2 and volatile organic compounds (VOC) emitted, and energy and water consumed, all per tonne of tires produced; iii) the frequency of workplace accidents; and iv) the achievement of production targets. The amount of the discretionary profit-share, which is paid in the first quarter of the following year, can account for up to 5% of salary. The amount paid in 2010 in respect of 2009 profit-shares in France came to approximately €23.6 million, representing an average 3% of gross salary.

6.2.4. EMPLOYEE RELATIONS AND COLLECTIVE BARGAINING AGREEMENTS

Michelin is committed to frank, open dialogue with employee representatives. In 2010, some 2,089 meetings were held with union representatives and 47 collective bargaining agreements were signed, covering 56,500 employees at 22 sites. In several countries, collective agreements signed in previous years remained in effect in 2010.

In Europe, discussions with the European Works Council, which is comprised of members from 23 countries, were intensified in response to the falloff in demand. In addition to the Council's regular calendar, a number of special meetings were held to provide information on the crisis' evolving impact on the Group and the wide range of employee support measures being deployed. Overall, the Group's flexibility and inventiveness enabled it to avoid the worst of the recession's consequences. Social funds were created or reinforced in certain countries, like Hungary, Romania, Poland and the United States, to attenuate the impact of production scalebacks on employees. A large number of hours were also allocated to training programs, employees were temporarily transferred to certain subsidiaries, and exceptional agreements were signed with employee representatives in almost every geography to devise solutions, week after week, in response to the deep recession.

In the United States, meetings are held regularly with the United Steelworkers of America. In Brazil, overall working conditions and pay increases are negotiated once a year with the Rubber Industry Employees' Union in Rio de Janeiro State. In China, a collective agreement was signed with employee representatives calling for a consultation process and regular discussions about overall working conditions.

Today, one or more collective bargaining agreements are in effect in 17 countries: Algeria, Brazil, Colombia, France, Germany, Italy, Japan, Mexico, the Netherlands, Poland, Romania, Serbia, Spain, Sweden, Thailand, the United Kingdom, and the United States. In all, these agreements cover 56,600 employees.

6.2.4.a) Examples of agreements signed in 2010

Europe

- Italy: mobility agreements at the Cuneo, Fossano and Turin plants and agreements on flexible working hours at all sites nationwide.
- Germany: agreement on the employee time saving account system.
- Spain: an equal opportunity agreement integrating the treatment of psychosocial risks into the workstation analysis process.
- France: an agreement on hiring and retaining employees over 50, agreements on the Mandatory Annual Salary Negotiations (NAO), discretionary and non-discretionary profit-sharing, death and disability insurance coverage and employee savings plans, an amendment to the 35-hour workweek agreement, an agreement concerning Works Council information, a geographic mobility agreement; at Manufacture Française des Pneumatiques Michelin, an agreement on preventing psychosocial risks in the workplace signed on July 15, 2010 and an agreement on compensation policy; at Pneu Laurent, an agreement to introduce a meal allowance as part of the bonus paid to night-shift workers and a human resources planning and development agreement; at Kleber, a unit-wide agreement on the new allocation of discretionary profit-shares.
- Poland: an agreement concerning salary increases.
- United Kingdom: the 2009-2011 Pay and Conditions Agreement for production workers.
- Serbia: a general agreement on new hires, employee guarantees, staffing and overstaffing, working and rest hours, vacation, compensation and separations.

North America

- United States: two agreements on working conditions signed with five unions.
- Mexico: a collective agreement on salaries, working hours and working conditions.

South America

- Brazil: the annual collective agreement setting general working conditions and pay increases for 2010 with Rio de Janeiro's Rubber Workers Union; an agreement on working hours and non-discretionary profit-sharing at the Campo Grande plant.
- Colombia: agreement on a voluntary profit-sharing plan open to all production workers.

Asia

- Thailand: agreement on pay during absences, such as sick leave and maternity leave.

6.2.4.b) A wide variety of information and consultation processes

Michelin is deeply committed to fostering effective communication with employees, both directly and through their representatives. To share and exchange information with employees, Group facilities have deployed a broad array of processes, whose percentage of implementation in each country is reviewed every year.

Today, around 20 distinct communication channels and a dozen different consultation processes are in general use across the Group. On average, each country uses 12 of them, including the Intranet, e-mail, Family Day events, site, country and unit magazines, specialized pamphlets, daily, weekly and monthly team meetings, newscasts such as the Group's *Forward weekly* news program and the *Bib Magazine* sent to all employees in France, meetings with employee representatives, Intranet surveys and polls, roundtables, forums, bulletin boards and information display stands.

In October 2010, 3,000 Group managers representing 70 different nationalities gathered in Paris for the 2010 International Bib Forum. Over two days, conferences, testimonials, videos, exhibitions and documents were used to illustrate the Group's strategy to drive a "New Phase of Dynamic Growth" in the 2011-2015 period. Forum participants were given a set of reference documents, including *Michelin Performance and Responsibility: A Better Way Forward*; Michelin's commitments as an employer with *Moving Forward Together: The Trademark of Mutual Commitment*; the Corporate Governance manual and the Michelin Code of Ethics. The main presentations were webcast live over the Group intranet and managers shared the key strategic messages with their teams.

6.2.5. WORKPLACE HEALTH AND SAFETY

6.2.5.a) Managing occupational health and hygiene risks

Supported by the network of Group Health Correspondents, Technology Center materials experts and occupational physicians, the corporate occupational health and hygiene team leads a program to manage risks in two main areas, workstation chemical risks and asbestos-related risks. It also prepares guidelines for analyzing risks and tracking exposure.

To manage asbestos-related risk, an annually updated survey in every plant clearly identifies all of the materials containing encapsulated asbestos (*i.e.* not likely to release fibers to the air) still present in buildings or equipment. These vestiges date back to the 1960s and 1970s, when, like many companies, Michelin used asbestos as insulation for pipes and curing presses, as well as in brake linings.

A risk analysis application, developed with the accredited Bureau Veritas inspection firm based on Group surveys, is used to classify the risks presented by each situation and to schedule the removal of materials containing encapsulated asbestos, which is carried out in stages each year. In order to control the risk to people and the environment, these operations are supervised by a Group level manager.

The centralized occupational health and hygiene expert information system will continue to be rolled out in 2011. Based on Group best practices, the system enables the generation of standardized safety documents for all the semi-finished and finished products used worldwide. These documents, which comply with both local legislation and Group standards, include safety data sheets and instructions for the safe use of products at the workstation.

6.2.5.b) Monitoring employee health

Employee health is monitored via check-ups conducted by Michelin medical teams or by outside health care providers coordinated by a Group physician. The organization, priorities and action plans for medical services in each region are defined in a regularly updated corporate *Guide to Health Service Activities*, which is based on best practices from inside and outside the organization and intended for all employees.

Below are some examples of initiatives being tracked at Group level and implemented by the country organizations.

Preparing for a possible Influenza A pandemic

To protect employees and prevent business interruptions in the event of an Influenza A pandemic, a wide range of measures were devised to minimize the disease's spread in the workplace. While there was little contagion across the Group, the various protection and prevention measures enabled teams to test the responsiveness and effectiveness of the health care systems in place. Some sites, including corporate headquarters, also offered onsite vaccinations.

Preventing stress-related risks

While realizing that stress related risks are not confined to the workplace, Michelin recognizes the importance of addressing this issue. In 2010, for example, a new milestone was reached in the assessment and tracking of stress factors. In line with the negotiations on psychosocial risks, the segments and job families particularly exposed to excessive stress have been identified and the employees concerned have been tested. Daily stress clinics have also been introduced at most sites in France. However, the major difficulty in preventing stress lies in the diversity of people's reactions, with some handling stress well (sometimes by transferring it to those around them) and others suffering far more intensely. In recent years, Michelin has offered employees a number of stress management training courses. It is also important to encourage social dialogue and deploy measures tailored to the working environment, because stress can take different forms depending on the workplace and working methods.

Conducting public health campaigns

In every host country around the world, public health campaigns aligned with local needs and practices have been conducted for Michelin employees and their families. Initiatives deployed as part of these campaigns include i) training in lifting heavy loads, preventing back and joint pain, and avoiding the risks associated with a sedentary lifestyle; ii) advice on healthy eating and wellness; iii) anti-smoking and anti-alcoholism courses; and iv) exercise programs.

In the United States, the first Michelin Family Health Center was opened in Greenville, SC, near the Group's North American headquarters in December 2010. A second center will open in 2011 at the Greenville manufacturing facility. The centers offer employees and their families exceptionally high quality, affordable and convenient check-ups, medical exams, analyses and treatment follow-up services.

For the second year in a row, Michelin received the Best Employer for Healthy Lifestyles award in the United States for its *Choose Well–Live Well* program, which encourages employees and their families to make the good choices with regard to their health and well-being.

In France, employees at corporate headquarters in Clermont-Ferrand could attend relaxation and stress-management workshops as part of the *Oxygène* program, which offers opportunities to practice a variety of physical activities in the workplace. In addition, an initial series of conferences on nutrition and health, led by a dietician from the local ASM sports club, was launched in November 2010.

Liaising with local public health care facilities

Whenever the quality of local public health care facilities is deemed inadequate, particularly at isolated locations in emerging countries, Michelin takes the necessary steps to improve them. In China, for example, the Group is working with hospitals in Shanghai and Shenyang to organize better care for local employees and expatriates, with a particular emphasis on preventing health care-associated infections.

Preventing HIV/AIDS

Michelin continued to deploy HIV/AIDS prevention programs in 2010, focusing on the worst hit countries. The Group also conducts a large number of HIV/AIDS awareness campaigns for employees and host communities in areas where such awareness is lacking or denied.

Improving workplace safety

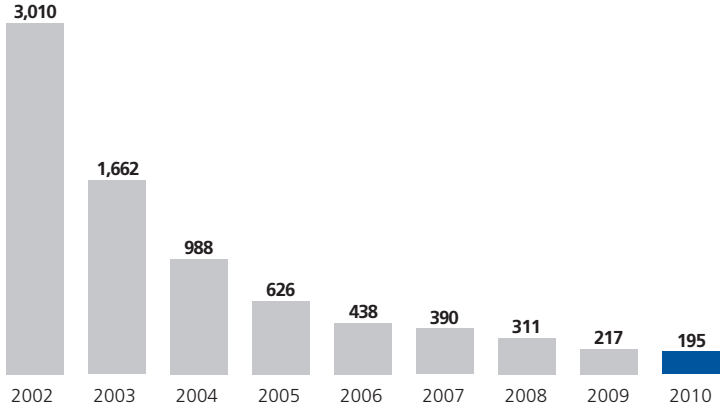
In 2010, more than half of all employees were involved in workplace safety programs, while six plants nominated initiatives for a Michelin Safety Award. According to a survey presented to Development Institute International in September 2010, Michelin's safety performance is ten times better than that of other industries.

In 2010, the Group-wide lost-time incident frequency rate (LTIFR) continued to trend downward from 2.0, while the lost-time incident severity rate (LTISR) fell below 0.15 for the year.

	2004	2005	2006	2007	2008	2009	2010
LTIFR**	5.73	3.61	2.55	2.39	1.85	1.41	1.19
LTISR**	0.32	0.25	0.21	0.21	0.21	0.18	0.14

** Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).

Number of incidents resulting in more than one day's lost time, Group-wide



The number of accidents has been divided by more than 15 in eight years.

The lost-time incident frequency rate (LTIFR) corresponds to the number of incidents resulting in more than one day's lost time per million hours worked. The lost-time incident severity rate (LTISR) corresponds to the number of working days lost to accidents resulting in at least one day's lost time per thousand hours worked.

Scheduled for completion in 2012, a major project is underway to prepare a detailed, standardized prevention data sheet for each workstation. In every plant, production island managers are trained to prevent accidents at their team's workstations.

To reduce occurrences of the most serious accidents, prevention programs have been implemented for six specific risks: in-plant traffic, working at heights, power distribution, lockout procedures during maintenance work, entanglement hazards and rollers used in manufacturing and laboratory processes.

Plants and other facilities are also being actively equipped with the material and skills needed to handle emergency situations. All of them now have defibrillators and a portion of their employees have received first aid training and attend refresher courses once a year.

In 2010, 34 Group sites reported no lost-time injuries for the year, of which 13 for the third year in a row. Operations in North America went an entire month without any accidents, in August. In Europe, LTIFR improved noticeably in Germany, Italy, Poland, Romania and the United Kingdom, but was stable to slightly higher in other countries.

In the sales and marketing operations, LTIFR has leveled out at slightly more than 2, thanks to a dedicated road safety program and the work carried out by technicians assigned to trucking companies.

2010 saw sustained improvement in safety performance:

- Employee involvement in the safety commitment continued to increase, with more than half of employees taking part in a safety initiative each month;
- On every site, programs have been deployed to eliminate risks related to in-plant traffic, working at heights, power distribution and lockout procedures during maintenance work. On-site visits to assist

plants in implementing these programs more effectively were initiated first in North America and then in Europe. All of these programs build on best operational management practices observed on the sites;

- Following on from the *Managing Safety in My Shop* course attended by all of the Group's workshop managers, the *Managing Safety in My Self-Managed Team* course was pursued for front-line supervisors. The course helps to define the roles and responsibilities of each level of management, while training participants in the shop-floor safety systems and procedures developed for all of the Group's plants;
- There has been a significant increase in the number of people working with a workstation accident prevention file and applying the Preventive Safety Observations;
- In addition to LTIFR and LTISR, new accident prevention indicators are gradually being introduced. A study was initiated in 2008 to identify key success factors (notably the employee participation rate), which will be integrated into a prevention indicator to be deployed across the Group in coming years;
- By transposing product quality best practices, closed loop applications have been defined to systematically check compliance with safety rules and guidelines. They will gradually be rolled out to every plant;
- The Group's health and safety policies have been restructured and enhanced to identify the responsibilities, deliverables and resources associated with each level of management in the production facilities. Training for the 80,000 plant employees concerned is scheduled for 2011 and 2012. The new policies are now being adapted to marketing and sales operations.

Sadly, the Group experienced three deaths in 2010, including two Michelin employees – one at the Montceau-les-Mines plant and the other at the Shanghai logistics warehouse – and a sub-contractor at the Valladolid plant.

Improving workstation ergonomics

Despite the challenging economic environment, the ergonomics expert network continued to improve the working conditions of production workers in 2010, focusing on reducing or eliminating physical stressors and environmental hazards such as poor lighting and noise at production workstations.

Ergonomics is taken into account starting in the design phase. On-site, ergonomists work with local teams to identify and lead the deployment of measures to improve existing workstations. The Group ergonomics network enables the sharing of feedback and best practices across the organization.

The Group's commitment to ergonomics has also led to a number of cross-unit projects to resolve stressful working conditions. These projects have resulted in the development of ergonomic production prototypes, such as extrusion lines and mold maintenance stations. The dedicated budget was renewed in 2010 to allow new solutions to be developed.

Working with temporary employment agencies

The workplace health and safety programs initiated with temporary employment agencies were pursued in 2010 with the sustained deployment of the action plan based on:

- A workplace safety charter signed by Michelin and each temporary employment agency;
- Self-assessments and action plans carried out in partnership with the local agencies on every site;
- Best practices identified during on-site safety audits conducted in partnership with the local agencies;
- Annual meetings between the Michelin manager and the managing directors of the temporary employment agencies, to track and supervise the process.

Results have been encouraging, with the lost-time injury frequency rate declining by two-thirds over the past four years. However, the cutback in production volumes has sharply reduced the number of temporary employees, so that the program will now focus on maintaining the virtuous dynamic once business recovers.

Leveraging internal communication to improve workplace safety

Internal communication plays a critical role in deploying the Group's workplace safety policies. Several campaigns were undertaken in 2010, with an emphasis at every plant on the Group Safety Programs, fire prevention and the four main causes of fire, and the cross-fertilization of best practices.

The effectiveness of these initiatives is being heightened by the synergies among the internal communication systems, which include on-site CCTV networks, bulletin boards, team meeting presentations, the managerial intranet and dedicated support documents.

The new Michelin Safety Award is helping to promote excellent practices to achieve 100% safety, by showcasing the winning sites' best practices in articles, video reports and other internal communication media.

Improving road safety

The growing number of motor vehicles is leading to an unprecedented increase in road safety issues. Created by the World Bank and the World Health Organization and chaired by Michelin since 2007, the Global Road Safety Partnership helps fast-growing countries to deploy effective road safety programs.

Among many other initiatives, Michelin supports programs for young people – the main direct and indirect victims of road accidents – through Youth for Road Safety (YOURS), an association dedicated to building and leading a prevention network organized by and for young people, ages 18 to 24.

In March 2010, the Group responded to the United Nations' call for a Decade of Action for Road Safety 2011-2020 by including the topic in the program for the 10th Michelin Challenge Bibendum. A working group met in Rio de Janeiro in June 2010 and the following month submitted a white paper to the World Health Organization that was used to define a framework for the Decade of Action for Road Safety.

Targeting occupational road safety

In addition to its general initiatives to promote safer, more sustainable mobility, Michelin pursued its occupational road safety program in 2010, working alongside public and private partners in national and international programs aimed at curbing road accidents.

The risks of accidents while commuting or driving on business were addressed with internal campaigns promoting safer driving practices and more efficient travel management.

A half-day road safety training course was also added to the orientation program for new marketing and sales employees in 2009. Information tools include a road safety awareness kit offered to employees in countries where Michelin has manufacturing operations, contests, safe driving campaigns, and reports on national road-safety campaigns in the *Forward* weekly news program before the summer vacation

period and in early winter. In France and Germany, road safety documentation was also sent to employees' homes.

All of these initiatives embody Michelin's long-term commitments, expressed in particular in the Road Safety Charters signed with national and European bodies.

Driving in a more environmentally sensitive manner delivers many benefits, including longer tire and vehicle life, fuel savings and enhanced road safety. This is why Michelin offers eco-driving courses to employees in Spain, the United Kingdom and now France, where the initial focus has been on employees who drive as part of their jobs. The courses, which comprise several hours of classroom and behind-the-wheel training, help to improve fuel efficiency by an average 8% while also lowering driving risk by encouraging drivers to think ahead.

6.2.6. TRAINING

Around the world, Michelin continuously invests in training programs to enhance the skills of its teams. Every day, 4,000 employees receive training to enable the Group to meet the challenges of international growth, driven by superior quality products and services. Widely recognized outside the Group, this investment in human capital reflects the technological complexity of Michelin's products and processes and the high standards expected of a global market leader.

The constant focus on training is also illustrated by the percentage of training hours per total hours worked, which was 4.2% in 2010 and 3.9% in 2009**. The 2010 percentage represents more than six million hours of training, ranking Michelin well above average among the world's 500 largest companies.

Total training hours amounted to 6.56 million in 2010 (5.95 million in 2009), for an average of 64 hours per employee (60 in 2009) and 77 hours per trainee (72 in 2009).

Training hours by employee category

	Production workers	Administrative and technical staff	Managers	Total
Number of training hours	4,677,217	1,606,884	275,432	6,559,534
Percentage of total	71%	25%	4%	100%

Job-specific courses accounted for the bulk of the training program in 2010, in line with the Group's commitment to helping to develop people's skills and employability.

These statistics were calculated using monthly employment figures averaged over the year and a quota per employee of 1,700 hours worked per year.

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

6.2.7. DIVERSITY

Michelin's diversity process is led by a Group level manager and a Diversity Steering Committee, with the support of host country correspondents and a worldwide network of 600 people. It is being deployed with a focus on fostering diversity in five areas: gender, age, physical abilities, ethnicity, and cultures and nationalities.

6.2.7.a) Sensitivity training for everyone

Sensitivity campaigns and special training programs have been introduced to promote equal opportunity and competency-based hiring and promotion practices, with the goal of instilling an effective diversity culture throughout the organization. Between 2005 and 2010, diversity training courses were attended by executive committee members, managers, human resources teams and production workers.

In France, 2,000 managers, 120 human resource officers and 400 production workers have been trained. The goal is to extend the program to the 24,000 employees in France by 2015. Around 30% had already attended by end-2010.

Combining theory, practice, individual assignments and role-playing, the training programs are organized around small groups of ten to fifteen people. They help employees to recognize discriminatory situations and behavior, avoid stereotyping, become familiar with laws and regulations, and work as members of diverse teams. They also encourage participants to undertake meaningful initiatives that promote diversity.

6.2.7.b) Gender equality

Gender equality is actively promoted at all levels of responsibility. The Group is also committed to making the industry more appealing to women, who are under-represented in the schools that provide training in these particular job families. Plant managers are encouraged to hire more women in production jobs. To help them meet the defined targets, new resources were introduced in 2010, including a map of jobs more appealing to women, new organizational arrangements and adjustments to workstation ergonomics. A study is underway to determine the best ways of increasing the number of women in the sales forces. Mentoring, as practiced in the United States, Germany and France, provides new hires with effective support.

However, women still accounted for just 8.3% of production workers at end-2010. Women are more represented among administrative and technical staff (27.5%) and management (16.7%), where their percentage is rising thanks to pro-active career management policies. All of these processes are being driven by the Personnel Department.

6.2.7.c) Ethnic origins

Diversity issues related to ethnic origins are addressed by Group programs underway in North America, but also in Europe, particularly with regards to hiring and orientation procedures. Other programs are being deployed locally, for example in Nova Scotia, Canada, where an agreement has been signed with the local African Canadian community and the provincial government to facilitate the hiring and retention of people of African origin in the Group.

6.2.7.d) Cultures and nationalities

Management is becoming increasingly international as non-French and non-European employees acquire experience and move up the career ladder. This is the case in Asia, for example, where Michelin's operational presence is more recent. Today, 46.1% of Michelin's senior management are non-French nationals. The entire manager population is also becoming more international with the integration of non-European managers who contribute their specific cultural capital.

6.2.7.e) Employment of disabled people

Formally defined in 2006, Group policies clearly express a commitment to non-discrimination and to hiring and retaining the disabled. Significant progress has been made in this area in a number of countries, such as Brazil and France.

From a legal standpoint, the issue of hiring the disabled is particularly complex, since each country has its own legislation. Fourteen host countries require employers to hire a certain percentage of disabled people – ranging from 0.5% in Thailand to 7% in Italy – while others, including Canada, the United States, Russia and Serbia, have no such requirement. The Netherlands and Colombia, on the other hand, have only incentive-based policies. Several countries, including France, levy a financial penalty if the required percentage is not respected. Generally speaking, the disabled are protected by law (such as in the United Kingdom, Canada or the United States) with respect to both the confidential nature of the disability and the right to continued employment.

Disabilities are recognized based on a declaration by the person concerned, which, in certain countries, such as Brazil, France and Russia, must be validated by a medical commission. In some countries, like the United States, the declaration is necessary for a person to be included in the company's disabled employee statistics. Given that some people prefer not to declare a disability for cultural or personal reasons, the statistics should be interpreted cautiously. They probably underestimate reality, but it is impossible to determine to what extent.

Taking into account these significant statistical limitations, Michelin believes that 2.8% of the 92,447 employees in the global scope of reporting may be qualified as disabled. The percentage varies widely among regions, ranging from 4.0% in Europe to 1.0% in North America, 4.8% in South America, 0.3% in Asia and 0% in Africa/Middle East. There are also significant differences among countries, with qualified disabled employees representing 0% of the workforce in several countries, 7.3% in France, 4.9% in Brazil, 5.9% in Canada and 4.4% in Germany.

In France, ten plants took part in the country's Diversity Week in 2010, organizing conferences with diversity experts and conducting workshops with the disabled (for example, hearing tests performed with the hearing impaired in attendance).

6.2.7.f) Older employees

Managing older employees is becoming an increasingly important issue for Michelin in Western Europe, as one third of its workforce – mostly production workers based in France – are now over 50, and their numbers will continue to rise in coming years. Measures taken to address this issue include improving workstation ergonomics, offering new job opportunities or international assignments lasting several months to leverage the employee's acquired experience, and setting up a mentoring system for new hires. The mentoring program clearly demonstrates that Michelin values the skills and abilities of its older employees and recognizes the educational needs of its new hires, in line with its core value of respecting people.

6.2.8. EMPLOYEE BENEFITS

In every host country, Michelin contributes financially to a wide range of activities, services and other benefits for its employees and their families. Some of these benefits are mandated and defined by local legislation, while others are provided on a voluntary basis. They range broadly from supplementary health insurance, foodservices and transportation to cultural activities, sports activities and health campaigns organized by works councils or similar organizations. Michelin contributes several tens of millions of euros to financing these benefits every year.

6.2.9. SUBCONTRACTING

In 2010, subcontractor fees for work unrelated to production operations amounted to the equivalent of 14.8% of payroll, versus 14.5% in 2009. These services included the cleaning of buildings, machinery and workwear, security services, handling and storage, waste disposal, information technology projects, telecommunications and administrative services.

6.2.10. CREATING JOBS AND SUPPORTING LOCAL ECONOMIC DEVELOPMENT IN NORTH AMERICA AND EUROPE VIA MICHELIN DEVELOPMENT

Michelin Development is dedicated to supporting economic growth in the Group's host communities. Over the past twenty years, it has helped to create more than 22,500 jobs in France, eight other European countries, Canada and the United States. Michelin is effectively supporting economic development by encouraging the creation of sustainable job opportunities in its host production regions. This commitment is fulfilled with even greater determination when an industrial reorganization program has to be implemented.

Over the past 20 years, SIDE, which changed its name to Michelin Development in 2010, has helped to create more than 16,500 jobs in France. In 2002, the initiative was extended into the rest of Europe with Michelin Development units set up in host communities in the United Kingdom, Germany, Spain, Italy, Poland, Russia, Hungary and Romania.

Two Michelin Development programs are currently being deployed in North America. The first, to offset the closing of the Opelika plant in eastern Alabama, has granted 12 loans totaling $1.7 million to 12 companies with the goal of creating 439 jobs.

The second, which is a proactive, ongoing initiative, was launched in September 2009 in Greenville, in upstate South Carolina, where Michelin North America headquarters is located. Dedicated to supporting small disadvantaged businesses, the program has already loaned nearly $1.4 million to 30 companies that could create more than 600 jobs.

Through Michelin Development, Group experts may be assigned for up to a week to help a CEO address a particular technical issue, such as information systems, workplace safety, energy efficiency, quality management, marketing, finance, hiring tourism or international expansion.

Job creation is supported by five-year, low-interest, collateral-free loans, which may be granted to companies in any industry as long as the project is sound and its champion is competent and motivated. In 2010, for example, support was provided to a very broad array of projects in such areas as carbon-fiber bicycles, air quality measurement systems, spectrometric analysis systems for oil and gas exploration, a new-generation digital photo frame, a mobile dog grooming van and a spa.

Michelin's backing helps entrepreneurs to earn the trust of banks and local development organizations. In turn, this opens doors to other sources of financing and a broad support network comprising government agencies, local and regional authorities, economic development agencies, chambers of commerce, economic expansion committees and partner associations.

Michelin Development also plays an active role in developing these networks. In Italy, for example, the Group helped to found a *Réseau Entreprendre* chapter in the Piedmont region. Since May 2010, some 50 volunteer CEOs have provided the association with leadership and financing. They are personally involved in supporting new entrepreneurs who are setting up or acquiring businesses capable of creating new jobs.

In another example, this time near corporate headquarters in France's Puy-de-Dôme region, Michelin and two other companies – Limagrain and Volvic – are coordinating their respective initiatives and expertise to contribute more effectively to regional development. Underway for more than ten years now, the "Milivo" program offers local project champions, chief executives and entrepreneurs free access to experts and the combined support of the three member companies.

6.2.11. RELATIONSHIPS WITH COMMUNITIES, SCHOOLS AND NON-PROFIT ASSOCIATIONS

6.2.11.a) Reaching out to local communities

Wherever it operates, Michelin takes an active part in community life by nurturing friendly, constructive contacts with public authorities, schools, associations and other local organizations. When appropriate, Michelin participates in their activities, by sharing its expertise or providing financial support. In particular, the Group takes a long-term interest in projects concerning the mobility of people and goods, education-related projects and a wide range of cultural, sports and charity activities.

Michelin plants and their employees work to improve living conditions where the need is greatest and provide assistance following natural disasters, for example by contributing food aid, helping to build homes and set up playgrounds and parks for children, and donating tires for emergency service vehicles.

In 2010, Group employees devoted more than 19,218 days to these outreach activities, and the Group donated €11.7 million to outside organizations. In each region, the number of participating employees was generally proportional to the number of local employees.

Education projects accounted for 32% or almost 6,500 days of service directly contributed by Michelin employees, mobility projects for 9% and miscellaneous causes for 58%.

Most of the financing was channeled into teaching and education (63%), with another 27% going towards health-related, social and charity causes as well as sports and cultural programs and 10% towards road safety and other mobility initiatives.

Community service programs are an extremely popular form of outreach, with more than 2,400 underway Groupwide. While their diversity makes an exhaustive overview very difficult, significant examples include:

North America: Shortly after the devastating earthquake struck Haiti, Michelin North America donated $100,000 to the American Red Cross and agreed to further match employee contributions. After employees in Canada and the United States gave more than $56,000, Michelin's total contribution exceeded $213,000. In another example, the company challenged each of its facilities in North America to adopt a local, public elementary school (preferably a Title 1 school) as part of the Michelin Challenge Education program, launched in 2009. By forming a deep partnership, the facilities can meet the adopted school's needs through the active involvement of Michelin employees, many of whom tutor local children. In 2010, the Michelin Challenge Education program was honored with the Innovision *Innovation in Education* award and Michelin was named Public Education Partner of the Year. Other examples include donations to local food banks and fire departments; numerous in-school initiatives to mentor struggling students or share employee experience in the business world; funding for volunteer organizations working to help the sick, disabled, elderly or needy as well as for sports clubs, environmental non-profit organizations and museums; support for meal delivery programs like *Meals on Wheels of Greenville*, blood drives, tire donations and funding for emergency vehicles.

South America: For the fifth straight year, Michelin Brazil participated in a multi-faceted education initiative to improve the prospects of people living near Michelin plants in Campo Grande and Itatiaia in the Rio de Janeiro State. *Ação Educativa* offers teenagers and adults remedial courses taught by Michelin volunteers in such areas as mechanics, logistics, information technology, English and French. Other examples in the region include a program supporting family farming in Bahia State, funding for biodiversity research in Bahia, donation of fire extinguishers to the Resende fire department; a fourth consecutive year of funding for the educational *Na Pista do Melhor Caminho* road safety game in partnership with the Rio de Janeiro Urban Traffic Department (DETRAN) for use in the city's schools; and in Colombia, a program for struggling public school students.

Europe: Support for sports clubs and sporting events; Training Night in Germany; funding for offices for non-profit organizations; road safety classes for schoolchildren, in-school presentations by map-makers to improve children's awareness of mobility issues, the *Vado a piedi e uso la testa* (Go on Foot and Use

Your Head) road safety event for primary school children in Italy; support for the *Pedibus* walking school bus program; sponsorship of road safety campaigns in cooperation with local automobile clubs, support for *Ta Route… Ta Sécurité* road safety day, anti-drunk driving campaigns; partnership to promote electric vehicles; the revamping of homes for the disabled; organization of sporting events, donations to non-profit sports programs for the disabled, donation of information technology equipment, donations to local Red Cross organizations, donations to help the homeless, blood drives, job-search training for the long-term unemployed, Michelin choir concerts for charities, donations to the *Ligue Contre la Violence Routière* organization against road rage and to the *Prévention Routière* road safety organization; sponsoring of organizations for the disabled; furniture donations to a pediatric hospital, tire donations to emergency, charity or health services, funding for medical equipment such as defibrillators or for hospital vehicles; supporting schools by teaching classes, serving on examination boards and monitoring struggling students; renovation of the playing field and playgrounds of a school, student career awareness outreach; participation in a Girls' Day campaign to encourage young women to pursue vocational training; partnerships with several universities and schools to promote science courses; funding for local library books; donations of maps and guides to 100 Alliance Française branches, prizes for contests, raffles, charity events; and advertising in local non-profit magazines.

In Clermont Ferrand, Michelin has been highly involved in the *Association Sportive Montferrandaise* (ASM) since the multi-sports club was founded by Marcel Michelin in 1911, both through funding and the hands-on contributions of Group managers. ASM offers its 3,000 members access to three practice facilities and 15 sports programs led by 400 coaches and organizers, with a special emphasis on training young people while they continue their studies and monitoring athlete health.

Africa: Tire pressure awareness campaigns; Safety Week in cooperation with outside organizations such as the Algerian highway safety agency and the Red Crescent; and significant donations to help physically disabled athletes in Algeria.

Asia-Pacific: In Thailand, the Michelin Children's Art Contest encourages participants to apply their artistic talents to showcase the need for environmental protection, while Michelin Yod Nak Kid enables engineering students to apply their classroom knowledge in a workplace environment during the summer. In China, Michelin provides scholarships for 100 students as well as funding to build school sports facilities and support for a national campaign to encourage helmet-wearing in cooperation with the Asia Injury Prevention Foundation. In Vietnam, examples include funding for AIDS patients, financial support for school buildings, scholarships, information technology equipment and libraries; donations to a local charity and the local Red Cross, gifts to traditional local community events, sponsorship of a local anti-drunk driving campaign; educational campaign on climate change, funding for playgrounds and green spaces for children; tire donations for emergency service vehicles. In South Korea, a road safety program targeting the blind and in India, funding for an eye clinic.

Helping to improve road safety

In line with its commitment to the European Road Safety Charter, which it signed in 2004 and again in 2009, Michelin is helping to improve road safety by communicating directly with road users. In 2010, awareness-building and educational campaigns were undertaken in sixteen European countries – Austria, Belgium, Finland, France, Germany, Hungary, Italy, Luxembourg, the Netherlands, Poland, Portugal, Serbia, Spain, Sweden, Switzerland and the United Kingdom – as well as in certain parts of Africa, America and Asia. The Group conducts road safety initiatives both in cooperation with global organizations and independently.

Launched in June 2009, the Road Safety for Young People in Europe (ROSYPE) project was deployed throughout the year. Led by Michelin and supported by a €4 million budget (30% co-financed by the European Union's Directorate-General for Mobility and Transport), the program provides road safety training to 730,000 Europeans aged between 6 and 25 with the help of local organizations such as ADAC in Germany, *Prévention Routière* in France, the cities of Madrid and Lasarte in Spain, the city of Fossano in Italy, ANWB in the Netherlands and The Puppet Broadcasting Company in the United Kingdom. The project was set up to help the European Commission achieve its goal of saving 25,000 lives on European roads each year. Unlike other initiatives, ROSYPE specifically targets children and young people. Educating 6 to 12-year-olds helps to raise awareness of traffic dangers among a particularly vulnerable section of the population, while reaching 12 to 16-year-olds is fundamental, because teenagers start to get around without adult supervision. Lastly, young people 17 to 25 are particularly concerned by road safety issues, since road accidents are the primary cause of death among this age group. ROSYPE includes in-school initiatives, a wide range of events and a high-performance driving simulator.

The Group also contributed to local projects in host countries where road safety is of particular concern, including Brazil, China, Hungary, Kuwait, Poland, Romania, South Africa, Thailand and Vietnam. Prevention initiatives were undertaken in the state of Rio de Janeiro in Brazil, with playing cards and video games used to educate young people about road safety. Michelin supports and chairs the Global Road Safety Partnership and participates in research work in China, India and a number of countries in North Africa and the Middle East, including Morocco, Qatar and the United Arab Emirates. The Group also supports the activities of the non-governmental organization Youth for Road Safety (YOURS), founded by the World Health Organization in 2009. Based on a network of nearly 400 young people from 100 countries, YOURS organizes local road safety initiatives with the help of public and private partners.

Represented by its Managing General Partner Michel Rollier, Michelin participated in the first global ministerial conference on road safety, which was held in Moscow in November 2009. Following on from the conference, the Group actively contributed to the preparation of a "new decade of action for road safety" during 2010. At the 2010 Challenge Bibendum – an international event organized by Michelin to promote clean, safe, fuel-efficient transportation that was held in Rio de Janeiro in June – several roundtables focused on road safety issues and particularly on how to make business travel safer. As a result of these discussions, in July the Road Safety Task Force published a White Paper for Safe Roads in 2050, combining all the initiatives to be undertaken by the public and private sectors in this area. Widely distributed by international institutions and country organizations, the White Paper inspired the World Health Organization's action plan for 2011-2020.

The *Fill Up With Air* awareness campaign continued in several countries, encouraging motorists to check tire pressure regularly by providing free tire inflation stations. In addition to reducing fuel consumption and thereby saving motorists money, maintaining the correct tire pressure also improves grip, which makes driving safer.

6.2.12. SUPPLIER RELATIONSHIPS

Michelin believes that it has a responsibility to practice sustainable development principles in dealings with outside suppliers, particularly in light of its extensive purchases, which represent 60% of revenue. Considerable resources have been deployed to enhance the professionalism of our procurement teams and to make purchasing processes more efficient. Over the past two years, 380 buyers have attended the Michelin Purchasing University training program, to enhance their awareness of the role they play in the Group's sustainable development process.

In addition, the deployment of the Supplier Relationship Management process has helped to strengthen ties with suppliers. Partnerships with strategic suppliers have been broadened and deepened in a commitment to jointly developing the right solutions, supported by periodic performance reviews. Suppliers also conduct a reciprocal assessment of Michelin's performance. In 2010, the process was honored by the European Institute of Purchasing Management, which presented Michelin with its Award for Excellence in the Supplier Relationship Management category, selecting the Group among 100 companies.

By nurturing meaningful dialogue, Michelin can select its suppliers not only on the basis of their product or service's value for money, but also according to their overall performance in terms of social, environmental and ethical criteria.

The principles applied by the Purchasing Department in its relationships with suppliers are entirely consistent with the Group's values, as expressed in the Michelin Performance and Responsibility process. In particular, the Group is committed to developing sustainable relationships with suppliers and to preventing the risks associated with environmentally harmful practices or labor law violations.

These principles are presented in the Michelin Purchasing Code, a document published six years ago that requires suppliers to comply with a set of labor-related and environmental principles, such as International Labour Organization conventions and the ability to assess and manage their environmental impact.

Alongside these external programs, the Purchasing Department has set up an Internal Control unit tasked with identifying and eliminating risks of fraud while ensuring compliance with the Group's Purchasing Ethics guidelines. This process is supported by the systematic risk identification procedures deployed by the Internal Audit Department.

The Group's commitments in terms of business ethics are clearly defined in the Michelin Code of Ethics, published in 2010, and the related anti-fraud guidelines.

The Purchasing Department continued to integrate specific criteria aligned with the values of the Michelin Performance and Responsibility process into the guidelines and methods used to negotiate contracts and evaluate suppliers.

In the case of raw materials, 64% of supplier sites, accounting for 80% of purchasing volume, are ISO 14001-certified.

In addition to performance reviews, every year Michelin teams conduct 30 to 40 detailed supplier audits, during which they systematically discuss the Group's workplace safety or ergonomics practices.

This approach meets the needs of suppliers, who appreciate Michelin's positive attitude and unrivaled support in helping them to make progress in these areas.

An additional supplier evaluation tool was tested in 2010, via an independent company specialized in sustainable supply chain management solutions, which assessed compliance with Michelin's values among suppliers of various products based in different parts of the world.

In 2010, the Group selected several areas in which bids and the various available options were examined more closely. These included energy procurement, building and corporate fleet energy performance, promotional items, supplier diversity and commercial printing.

Michelin also extensively reviewed European REACH legislation with suppliers during the year, both to help suppliers register and obtain authorization for their chemicals and to manage its own risks if certain substances are replaced.

Lastly, the Purchasing Quality Department, which is responsible for deploying the Michelin Performance and Responsibility process in Purchasing Departments worldwide, prepared a roadmap that should enable the Group to become a benchmark in purchasing quality by 2015.

6.2.13. SUMMARY TABLE OF EMPLOYEE DATA

Unless otherwise indicated, the following employee data have been reported from all of the compagnies controlled by Michelin worldwide.

	2010	2009	2008	2007	2006	GRI
Total workforce at December 31**	111,090	109,193	117,565	121,356	123,975	LA1
Total workforce by region						
Europe (1)	*68,057*	*68,344*	*73,784*	*77,326*	*79,318*	*LA1*
North America	*21,778*	*21,141*	*22,987*	*23,095*	*22,923*	*LA1*
South America	*5,673*	*5,454*	*6,201*	*6,322*	*6,172*	*LA1*
Asia-Pacific	*14,502*	*13,246*	*13,476*	*13,455*	*13,172*	*LA1*
Africa-Middle East	*1,080*	*1,008*	*1,117*	*1,158*	*2,390*	*LA1*
Workforce by gender						
Male	*85.6%*	*86.0%*	*86.1%*	*86.1 %*	*86.3%*	*LA13*
Female	*14.4%*	*14.0%*	*13.9%*	*13.9 %*	*13.7%*	*LA13*
Workforce by employee category (2) (in %)						
Production workers	*64.5%*	*64.8%*	*66.7%*	*66.7 %*	*67.6%*	*LA1*
Administrative and technical staff	*29.2%*	*29.3%*	*27.4%*	*27.6 %*	*26.8%*	*LA1*
Managers	*6.3%*	*5.9%*	*5.9%*	*5.7 %*	*5.6%*	*LA1*
Workforce by age (in %)						
24 and under	*6.1%*	*4.9%*	*6.1%*	*6.7%*	*6.8%*	
25-34	*26.6 %*	*26.0%*	*26.2%*	*27.1%*	*26.7%*	
35-44	*26.0%*	*25.9%*	*24.9%*	*25.1%*	*24.4%*	
45-54	*25.4%*	*26.8%*	*27.1%*	*28.7%*	*30.0%*	
55-64	*15.7%*	*16.2%*	*15.6%*	*12.2%*	*12.0%*	
Over 65	*0.2%*	*0.2%*	*0.1%*	*0.1%*	*0.1%*	
Workforce by length of service (in %)						
Less than 2 years	*17.9%*	*9.9%*	*N/A*	*N/A*	*N/A*	
2-5 years	*13.1%*	*14.7%*	*N/A*	*N/A*	*N/A*	
5-10 years	*16.8%*	*18.2%*	*N/A*	*N/A*	*N/A*	
10-15 years	*13.0%*	*13.8%*	*N/A*	*N/A*	*N/A*	
15-20 years	*5.9%*	*6.3%*	*N/A*	*N/A*	*N/A*	
Over 20 years	*33.3%*	*37.1%*	*N/A*	*N/A*	*N/A*	

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).
(1) Including Russia and Turkey
(2) Excluding distribution

	2010	2009	2008	2007	2006	GRI
Movements during the year						
New hires	*11,919*	*5,705*	*11,458*	*11,642*	*10,895*	
Natural attrition	*4,995*	*5,425*	*7,755*	*7,738*	*8,240*	
Negotiated redundancies	*3,923*	*5,514*	*5,513*	*6,693*	*4,381*	
Pre-retirement	*1,011*	*1,446*	*1,932*	*2,673*	*2,988*	
Part-time contracts (in %)	*2.2%*	*1.8%*	*2.0%*	*2.2%*	*4.5%*	
Training						
Percentage of training hours per total hours worked **	*4.2%*	*3.9%*	*4.2%*	*3.7%*	*2.9%*	*LA10*
Percentage of employees who received training	*83%*	*83%*	*83%*	*77%*	*70%*	
Number of training hours per employee per year	*64*	*60*	*64*	*63*	*52*	*LA10*
Type of training						
Specific professional training	*91%*	*80%*	*78%*	*80%*	*77%*	
Management training	*4%*	*8%*	*12%*	*11%*	*14%*	
General training	*5%*	*12%*	*10%*	*8%*	*9%*	
Absenteeism (production workers) **	*3.8%*	*3.9%*	*4.2%*	*4.0%*	*4.0%*	
Sick leave	*2.0%*	*2.1%*	*2.3%*	*2.5%*	*2.2%*	
Injury leave	*0.1%*	*0.1%*	*0.2%*	*0.2%*	*0.7%*	
Long-term leave	*1.7%*	*1.7%*	*1.8%*	*1.3%*	*1.1%*	
Occupational accidents						
Number of lost-time injuries, Groupwide	*195*	*217*	*311*	*390*	*438*	
*Lost time injury frequency rate***	*1.19*	*1.41*	*1.85*	*2.39*	*2.55*	*LA7*
*Severity rate***	*0.14*	*0.18*	*0.21*	*0.21*	*0.21*	*LA7*
Number of plants with zero recordable incidents	*34*	*32*	*30*	*18*	*7*	
Percentage of disabled people in the workforce	2.8%	2.5%	2.2%	2.6%	2.8%	
Percentage of women in management positions	16.7%	15.8%	15.9%	15.1%	14.8%	LA13
Percentage of women among top managers	11.6%	10.5%	8.9%	9.3%		LA13
Percentage of women among senior managers	7.0%	6.5%	5.2%	4.9%	4.8%	LA13
Percentage of non-French people among top managers	46.1%	45.7%	44.2%	43.5%	43.6%	LA13
Percentage of non-French people among senior managers	36.7%	36.5%				LA13
Number of collective bargaining agreements	47	49	48	35	39	

** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

6.3_ 2010 ENVIRONMENTAL INFORMATION

6.3.1. MICHELIN'S ENVIRONMENTAL MANAGEMENT PROCESS

Michelin's environmental management process has been built on the findings of impact studies of its business operations. In particular, life-cycle assessments have shown that most of a tire's environmental impact occurs during use, with the tire and raw material manufacturing phase and end-of-life recovery and reuse having comparatively a much weaker impact.

These assessments also take into account health indicators.

To drive improvement in environmental performance, Michelin is focusing on both its products and its production facilities.

6.3.1.a) Controlling the impact of Michelin's products

Life cycle assessments have shown that, based on a standard 40,000 kilometers traveled, more than 92% of a passenger car tire's health and environmental impact occurs during use, primarily as a result of its rolling resistance. This proportion rises to 95% for a truck tire, based on a standard tread-life of 600,000 kilometers. In normal conditions of use, tires account for a significant proportion of a vehicle's fuel consumption, which is currently estimated at 20% for passenger cars and more than 30% for trucks. These findings correspond to previous studies that were updated in 2009 and 2010.

For many years now, Michelin has been steadily focusing on increasing the energy efficiency of its tires while simultaneously improving other performance factors, especially safety and tread-life. Reducing a tire's rolling resistance also improves its fuel efficiency, which in turn reduces CO_2 and other emissions during use. Extending tread-life enables more efficient use of raw materials and energy during the manufacturing process.

Invented in 1992 and now on their fourth generation, Michelin's highly energy-efficient Energy™ Saver car tires offer a further reduction in rolling resistance. Thanks to its superior performance, which has been widely recognized by the market, the Energy™ Saver has been certified as original equipment for nearly 160 vehicles. Compared to the preceding generation, it improves fuel consumption in an average European vehicle by 0.2-liters/100 km, for an average 4g/km reduction in carbon emissions.

In Truck tires, the technological innovations collectively known as Michelin Durable Technologies are delivering a wide range of benefits, including a sustained improvement in fuel efficiency and therefore carbon emissions. Over its four tread-lives, for example, the MICHELIN X Energy™ SaverGreen tire avoids the emission of approximately six tonnes of CO_2. These technologies also increase not only truck tire load capacity but also tread-life, which has almost doubled since 1980. The millionth Michelin X One tire was sold in the United States in 2010. Since 2000, fleets equipped with X Ones have reported up to a 10% improvement in fuel efficiency. For 1,000 trucks, this represents a potential saving of 17,000 tonnes of CO_2, which is equivalent to the average emissions generated by 3,400 American cars in a year.

All told, by the end of 2010, the MICHELIN fuel-efficient tires sold since 1992 had saved more than 13 billion liters of fuel and prevented the emission of more than 33 million tonnes of CO_2.

Further reducing rolling resistance, while improving or at least maintaining at their peak the other tire performance factors, remains the primary objective of the Group's research and development process.

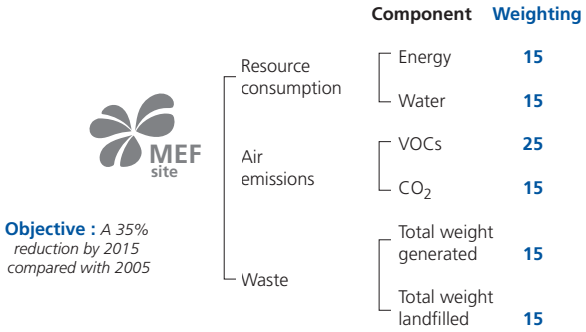
Lastly, Michelin is actively involved in deploying and operating effective end-of-life tire recovery and reuse solutions, based on either recovering resources for reuse in such areas as synthetic surfaces, draining sub-layers, molded objects and backfill, or else burning scrap tires as fuel in cement plants or steel mills.

For more details, please refer to the 2010 Annual and Sustainable Development Report.

6.3.1.b) Improving the environmental performance of Michelin facilities

To drive continuous improvement, the environmental performance of Group facilities has to be measured holistically. That's why in 2005, the Michelin site Environmental Footprint (MEF) indicator was defined to measure the six environmental performance criteria deemed to be the most important for meeting the Group's medium-term challenges, namely water and energy consumption, carbon dioxide (CO_2) and volatile organic compound (VOC) emissions, total weight of waste produced and total weight of waste landfilled. Each criterion is weighted according to its impact (see diagram below) and calculated per tonne of tires produced.

COMPONENTS AND WEIGHTING OF THE MICHELIN SITE ENVIRONMENTAL FOOTPRINT (MEF) INDICATOR



Since 2005, the Group has steadily reduced the environmental impact of its facilities by tracking MEF performance. After the initial target of a 20% reduction by 2011 compared with 2005 was met in 2008, a new target of a 35% reduction by 2015, still compared with 2005, was defined. The MEF is included in the Group's management indicators, with data reported quarterly.

In 2009, the business environment forced the Group to sharply reduce production volumes to bring them in line with demand, which masked progress in the MEF to a certain extent. In 2010, progress is clearly visible, with a reduction in MEF of more than 10% and particularly significant improvements in waste management and energy consumption.

The following table shows the performance of the six MEF components since 2005.

Performance of the Michelin site Environmental Footprint (MEF) indicator, 2005 to 2010

2015 target compared with 2005	2005	2006	2007	2008	2009	2010	% change 2005-2010
MEF** -35%	100	92.9	83.6	78.6	78.1	70.0	-30%

Component	Unit	2005	2006	2007	2008	2009	2010	% change 2005-2010
Energy consumption**	GJ/t TP	17.4	17.2	15.6	15.3	16.1	14.4	-17%
Water consumption**	$c^{u.m}$/t TP	15.0	14.9	13.3	12.8	13.3	11.8	-21%
VOC emissions	kg/t TP	4.27	3.97	3.48	3.13	3.04	2.89	-32%
CO_2 emissions**	t/t TP	1.53	1.48	1.37	1.35	1.43	1.28	-16%
Waste generated**	kg/t TP	140	130	128	127.5	121.2	109.5	-22%
Waste landfilled**	kg/t TP	33	26	20	16.2	13.3	10.2	-69%

t TP = tonne of tires produced.
** Data related to these indicators have been audited by PricewaterhouseCoopers (see section 6.4).

6.3.1.c) Managing production facility emissions and developing the use of renewable energies

Michelin is committed to contributing to global efforts to reduce greenhouse gas emissions in the overland transportation and manufacturing industries. By the end of 2010, carbon emissions from all of the Group's manufacturing operations, per tonne of product, had been reduced by 16% compared with 2005.

Energy efficiency programs are being pursued across the Group through deployment of action plans based on the energy audits conducted in the production facilities. Following the diagnostic reviews conducted in 2008, new renewable energy projects are being developed using biomass, solar power and wind power, in alignment with Group policies. These projects are at various stages in what are sometimes long maturity cycles, but in the near future, they will help directly or indirectly to reduce the Group's carbon footprint.

Examples include the photovoltaic roof panels installed on four facilities in Germany (in Bad Kreuznach, Homburg, Bamberg and Landau), whose output has risen from 9 MWp in 2006 to 12 MWp in 2009 and to 14 MWp in 2010. In Valladolid, Spain, 21,000 square meters of solar panels were commissioned in July 2010, representing total capacity of 2 MWp.

Since 2007, wind turbines have been generating around 20% of the electricity used by the Dundee plant in Scotland.

The Ballymena plant in Northern Ireland was awarded the Carbon Trust Standard for reducing its carbon emissions by 21% between January 2007 and December 2009.

Two biomass-fired boilers installed to replace natural gas-fired systems at the Cholet and Bourges plants were commissioned in October 2010. Together, the two units are expected to avoid the emission of up to 19,000 tonnes of CO_2 per year.

Other projects underway include the installation of two wind turbine units in Ballymena, Northern Ireland, and the installation of solar power panels at Puy-en-Velay in France. A project to use the heat generated by a household waste incinerator at the Dundee plant is also being explored.

6.3.1.d) Scope of environmental data reporting

The figures presented below cover all of the Group's manufacturing operations, research and development activities and support functions. The quality and completeness of the reported environmental data is regularly audited.

A working group on energy consumption was set up in 2009. The initial results of its research indicate that it is possible to reduce energy consumption across the process by 10% in 2015, compared with 2008.

6.3.2. REVIEW OF COMPLIANCE INDICATORS

6.3.2.a) Air emissions

Greenhouse gas emissions

Total CO_2 emissions amounted to 1.28 tonnes per tonne of finished product in 2010, a decrease of 16% compared to 2005.

Direct emissions from Group boilers stood at 0.58 tonnes per tonne of finished product, down 23% versus 2005.

In European Union countries, carbon emissions are subject to allowances issued under the EU's Emissions Trading System, which has integrated Kyoto Protocol mechanisms since entering its Second Trading Period (2008-2012). As in previous years, carbon emissions from Michelin's facilities in Europe were below allocated allowances, with a reduction of more than 40,000 tonnes of CO_2 emitted into the atmosphere in 2010 compared to 2008.

Indirect CO_2 emissions through the purchase of electricity and steam are estimated at 0.70 tonnes per tonne of finished product. The decrease of 4% on the 0.73 tonnes reported in 2009 reflects the efforts made to improve the energy efficiency of Group plants.

Optimized operations management and deployment of the Group's best manufacturing practices drove a reduction in the use of electricity, which declined 11% in gigajoules per tonne of tires produced in 2010 compared with 2009.

On-site renewable energy installations avoided the emission of the more than 24,000 tonnes of CO_2 in 2010.

Plant	Technology	CO_2 emissions avoided
Bamberg, Homburg, Bad Kreuznach and Landau (Germany)	Photovoltaic panels	-6,000 tonnes/year – indirect
Dundee (United Kingdom)	Wind turbine	-3,000 tonnes/year – indirect
Bassens (France)	Heat recovery from an incineration CHP plant located 1 km away	-15,000 tonnes/year – direct

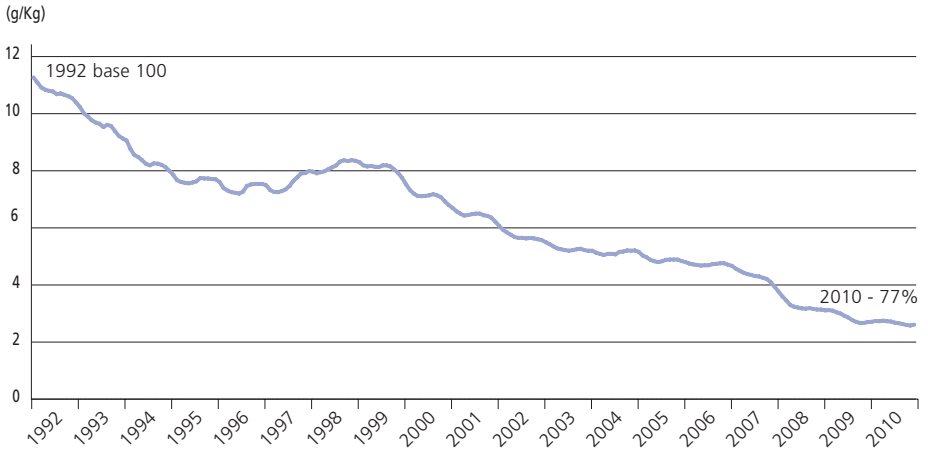
Other air emissions*

VOLATILE ORGANIC COMPOUNDS (VOCS)

VOC emissions declined by 5% to 2.89 kg per tonne of finished product in 2010, which saw sustained deployment of innovative new production processes designed to use fewer solvents and therefore emit fewer VOCs.

The following chart illustrates the major 77% decrease in solvent use by the European Passenger car and Light truck tire manufacturing operations since the reduction project was implemented in 1992.

SOLVENT USE IN EUROPEAN PASSENGER CAR AND LIGHT TRUCK TIRE MANUFACTURING OPERATIONS (G/KG)



NITROGEN OXIDES (NO_x)**

Specific NO_x emissions from Group boilers stood at 0.83 kg per tonne of finished product in 2010 (0.82 kg/t in 2009).

SULFUR OXIDES (SO_x)**

SO_x emissions declined to 0.96 kg per tonne of finished product from 1.17 kg per tonne in 2009.

The 18% improvement during 2010 reflects the optimization of the Group's energy facilities in favor of fossil fuels that emit fewer sulfur oxides.

6.3.2.b) Water consumption and discharges to water

Water consumption

Michelin plants mainly use water to cool installations and transfer heat. After proper treatment, this process water is discharged either to the environment or to local wastewater treatment plants.

Water consumption amounted to 11.8 cubic meters per tonne of finished product in 2010. The 21% decrease on 2005 primarily reflected the assertive programs deployed by the three facilities that use the most water, which have reduced their consumption by an average 26% since 2005.

* *Corresponding to substances contributing to acidification or photochemical pollution as defined by French ministerial order of April 30, 2002.*

** *Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).*

Discharges to water

The main substances likely to be released in process water discharged by Group tire plants are total suspended solids (TSS) and residual hydrocarbons, which are inherent in most industrial processes and not specific to Michelin.

In the case of water used in processes to treat metal cords and produce synthetic elastomers, which may contain respectively metals (copper, zinc) and residual hydrocarbons, each plant is equipped with appropriate treatment facilities.

6.3.2.c) Ground water discharge

Michelin's operations do not result in any continuous discharge into ground or subsurface waters.

The Michelin Environmental Management System (MEMS) includes a dedicated process to prevent the risk of accidental spills. It comprises both physical systems, for soil protection and leak prevention, and standard operating procedures for activities at risk and in the event of an accident.

The Group Environmental Standards require that all new plant and equipment comply with the highest levels of soil protection, in line with the strictest regulatory standards and often exceeding local legislation.

6.3.2.d) Waste

Programs to reduce the total weight of generated and landfilled waste were pursued in 2010, when gross weight of waste generated per tonne of tires produced declined 9.6% to 109.5 kg and the weight of landfilled waste improved by 23% to 10.2 kg from 13.3 kg in 2009. In all, since 2005, the weight of waste generated per tonne of tires produced has been reduced by 22% to 109.5 kg from 140 kg and the weight of landfilled waste has fallen by 69% to 10.2 kg from 33 kg.

To help meet the target of reducing the MEF by 35% from 2005 to 2015, Michelin is committed to reducing the weight of generated waste by 30% and that of landfilled waste by 85% over the period.

6.3.2.e) Energy consumption

The Group's energy consumption by tonne of tires produced decreased 11% from 16.1 GJ in 2009 to 14.4 GJ in 2010.

Progress is partly due to the efficacy of the cross-functional Energy organization, which is tasked with improving the energy efficiency of the Group's plants by:

- Deploying its energy diagnostic method;
- Identifying best practices;
- Sharing these best practices by incorporating them in a Group standards manual.

By the end of 2010, initial audits had been performed and action plans prepared at 84 sites. Follow-up audits are now underway, which show that an average 85% of the best practices are being applied. Energy performance indicators have been introduced in facilities in North America and Europe,

As described in section 6.3.1. c) above, Michelin is continuing to deploy a variety of renewable energy projects, in a commitment to improving both environment and financial performance.

6.3.2.f) Protecting ecosystems and biodiversity

Like any manufacturer, Michelin relies on the benefits of local ecosystems. For example, around 50% of the rubber used by Michelin is natural rubber, which is a renewable resource that comes from trees. The Group is therefore acutely aware of both the important role ecosystems play and their growing fragility.

To sustainably secure its ecosystem benefits, the Group has initiated a number of programs to abate its impact and to protect ecosystems and biodiversity:

- Implementing programs in recent years to preserve fragile environments around certain facilities (see below);
- Integrating ecosystem and biodiversity issues into the Michelin Performance and Responsibility process;
- Gradually instilling awareness of the interactions between Group facilities and their local ecosystems;
- Complying with local ecosystem protection legislation and applying Group Environmental Standards where they are more demanding;
- Installing new processes and equipment to limit water consumption;
- Designing lighter tires, whose production uses fewer raw materials and that are more energy efficient and longer lasting.

A deep commitment to biodiversity

In 2008, the plant in Nyiregyhaza, Hungary conducted a pilot Ecosystem Services Review (ESR), which is designed to reveal a facility's dependence on its environment. Performed by a specially trained Michelin engineer, the process is based on an assessment method developed by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) and adapted to the tire industry. In particular, the review showed that the plant was at risk under certain situations that were possibly beyond its control, such as air pollution, and remedial actions are now underway. To improve the Group's understanding, a different method for measuring the facility's dependence and impact on the environment was trialed in late 2010 with an independent organization. These pilot programs are part of Michelin's commitment to exploring a variety of tools and resources, so that its plants' potential interactions with surrounding ecosystems can be measured, thereby enabling the deployment of more effective preservation techniques.

At the Louisville facility in the United States, the Group has joined forces with Waste Management, Inc and a local firm of wildlife biologists to transform two closed landfills it co–owns into a wildlife refuge with forests, prairies, wetlands and wildflowers. Volunteers from both companies participated in a replanting campaign and the site now attracts birds, foxes, deer and other wild animals. The three-year project has already obtained Wildlife at Work certification from the Wildlife Habitat Council, even though it is not scheduled for completion until end-2011.

Preserving biodiversity on the Bahia plantation

Under the *Ouro Verde* (Green Gold) project conducted on its test site in Bahia, Brazil, Michelin has been working since 2003 to preserve the primary Atlantic Forest that is exceptionally rich in biodiversity, but is threatened by deforestation.

The Biodiversity Research Center based on the plantation offers scientists from around the world an open-air laboratory on the Atlantic Forest. The Center can accommodate up to 16 researchers, with the equipment necessary for their work. Michelin is helping to finance some of the Center's research programs, including 36 biodiversity studies. Educational walking trails have been prepared for visitors.

To build awareness of environmental issues in the local community, the *Understanding the Atlantic Forest* program offers guided tours of the protected area for small groups or field trips for school children. In addition, the Michelin Environmental Reference Center provides detailed information on the Atlantic Forest.

Supporting biodiversity at the Almería test center

Created in 1973, the Almería Test Center (CEMA) covers 4,500 hectares, of which 1,500 lie in the heart of the Cabo de Gata-Nijar Natural Park in Andalusia, in southern Spain. The park, which was created in 1987, is located in an arid region with the lowest rainfall in Europe and is home to a number of plant and animal species, including many found only in the region.

The Group's actions have helped to preserve a specimen of the Canary Islands Dragon Tree (*Dracaena draco*) that is more than 500 years old.

The test center has been ISO 14001-certified since 2005.

6.3.2.g) Managing risks of pollution

Pollution risk management processes, presented in the paragraphs above, are also discussed in section 2.11.3 a) on industrial and environmental risk.

6.3.2.h) Continuous improvement process

Ensuring compliance through certification processes and audits

The robustness of Michelin's strategy for managing the environmental footprint of its manufacturing facilities is underpinned by:

- The Michelin Environmental Management System (MEMS), which is designed to enable each plant to manage both its day-to-day and long-term environmental impact;
- The Group Environmental Standards (EEG), which define the performance levels that a Michelin facility is expected to achieve, which in some cases exceed local regulatory requirements.

Another key aspect of the Michelin continuous improvement process is earning ISO 14001 certification, to provide outside validation of the Group's ability to effectively address environmental issues.

Core components of the MEMS include:

- Compliance audits, based on local legislation and Michelin standards;
- Continuous improvement targets, aligned with local issues, which must be defined and met every year;
- Procedures to prevent accidental pollution.

Michelin is committed to having the MEMS deployed in every facility acquired more than five years ago. By the end of 2010, the system was up and running in 98% of the Group's production facilities, Technology Centers and offices acquired more than five years ago, and is now being introduced in the logistics centers.

Further progress towards the goal of environmental excellence on every site is being driven in two ways: i) by applying Group Environmental Standards to all new and upgraded installations and ii) by auditing existing production plant and Technology Center installations for shortfalls against the Group Environmental Standards and, based on the findings, defining and implementing remedial actions. To date, 97.4% of existing facilities have been audited.

At the end of 2010, 99.1% of the Group's tires were made in ISO 14001 certified plants**. The figure is down slightly on 2009 because of an increase in capacity at the new earthmover tire plant in Brazil, which will be certified in 2011. All of the natural rubber production units, main Technology Center facilities and semi-finished product plants had been certified at end-2010. While not a prerequisite, deployment of the MEMS has clearly helped to earn ISO 14001 certification.

Environmental Governance and Internal Organization

Tasked with addressing a full range of environmental, industrial hygiene, workplace safety and industrial risk prevention issues, the Environment and Prevention (EP) network helps to keep the risk analysis process robust and ensures that the resulting solutions are effective.

The network comprises some one hundred experts based in the Group's different country organizations and product lines, as well as a dedicated team on each site. It has its own budget and the manager reports directly to the Group's Executive Council.

Every year, the Annual Plan defines a target for improvement in the MEF indicator (see section 6.3.1. b), whose Group objective has been raised to a 35% reduction by end-2015 (versus 2005) from a 20% reduction by end-2011. Systematic deployment of the target across the organization ensures that it is realistic. Progress towards the target is reviewed quarterly by the Prevention and Manufacturing Performance Division and is reported in the Group's management indicators.

Employee training and information

Training courses to support MEMS deployment have raised environmental awareness among the more than 104,000 employees working on certified sites. The courses, which are tailored to each workstation, focus on the main impacts from the facility's operations. In addition, employees are encouraged to attend regular refresher courses.

** *Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).*

6.3.2.i) Provisions for environmental risks and environment-related expenditure

Aggregate provisions for environmental risk amounted to €5.2 million as of December 31, 2010.

As analyzed in the table below, nearly €21 million was committed during the year to projects to enhance the environmental performance of the production facilities. The amount of expenditure was based on the definition recommended by the French accounting board (CNC recommendation 2003-R02 of October 21, 2003), which covers only outlays that are "supplementary" (*i.e.* excluding routine maintenance, operating, waste management and similar expenses) and "exclusively environmental" (*i.e.* excluding the environmental aspects of capital expenditure projects).

(in € thousands)	Capital expenditure	Operating expense	Total expenditure	
	2010	2010	2010	2009
Air pollution prevention	3,301	1,587	4,888	2,237
Surface water pollution prevention	1,448	248	1,696	1,996
Soil and subsurface water pollution prevention	1,634	880	2,514	1,439
Other	7,114	4,578	11,691	8,231
TOTAL	**13,496**	**7,293**	**20,790**	**13,903**

6.3.2.j) Other information

Odors and noise

Although entirely innocuous, odors are a concern for plants located in urban areas that process certain types of natural rubber indispensable for tire manufacturing.

A standard solution, based on the thermal oxidation of effluents, is now operational in six European plants and is being steadily implemented across the Group. Research is continuing into even more efficient and environmentally friendly odor suppression techniques.

More generally, on-site teams, supported by Group experts, are deploying a variety of solutions to abate odors, noise and other nuisances that manufacturing operations can cause local residents.

Relations with environmental protection associations

Michelin is committed to fostering close ties, whenever appropriate, with environmental protection associations or organizations.

In France, every year since 2008, the CEPA nature conservancy conducts a census of species living in the continental salt meadow located on the grounds of our Ladoux Testing and Research Center near Clermont-Ferrand.

In North America, Michelin's commitment to environmental stewardship and its related programs have been recognized by the US Environmental Protection Agency, which selected ten plants to take part in the National Environmental Performance Track public-private partnership from 2005 until the program ended in 2009. To be eligible, a plant had to demonstrate that it had i) adopted and implemented an environmental management system (EMS); ii) demonstrated specific past environmental achievements; iii) recorded sustained compliance with environmental requirements; iv) committed to continued environmental improvement; and v) committed to public outreach and performance reporting.

Michelin North America is also continuing to work in partnership with a wide range of associations and public authorities, particularly those active in the area of energy savings (such as the Alliance to Save Energy) and the reduction of transportation-related emissions (such as the EPA's SmartWay Transport Partnership).

As part of its commitment to developing renewable energy plant and equipment in Europe and the United States, Michelin has been a member since 2007 of the Green Power Market Development Group, which is led by the World Resources Institute (WRI).

6.3.3. SUMMARY TABLE OF ENVIRONMENTAL DATA

In the following table, the last column shows the corresponding Global Reporting Initiative (GRI) indicator.

	2005	2006	2007	2008	2009	2010	2010/2009	GRI Indicator
Water consumption** *(cu.m/t)*	15.0	14.9	13.3	12.8	13.3	11.8	-11.3%	EN8
Energy consumption** *(GJ/t)*	17.4	17.2	15.6	15.3	16.1	14.4	-10.6%	EN3-EN4
of which:								
Michelin stationary installations	*10.6*	*10.5*	*9.0*	*8.5*	*9.0*	*8.0*	*-11.1%*	*EN3*
Steam	*1.0*	*1.1*	*1.2*	*1.3*	*1.2*	*1.2*	*0%*	*EN4*
Electricity	*5.7*	*5.6*	*5.4*	*5.5*	*5.9*	*5.2*	*-11.9%*	*EN4*
Greenhouse gas emissions** *(t/t)*	1.53	1.48	1.37	1.35	1.43	1.28	-10.5%	EN16
of which:								
Direct emissions from Michelin stationary installations	*0.75*	*0.73*	*0.64*	*0.60*	*0.64*	*0.58*	*-9.4%*	*EN16*
Indirect emissions, steam generation	*0.11*	*0.12*	*0.13*	*0.15*	*0.13*	*0.12*	*-7.7%*	*EN16*
Indirect emissions, electricity generation	*0.66*	*0.63*	*0.59*	*0.60*	*0.66*	*0.58*	*-12.1%*	*EN16*
Total Michelin direct and indirect emissions avoided			12,400	31,200	23,300	24,000	+3.0%	EN18
Sulfur dioxide emissions** *(kg/t)*	1.65	1.22	1.27	1.08	1.17	0.96	-17.9%	EN20
Nitrogen dioxide emissions** *(kg/t)*	1.01	0.85	0.89	0.82	0.82	0.83	+1.2%	EN20
Volatile organic compound emissions** *(kg/t)*	4.27	3.97	3.48	3.13	3.04	2.89	-4.9%	EN20
Total weight of waste produced** *(kg/t)*	140	130	128	127.5	121.1	109.5	-9.6%	EN22
Total weight of waste landfilled** *(kg/t)*	33	26	20	16.2	13.3	10.2	-23.3%	EN22
Environmental management (% of finished products manufactured in ISO 14001 certified facilities)**	94.8%	99.4%	99.5%	99.5%	99.5%	99.1%		

** Data related to these indicators have been reviewed by PricewaterhouseCoopers (see section 6.4).
To find out more about Michelin's environmental policies, please refer to the 2010 Annual and Sustainable Development Report.

6.4_ REVIEW REPORT FROM ONE OF THE STATUTORY AUDITORS, PRICEWATERHOUSECOOPERS AUDIT, ON THE PROCESSES USED TO COMPILE CERTAIN SOCIAL AND ENVIRONMENTAL INFORMATION, AND ON CERTAIN SOCIAL AND ENVIRONMENTAL INDICATORS

This is a free translation into English of the Statutory Auditor's review report issued in the French language and is provided solely for the convenience of English speaking readers. The review report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Further to your request and in our capacity as Statutory Auditor of the Michelin Group, we have carried out a review for the purpose of enabling us to express moderate assurance on the processes used to compile certain social and environmental information published by the Michelin Group in its Registration Document for 2010:

- social information includes indicators for "Frequency rate" and "Severity rate" for workplace accidents, "Headcount", "Full-time equivalent Headcount", "Absenteeism", "Training access rate", and "Male/female distribution by status and geographic zone";
- environmental indicators include "Water consumption", "Energy consumption", "Volatile organic compound emissions", "Sulfur dioxide emissions", "Nitrogen dioxide emissions", "CO_2 emissions", "Total weight of waste produced", "Total weight of waste landfilled", "Percentage of finished products manufactured in ISO-14001 certified facilities", "MEF".
- We have also carried out a review for the purpose of enabling us to express moderate assurance on certain of the social and environmental indicators listed above (marked "**" on pages 133, 135, 139, 141, 146, 147, 150, 151, 153 and 155 of this 2010 Registration Document).

These processes, together with the indicators set forth in this 2010 Registration Document, are the responsibility of the Michelin Group "Manufacturing Performance Division", the "Personnel Group Department", and the "New Projects and Sustainable Devleopment Direction", in accordance with the Group's internal reporting standards. These standards are available on request from the Group's head office. Our responsibility is to express our conclusion on these data compilation processes as well as on theses indicators, based on our work.

Nature and scope of our work

We performed our works in accordance with the doctrine of the Compagnie Nationale des Commissaires aux Comptes relative to this mission.

We performed the procedures described below to obtain moderate assurance that no material irregularities exist with regard to the processes used to compile certain social and environmental information as well as certain social and environmental indicators published. We did not perform all of the procedures required to obtain reasonable assurance (a higher level of assurance).

We performed the following procedures with regard to the processes used to compile the social and environmental information:

- we assessed the procedures used to report the above-mentioned social and environmental information in light of the relevance, reliability, objectivity and understandability of such information;
- we conducted interviews with the persons responsible for compiling and consolidating the data and applying the procedures at Group level, in order to verify that the procedures had been properly understood and implemented. We also met with people from the following divisions and departments: the "Finance Group Department", the "Personnel Group Department / Training"; the; "Personnel Group Department / Global Compensation", the "Manufacturing Performance Division / Environment and Hygiene", the "Manufacturing Performance Division / Persons and Goods Safety";
- we performed consistency checks on a test basis in order to verify that the data had been correctly centralized and consolidated.
- In addition to the work regarding the above-mentioned reporting procedures, for the social and environmental indicators marked "**" in this 2010 Registration Document we selected a sample of industrial plants (Ardmore, Bad Kreuznach, Bridgewater, Dundee, Fossano, La Combaude, Louisville, Phrapradaeng, Shenyang, Spartanburg) on the basis of their contribution to the Group's consolidated data. We checked, on site, that the procedures had been properly understood and implemented at these selected sites and performed in-depth checks on a test basis to verify the calculations and reconcile the data with the supporting documents. The contribution of these sites to the consolidated data was as follows:
- contribution to overall social indicators: 13% of the Group's total headcount, expressed as full time equivalents and 14% of hours worked;
- contribution to overall environmental indicators: energy consumption: 22%; water consumption: 26%; SO_x emissions: 29%; NO_x emissions: 29%; VOC emissions: 23%; tire manufacturing: 17%; Waste production: 23%; Waste disposal volume: 24%.

We were assisted in our work by experts from our Sustainable Development department.

Conclusion

Based on our work, no material irregularities came to light causing us to believe that the following processes and indicators do not comply with the Michelin Group's reporting indicators for 2010:

- the processes used to compile social and environmental information for the above-mentioned indicators in accordance with the Group's internal reporting standards applicable in 2010; and
- the indicators reviewed (marked "**" in this 2010 Registration Document) in accordance with the Group's internal reporting standards applicable in 2010.

Neuilly-sur-Seine, February 15, 2011

PricewaterhouseCoopers Audit

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