

"STAKEHOLDER RELATIONS"

GROUP GUIDELINES

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WHAT IS A STAKEHOLDER?

A stakeholder is a person, or a group of persons, who is potentially concerned by what an enterprise does or does not do, directly or indirectly. Either because they are, or could be, affected by the activities of the enterprise, or because the stakeholders, by their actions, could influence the activities of the enterprise.

As we can see, the notion of stakeholder is extremely wide and extends well beyond the organizations with which the Group has direct or indirect relations in conducting its business. Investors, shareholders, employees, suppliers, subcontractors, customers, public authorities, labor unions, but also international bodies, non-governmental organizations, local communities and the media, among others, are so many stakeholders to take into account.

Identifying Group stakeholders, at the level of the local area, country, geographic zone, Group or business activity requires a rigorous examination of the business relationships the Group has established with its partners, but it goes further. It implies a good understanding of the Group's influence in the region or business sector in which it operates.



PRELIMINARIES

AIM OF THE GUIDELINES

Throughout its history, the Group, wherever it operates, has maintained close relations with its stakeholders. This relationship has been forged over time, as demands have evolved, and has continued to develop in a manner based on common sense.

The ISO 26000 standard, established in 2010, is helping to create a reference framework which has not existed up to now. Under the standard, “An organization should be conscious of and respect the interests of its stakeholders and respond to their expressed concerns”. (Article 4.5). The standard helps enterprises establish stakeholder relationships of every form.

The aim of the present guidelines is to help the Group enhance the dialogue with its stakeholders by:

- ➔ helping the entities of the Group, at head office level within the geographic zones, to foster dialogue with their stakeholders
- ➔ building on the best practices observed locally, either within the Group or in other enterprises, to make the dialogue more beneficial.

GROUP POSITION

The Group recognizes the legitimacy and importance of talking to all its stakeholders, wherever it is present and in all the business activities in which it is involved.

This dialogue is a key element in the economic, environmental, social and societal responsibility of the Group. It is a principle of good governance and follows recommendations made in the United Nations Global Compact (2010), the United Nations Guiding Principles on Business and Human Rights (2011), the OECD Guidelines for Multinational Enterprises (2011), the ISO 26000 standard (2010), as well as other reference documents published by social regulatory bodies such as the International Labor Organization.

The development of a sustained relationship with stakeholders, whoever they are and whatever the views they express, is a benefit for the enterprise. It enables it to understand the changing expectations of civil society and the public authorities. It gives the Group a better grasp of strategic issues and helps it to prepare the future. It also makes it possible to identify new opportunities for innovation, market development, growth and partnerships.

Stakeholders and corporate social responsibility

The renewal of relations between the enterprise and its stakeholders is taking place within the Corporate Social Responsibility (CSR) framework.

CSR is a concept which emerged in the 1950s due to the impact of industrial development on the environment. Since the 1960s, environmental protection bodies, and also social and humanitarian non-governmental organizations, have been thinking together around the threefold economic, social and environmental responsibility of enterprises. This thinking has led to the definition of a widened responsibility of the economic players. They must no longer simply comply with the laws of the countries in which they operate but must also, on a voluntary basis, take into account the social, societal and environmental concerns expressed by the stakeholders. In short, CSR is the responsibility of enterprises with regard to the effects they have on society. An enterprise cannot shape its CSR policy alone. That policy can only result from discussions with its stakeholders.

Stakeholders and competitiveness

Some of the concerns expressed by the enterprise's stakeholders can constrain its operations and may even be seen as an obstacle to its development. However, they are also levers for innovation and can contribute to competitiveness.

Organizations within civil society help businesses become aware of changes in society and of the new challenges that will affect its development. Dialogue with the stakeholders leads to better understanding of the concerns expressed by customers on social, environmental, ethical and human rights issues.

They help the enterprise anticipate and incorporate them into its sustainable development strategy, thus reinforcing its performance over the long term.

In addition, non-financial rating agencies pay particular attention to the quality of relations between an enterprise and its stakeholders.

Stakeholders and consensus

The Group must engage a dialogue with all its stakeholders. However, that does not mean that a consensus has to be arrived at, whatever the cost. That would be an impossible target, notably because different stakeholders themselves often pursue objectives which are antagonistic.

Stakeholders and risk prevention

Dialogue with its stakeholders enables the Group to detect underlying risks which would otherwise have gone unnoticed, and to pick up barely perceivable information about them. In this way, stakeholder dialogue is a means of prevention and anticipation which helps to avoid potential conflicts or crises.

Stakeholders and communication

Even if this dialogue helps the Group become better known to its stakeholders, and even make its activities more acceptable, it is not a public relations exercise. The Group can use the dialogue as an opportunity to publicize its values, its activities or its projects, as the stakeholders themselves will not fail to do. But the dialogue must above all assist the Group in listening to the expectations of its stakeholders and looking for convergence between its objectives and the wishes of the public authorities and civil society.

Stakeholders and the Group image

The development of constructive relations with stakeholders highlights the coherence of the Group's values and reinforces its image. Conversely, if the relationship is badly handled, it can seriously harm the reputation and the brand image of the Group. This risk has risen considerably with the creation of social media and the increasing speed at which information is broadcast and reproduced. There is no longer any correlation between the size or representativeness of a stakeholder and his potential impact on public opinion and on media.

Stakeholders and internal Group governance

To create and sustain stakeholder dialogue throughout the company, the Group has adopted governance principles which define three levels of dialogue:

- At the Group corporate level, a Group corporate stakeholder committee has been created. It has between 8 and 10 members appointed for 3 years. Once a year, they meet the members of the PRM Council chaired by the Michelin president. Discussion is focused on the key issues of sustainable development. The meetings are organized by the PRM department.
- At the level of a Group corporate entity such as a product line or Group department, stakeholder meetings are organized around subjects of topical interest for the company. Stakeholders are invited on an ad hoc basis depending on the topic. The frequency of these meetings depends on the company's needs on a subject of current interest. They are coordinated by the Group PRM team working closely with the entity concerned.
- At the level of the geographic zones, the zone decides independently on the stakeholder meetings to organize at zone, country or site levels. If necessary, the PRM central team can provide support. The zone also decides how the meetings are organized and what subjects are discussed. The recommendation is for meetings to be held once a year.

Stakeholder dialogue within the Group is reviewed several times a year by the PRM Council chaired by the Michelin president. The results of this dialogue are also presented to the Supervisory Board once a year.



METHODOLOGY

This guide is a tool to be used by management teams who wish to develop relations with their stakeholders and by the PRM network which provides support to these initiatives.

DEFINING THE STRATEGIC STAKES OF THE ENTITY

The identification of stakeholders at any given time is carried out in respect of the stakes. What are the critical stakes for the company at the local, country, geographic zone, Group or entity levels? The concerned department, if necessary supported by the PRM team, will have to base his case on the analysis of the risks and stakes which are relevant to his sphere of influence to draw up a list of stakeholders who may be affected or have an interest in carrying out some form of action.

At the corporate level, the materiality assessment which the Group conducts every two years enables the major issues for the company to be identified.

IDENTIFYING STAKEHOLDERS

At different levels (local area, country, zone, Group, business activity), the Group has already had relations with most of its stakeholders for a long time. A list of stakeholders should first be drawn up and then ranked by category. This helps identify blind spots, that is to say categories of stakeholders which have not been identified hitherto, or which have not been identified satisfactorily.

To identify and select the most significant stakeholders, the organizers rely on the competence of different departments within the company, and especially:

Entity	Category of stakeholder to be identified
DGA	Suppliers, subcontractors
DGMR/AP	Public authorities (national and local), international organizations, pressure groups, NGOs, civil society organizations, religious organizations
DGAR	Identification of risks and stakes
DGMR/RP	Media, social networks
DGD	Legal experts
DGF	Shareholders, investors, banks, financial community, analysts
DGP	Employees, employee representative bodies, national and international trade unions
DGCD/PR and PRM	Social, environmental and human rights experts (excl. NGOs)
LP in question	Customers, users
Site manager	Local communities

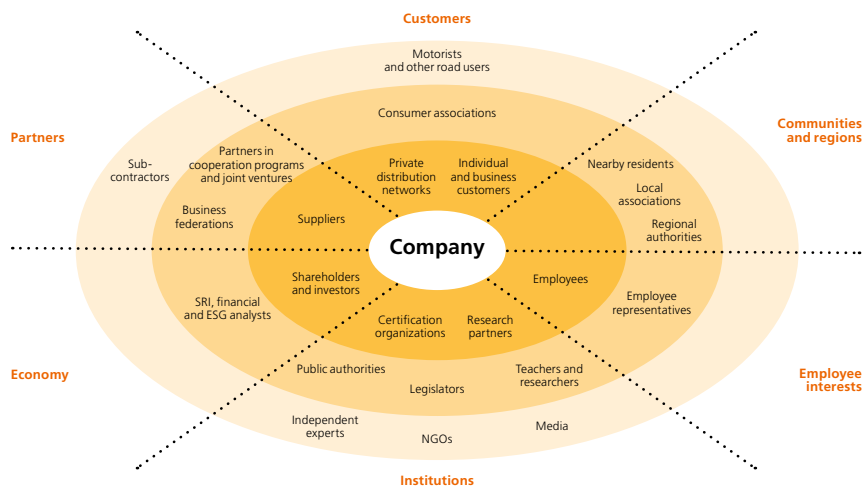
The stakeholder map should be detailed enough to be significant, but selective enough to be usable.

It should be noted that the same natural or legal persons may be stakeholders in different ways. For example, an employee of the Group, who as such is already a stakeholder, may also be an elected representative of a public authority, hold responsibilities within a non-governmental organization, be an expert in a field of knowledge of interest to the company, etc.

Dress a list of stakeholders by category

- Representatives of public authorities (Government, local authorities concerned);
- Representatives of international bodies ;
- Representatives of enterprise personnel and/or labor unions;
- Representatives of NGO's (environment, defense of human rights, special causes);
- Representatives of the financial community (shareholders, major investors, banks, rating agencies);
- Representatives of suppliers and subcontractors;
- Representatives of customers and users;
- Representatives of the education sector;
- Representatives of business associations
- Representatives of business partners & joint-ventures
- Representatives of civil society in the local area
- Public or private organizations or experts;
- Representatives of local residents

Example of stakeholder classification



Source: MEDEF.

Identifying stakeholders with which the Group currently has no relations

Classifying the stakeholders with which the Group already has relations makes it possible to identify groups of stakeholders who are missing from the lists or which are insufficiently identified.

Stakeholder identification is an ongoing process. Indeed, stakeholders change as the enterprise, society, and social, environmental and human rights concerns evolve. This is why it is important to regularly reassess the list of stakeholders who are pertinent to the Group or its entities at a given moment.

It is important for stakeholders who do not already have a relationship with the company to be able to make contact at their own initiative. The PRM team has a contact address on the Michelin.com website.

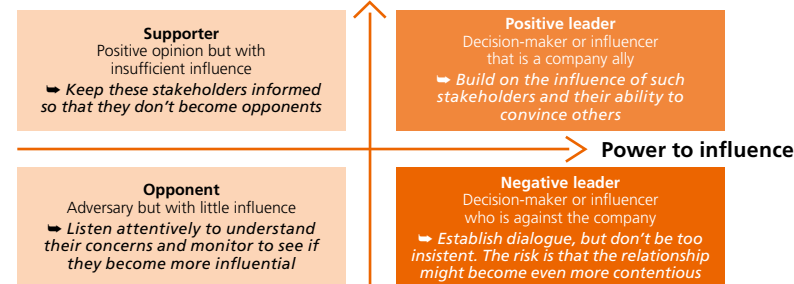
Detailed analyse of stakeholders

Stakeholders can be analysed by categories such as institutions, NGOs or customers. We can further classify them in two other ways:

- on the one hand, according to their support for or opposition to the Group's objectives;
- on the other, by the strength of their influence or the means they can use to weigh directly or indirectly on the Group's decisions in a positive or negative way.

The graphic below illustrates a stakeholder position assessment and the attitude to adopt.

Assessing the quality of stakeholder relations



Source: SustainAbility, 2014

STAKEHOLDER DIALOGUE

How to choose the stakeholders to dialogue with

It is not always possible to establish relations with all identified stakeholders, notably because of their number. The choice of the most relevant stakeholders must be based on criteria which are as objective as possible, taking into account the following factors particularly:

- Degree of knowledge of Group issues, at the level of the local area, country, geographic zone, Group or type of activity;
- Level of expertise;
- Legitimacy
- Power (ability to influence or nuisance value)
- Quality of the relationship;
- Representativeness;
- Geographical location;
- Willingness to dialogue with the Group;
- Degree of independence with regard to the Group.

How to start or restart the dialogue

To open the dialogue, we can first of all start by consulting the most responsive stakeholders, of whatever category. Other, more hostile stakeholders can participate and contribute as the relationship becomes mutually more confident.

Once this step has been taken, the priority becomes to seek diversity and representativeness among the stakeholders. The choice of stakeholders must not become frozen in time. On the contrary, it must evolve with the issues at stake and with the evolution of the stakeholders themselves.

What form should the dialogue take?

The form of dialogue is never decided in advance. It depends on many factors, in particular the subject at issue, the number of stakeholders interested, past relations between the Group and its stakeholders and the objectives to be achieved.

The table below shows the different forms of dialogue that can be imagined depending on the type of stakeholder.

Choosing the form of dialogue by stakeholder type

	Track	Communicate	Engage	Partner
Types of Stakeholders	<ul style="list-style-type: none"> - Stakeholders that are not currently active on the issues. - Stakeholders that are potentially adversarial, which Michelin may want to approach eventually. 	<ul style="list-style-type: none"> - Stakeholders which are currently less influential, but might be interested in Michelin's activities. - Stakeholders that are unlikely to engage today, but where opening doors and building trust could be important in the medium/long term. 	<ul style="list-style-type: none"> - Stakeholders with a high level of influence and a high willingness to engage. - An adversarial stakeholder that may engage pragmatically on a particular issue or in a facilitated/group setting. 	<ul style="list-style-type: none"> - Stakeholders with a high level of influence and a high willingness to engage where trust and common ground have been established. - Generally involves longer-term, higher investment relationships.
Modes of Engagement	<ul style="list-style-type: none"> - Somewhat automated/systematized process including media scans, internet research and tapping network. 	<ul style="list-style-type: none"> - Websites - Letters/Brochures - CR Reports - Newsletters - Newspaper adverts - Exhibitions/displays - Conferences - One-on-one meetings - On-line engagement 	<ul style="list-style-type: none"> - Consultations - Surveys/Feedback on specific issues - One-on-one meetings - Facilitated engagement - Public meetings, hearings - Workshops - Interviews - Tours/site visits/community days - Information hotlines 	<ul style="list-style-type: none"> - Partnerships - Joint programs/policy initiatives - Stakeholder panels/Advisory committees.

Source: SustainAbility, 2014

A necessary condition of this dialogue is that stakeholders must be told beforehand what is expected from the dialogue, how it will be conducted and what follow-up actions will be taken. Stakeholders should also be given a certain number of key facts about Michelin and the subjects to be discussed to make the dialogue more productive and enable stakeholders to give their informed opinion.

Multi-stakeholder panels

Setting up panels of multiple stakeholders is one form of stakeholder dialogue. It calls for both a mature stakeholder relationship and meticulous preparation.

Before setting up panels of this kind, several questions have to be asked:

- What are the issues?
- What is the objective?
- Is this the right time to set up this panel?
- How open should the approach be? What will the rules of confidentiality be?
- What value will the panel add compared to bilateral meetings?
- Who are the appropriate stakeholders to invite?
- How will they interact together towards the Group?
- How will the meeting be prepared?
- How will the work of the panel be followed up? Will there be further panel meetings?
- What will the level of disclosure of the outcomes of the discussion be?

The organization of multi-stakeholder panels also costs money. A budget must be earmarked to cover:

- Travel and accommodation expenses for the stakeholders invited;
- Meeting costs (conference room, equipment, translation, outside speakers, moderator, publications, additional expenses).

Multi-stakeholder panel meetings are not open to the public. They are generally subject to the Chatham House rule: participants are free to use the information received during the meeting, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

A stakeholder meeting may be a mere several-hour long meeting on a specific topic. It can also be more in-depth and handle several topics over the course of a day. The number of participants depends on their relevance in relation to the theme. It may be a small (5 people) or more substantial (20-25 people) panel according to the needs, the topics and the identified stakeholders.

When organizing and implementing an important multi-stakeholder panel meetings, it may be useful to require the services of specialist consultants.

Precautions to be taken when consulting stakeholders

The stakeholder consultation process requires a certain number of precautions to be taken to avoid the following situations:

- Conflict between stakeholders;
- Difficulties in understanding the issues, the working rules, the language;
- Frustration at the gap between expectations and results;
- A stakeholder in a weak or marginal position;
- Disruptive behavior by a stakeholder;
- Fatigue and poor attendance.

These risks must be managed locally to take particular historical and cultural factors into account. Exchanging best practices between the PRM team and members of the PRM network helps reduce this risk and provides appropriate responses.

Example: the 2014 Group stakeholder meeting

On May 13th and 14th 2014 Michelin brought together its European stakeholders in Clermont-Ferrand to discuss three general interest topics:

- What does sustainability leadership mean for a tire company?
- How can Michelin contribute to sustainable urban mobility?
- How can we design sustainable mobility in a world with limited natural resources?

The Group was helped by the SustainAbility company in setting up this meeting which allowed the two dozen invited stakeholders (investors, suppliers, customers, experts, international organization representatives, trade unions, NGOs) to debate with the Group Executive Committee members and operational managers. The criticism and the ideas which stemmed from these round tables fertilize the thinking and the choices of the Group in these fields and several concrete actions have been taken as a result.

FOLLOWING UP THE DIALOGUE

Stakeholder relationship management must be maintained over time.

- ➔ Every meeting, or every significant attempt at dialogue with stakeholders, should be recorded. The comments and suggestions made by stakeholders on the subject under discussion should be noted in the minutes. A report is then sent to the stakeholders to show the seriousness with which the company takes the meeting. The report is also sent to the management team of the department concerned and to the PRM central team.
- ➔ A selection of the ideas expressed by stakeholders during such meetings may be published on company intranet and internet sites without identifying the person behind the idea.
- ➔ The organizing department must assess the stakeholders' recommendations to see whether or not they are opportune and feasible. If necessary, the PRM team can help.
- ➔ A report is produced, recording in particular the number of stakeholders attending the meeting, the suggestions made and a qualitative appraisal of the extent to which relations have improved as a result of the event.
- ➔ A future meeting is planned to ensure the dialogue is sustained over time.

For any question on the stakeholder dialogue, you can contact the PRM central team : sophie.perrier@fr.michelin.com

ANNEX

Extract of the ISO 26 000 norm

"An organization should respect, consider and respond to the interests of its stakeholders. An organization should:

- ➔ Identify its stakeholders;
- ➔ Be conscious of and respect the interests of its stakeholders and respond to their expressed concerns; recognize the interests and legal rights of stakeholders;
- ➔ Recognize that some stakeholders can significantly affect the activities of the organization;
- ➔ Assess and take into account the relative ability of stakeholders to contact, engage with and influence the organization;
- ➔ Take into account the relation of its stakeholders' interests to the broader expectations of society and to sustainable development, as well as the nature of the stakeholders' relationship with the organization (see also 3.3.1);
- ➔ Consider the views of stakeholders that may be affected by a decision even if they have no formal role in the governance of the organization or are unaware of their interest in the decisions or activities of the organization."

Source: ISO 26000, section 4.5

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