



**DUTY OF  
CARE PLAN  
2022**



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## ***EDITORIAL BY MICHELIN'S CHIEF EXECUTIVE OFFICER***

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Today more than ever, Michelin faces various sorts of risks in its business operations, whether they are linked to health and safety, human rights or the environment.

Identifying and accurately assessing these risks is an essential first step towards establishing an ambitious risk prevention and mitigation policy.

Without controlling the inherent risks in the company's operations, there can be no sustainable value creation, ambitious action to protect the planet and its inhabitants, or collective or individual personal development.

This Duty of Care Plan bears witness to the Group's constant attention to factoring in its risks. More importantly, it shows the many steps taken by the teams to control them. It is the result of an ambitious initiative and dedicated management, which makes a point of involving all of the stakeholders concerned within the Group and its supply chain.

This edition refers among other things to the Group's new master policy on human rights. It reports on the progress that Michelin has made on such key issues as social protection or a decent wage.

Through its sheer scope and thoroughness, this plan lays down the benchmark for managing these risks. Everyone will be able to find all the necessary information about Michelin's duty of care approach, which lies at the heart of the company's commitments and underpins its future achievements.

Florent Menegaux





## **INTRODUCTION**

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For the sixth year in a row, Michelin has fulfilled its obligations under the French Duty of Care Act of 2017 by drafting this plan. It sets out the risks associated with the business operations of the Group and its main suppliers and subcontractors with regard to the environment, health & safety and human rights<sup>(1)</sup>, along with the measures taken to prevent and mitigate them.

The Duty of Care Plan has a fully-fledged role to play in implementing the Group's values, purpose and commitment to responsible development in relation to all of its stakeholders. This commitment is reflected in strategic management of sustainable development issues at the highest level of the company: the Group Management Committee – composed of the managing partners, the Executive Committee and the Executive Vice Presidents of various other functions, including Legal and Purchasing – approves the strategic orientations of the Ethics Committee and the Environment, Human Rights, Health & Safety governance bodies at sessions held twice a year by the Sustainable Development Director. Since 2020, the Group's Supervisory Board has also included a CSR Committee that oversees issues related to Michelin's corporate social responsibility. Some of the topics dealt with in this plan were discussed at CSR Committee meetings in 2022, namely the Group's Climate action plan, its biodiversity strategy and its end-of-life strategy for tire products<sup>(2)</sup>.

Michelin's "All Sustainable" approach and the Group's strategy through to 2050 were also discussed by the Executive Committee and its Corporate Stakeholder Committee at three meetings: two digital meetings in April and June 2022, and a two-day, face-to-face meeting in September 2022<sup>(3)</sup>.

*(1) In its approach, Michelin considers that «droits de l'Homme» and «droits humains» refer to equivalent concepts and spheres, namely "human rights".*

*(2) The subjects discussed by the CSR Committee are detailed in Chapter 4.1 of the URD 2022.*

*(3) The subjects discussed by the Corporate Stakeholder Committee are detailed in Chapter 4.1.2.3 a) of the URD.*



The Group's values and purpose, which underpin Michelin's duty of care initiatives, are rooted in its founding documents and its policies, in particular the Code of Ethics, the master Policy on Human Rights issued in 2022, the Purchasing Principles, the Health, Safety and Quality of Worklife Policy, the Environmental General Policy Note, and the Diversity and Inclusion Policy. In these documents and the associated referentials, the Group has laid down compliance standards that not only meet the standards of the countries in which it operates but often exceed the requirements of the local legislation.

In its duty of care approach, Michelin also stands on compliance with international standards. Since 2010, the Group has pledged to support the United Nations (UN) Global Compact and upholds the UN Guiding Principles on Business and Human Rights, the Fundamental Conventions of the International Labour Organization (ILO) and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

The drafting and oversight of the Duty of Care Plan are coordinated by the Sustainable Development and Mobility Department, which leads a task force involving several departments (Internal Control, Risk Management, Environment and Prevention, Purchasing, Human Resources, Legal Affairs and Compliance). Each department has provided input to expand and update the plan with support from the Sustainable Development and Mobility Department.

Every year, new developments are added to the Group's Duty of Care Plan. By comparison with the previous version, the current plan contains improvements and developments on a number of subjects:

- A Group master Policy on Human Rights has been issued (part 3)
- A "Universal health & welfare cover package" (*Socle universel de protection sociale*) has been launched for all Group employees (See Part 3.6)
- The Group has drawn up a process for applying Group CSR reporting indicators to recently-acquired companies (General section)
- The plan provides further details about the methodology used to map CSR risks, and about our dialogue with stakeholders (in the General section)

The items comprising the Duty of Care Plan are published in the 2022 Universal Registration Document (URD), primarily in the Statement of Non-Financial Performance<sup>(4)</sup>, and are set out in a table of concordance<sup>(5)</sup>. Further information about each subject covered in the present document can also be found in the URD. Accordingly, each chapter of the Duty of Care Plan mentions the corresponding section of the URD.

(4) URD 2022, Chapters 4 and 2.

(5) Chapter 4.3 is devoted to the Duty of Care and the table of concordance.



## Background to the Group's operations, and strategy

With a global workforce of over 132,000 employees across all continents, the Michelin Group manufactures and markets tires for all types of vehicles. In recent years, it has pursued a strategy of sustainable growth in tire-related and non-tire-related products.

The Group holds around 100 manufacturing facilities in 26 countries in Europe, the Americas, Asia and Africa, and markets its products and services all over the world. Approximately 60% of its staff are production operators, while some 6,000 people work in R&D.

The Group's supply chain is a complex one, mainly because of two factors: firstly, tires are composed of around 200 types of materials, and secondly, Michelin has roughly 45,000 suppliers across all continents. Natural-rubber procurement in particular presents specific problems.

The Group is trying to balance the value created among people, the planet, and economic and financial performance, against a backdrop of change sparked by climate change and increasingly scarce resources, demographic growth and urbanization, the trend towards e-mobility and digitalization.

While revenue from tire sales currently accounts for nearly 95% of the Group's sales, by 2030 Michelin aims to generate 20% to 30% of its revenue through new tire-related services and solutions, and, looking beyond tires, in fields linked to high-tech materials.

## Stakeholder dialogue

*(See detailed presentation in the URD 4.1.2.3)*

By "stakeholders", the Group means people or groups of people who are either currently impacted by its business or who could potentially impact its business in return. The Group aims to factor their needs and expectations into the company's strategy. Building a relationship of trust between Michelin and its stakeholders is an opportunity for the Group to more effectively anticipate and usefully challenge its commitments and actions in favor of sustainable development, and to help bolster its duty of care approach.

Michelin has long maintained an ongoing dialogue with all of its stakeholders. Every year, the relevant Group departments organize formalized, regular contacts with each category of stakeholder – customers, investors, employee representatives, suppliers, public authorities, local communities, international organizations and NGOs.

Since 2016, the company has also organized meetings of a Corporate Stakeholder Committee composed of independent outside personalities representing the Michelin Group's main stakeholders. The Committee's role is to be consulted and provide guidance on assessing whether Michelin's sustainable development strategy is in line with the external needs and expectations. The Committee held its seventh annual meeting on 1<sup>st</sup> and 2<sup>nd</sup> September 2022.

Michelin also maintains an ongoing dialogue with civil society organizations in both environmental and social spheres. A "Relations with civil society organizations" entity was created at Group headquarters level in 2014, drawing on a network of 28 correspondents around the world. Within this framework, every two years Michelin meets with all of its outside stakeholders to discuss sustainable natural rubber. The latest meeting took place in November 2022 in Clermont-Ferrand.

Michelin also builds close ties with environmental protection associations and organizations, in particular through partnerships promoting biodiversity. In 2022, the Group continued its cooperation with the WWF and played an active role in the multi-stakeholder platform on sustainable natural rubber.

Dialogue with the company's direct partners, i.e. investors and social partners, was also continued and stepped up. In 2022, a roadshow on governance was organized with the investors and the Group's Chief Legal Officer, accompanied by the Chair of the Supervisory Board. In all of the countries, periodical meetings are organized with the employee representatives, during which detailed economic and social information is shared with them to enable a better understanding of the issues. The Global Works Council (whose membership includes employee representatives from all geographical regions) held a second meeting in October 2022, during which three members of the Executive Committee detailed Michelin's 3P (People, Profit, Planet) strategy.

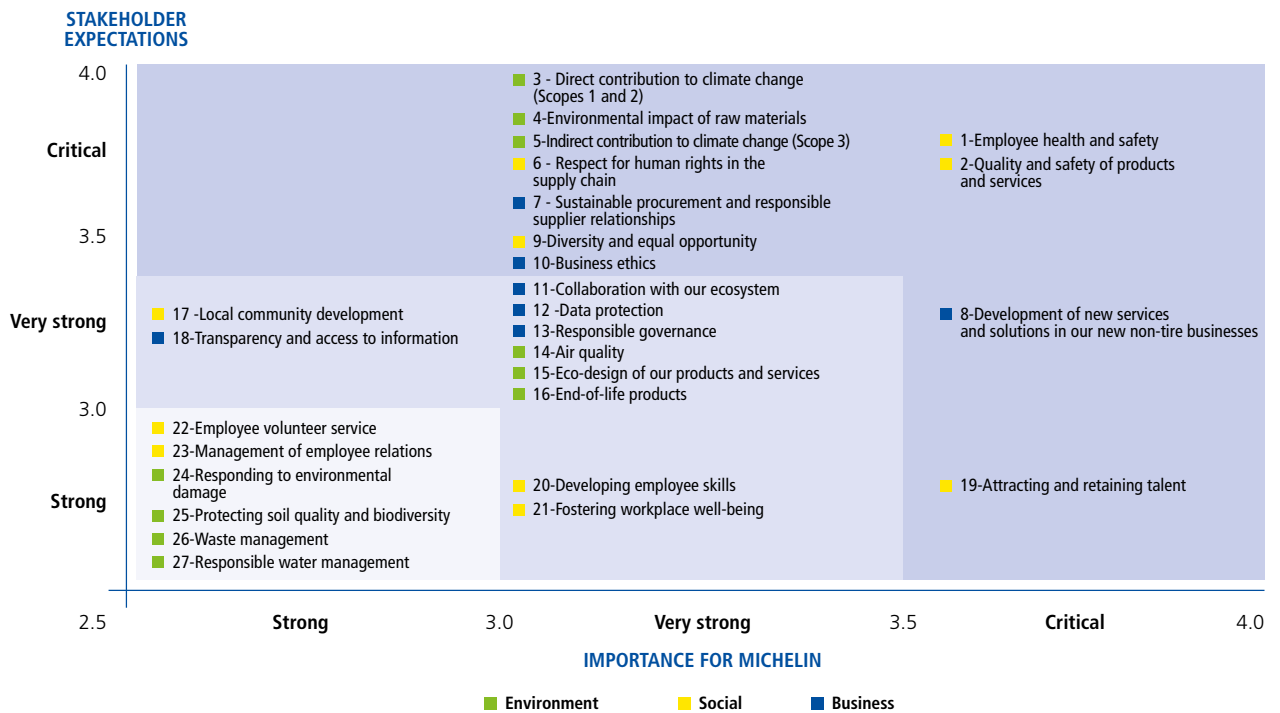


## Methodology and risk mapping

### Materiality matrix

To define and manage its main social responsibility issues, the Group has prepared a materiality matrix. These issues represent not only potential risks, but also opportunities for growth and business development.

A materiality matrix, presented below, was produced in 2021 by an outside firm, which consulted external stakeholders and Michelin employees in six countries (Germany, Brazil, China, the United States, France and India) considered representative of the Michelin Group's operations. To do so, the firm analyzed 41 interviews and 120 questionnaires.

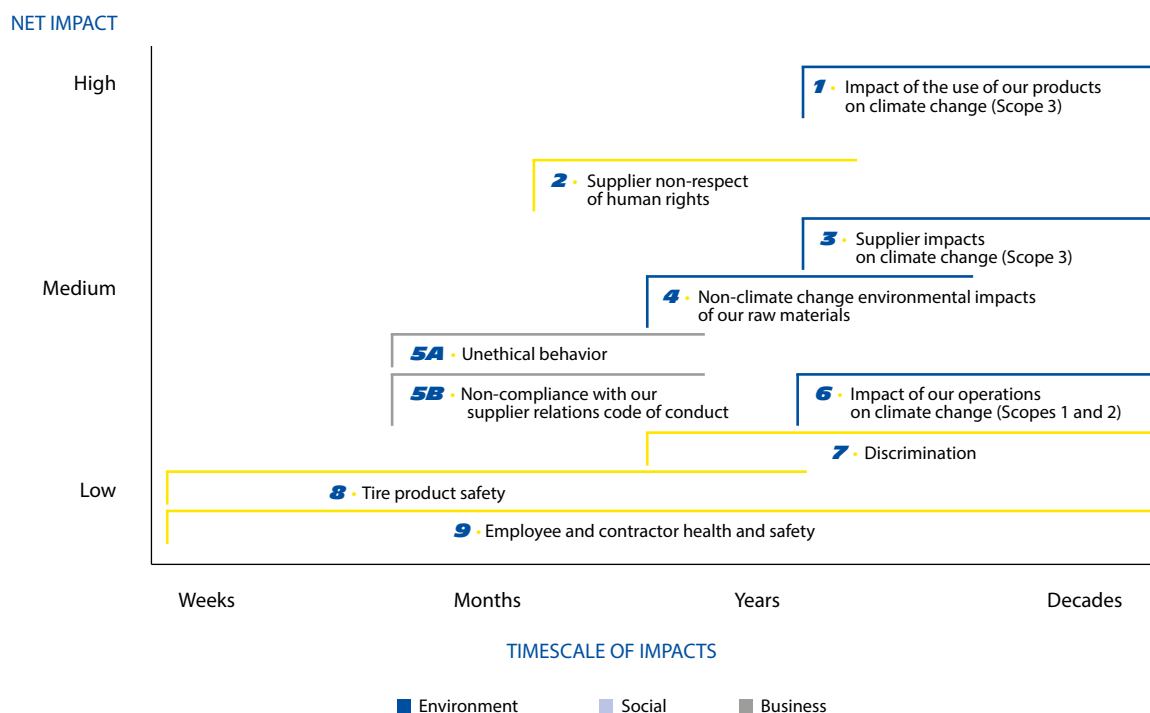


In an initial approach, the Group selected the 10 most critical of these 27 issues (shown in dark blue on the matrix) and translated them into risks. This new map of non-financial risks can be used to position risks according to their consequences horizon and their net impact outside the Group.





## Map of the most critical non-financial risks



## Risk-mapping methodology

The materiality matrix issues, whether environmental, social or business-related, have been translated into risk families using the internal risk-assessment methodology, then assessed and positioned, relatively, by the Group's experts, based on:

- **their net effect outside the company**, i.e. their potential seriousness, gauged according to multiple criteria, including their impact on the environment and on people, and the incorporation of risk-mitigation measures;
- **the horizon of consequences**, i.e. the time span in which the risk may occur.

The positioning of environmental risks factors in the main risks during the products' complete life cycle. As part of this continuous reinforcement approach, the Group has also drawn up a methodology that factors in "double materiality".

Double materiality consists in measuring and prioritizing all risks: both those that affect the Group and those that the Group may potentially pose for its ecosystem. To this end, the Group now uses two scales: a scale of consequences on finances, image and people on the one hand and a measure of its accountability for its social effects (including human rights) and environmental effects on the other hand.

This accountability scale factors in not only the extent of the negative externalities but also the Group's level of contribution or influence on risk management. This assessment method is the one historically used by the Group for product safety risks and was applied in 2022 to two environmental risks<sup>(6)</sup>. With regard to the main environmental risks, the notion of risk includes both the risks related to the effects of the Group's business on its ecosystem and the risks of short and medium-term climate change impacts on the Group's business model, business and financial performances<sup>(7)</sup>.

The risks and the associated remediation plans are dealt with in this duty of care plan.

<sup>(6)</sup> Both of these risks concern: Tire and Road Wear Particles (TRWP) and non-compliance with environmental commitments.

<sup>(7)</sup> In compliance with AMF Recommendation No. 2018-12 of 29 October 2018, AMF Report 2019 on "The social, societal and environmental responsibility of listed companies" and the European Commission's Climate Guidelines of 20 June 2019.



## Scope of the duty of care plan and risk control in recently acquired companies

(See detailed presentation in the URD 2.1.3)

The scope of the duty of care plan is all of the businesses of the Michelin Group, its subsidiaries and majority joint ventures, along with its tier 1 suppliers and beyond for the natural rubber supply chain.

Because the Group's growth strategy since 2014 has entailed the acquisition of new companies, risk control is assessed and, if necessary, gradually upgraded in these companies. Each acquisition is subject to prior due diligences, depending on the company's specific risks (ethical, taxation, environmental, legal, product liability and cybersecurity risks) with the support of internal and/or external specialists. A member of the Sustainable Development and Mobility Department assists the Mergers and Acquisitions team with identifying the risks relating to the environment and human rights. When discrepancies with the levels expected by the Group are observed, appropriate mitigation and prevention measures are taken.

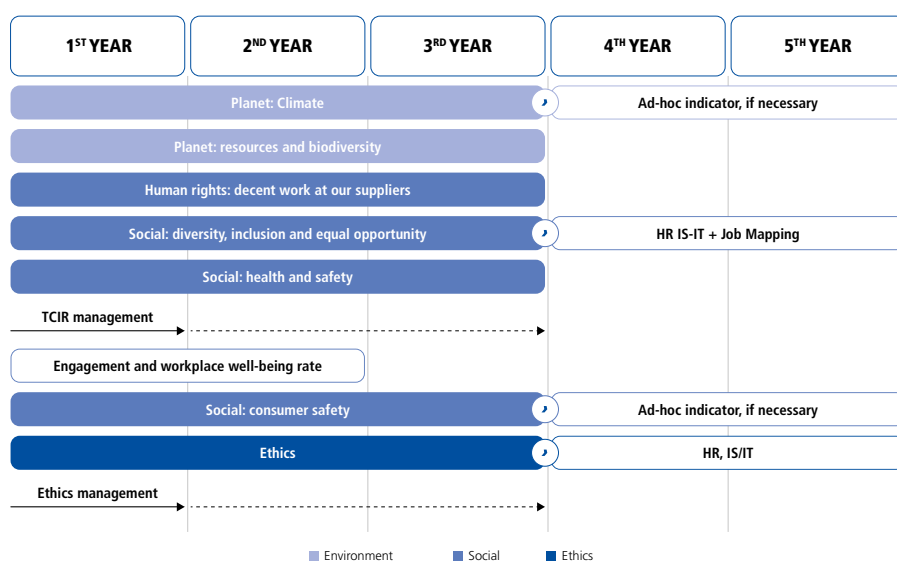
An integration plan specific to each of these companies, led by a project manager, is designed and implemented under the supervision of a member of the Group Executive Committee and Mergers & Acquisitions department. The Supervisory Board is informed of these operations at least twice a year in the conditions mentioned in its rules of procedure.

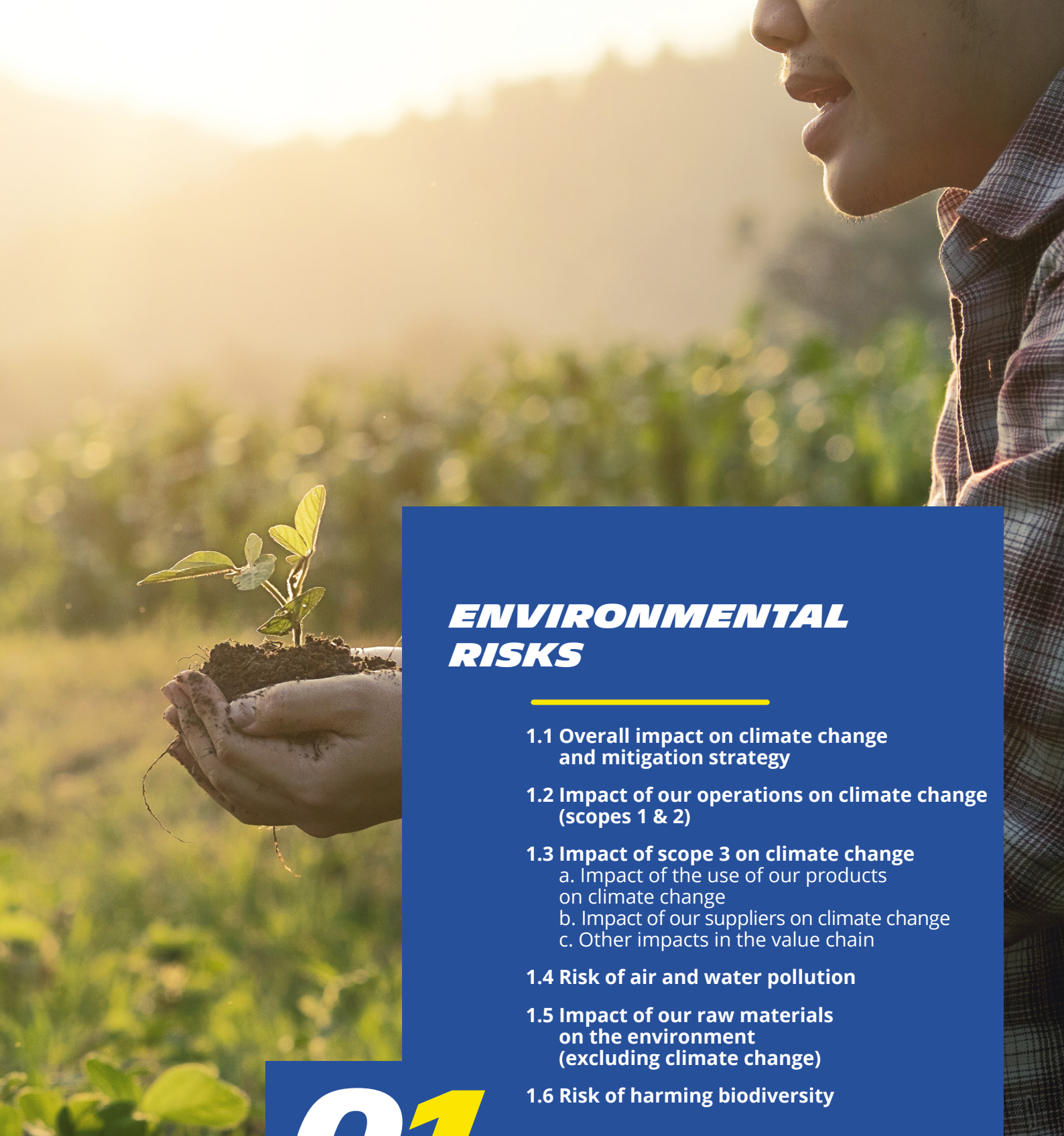
### Procedure for including recently-acquired companies in CSR reporting

To enable tracking of the new companies' social and environmental issues, principles for incorporating these companies in the Group's CSR reporting were drawn up in 2022 with the associated time frames:

- The recently-acquired companies are incorporated into the Group's CSR reporting;
- The scope of coverage of the consolidated indicators depends on their relevance to the business sector, the materiality of their impact and the maturity of the company;
- In the majority of cases, this integration takes place within three years after closing. However, for certain indicators that require information systems to be installed for their calculation and consolidation, and/or an adjustment to the type of business, this incorporation can take up to five years after closing;
- Health & safety or ethics indicators need to be managed right from the first year.

These rules apply from 2022 and some companies acquired earlier (Camsco and Fenner in particular) are now partially incorporated into the Group's indicators.





## ***ENVIRONMENTAL RISKS***

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- 1.1 Overall impact on climate change and mitigation strategy**
- 1.2 Impact of our operations on climate change (scopes 1 & 2)**
- 1.3 Impact of scope 3 on climate change**
  - a. Impact of the use of our products on climate change
  - b. Impact of our suppliers on climate change
  - c. Other impacts in the value chain
- 1.4 Risk of air and water pollution**
- 1.5 Impact of our raw materials on the environment (excluding climate change)**
- 1.6 Risk of harming biodiversity**

**01**

## 01 — ENVIRONMENTAL RISKS

(See detailed presentation in the URD 4.1.4)

By potentially generating negative environmental externalities, the company may have an adverse effect on the planet and its stakeholders. Michelin is committed to acting as a leading enabler of sustainable development and mobility. This entails clearly identifying and effectively managing the environmental risks inherent in its business.

### Main potential environmental risks

RISK CATEGORY	MAIN EXAMPLES	EXAMPLE(S) OF CAUSE(S)	POSSIBLE CONSEQUENCE(S)
<b>ACCIDENTAL POLLUTION CAUSED BY OUR OPERATIONS</b>	Emissions of products harmful to the environment	Fire or spillage of product	Pollution (water, soil)
<b>ENVIRONMENTAL IMPACT OF OUR OPERATIONS</b>	Atmospheric emissions (VOC, CO <sub>2</sub> , NO <sub>x</sub> ) and effluent releases (BOD, COD, TSS)	Emissions from tire production processes	Pollution (air, water, soil)
<b>ENVIRONMENTAL IMPACT OF OUR PRODUCTS</b>	Non-recycling of end-of-life products	Lack of collection processes	Pollution (water, air)
<b>ENVIRONMENTAL IMPACT OF OUR SUPPLIERS</b>	Pollution caused by one of our suppliers' operations	Inability of suppliers to manage their performance, which could have a major direct impact on the environment (water, air and soil pollution)	Pollution (air, water, soil)

### ENVIRONMENTAL GOVERNANCE AND MANAGEMENT SYSTEM

The Environmental Governance body is chaired by the Executive Vice President, Manufacturing, who is a member of the Group Executive Committee. It is led by the Group Environment and Prevention Manager and coordinated by the Vice President, Sustainable Development. Other members include the Executive Vice President, Research and Development and eight other standing members who represent, respectively: Standards and Regulations; Sustainable Development and Mobility; Materials Research; Risk Management; Purchasing; the B2B On-Road section of the Research and Development Operational Department; Information Systems Security, Safety & Security and the Environment; and the High-Tech Materials Business Line.

The Environmental Governance body meets two to three times a year. It approves environmental policy, ambitions and strategies, and tracks the proper execution of the action plans deployed to achieve the objectives. It ensures that environmental risk is under control and that, if necessary, effective preventive or remedial measures have been defined and implemented. The body is supported by the work of three multidisciplinary Operational Committees – the Carbon Strategy Committee, the Circular Economy Operational Committee and the Biodiversity Operational Committee – which are tasked with coordinating initiatives, detecting even the most latent issues, assessing emerging risks and identifying opportunities to reduce environmental impacts.



For its manufacturing, research, logistics and tertiary operations, the Group has developed an Environmental Management System (EMS) that allows each of its sites to curb its environmental impacts on a day-to-day basis and over the long term. It comprises a process to track compliance with legislation and Michelin standards, the obligation to define and meet, every year, improvement targets aligned with local issues and Group commitments, and procedures to attenuate the risks of accidental pollution. It covers the requirements of the ISO 14001-2015 standard. Since 2018, all of the Group’s manufacturing facilities subject to certification have been certified to this standard.

The EMS is a holistic approach that aims to not only identify environmental risks but also recommend mitigation and prevention processes for each one.

**KPIs and monitoring**

Since 2005, Michelin has been measuring the main impacts of its manufacturing operations. The progress made is tracked at every level of the Group – from the sites up to the Group Executive Committee and the managing partners – using a composite performance indicator. The i-MEP indicator factors in five components: energy consumption and water withdrawals, CO<sub>2</sub> emissions, consumption of volatile organic compounds (VOCs) and the amount of waste generated. This indicator is included in the Group’s balanced scorecard and is one of the strategic indicators that every plant must track in order to measure its operational excellence.

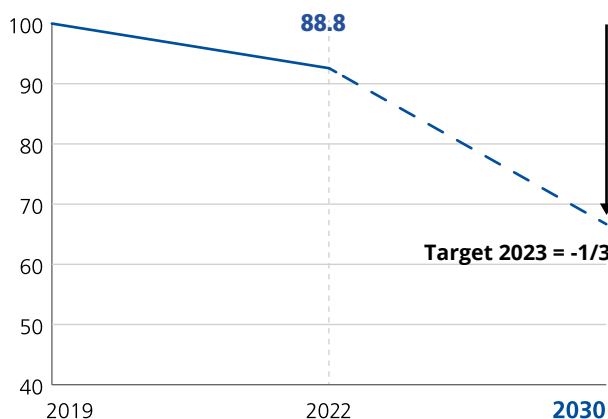


Components	Weighting
Energy use	20
CO <sub>2</sub> emissions	20
Organic solvent use	20
Water withdrawals x water stress	20
Amount of waste generated	20

Progress will be driven by the four environmental programs deployed by the Group in 2017, which defined their respective 2030 roadmaps during 2020. Based on the identified levers and projected outcomes, the i-MEP indicator will be reduced by one-third in 2030.

The results obtained in 2022 are set out in the table below.

Progress of the i-MEP (Industrial-Michelin Environmental Performance) indicator for the Group



Group goals for 2030	2030 goal compared with 2019	2019	2022	Target for 2023	Change from 2019 to 2022
i-MEP	-1/3	100	88.8	87	11.2



**1.1 — OVERALL IMPACT ON CLIMATE CHANGE AND MITIGATION STRATEGY**

(See detailed presentation in the URD 4.1.1.1)

Greenhouse gas emissions from human activities are contributing to the planet-wide impacts documented by the Intergovernmental Panel on Climate Change (IPCC), in particular in its latest 2022 report: “Impacts, Adaptation and Vulnerability, Summary for Policymakers”.

**RISK FACTORS**

The risks linked to climate change are many and varied, and require concrete actions on the part of society’s public, private and economic stakeholders. The Michelin Group has identified the main risk factors in accordance with different categories: the impacts measured in terms of CO<sub>2</sub> emissions linked to the Group’s operations (Scopes 1 & 2), those linked to the use of our products (Scope 3), by our suppliers of raw materials, transportation and energy (Scope 3) and lastly those linked to the treatment of end-of-life products.

**The Group’s carbon footprint**

Michelin regularly updates the inventory of CO<sub>2</sub> emissions linked to its operations in accordance with the Greenhouse Gas Protocol (GHG) benchmark standard. The inventory is established for an overall scope that corresponds to the Group’s scope of financial consolidation. The latest inventory is set out in the table below. The methodology and data used have undergone a third-party verification in accordance with the ISAE 3000 standard.

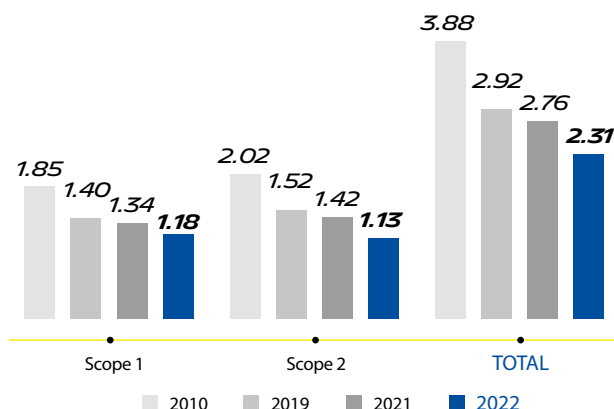
SCOPE	M T CO <sub>2</sub>	YEAR	GROUP SOURCES COVERED BY THE INVENTORY	COMMENTS
<b>SCOPE 1</b>	1.18 <sup>(8)</sup>	2022	CO <sub>2</sub> emissions from boiler houses at production plants and R&D facilities	Michelin controls the assets that use the emission-generating energy.
<b>SCOPE 2</b>	1.13 <sup>(9)</sup>	2022	CO <sub>2</sub> emissions from the generation of purchased electricity and steam consumed at production plants and R&D facilities	The change in the volume of emissions in 2022 compared with the base year 2010 is shown below (cf. figure below: Change in CO <sub>2</sub> emissions for Scopes 1 and 2). GRI 305-1: Direct GHG emissions (Scope 1). GRI 305-2: Direct GHG emissions (Scope 2).
<b>SCOPE 3 ESSENTIAL</b>	16	2022	CO <sub>2</sub> emissions from the activity categories corresponding to the Group’s value chain. (cf. Inventory of Scope 3 CO <sub>2</sub> emissions by category)	Depending on the category, Michelin exercises a more or less significant influence on the activities in the value chain. The tonnage is an estimate, with a level of certainty between +/- 10% and +/- 30%, depending on the category. Given these uncertainties, it is not possible yet to present a reliable trend in emissions over the time span of these estimates. GRI 305-3: Others indirect GHG emissions (Scope 3).
<b>SCOPE 3 OPTIONAL</b>	~130	2022	Indirect CO <sub>2</sub> emissions linked to use of the tires sold	Michelin leverages its expertise in research and development to make a marked impact on CO <sub>2</sub> emissions through the energy efficiency of the tires fitted on the vehicle. This includes road tires (car/van and truck/bus), with the exception of 2-Wheel tires, which make up less than 1% of emissions. The level of uncertainty of the figure shown is estimated at +/- 30% due to the hypotheses concerning the number of vehicles equipped with tires sold around the world by the Group, the vehicles’ engine type (heat or electric), the distance traveled over a calendar year and the lifetime of the tires sold.

(8) See URD 4.1.1.4 b) Reduction in manufacturing facilities’ environmental footprint; Summary table of the Group’s environmental data.

(9) Cf. URD 4.1.1.4 b) Reducing manufacturing facilities’ environmental footprint; Summary table of the Group’s environmental data.

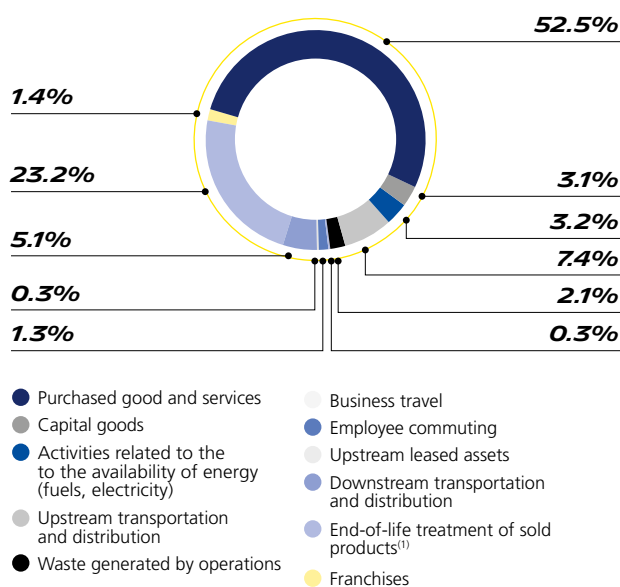


Change in CO<sub>2</sub> emissions - Scopes 1 and scope 2<sup>(10)</sup> (Market-based)  
(in million tonnes of CO<sub>2</sub>)



**Note :** Because the year 2020 was not representative of a normal market and could not be used as a benchmark for measuring progress, the values used as a benchmark are the 2010 and 2019 values.

Breakdown of Scope 3 CO<sub>2</sub> emissions by category<sup>(11)</sup>



(10) Scope 2 emissions for 2010 recalculated following a change of method in 2015 concerning the differentiated emission factors for purchased steam.

(11) Total CO<sub>2</sub> tonnage emitted during the end-of-life treatment of sold tires has been estimated at 3.7 million tonnes based on an aggregate recovery and reuse rate of 76% (See section 4.1.1.2 d Recycle). If the reuse of secondary raw materials from the end-of-life treatment of sold tires is taken into account, as in the ISO 14067:2018 Greenhouse Gases – Carbon Footprint of Products method, a total of 6.4 million tons of CO<sub>2</sub> emissions were avoided. By not using new raw materials, including petroleum derivatives, the recovery and reuse of end-of-life tires helps to avoid emitting additional CO<sub>2</sub>.



Michelin is well aware that global climate change may lead to severe damage to the environment and infringement of human rights. Accordingly, it is taking steps to promote an energy transition and low-carbon mobility.

Under its decarbonization plan, Michelin is aiming to achieve net zero emissions by 2050 for Scopes 1, 2 and 3 <sup>(12)</sup>, and making it a priority, in the first phase, to maximize the reduction of emissions from:

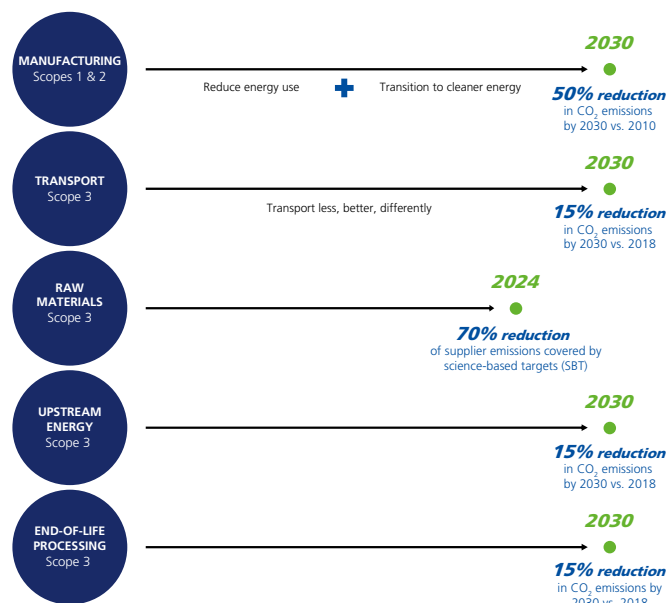
- all of its production facilities;
- its transport operations;
- its supply chain, including its suppliers of raw materials and components.

As part of its strategic plan, the Group continues to innovate to achieve the transition to low-carbon mobility of goods and people. Its main initiatives are:

- to design products that retain very high energy efficiency throughout their life cycle, from production through their useful lifetime and right up to their end-of-life recycling;
- to develop services and solutions that optimize the use and management of vehicle fleets, thereby reducing the consumption of fuel and other energy sources;
- to develop new mobility solutions through ecosystem innovation, in particular with the development of the hydrogen sector.

The Group has set five intermediate objectives for reducing CO<sub>2</sub> emissions, presented below, along with the objective of improving tires' energy efficiency by 10% in 2030 (by comparison with 2020).

In July 2021, Michelin joined the "Race to Zero" campaign and committed to achieving net zero emissions by 2050 - a commitment backed by the international consortium Science Based Targets initiative (SBTi), the United Nations Global Compact and We Mean Business. This has led it to set short-term reduction targets (between 2024 and 2034) and long-term reduction targets (between 2035 and 2050) for the totality of the three Scopes, excluding the in-use phase, and to neutralize residual emissions every year in order to achieve net-zero emissions by 2050. The five short-term objectives set by the Group and presented below have been approved by SBTi <sup>(13)</sup>:



(12) Scope 3 (excluding the in-use phase) cf. URD 4.1.1.1 a) Transition plan: Decarbonization of our operations Scope 3: Reduce emissions associated with our transport operations/Scope 3: Reduce the emissions generated by purchases of raw materials and components/Scope 3: Reduce the emissions associated with upstream energy and the treatment of end-of-life products.

(13) In January 2023, the four short-term objectives for Scope 3 set by the Group in 2019 and presented below were reapproved by SBTi. The objective for Scopes 1 & 2 was recalculated to include the recent acquisitions and a more recent baseline year (cf. URD inset Environmental performance of acquisitions Section 4.1.1.4 b) Reducing manufacturing facilities' environmental footprint). This change, which was approved in 2023 and which does not undermine the objective presented here for 2010-2030, is not included in this report.





**1.2 — IMPACT OF OUR OPERATIONS ON CLIMATE CHANGE (SCOPES 1 & 2)**

(See detailed presentation in URD 4.1.1.1 a-b)

Prevention and mitigation measures

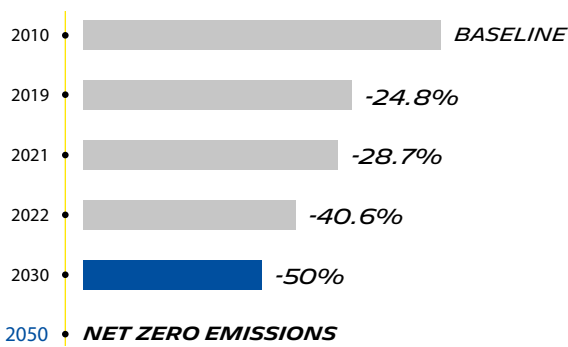
**OUR AMBITIONS**

- by 2050, the Group aims to achieve Net Zero Emissions of CO<sub>2</sub> for its sites as a whole (Scopes 1 and 2).
- for 2030, the Group has pledged to reduce its absolute Scope 1 and 2 greenhouse gas emissions by 27.5% in relation to the baseline year 2019<sup>(14)</sup>.

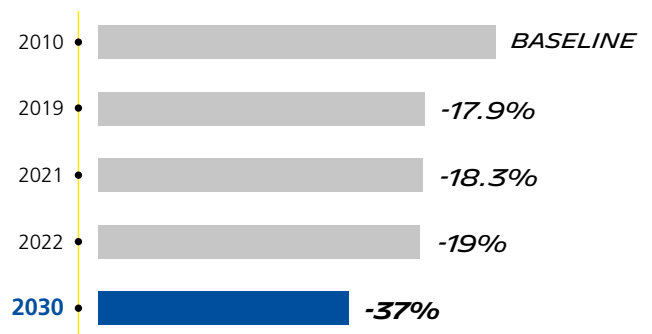
Operational monitoring

KPIs: tons of CO<sub>2</sub> in absolute value and gigajoules per tonne of semi-finished and finished products.

Trend in manufacturing facilities' CO<sub>2</sub> emissions (million tonnes of CO<sub>2</sub>)



Trend in manufacturing facilities' energy efficiency



The emissions reduction program is grounded on two main focus areas:

- use less energy (energy sobriety);
- use energy more efficiently (energy transition).

The first avenue for improvement draws on the Manufacturing Department's energy efficiency initiative (e.g. process electrification, tire-curing performance and management, utility efficiency).

For the second focus area, there are two types of lever: structural levers, which consist in upgrading the energy-supply infrastructures to lower-carbon energy sources; and market drivers, which consist in buying lower-carbon forms of energy. To boost progress, an internal carbon price of €100 per tonne of CO<sub>2</sub> avoided is applied to the economic analyses of projects that require investments.

In 2018, the Group's Environmental Governance body approved the commitment to stop using coal to fuel production plants by 2030. Today, four of the Group's sites are still equipped with coal-fired boiler plants: Olsztyn (Poland), Louisville (USA), Bassens (France) and Pirot (Serbia). One site, Shenyang (China), buys steam from a coal-fired facility. Studies into replacing coal by another primary energy source, such as gas or biomass from sustainably-managed sources, are underway for four of these five plants.

(14) Objective approved by SBTi in January 2023, compatible with a climate-warming scenario of "well below 2°C". The target's scope includes emissions and absorptions linked to biogenic sources and biomass used as energy.



**EXAMPLE OF IMPLEMENTATION****Development of renewable energies**

Since 2008, the Michelin Group has been taking steps to develop renewable energies. These initiatives, whether they involve biomass, solar or wind power, are often lengthy. Today, 19 Group plants have renewable-energy projects.

**Purchasing guaranteed-renewable electricity**

Since 2017, Group plants in the European Union have been using renewable electricity. In 2021, the Group purchased electricity backed by certificates of origin in Brazil and the Republic of Serbia. In China, in addition to the above-mentioned on-site power plants, the Group has started purchasing decarbonized electricity.

In all, 22.7% of the heat and power used by the Group in 2022 came from renewable sources.

**1.3 — IMPACT OF SCOPE 3 ON CLIMATE CHANGE**

*(See detailed presentation in the URD 4.1.1.1 a)*

**1.3.A — IMPACT OF THE USE OF OUR PRODUCTS ON CLIMATE CHANGE****Prevention and mitigation measures****Emissions generated by the in-use phase**

Reducing tires' rolling resistance by design helps reduce vehicles' fuel consumption, so reduces CO<sub>2</sub> emissions during use. Lower rolling resistance also increases electric vehicles' range.

Over the past 20 or more years, Michelin has improved the tire portfolio's energy efficiency by over 20%, without compromising on safety or longevity. In the run-up to 2030, the Group will continue to hone its tire product plan, an initiative bolstered by systematic life-cycle analysis and the use of eco-design in the research and development department.

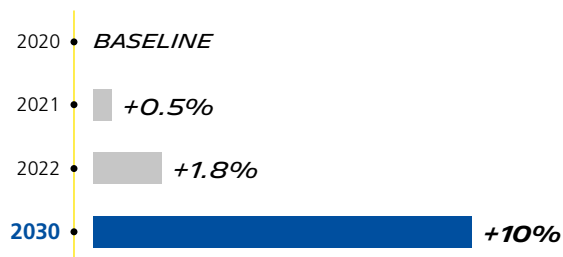
**OUR AMBITION**

Improve tires' energy efficiency by 10% in 2030 by comparison with 2020.



Operational monitoring

Key Performance Indicator: improvement in the rolling resistance (RR) of Passenger Car, Light Truck and Truck <sup>(15)</sup> tires by comparison with 2020, weighted by the sales volume (tonnage) in the reporting year.



Another lever that the Group uses to reduce CO<sub>2</sub> emissions is the product-service economy. It consists in either supplying a product plus a tire monitoring and maintenance service designed to optimize the tires' performance – in particular their energy performance – or simply a service that optimizes fleet management and improves fleets' carbon footprint, among other things. The Michelin Services and Solutions business line specializes in designing, developing and perfecting new mobility solutions for mobility stakeholders, based on data processing and the handling of electric vehicle operations.

Michelin also sees the electric vehicle market as a genuine opportunity to speed up the energy transition. A trailblazer with over 20 years' expertise in hydrogen fuel cells, Michelin aims to become a global leader in hydrogen systems through SYMBIO, a joint enterprise between Michelin and Forvia.

Michelin also plays a prominent role in the major international forums promoting sustainable mobility, such as the *Transport Decarbonation Alliance* or the World Bank's Sustainable Mobility for All initiative. The Movin'On ecosystem, initially created by Michelin, believes that no stakeholder will be capable of meeting the challenges posed now and in the future on its own. Now under joint governance with 13 CEOs <sup>(16)</sup>, it is federating public and private stakeholders, whether collective or individual, around this vision and giving them the means to innovate together to find new solutions for sustainable mobility.

<sup>(15)</sup> The indicator covers 87% of the scope.

<sup>(16)</sup> See URD Part 4.1.2.5 e).



**1.3.B — IMPACT OF OUR SUPPLIERS ON CLIMATE CHANGE**

Prevention and mitigation measures

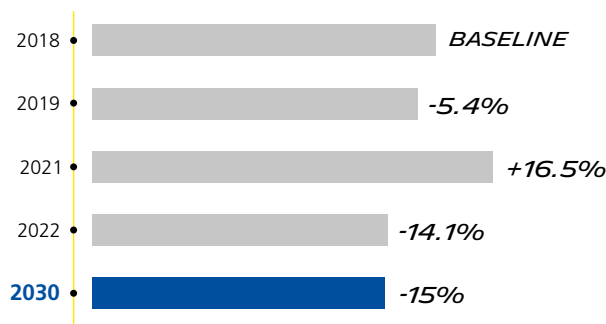
**Reducing the emissions generated by our logistics operations**

**OUR AMBITION**

Reducing greenhouse gas emissions from logistics operations is a major priority for Michelin. The Group has set an ambitious objective: to reduce CO<sub>2</sub> emissions (in tonnes) by 15% between 2018 and 2030. This objective, which has been approved by SBTi, covers transport of the natural rubber to the manufacturing facilities, transport of the semi-finished products between facilities, deliveries to customers and the operation of the warehouses.

Operational monitoring

Transport operations' CO<sub>2</sub> emissions (in million tonnes of CO<sub>2</sub>)



In 2022, CO<sub>2</sub> emissions came to 1.182 million tonnes, which amounts to a 14.1% reduction on the 2018 figure for an equivalent volume of sales. The structural improvements in efficiency have yielded results: the “Tonne of CO<sub>2</sub> emitted per Tonne sold” indicator fell 12.8% between 2018 and 2022 thanks to three-pronged action: transport less, transport better and transport differently. The Group has addressed the commitments made by partner carrier companies, optimized our current means of transport, developed multimodal solutions and innovated with external bodies to achieve more environmentally-friendly technologies and practices.

**Reducing the emissions generated by purchases of raw materials and components**

Prevention and mitigation measures

Emissions associated with the Group's purchases of goods and services (Scope 3 Category 1 in the Greenhouse Gas Protocol terminology) represent roughly half of the Scope 3 emissions outside the use phase (i.e. outside Category 11).

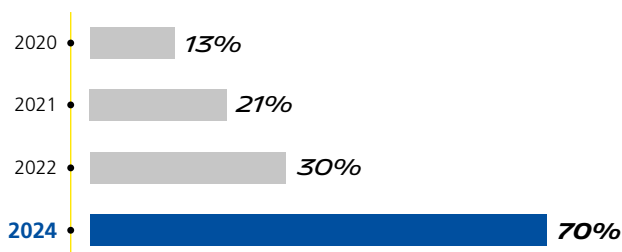
Raw materials (including natural rubber) account for a massive 85% or so of emissions from purchased goods and services. Accordingly, programs to reduce supply chain-related emissions focus on the provision of raw material inputs, alongside the significant work being done on purchases of transport services.



**OUR AMBITION**

By 2024, the suppliers accounting for 70% of the emissions associated with the Group’s purchases of goods and services (Scope 3 Category 1) must have set “science-based” targets for reducing greenhouse gas emissions<sup>(17)</sup>.

Operational monitoring



During the 2022 CDP questionnaire exercise, the suppliers representing 30% of the emissions in this category reported that they had set science-based targets or targets already approved by the SBTi.

Michelin communicates with its suppliers to encourage them to commence, develop or speed up their initiatives to reduce their GHG emissions.

In 2018, Michelin joined the Supply Chain Program run by the Carbon Disclosure Project (CDP) and asked its leading raw materials suppliers to join the initiative. This commitment encourages them to quantify and publish their greenhouse gas emissions, and develop strategies to reduce them.

This campaign was carried out in 2018 and has been repeated annually since 2020. Of the 103 raw material suppliers asked to submit data in 2022, close to 85% responded. The suppliers who responded accounted for roughly 65% of the emissions associated with the Group’s purchases of goods and services, and approximately 55% of the raw materials and natural rubber spend. Moreover, 65% of the suppliers evaluated on their response to the CDP Climate Change questionnaire obtained a score greater than or equal to B-, indicating a good level of maturity on the subject.



In 2022, the CDP recognized the Michelin Group’s ability to engage its suppliers in reducing CO<sub>2</sub> emissions by presenting it with the CDP Supplier Engagement Leader Award.

**1.3.C — OTHER IMPACTS IN THE VALUE CHAIN**

**Prevention and mitigation measures**

The Scope 3 CO<sub>2</sub> emission-reduction targets approved by SBTi include another two indirect activities in the value chain, as defined by the GHG Protocol:

- upstream energy: the extraction, production and transport of fuels purchased by the company or used to produce electricity or thermal energy;
- the processing of end-of-life products.

*(17) 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition / Commitment and transparency / Science-Based Targets initiative (SBTi)..*

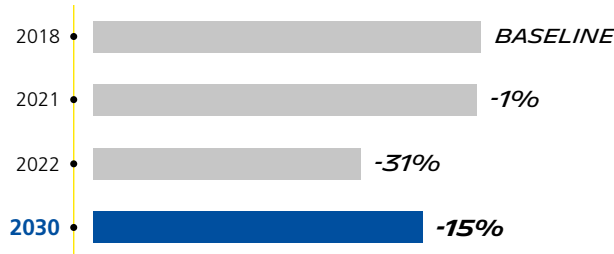


**OUR AMBITION**

To reduce the tonnage of CO<sub>2</sub> emissions by 15% (in absolute value) between 2018 and 2030.

Operational monitoring

Performance indicator<sup>(18)</sup>: tons of CO<sub>2</sub> in absolute value linked to the upstream energy



**Upstream energy<sup>(19)</sup>**

The levers for reducing the emissions associated with upstream energy are the same as for reducing emissions for Scopes 1 & 2, namely to reduce energy consumption and gradually transition to renewable energies (cf. above)<sup>(20)</sup>.

The reduction between 2021 and 2022 stems from the drop in electricity emission factors in many countries, according to data published by the International Energy Agency, along with the reduction in energy consumption by manufacturing facilities and, lastly, the increased share of renewable energy used by the sites.

**Treatment of end-of-life products => See 1.4. End-of-life tires: collection and recovery**

Michelin is promoting solutions for the recovery or reuse of end-of-life products with a smaller carbon footprint, and is developing circular economy models.

The recovery and reuse of materials from end-of-life tires present technological, organizational and economic challenges. To overcome them, Michelin regularly consults its stakeholders, either directly or through the Tire Industry Project<sup>(21)</sup>. Michelin is also working with the CIRAIIG to gain a better understanding of the environmental impacts of the solutions used to process end-of-life tires, by carrying out life-cycle analyses on the different types of recycling or recovery. The Group has also launched two large-scale projects to develop low-carbon recycling facilities for end-of-life tires, namely BlackCycle and a call-to-action in 2021, in tandem with Bridgestone, to recover carbon black from recycled end-of-life tires.

*(18) Treatment of end-of-life products: The state of the art in carbon accounting and the non-availability of the primary data make it impossible as yet to accurately measure the reductions in carbon emissions achieved through our actions. In order to construct a key performance indicator for CO<sub>2</sub>, Michelin is working with the CIRAIIG (International Reference Center for the Life Cycle of Products, Processes and Services) to identify solutions to the methodological hurdles.*

*(19) The energy required for all of the operations entailed in delivering the fuels (scope 1) and energy purchased (scope 2) to the sites.*

*(20) On the assumption that the upstream production and delivery of fuel derived from renewable sources, or purchased renewable energy, are globally less energy-intensive and therefore emit less CO<sub>2</sub> than fuels or energies from fossil sources.*

*(21) cf. the report entitled "Perspectives on End-of-Life Tire Management Challenges and potential solutions in the US, Europe and China" by the World Business Council for Sustainable Development (WBCSD) and the Tire Industry Project, September 2022.*



**1.4 – RISK OF AIR AND WATER POLLUTION**

(See detailed presentation in the URD 4.1.4.4)

**RISK FACTORS**

The tire manufacturing process releases VOCs, SO<sub>x</sub> and NO<sub>x</sub> and other atmospheric emissions that can be a source of pollution. Manufacturing also generates various waste products. During a tire's in-use phase, Tire and Road Wear Particles (TRWP) are generated. Lastly, end-of-life tires must be treated or recycled to avoid becoming a source of pollution.

**Reducing VOC emissions****Prevention and mitigation measures**

The Group's VOC objective is to phase out all VOC-generating organic solvents completely by 2050. An intermediate objective of a 50% reduction in VOC use by 2030 compared to 2019 has been set and the related capital expenditure has been authorized.

The consumption of volatile organic compounds per tonne of finished product is 9% lower in 2022 than in 2021.

This is being done in three ways:

- 1) Deploying good manufacturing practices to optimize solvent use. More specifically, this is achieved by tracking the quantities used, precisely adjusting the solvent applicators, using just the right amount of solvent and maintaining performance over time through effective management.
- 2) The introduction of new solutions, processes, materials and products designed to reduce or even eliminate organic solvents at certain interfaces.
- 3) Research and development teams are designing lower organic solvent use into projects, to ensure that tomorrow's products minimize their impact on VOC emissions.

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

**Reduce nitrogen oxide (NO<sub>x</sub>) and sulfur oxide (SO<sub>x</sub>) emissions****Prevention and mitigation measures**

In 2015 and 2016, four upgrades have since helped to significantly reduce NO<sub>x</sub> and SO<sub>x</sub> emissions by: (i) replacing the use of fuel oil with natural gas at three production facilities in Canada; (ii) closing the former Shenyang plant in China, which used a coal-fired boiler; (iii) replacing the on-site coal-fired steam generation facility at the Shanghai plant with the purchase of steam from a gas-fired CHP power station; and (iv) fitting a "DeSO<sub>x</sub>/DeNO<sub>x</sub>" scrubber on the coal-fired boiler at the Bassens plant in France. In 2020, a coal-fired boiler at the Olsztyn plant in Poland was replaced by a gas-fired installation.



### Operational monitoring

In 2022, specific NOx emissions came to 0.18 kg per tonne produced (cf. 0.17 kg/t calculated in 2019). Sulfur oxide (SOx) emissions came to 0.15 kg per tonne produced (cf. 0.15 kg/t calculated in 2019). The elimination of coal-fired boilers in all of our production facilities by 2030 will drive a further significant reduction in these emissions.

## **Reducing and recovering waste**

### Prevention and mitigation measures

In line with its 2050 vision, the Group has set an intermediate objective of reducing the amount of waste produced per tonne of finished product by 25% in 2030 compared to 2019. The robust pace of improvement observed since 2015 will be maintained by deploying best practices and developing recycling synergies with the Group's new businesses.

The Group's waste management policies are based on the 4R initiative (Reduce, Recycle, Reuse, Renew)<sup>(22)</sup> :

#### > **Eliminate waste production at the source.**

Here are some examples of how this could be done:

- Avoid single-use products;
- Make a practice of returning packaging to the suppliers;
- Eliminate ash from the HVAC facilities by eliminating the use of coal as an energy source.

#### > **Reduce the waste generated.**

Here are some examples of how this could be done:

- Improve process control (raise the compliance rate);
- Develop technological advances (reduce material losses);
- Apply industrial best practices and raise staff awareness.

#### > **Institute reuse within the Group.**

Here are some examples of how this could be done:

- Repair whatever can be repaired;
- Reuse industrial plant among the factories;
- Reuse non-compliant materials within the Group by establishing synergies among the different businesses or within acquisitions.

When it is impossible to avoid waste, prefer materials recovery channels to energy recovery channels. The waste can then be used to manufacture new products. For example, non-vulcanized rubber waste can be recycled to manufacture various rubber articles other than tires (seals, wheel rollers, etc.), to regenerate solvents or to process the sludge into tiles for outdoor floor coverings.

Alongside its waste-reduction objectives, the Group has undertaken to recover 100% of the waste generated. Accordingly, the Group's waste policy prohibits the practice of sending waste to landfill unless it has been demonstrated that there are no technically and environmentally-viable treatment channels. In that case, landfilling waste is only a transitional solution pending a waste recovery channel.

(22) See below: Michelin's "4R" approach.



Michelin is also involved in other recycling channels, such as the channel for recycling plastics. In November 2020, a partnership with the Canadian start-up Pyrowave was announced. It aims to speed up the industrialization of an innovative technology for recycling plastic waste and in particular polystyrene. With this partnership, Michelin is helping new value chains to emerge in the circular plastics economy.

Operational monitoring

The Group’s waste performance ratio remained stable in 2022 by comparison with 2021 (a 0.7% reduction was observed). On the other hand, the Group reduced the amount of waste generated in 2021, in absolute value, by 5.2% to reach 297 kT in 2022.

In 2022, 96.5% of the waste generated was recovered (in the form of energy or material). This overall recovery rate (> 96%) has been stable for several years.

Moreover, using material recovery channels rather than other waste-processing channels has enabled the company to achieve a materials recovery rate of 71% for the total waste generated in 2022.

Lastly, 9.8% of the waste generated in 2022 is classified as hazardous under the legislation of each of the countries.

INDICATORS	UNIT	2019	2022
<b>CONSUMPTION OF ORGANIC SOLVENTS</b>	kg / t SF + PF	0.83	0.66
<b>NOX EMISSIONS</b>	kg / t SF + PF	0.17	0.18
<b>SOX EMISSIONS</b>	kg / t SF + PF	0.15	0.15
<b>CO<sub>2</sub> EMISSIONS</b>	t/t PF+SF	0.32	0.257
<b>WASTE GENERATED</b>	kg/t PF+SF	36.10	33.09
<b>HAZARDOUS WASTE</b>	kg/t PF+SF	3.05	3.23

**Tire and road wear particles (TRWP) and participation in the Tire Industry Project (TIP)**

Since 2006, Michelin has been working to deepen our knowledge of these particles, in particular as part of the research being led by the Tire Industry Project (TIP<sup>(23)</sup>), to collect, characterize and understand both their composition and distribution, as well as their potential impact on the environment and human health. The TIP makes the findings of its research into TRWP permanent available to the public: <https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/Resources/Tire-Road-Wear-Particles-Papers>.

Numerous studies conducted by the TIP or other research bodies are returning converging signals of the low presence of TRWPs in air pollution in urban areas. Based on modeling of the Seine river basin, 2-5% of the TRWP released into the environment would reach estuaries and hence potentially the marine environment, according to a recent study commissioned by the industry.

*(23) The Tire Industry Project brings together the world’s leading tiremakers as part of the World Business Council for Sustainable Development (WBCSD) to address the tire industry’s sustainability challenges and issues.*



The CEOs of the TIP member manufacturers approved the decision to continue building on existing knowledge by launching a new cycle of research projects on:

- Sampling TRWP presence in different environmental compartments (air, rivers, soil, estuaries) and modeling TRWP fate in the environment;
- Analyzing the degradation of TRWP;
- Investigating the potential health impacts, for humans and other living beings, of long-term exposure to TRWP.

Quite apart from the various studies in progress, Michelin has, for many years now, undertaken to reduce particle emissions from its new tire ranges. To this end, the Group is drawing on its expertise in materials and on a design strategy historically focused on optimizing the use of materials.

#### [Operational monitoring](#)

More specifically, this policy has achieved a 5% reduction in its products' TRWP emissions between 2015 and 2020. On a global scale, this has enabled Michelin to reduce its TRW emissions by around 100,000 tonnes all together.

By way of example, our two most recent tires improve performances in this area by between 20% and 25%:

- MICHELIN Pilot Sport 5 : a 25% reduction in particle emissions compared with the MICHELIN Pilot Sport 4
- MICHELIN e-Primacy : a 20% reduction in particle emissions compared with the MICHELIN Primacy 4

In 2022, the Allgemeiner Deutscher Automobil-Club (ADAC) updated its in-depth study to illustrate tires' level of particle emissions for around 100 different tire models in different sizes. The analysis of the findings published by the ADAC showed that the MICHELIN brand often topped the rankings and was the brand that, on average, emitted the fewest particles per kilometer among all of the tires tested, while still guaranteeing excellent levels of safety.

#### **End-of-life tires: collection and recovery**

*(See also 1.5: Michelin's 4R strategy for a circular economy).*

By working with industry associations and in particular the TIP, Michelin is making every effort to ensure that end-of-life tires are properly collected and processed in every region around the world. To do so, the Group supports the concept of "extended producer responsibility" and is working with the leading stakeholders to develop and deploy efficient recycling solutions. Michelin is also exercising its influence to encourage material recovery, which optimizes the reuse of tire components as secondary raw materials and offers a generally smaller carbon footprint than energy recovery (See 1.3.c: Treatment of end-of-life products).

In 2022, Michelin launched its recycling services in Chile in the country's Antofagasta region. The plant, which will be operational at the end of the first half of 2023, will provide a service to collect end-of-life tires from the mining customers in the country, for subsequent shredding and milling. It will be able to recycle 30,000 tonnes of earthmover tires each year, representing nearly 60% of the end-of-life Earthmover tires used in the country.

In 2021, Michelin and Bridgestone issued a joint call to action to develop the end-of-life tire recycling ecosystem and promote circularity in the rubber industry. The world's top two tire makers have set out to facilitate and boost the use of carbon black from recycled tires. A progress report on the initiative was presented on November 16, 2022 at a meeting attended by some 20 industry stakeholders, along with draft specifications for the carbon black obtained through the pyrolytic treatment of end-of-life tires.



As part of its strong commitment to the recovery and reuse of end-of-life tires, in October 2017 Michelin acquired US-based Lehigh Technologies, a world-class expert in micronized powder technologies for rubber recycled from tires and other rubber-based industrial products. In 2022, the Group launched the construction of a Lehigh Technologies production workshop at its Olsztyn site in Poland.

For over 10 years, the Group has upheld a policy aimed at recovering and reusing 100% of the waste generated by manufacturing tires.

**1.5 — IMPACT OF OUR RAW MATERIALS ON THE ENVIRONMENT – EXCLUDING CLIMATE CHANGE**

*(See detailed presentation in the URD 4.1.4.2)*

**RISK FACTOR**

Tires are made up of around 200 different materials, such as elastomers (natural and synthetic rubbers), plasticizers and chemicals, among others, which are essential for guaranteeing their performance. Factors such as the natural or fossil origin of the raw materials, the way they were produced or mined, and growing demand for these products can have an impact on the environment such as resource depletion, pollution and/or the loss of biodiversity.

By 2050, the Michelin Group aims to ensure that 100% of the materials used to manufacture its tires are sustainable. To meet this major challenge, the Group is using recycling and/or biosourced materials whenever possible, contributing to the development of these channels and asking its main raw materials suppliers to present a road map for developing renewable or recycled materials.

**The Michelin 4R strategy for a circular economy**



To optimize resource usage and reduce its products' and services' environmental impact, Michelin is implementing an eco-design approach underpinned by Life Cycle Analyses (LCAs), and rolling out the Michelin 4R circular economy approach, which works through four processes: Reduce, Reuse, Recycle and Renew. Since 2017, this approach has been led by the circular economy operational committee.



The Michelin Group is leveraging innovation to design tires that:

- are lighter, thereby reducing the quantity of resources (raw materials and energy) needed to manufacture them;
- have less rolling resistance. This makes them more energy-efficient in use, which in turn reduces the vehicle's fuel consumption and CO<sub>2</sub> emissions;
- have greater resistance to abrasion. This reduces the pollution created by the emission of wear particles (TRWP)<sup>(24)</sup> resulting from friction between the tire and the road surface, and lastly;
- capable of ensuring the best safety performances throughout their lifetime, right down to the wear indicators, and avoiding the premature replacement of millions of tires on a global scale<sup>(25)</sup>.



Repairing, regrooving and retreading tires are solutions that save raw materials, since they extend the casing's lifetime and require a smaller quantity of raw materials than a new tire. A tire that has been repaired, regrooved or retreaded is a tire that is not replaced.

The Group is extending these offers to include Truck, Aircraft and Earthmover tires.

Michelin Truck tires can be regrooved when the tread pattern is worn, then hot retreaded (using the Remix process) or cold retreaded and regrooved a second time before the components are reused in the end-of-life recovery channels. In all, with one retreading and two regroovings, a Michelin Truck tire can last 2.5 times longer than a new Michelin tire with just an additional 25% of material, or up to one million kilometers for certain long-haul tires with an initial lifespan of already 250,000 km.



Creating technical and economic systems to recycle and process end-of-life tires is a major challenge. The Group is very keen to meet this challenge, in all of the countries, in consultation with all of the stakeholders concerned. In 2022, the Group continued to be involved in end-of-life tire recovery programs through work carried out in a variety of industry associations, such as the Tire Industry Project (TIP) and industry organizations such as the European Tyre and Rubber Manufacturers Association (ETRMA), the United States Tire Manufacturers Association (USTMA) and the Japan Automobile Tyre Manufacturers Association (JATMA).

Michelin is also involved in channels that recycle tires and plastic waste, and is working with pioneering companies in the field such as Enviro, Carbios, Pyrowave and others to create new sustainable materials.

See above: "End-of-life tires: collection and recovery"

(24) TRWP – Tire and Road Wear Particles: aggregate consisting of materials from the tire's tread band and bits of the road.

(25) If all motorists used their tires down to the legal minimum tread depth of 1.6 mm, this could save around 400 million tires a year worldwide and help to reduce CO<sub>2</sub> emissions by up to 35 million tonnes a year (estimates based on the calculations for Europe).



The Group’s ambition is that, by 2050, its tires will be made entirely from sustainable materials. To attain this ambitious goal, the Group is promoting the use of sustainable materials from recycling channels and/or biosourced materials.

As far as biosourced materials are concerned, major projects are under way to convert the supply chains to provide biosourced materials or to make the natural materials supplied more sustainable.

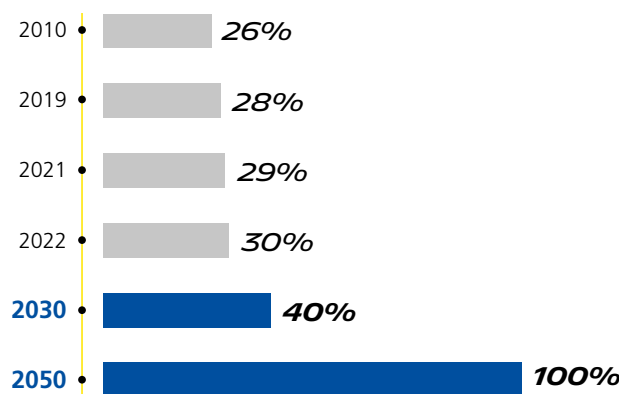
- The BioButterfly project, in partnership with AXENS and IFPEN, is developing a bio-butadiene production process using ethanol derived from biomass. The aim is to produce innovative, more environmentally-friendly synthetic rubbers. The development phase was launched in 2015. The industrial demonstrator is now finalized and is expected to start up in the course of 2023.
- The Biolmpulse project is a collaborative public/private research project that is helping to create a new, fully-biosourced adhesive resin that is safer for human health. The consortium is coordinated by ResiCare, a Michelin subsidiary.

In late 2020, Michelin also launched the EMPREINTE project. The project is financed by the Programme d’Investissements d’Avenir (Investments for the Future Program, PIA), which is run by the ADEME as part of the French stimulus program for the automotive industry. The project aims to offer effective solutions for recycling or bio-sourcing materials and for environmentally-sustainable product design, or eco-design. These solutions will improve tires’ overall environmental footprint. The project targets two strategic markets: individual mobility (Passenger car tires) and freight transportation (Truck tires).

In 2022, Michelin unveiled new tires designed within the framework of this project and containing respectively 45% of sustainable materials for the car tire and 58% for the bus tire. In both cases, this represents a 50% increase in the sustainable materials content by comparison with current tires. The new tires are approved for driving on the open road and deliver the same premium performances as the benchmark Michelin tires. The sustainable materials used to make these new tires may come into widespread use in certain tires that Michelin will start selling from 2025 onwards.

Operational monitoring

Percentage of sustainable materials in Michelin tires



In 2022, the percentage of sustainable materials stood at 30%, up on the 2021 figure. This result is in line with the roadmap for reaching the target of 40% of sustainable materials in 2030.



## **1.6 — RISK OF HARMING BIODIVERSITY**

*(See detailed presentation in URD 4.1.4.4)*

### **RISK FACTORS**

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

### Prevention and mitigation measures

The Group is pursuing its commitment to biodiversity alongside the act4nature initiative launched by the French association Entreprises pour l'Environnement (EpE), which became act4nature international in 2020.

A multidisciplinary Biodiversity Operational Committee was set up in late 2018. The committee, which is led by the Sustainable Development and Mobility Department, is composed of experts in life cycle analysis from the Group Environment Department and the Responsible Procurement Department. It presents its recommendations to the Environmental Governance body for validation.

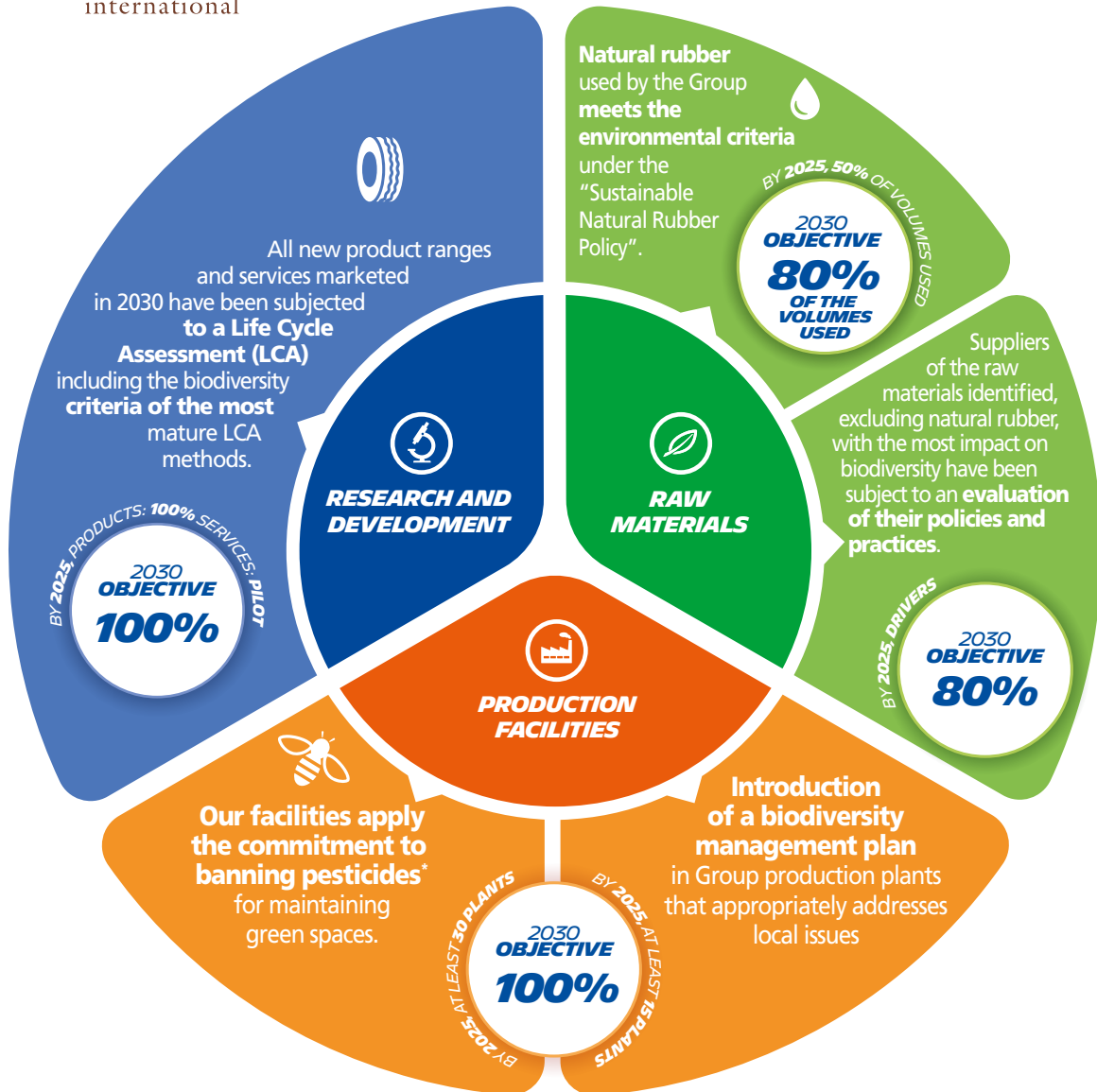
In 2021, Michelin renewed its commitment to reducing the pressure that its operations place on biodiversity, all along its value chain, by setting objectives for 2030 that are part of the "All Sustainable" approach of its Michelin in Motion strategy.



## COMMITMENTS FOR BIODIVERSITY IN 2030



act4nature  
international



[Operational monitoring: results](#)

### Research and Development

In 2030, 100% of the new product and service ranges marketed by Michelin will have undergone a Life Cycle Assessment (LCA) using biodiversity criteria from the most mature methods.

- At end-2022, the LCA deployment plan is taking its course and LCAs have been carried out for at least 75% of new projects, including Passenger Car and Light Truck, Truck and Specialty products.



## Raw materials

### Natural Rubber

In 2030, 80% of the volume of natural rubber used by the Group will meet the environmental criteria set out in its “Responsible Natural Rubber Policy”.

In 2022, Michelin ran a gap analysis comparing the policy’s environmental criteria with practices on the ground at its subsidiaries’ and joint enterprises’ industrial plantations, which represent 4.5% of the volume of natural rubber used by the Group. The action plans necessary to achieve compliance have been drawn up and put into place.

With its partner WWF France, Michelin has finished drawing up the framework for compliance with the environmental criteria set out in its Responsible Natural Rubber Policy, for the supply of natural rubber from industrial forest plantations. In 2023, Michelin will roll out this compliance framework to its suppliers at industrial plantations. It will also draw up and steer a risk-mitigation framework for the supply regions that are farmed, for the most part, by village smallholders.

### Other raw materials

In 2030, 80% of the raw material suppliers identified as having the greatest impact on biodiversity (excluding natural rubber) will have been assessed on their policies and practices.

- In 2022, a study was conducted to determine the raw materials with the greatest impact on biodiversity, based on the results of the Science Based Targets for Nature (SBTN) method and the life-cycle analysis of the raw materials.

### Production plants

In 2030, all of our production and research facilities will uphold their commitment not to use pesticides or herbicides in groundskeeping operations.

- At end-2022, 12 facilities were maintaining their grounds without using any pesticides or herbicides, and another three had phased out all but one product, under a maximum three-year waiver. One site in China is transitioning to a total ban on pesticides and herbicides.

In 2030, all production and research facilities will have introduced a biodiversity management plan commensurate with the local issues.

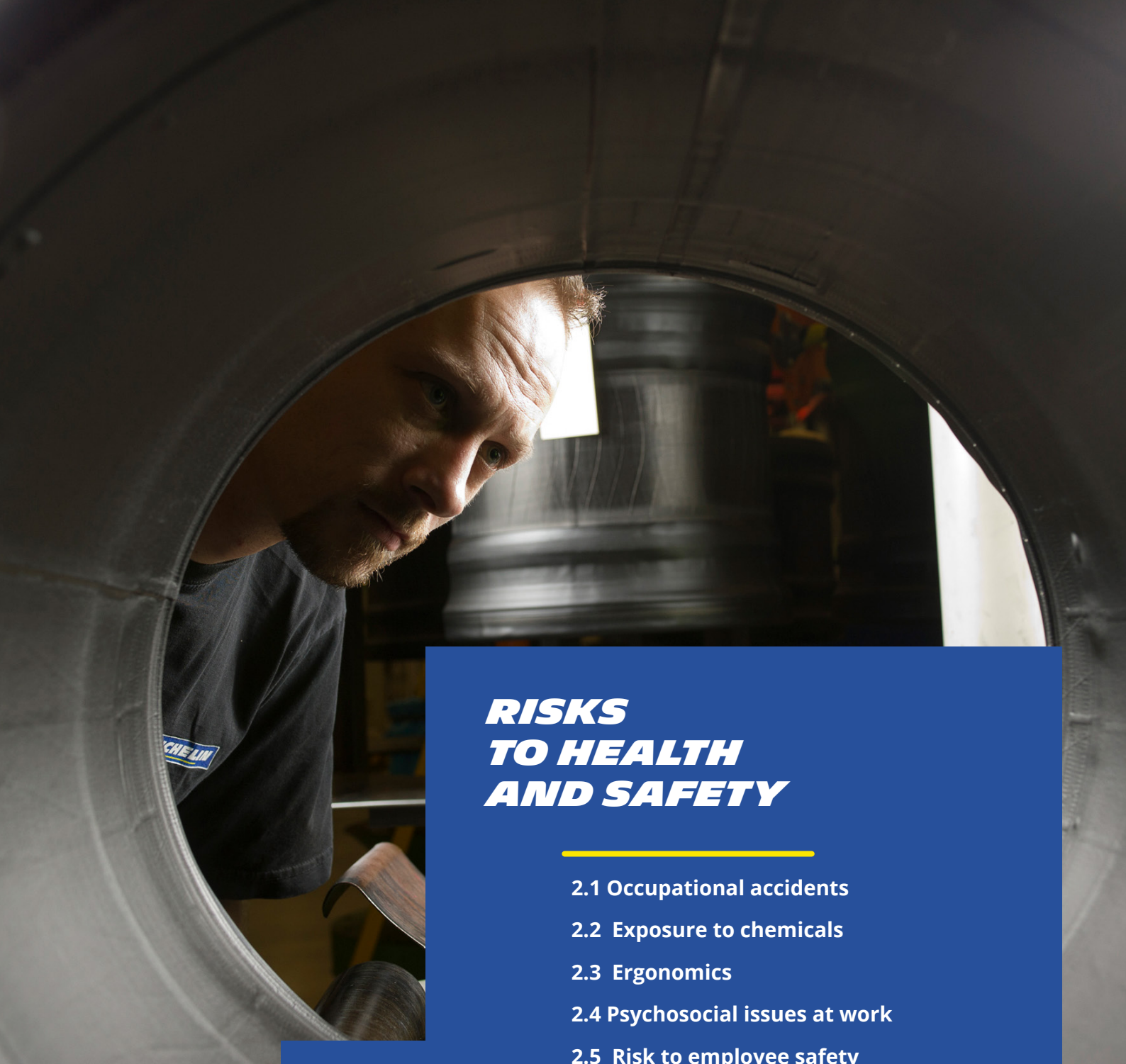
- At end-2022, eight manufacturing facilities with identified pollution risks had introduced management plans and one research facility had drawn up a management plan based on a Natura 2000 Guidance Document.

The other actions taken in 2022 in relation to the network of industrial and research facilities are described in 4.1.1.3 d) Taking biodiversity into account at the Group’s manufacturing and research facilities.

In 2022, Michelin continued to be involved in the Lab Capital Nature initiative. Within that particular framework, Michelin tested the first two stages of the Science-Based Targets Network (SBTN) method. The compiled feedback, including Michelin’s, was published by Lab Capital Naturel in 2022<sup>(26)</sup>.

(26) <https://lab-capital-naturel.fr/media/integrer-l-entreprises-dans-les-limites-planetaires.pdf>.





## ***RISKS TO HEALTH AND SAFETY***

- 
- 2.1 Occupational accidents
  - 2.2 Exposure to chemicals
  - 2.3 Ergonomics
  - 2.4 Psychosocial issues at work
  - 2.5 Risk to employee safety

# **02**



**02 — RISKS TO HEALTH AND SAFETY**

(See detailed presentation in the URD 4.1.3)

**RISK FACTORS**

Michelin directly employs more than 132.000 people worldwide and also uses temporary employment agencies and subcontractors. Numerous visitors also have access to our facilities. These people work in a very wide variety of environments: in industrial facilities, tertiary and research sites, logistics and services operations and dealerships, which may be exposed to specific risks with a potential effect on their health and well-being.

Main health & safety risks

RISK CATEGORY	MAIN EXAMPLE(S)	CAUSE(S) IDENTIFIED	POSSIBLE CONSEQUENCE(S)
<b>OCCUPATIONAL ACCIDENT</b>	Breakdown assistance on production plant	Failure to carry out all of the necessary lock-out/tag-out procedures	Bodily harm, reversible or irreversible
<b>EXPOSURE TO CHEMICALS</b>	Handling of and exposure to hazardous materials	Failure to wear Personal Protective Equipment	Bodily harm, reversible or irreversible
<b>ERGONOMICS</b>	Loading and unloading hand trucks and carts.	Repetitive load handling with incorrect posture	Bodily harm, reversible or irreversible
<b>PSYCHOSOCIAL ISSUES AT WORK</b>	Depression	Unsuitable managerial practices	Psychological harm, reversible or irreversible
<b>EPIDEMIC: COVID-19</b>	Several people in a team infected with Covid-19	Failure to comply with precautionary measures during moments of downtime	Bodily harm, reversible or irreversible

**EMPLOYEE HEALTH AND SAFETY GOVERNANCE**

The Employee Health and Safety Governance body is chaired by the Personnel Department Chief Officer and co-chaired by the Executive Vice President, Manufacturing, who are both members of the Group Executive Committee. Led by the Group Health Coordination Director, the body also comprises five standing members representing the Corporate Safety & Environment Department, the Corporate Internal Control, Audit & Quality Department, the Corporate Legal Department and the Sustainable Development and Mobility Department.

The Governance body meets twice a year. It decides on the Group’s policy, ambitions and strategies. It ensures that the necessary resources are allocated to achieve the objectives set and that the action plans are carried out.



## Prevention and mitigation measures

True to the Group's fundamental value of respect for people, Michelin is deploying an active, comprehensive policy on health, safety and the quality of worklife, set out in:

- The 2012 Health and Safety Declaration;
- The 2018 Health, Safety and Quality of Worklife Policy;
- The 2022 Environment, Prevention and Security Guidance Letter.

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

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

These policies are being implemented through Michelin's "Environment and Prevention" management system, which is based on the ISO 14001 and ISO 45001 international standards. It is applied at all Group facilities to capitalize on and anchor best practices, and maintain continuous, consistent progress. This management system is auditable and audited.

In the production facilities, the Environmental and Risk Prevention Management System is embedded in the foundations of the Michelin Manufacturing Way (MMW), which defines and promotes operational excellence practices.

Every Michelin Group facility has risk prevention professionals (OSH experts, ergonomists and hygienists) and health care professionals (doctors and nurses) on its staff. These professionals work as a network at Group, regional and country level to share best practices and leverage the experience acquired in a continuous improvement process.

Training programs are helping to impart a culture of watchfulness, commitment and alertness in every employee, as much for themselves as for others. The emphasis is on encouraging employees to adopt and demonstrate this culture of safety in the workplace.

### **2.1 — OCCUPATIONAL ACCIDENTS**

*(See detailed presentation in the URD 4.1.3.2.c.)*

#### **RISK FACTORS**

At all Group facilities - tertiary, industrial, research, logistics or distribution - staff may be exposed to the risk of accidents involving mechanical or electrical installations, materials handling, chemicals, tools or moving about in the workshops. These risks may cause more or less serious injuries.

Road accidents while traveling for work purposes are also among the risks identified.



## Prevention and mitigation measures

In response to the risk of accidents in and outside manufacturing operations or during business-related travel, as well as the dangers posed by natural disaster, fire or explosion, Michelin has adopted an accident prevention approach to assess, manage and mitigate the health and safety risks faced by all its employees.

This prevention initiative is structured into three interconnected approaches:

- The technical approach revolves around five “Group Safety Programs” on specific risks that the Group is keen to reduce and control. There are also prioritized responses to the most serious machinery and ergonomic risks, in liaison with the engineering departments.
- The behavioral approach is an innovative approach aimed at encouraging staff to adopt accident-prevention behaviors for themselves and their colleagues, and to be more vigilant. This approach draws on behavioral sciences to foster commitment through managerial leadership and the active involvement of every employee (safety coalitions).
- The organizational approach is designed to manage, support and control the risks with the help of a robust management system, along with skills building.

The staff onboards the workplace safety and prevention approach at every level through:

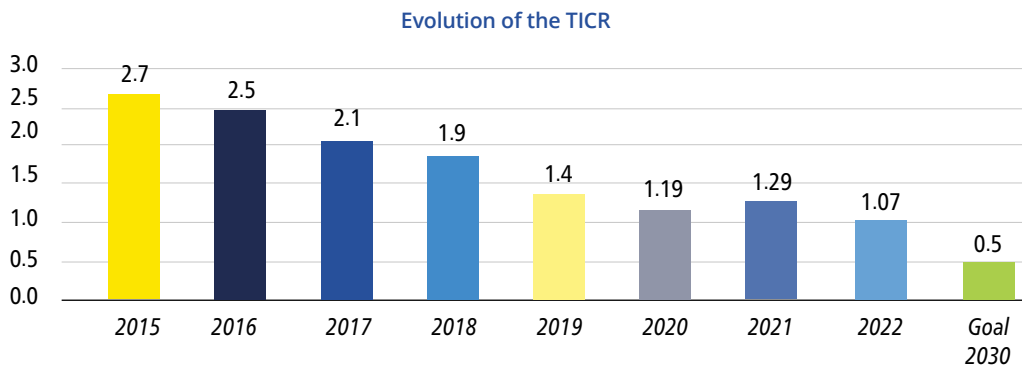
- The uncompromising support of managers, from the Executive Committee members through to operational managers on the ground;
- The dissemination and sharing of best practices and feedback;
- Corporate communication initiated by the Group;
- Initiatives aimed at anticipating emerging risks.

Michelin uses the Total Case Incident Rate (TCIR) indicator, which is based on the US Occupational Safety & Health Administration (OSHA) indicator, to measure its Health & Safety performance on a global scale. It records the number of events per 200,000 hours of work. An event may be: a lost-time accident, an accident without lost time but requiring medical treatment, a workstation adjustment (due to ergonomic issues or musculoskeletal disorders, for example), or an illness recognized as work-related. In this way, it takes into consideration not just accidents but every type of health and safety-related event.

In 2022, the scope of workplace accident reporting was expanded to include temporary workers and recently-acquired companies.



Operational monitoring



All of the prevention initiatives undertaken in manufacturing lowered the accident rate. After 2021, which was a difficult year in an unpropitious context, 2022 marked the return to a rate of progress in phase with the Group’s objectives and a TCIR of 1.07. Distribution, in particular, made significant progress of around 20%.

The TA+ indicator measures the frequency of a list of accidents (with or without lost time) on which the Michelin Group has decided to focus. It enables the Group to take a more targeted approach to these accidents and reduce the disparities among countries. The number of TA+ accidents is recorded by a dedicated committee chaired by the Group Safety Manager, which meets once a month with ergonomics and safety experts and the Group physician after monthly indicator data has been reported. The TA+ has been steadily improving since its introduction in 2018 and stood at 0.61 in 2022.

**2.2 — EXPOSURE TO CHEMICALS**

*(See detailed presentation in the URD 4.1.3.1.c)*

**RISK FACTORS**

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

Michelin’s industrial hygiene policy is designed to protect employees’ health from the harmful effects inherent in the use of chemicals (substances or compounds), certain substances emitted by the process or potential exposure to asbestos.



The following five fundamental principles are implemented in this order of priority:

1. Anticipate emerging risks and avoid introducing risks associated with new chemicals or processes. Before a new chemical is used, an approval process leading to an authorization for use enables the company to anticipate and control the risks. In some cases, use of the chemical may be prohibited.
2. Recognize and assess chemicals' existing risks for workers' health. A standard chemical risk-assessment method is used at manufacturing facilities. This method makes it possible to define the risk level and introduce suitable means of control.
3. Control the risks by implementing and maintaining suitable measures (replace the chemicals that are cause for concern, use and introduce collective means of protection or personal protective equipment).
4. Confirm the application and effectiveness of these risk-control measures. Periodically carry out plans for the maintenance, inspection and monitoring of the application of risk-control measures.
5. Inform and train employees with regard to the risks. The employees are informed about and trained in the chemical risks. Safety Data Sheets (SDS) for the chemicals used are available in the language of the country using them. These Safety Data Sheets comply with the REACH regulation in Europe and the Global Harmonized System (GHS) regulation in other countries. At some facilities, these documents are available as product data sheets at the workstation.

Chemical risks are taken into account throughout our products' life cycle and in reasonably foreseeable conditions of use.

### **2.3 — ERGONOMICS**

*(See detailed presentation in the URD 4.1.3.1.d)*

#### **RISK FACTORS**

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

#### **Prevention and mitigation measures**

Since 2002, improving ergonomics has been a major focus of Michelin's health and safety policies. The prevention of MSK disorders is designed into every industrial project, so as to attenuate any potentially negative impact on working conditions over the medium term. All manufacturing facilities and logistics hubs maintain an up-to-date map of the workstations in order to identify action priorities, deploy suitable solutions and gradually eliminate arduous tasks. Every year, ergonomic issues across the business base are addressed by a dedicated capital budget that has increased sharply for the second year in a row. The budget allocation increased by 97% in 2022 to reach 28.4 million euros, after an already very significant 50% increase in 2021. Projects to improve ergonomics are implemented by ergonomist-led multidisciplinary teams comprised of managers, operators, prevention specialists and physicians. With the exception of entities in the process of integration or non-integrated, each plant is deploying a five-year improvement plan.

In addition to protecting employee health, reducing ergonomic hardship is also making the workstations accessible and appealing for a wider range of people. In turn, this is fostering diversity, making workstations more attractive and enhancing people's well-being and motivation.



**2.4 — PSYCHOSOCIAL ISSUES AT WORK**

(See detailed presentation in the URD 4.1.3.5.c)

**RISK FACTORS**

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

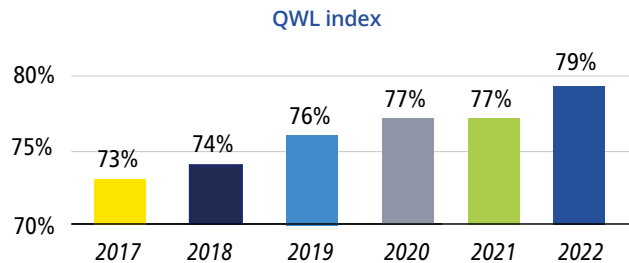
In a commitment to safeguarding employees from the psychosocial risks of stress and harassment, a variety of programs aligned with local needs and legislation have been deployed to provide:

- Primary Prevention, through reviews, sensitivity training and initiatives to improve the quality of management. These measures have been rolled out in most of the Group’s host countries. In France, the occupational health service runs monthly lecture cycles on mental health.
- Secondary Prevention, through training and organizational improvement initiatives, particularly in at-risk segments/ jobs. Programs to prevent stress with new workplace organization practices have been introduced in many countries.
- Tertiary Prevention, through coaching, relaxation therapy, support groups and individual counseling by a psychologist or occupational physician. Employee support programs are offered to employees in many countries. They provide practical or psychological support to help employees cope with difficult situations.

The vast majority of the plants and offices are leading quality of worklife programs that contribute to secondary prevention. Tertiary prevention is in place at Michelin facilities and gradually being introduced in the acquisitions.

The Quality of Worklife index rose 2 points to a high of 79%.

Operational monitoring



Since 2010, the Medical Advisory Committee, comprised of eight outside experts, has helped to foresee and prevent health risks, based on the latest advances in science. Its independent opinions assist Group management in addressing the health risks specific to tire manufacturing. In 2021, the members of the Medical Advisory Committee helped to assess the psychosocial risks arising from the Covid-19 pandemic by analyzing the findings of the “How Are You?” survey. Their insightful expertise informed the management of the pandemic crisis. There was no need to consult the committee in 2022.



## **2.5 — RISK TO EMPLOYEE SAFETY**

*(See detailed presentation in the URD 4.1.3.2.b.)*

### **RISK FACTORS**

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

Surveillance of security issues has been tightened, more specifically for countries in which Michelin employees may find themselves in a situation of strong tensions and threats, particularly when traveling abroad.

A country risk map is kept up to date and posted on the Intranet by the Information System Security, Security and Environment Corporate Direction (DCSE) and the Travel Managers. Each country is assessed on a scale of 1 (lowest risk) to 4 (highest) and a set of security guidelines and recommendations is drawn up for each level and shared with travelers and expatriates.

### **Prevention and mitigation measures**

Specific guidelines and measures have also been introduced to keep expatriate employees and their family safer in high-risk countries, including pre-assignment training to raise awareness of the local security precautions.

Every year, the Information System Security, Security and Environment Corporate Direction (DCSE) visits the high-risk countries to assess and verify, on-site, the consistency and proper application of the Group's guidelines and recommendations.

Even though the Covid-19 pandemic was receding in 2022 thanks to the vaccination campaigns and the immunity acquired through infections, it continued to have a direct impact on the monitoring and management of Michelin employees traveling or working outside their home countries. This year, the health threat and the ensuing risks have once again been managed in crisis mode, relying on close collaboration among all of the stakeholders concerned – from the Europe Central Office to the regions.







## **HUMAN RIGHTS RISKS**

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- 3.1 Supplier's failure to respect human rights
- 3.2 Discrimination
- 3.3 Harassment
- 3.4 Freedom of association
- 3.5 Employee privacy and personal data protection
- 3.6 Risk in terms of decent wage and social protection
- 3.7 Risk to local communities
- 3.8 User safety

**03**

**03 — HUMAN RIGHTS RISKS**

(See detailed presentation in the URD 4.1.2)

**RISK FACTORS**

Since 2015, a specific work package was devoted to identifying human rights risks in the company. The Group employs over 132,000 people and has manufacturing operations in 26 countries and broader business operations in 177 countries with varied legislations and cultures. Its employees, the local communities around the facilities, its suppliers and also its consumers may be exposed to the risks of human rights violations. Some risks (such as child labor and forced labor) are considered very low in the Group but may be present in the supply chain.

Michelin makes every effort to uphold human rights in all its businesses and in every host community. The Group embraces both the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Since 2010, Michelin has been a signatory to the United Nations Global Compact, an initiative set up and led by the United Nations, which encourages enterprises to adopt a socially-responsible attitude through 10 principles.

Michelin is committed to applying the International Labour Organization conventions around the world, particularly in relation to freedom of association and protection of the right to organize<sup>(27)</sup>, the elimination of discrimination in employment and occupation, the elimination of forced labor and the effective abolition of child labor<sup>(28)</sup>.

These principles and guidelines form the basis for a number of internal reference documents, particularly the Code of Ethics, the various Personnel policies (Diversities & Inclusion, Social Relations, etc.) and the Michelin Purchasing Principles. In 2022, for the first time, a master policy on human rights was issued, circulated in the company and posted on the Group's website. The policy sets out Michelin's principles on nine subjects: discrimination, harassment, health & safety, decent wage and social protection floor, freedom of association, privacy and personal data, child labor, forced labor and impact on local communities.

To further enhance its expertise and build on best practices, Michelin also joined the «Entreprises pour les Droits de l'Homme» association (Businesses for Human Rights), comprised of 26 French companies involved in these issues. In addition, the Group is a member of the Global Deal initiative, which promotes social dialogue and decent work around the world, and of the Business for Inclusive Growth initiative. After having chaired the Human Rights Club of the Global Compact France network in 2021 and 2022, Michelin now sits on the club's steering committee.

To identify its risks, Michelin has consulted the VeriskMaplecroft dataset of countries that present a risk for human rights, and also the Group's materiality analysis. The Purchasing Department has carried out a specific analysis of its suppliers (See p. 59).

**GOVERNANCE**

Human rights issues are addressed by a multidisciplinary operational committee that meets eight to ten times a year. Its members are representatives from the Development and Sustainable Mobility, Purchasing, Internal Control, Audit & Risk Management, Employee Relations, and Public Affairs Departments and, since 2021, from the Legal Affairs, Compliance and Industry Departments. It prepares an annual action plan engaging Michelin in a continuous improvement process.

Since 2018, these topics have also been discussed twice a year at the most senior level of the Group, in the Human Rights governance body chaired by the Executive Vice President & Chief Personnel Officer and including the Executive Vice President, Manufacturing, and the Executive Vice President, Engagement and Brands, all three of whom are members of the Executive Committee. This governance body oversees the improvement action plan and the indicators.

(27) See URD 4.1.2.3 Promoting responsible social dialogue.

(28) See 4.1.2.1 b of the URD: Risks and prevention measures/Decent work-related risks now being assessed in the contracting chain.



### Operational monitoring

Numerous KPIs and objectives for 2030 are used to monitor the implementation of this policy with the goal of achieving six human rights ambitions <sup>(29)</sup> :

OBJECTIVE	INDICATOR	2019	2020	2021	2022	TARGET FOR 2030
1-A company where everyone feels safe at work	TCIR	1.43	1.19	1.29	<b>1.07</b>	<0.5
	Well-being indicator			76%	<b>79%</b>	80%
2-A company offering a decent wage and supportive employee benefits	% of employees receiving a decent wage in the countries in which the Group operates	-	-	95%	<b>98.5%</b>	100% in 2025
	% of employees covered by a floor of benefits such as health insurance, disability/death insurance and parental leave for a birth/adoption	-	-	New in 2021	-	75% in 2025 and 100% in 2030
3-A company whose supply chain ensures decent work for all of its employees	% of assessed suppliers that meet the Group's human rights standards	85%	86%	89%	<b>89%</b>	≥95%
	% of the natural rubber volume used by the Group that is assessed against human rights criteria, through RubberWay <sup>®</sup> , out of a representative sample of farmers.	20%	30%	41%	<b>58%</b>	80% from 2025 onwards
	Number of rubber smallholders whose working conditions and/or means of existence have improved as a result of remediation projects	-	-	New in 2021	<b>467</b>	30,000
4-Company that enables all forms of diversity to thrive	IMDI (composite indicator related to inclusion and diversity, see Chapter 4.1.2.2 b)	-	60	65	<b>70</b>	80/100 points
5-Company that takes internal stakeholders' opinion into account	% of employees who replied positively to the question in Michelin's Forward Together survey: "I feel as if my opinion counts and my ideas are taken into account in my company"	-	-	69%	<b>71%</b>	80%
6-A company that blends harmoniously into its environment and is beneficial for its local host communities	% of employees involved in local volunteer programs	>10% in the legacy scope of reporting	-	2.5%	<b>8.7%</b>	20%

Note that some of the newly defined indicators do not yet have any prior-year comparatives.

<sup>(29)</sup> The three objectives shown in the Duty of Care Plan 2021, namely: "A company where employees constantly improve their employability", "A company in which everyone feels like a stakeholder" and "A company where employees are engaged", are maintained, but managed independently of the Human Rights Governance body.

### 3.1 — SUPPLIER'S FAILURE TO RESPECT HUMAN RIGHTS

#### RISK FACTORS

The risk of human rights violations at our suppliers' premises is positioned on the risk map as the one likely to generate the most negative impact for human rights. In the supply chain, special attention is paid to natural rubber suppliers, even if studies show that, of all the agricultural sectors, rubber plantations are a sector relatively untouched by the problem of child labor. Moreover, Michelin diligently tracks the mining of conflict minerals, even though the quantities are very small.

**The general procedure for preventing this risk is mainly set out in Part 4 of this plan: "Risks associated with suppliers' CSR practices", which includes a section on natural rubber.**

Michelin's initiatives on this subject are tracked with the help of three indicators from the table of human rights objectives 2030 (See page 43). More specifically, in 2021 a dedicated indicator was introduced in supplier CSR assessments to assess their "labor relations & human rights" performance. As of end 2022, 89% of assessed suppliers were confirmed as compliant with Michelin's "labor relations and human rights" standards.

#### Focus on child labor and forced labor

Bans on child labor and forced labor, formalized in the 2021 Code of Ethics and the 2022 Human Rights Policy, express the Group's intention to respect and ensure that its suppliers respect the ILO Fundamental Conventions Nos. 138 and 182 on the prevention of child labor throughout the value chain, from the Michelin plant to its suppliers.

Specific measures are also in place for suppliers. All of their contracts include a copy of the Michelin Purchasing Principles, which enjoin them to uphold the fundamental conventions of the ILO and, in particular, not to employ minors. Specific guidelines with respect to forced labor and child labor were added to the principles in 2020.

#### Identifying high-risk areas for child labor in the natural rubber supply chain

In the natural rubber supply chain, the RubberWay® mobile application deployed by the Group in seven countries since 2017 has collected data from 136,778 rubber-tree farmers concerning possible use of child labor and the conditions in which it might occur (occasional help, after school, full time, etc.). Although this phenomenon remains very marginal, an even closer analysis by district was performed to detect a particular local occurrence, if any, that might require remedial or preventive measures. Several projects have been launched since 2020 (in Indonesia, Sri Lanka, Thailand, Brazil) as part of a holistic approach. These projects are helping to improve the living and working conditions of small-scale rubber farmers and prevent all of the risks related to human rights. (See 4.6. Specific risks of natural rubber).



### Conflict minerals

Michelin diligently tracks the origin of certain minerals used in its products, even if the quantities are very small. Commonly referred to collectively as “conflict minerals,” they include gold, tin, tantalum and tungsten. Since 2019, Michelin has included cobalt in this approach.

Michelin exercises its duty of care by applying the related OECD recommendations and using the applications developed by the Responsible Minerals Initiative (RMI). Michelin identifies the materials and components used in the composition of its products that contain these minerals or their derivatives, and periodically asks the suppliers of these materials and components to complete the RMI Conflict Minerals/Cobalt Reporting Template. Michelin then checks these forms and inventories against the lists drawn up by the RMI. For all of these minerals, the forms returned by our suppliers enable Michelin to verify that the reporting supplier works with RMI-approved smelters.

## 3.2 — DISCRIMINATION

*(See detailed presentation in URD 4.1.2.2)*

### RISK FACTORS

Employees may be exposed to discriminatory behavior that undermines equal opportunity in their access to employment, their compensation, their access to training or their career (job assignment, qualification, classification or career promotion), and which may also endanger their well-being at work.

### Prevention and mitigation measures

Michelin’s approach to diversity and inclusion is guided by three intentions: firstly, that the Group’s teams be representative of all the diversity found in the regions in which they operate; secondly, that each person be treated fairly and feel free to express his or her authentic self and uniqueness; and thirdly, that diversity be experienced in a spirit of inclusion and tolerance, so that they can also help to drive collective performance.

In 2021, a new Diversity & Inclusion Policy was published to accompany the Group’s commitments for 2030 and the performance indicators in its Executive Committee dashboard. It sets down the fact that diversity comes in many forms, embracing sex, age, culture, religion, social origin, disability, sexual orientation, union membership, family situation, political opinion and physical appearance.

A Diversities & Inclusion Management Index (IMDI) has also been devised. This indicator, made up of 12 sub-indicators reflecting several forms of diversity, underscores the importance that Michelin attaches to every aspect of this subject, since each its components must improve through to 2030.



**GOVERNANCE**

A multi-layered global organization structures the management of all forms of diversity. The initiative is chaired by the Vice President Sustainable Mobility and Development Department (DMD) and managed within a Steering Committee comprising the Chief HR Officer and the managers of various departments (training, recruitment, labor relations and sustainable development). The main focus areas are approved by the Human Rights governance body.

An international “Diversities & Inclusion” network was also set up in 2022, comprising the D&I managers of each geographical region. It is led by the Group’s Diversities & Inclusion manager (in the DMD Department) and meets every two months so that each region can work on all of the dimensions of diversity and help boost the IMDI indicator. In 2022, for example, each Group region set target figures for various dimensions of diversity. It complements the existing best practice exchange network on these subjects.

Numerous training and awareness-raising sessions are conducted to disseminate a culture of diversity and inclusion, and to treat people on the sole basis of their skills, avoiding any bias resulting from prejudice or discriminatory stereotypes. In particular, since 2020, all Group managers complete a half-day awareness-training session on biases and stereotypes. In 2022, nearly 3,000 new people were trained, mainly in Europe, South America and Asia, taking the number of employees who have taken the course to nearly 12,000 people. A new two-hour module has also been designed and set up.

[Operational monitoring](#)

IMDI figures<sup>(30)</sup> for the Group:

<b>IMDI</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>AMBITION 2030</b>
	60	65	70	80
<b>THE FIVE THEMES COMPOSING THE IMDI</b>				
<b>GENDER EQUALITY IN THE WORKPLACE</b>	55	58.7	69.2	
<b>IDENTITY (AGE, RELIGION, SEXUAL ORIENTATION, ETC.)</b>	68	73	70.7	
<b>MULTINATIONAL MANAGEMENT</b>	69.5	76.6	76.2	
<b>DISABILITY</b>	53.3	63.2	66.2	
<b>EQUAL OPPORTUNITY</b>	63.4	64.1	66.3	

(30) Composite indicator calculated as a number of points out of a total of 100.



Attesting to the Group's commitment to this objective, three of the five metrics in the IMDI diversity and inclusion indicator once again improved in 2022 (diversity, disability, internal promotion), raising the aggregate score from 65 to 70/100. In particular, the percentage of women among the Group's executives (18.8% as against 17.3% in 2021) and in management (29.4% as against 28.9%) continued to increase. The proportion of employees who have changed career path after beginning their career as production operators has continued to grow (14.8% as against 13.8%), and disability ambassadors have been appointed in 16 of the Group's 17 countries or entities comprising over 1,000 employees. Lastly, two of the subcomponents of the "identity" dimension have also progressed, reflecting the growing acceptance of all forms of diversity in the Group.

**Gender diversity**

Michelin intends to ensure gender equality in the workplace by making all positions accessible to all employees and ensuring strict wage parity. The percentage of women in the consolidated workforce is steadily rising, reflecting an effort to recruit women, the impact of workstation design, ergonomic adaptations and special attention to career paths.

A specific action plan in each region aims to continue increasing the percentage of women in management. The percentage of women managers and supervisors <sup>(31)</sup> steadily rose from 2013 to 2022, from 22.5% to 29.4% in 2022. To sustain this trend and "break the glass ceiling", the Group has set a goal of 35% in 2030, combined with a second target of 35% of women in so-called "Group Executive" <sup>(32)</sup> positions in 2030 as against 18.8% in 2022. Moreover, the nine-member Executive Committee includes four women, while the 20-member Group Management Committee includes seven women. In 2022, the Supervisory Board was comprised of nine members, of whom four were women.

Michelin applies a policy of non-discrimination and equal pay for equivalent profiles and positions. In 2022, the overall gender pay gap stands at -2.61%, for a sample of 33,855 employees (Categories 1 to 4).

Operational monitoring

The Group's ambition: "Achieve a benchmark gender-diversity rate in our industry sector" and aim to achieve gender parity among Group executives by 2030.

THEME	INDICATOR	2020	2021	2022	2030 GOAL
<b>GENDER EQUALITY IN THE WORKPLACE</b>	Percentage of women in managerial or supervisory jobs	28.2%	28.9%	29.4%	35%
	Percentage of women in senior management and executive roles	15.5%	17.2%	18.8%	35%
	Gender pay gap, categories 1 to 4	3.62%	3.45%	2.61%	<2.2

**Identity**

Michelin is seeking to encourage people to express their differences so that they can feel comfortable in the company. Apart from the dissemination of the "Bias and Stereotypes" training course, the Group's geographic regions handle this issue in a manner suited to their context.

*(31) Employees with a level of individual responsibilities of A to N, according to the Hay method used by the Group.*

*(32) Employees with a level of individual responsibilities of A to G, according to the Hay method used by the Group.*



**LOCAL EXAMPLES :**

- In Brazil, the recruitment department has placed the emphasis in 2022 on incorporating various forms of diversity, focusing on race, disability, gender, LGBTQIA+ people and people over the age of 50. Employees were also encouraged to declare their race in the in-house systems, which a quarter of them have done.
- In Canada, an anonymous self-identification questionnaire was sent out to all employees in 2022 to gain data insights into diversity and fair employment in the company. The survey made it possible to quantify the percentage of employees from visible minorities, indigenous people, the various genders and people with a disability, with a view to introducing action plans, if necessary, when the results are below the figures for the job market in Canada.

Operational monitoring

	2020	2021	2022	2030 GOAL
Question in the Forward Together Survey: "In my workplace, I am treated with respect, regardless of who I am and irrespective of my position."	83%	84%	85%	>80%
Question in the Forward Together Survey: "In my workplace, I think that people are treated fairly (for the distribution of work, promotions, etc.) whatever their backgrounds, personal attributes or other differences."	62%	65%	67%	>80%
The gap between the highest score in an age category and the lowest score in an age category on the Forward Together Survey question: "I can achieve my career objectives at Michelin".	3 points	3 points	4 points	No difference between different age categories

**Inclusion of people with disabilities**

Michelin has for many years led an initiative aimed at recruiting people with disabilities or retaining employees who become disabled at some point in their career. In countries that impose hiring quotas for people with disabilities, Michelin's systematic minimum objective is to achieve or exceed those levels.

In 2022, the network of Diversity and Inclusion managers gave consideration to paths to improvement on this subject and exchanged best practices. This initiative led several new countries (Thailand and Mexico) to map out a path to achieving the minimum objective required by the Group, namely 2% of people with disabilities on their staff.

Operational monitoring

	2020	2021	2022	2030 TARGET
Share of countries with a workforce of over 1,000 employees, of whom ≥2% have a disability	46.7	46.7	35.7%	35.7%
Share of countries or entities with a workforce of over 1,000 employees, and which have appointed an Ambassador with expert knowledge of the issues entailed in disability in the workplace	60	60	97.6%	97.6%





**Multinational management**

Michelin is committed to nurturing the emergence of a highly-qualified local management everywhere. Special attention is paid to seeking out local managers in the growth regions, namely South America, South East Asia, China, India/Middle East).

Operational monitoring

In 2022, the percentage of managers from a growth region reached a record 85.2%.

Michelin’s adoption of the new Inclusion and Diversities Management Index (IMDI) is a further step in this direction: by 2030, the Group would like half of its top 100 most senior executives to be non-French nationals. In 2022, non-French nationals represented 33.3%.

**Equal opportunity**

Internal promotion is one of the Group’s flagship values. This is why the new IMDI indicator includes a career-related target for employees hired as production operators, measured with two sub-indicators.

Operational monitoring

	2020	2021	2022	TARGET FOR 2030
Percentage of CAT 1 to CAT 4 employees who began their career in CAT 5 (production operators)	13.4%	13.8%	14.8%	20%
Percentage of managers (Individual Level of Responsibility (NRI) level A to N) promoted from within the company	73.9%	72.7%	69.8%	80%

Michelin is also striving to foster the social integration of people from underprivileged backgrounds in the districts in which it operates. In France, targeted initiatives to integrate refugees have been conducted since 2019 and have resulted in 14 recruitments to positions as maintenance staff. Against the background of the war in Ukraine, partnerships were also forged with associations in several other European countries in 2022 to recruit refugees.

**3.3 — HARASSMENT**

**RISK FACTORS**

The risks of bullying or sexual harassment in the Group may concern not only employees amongst themselves, whether they are from different levels of the org chart or not, but also other stakeholders who may either be the victim or perpetrator of bullying or harassment, such as interns, service technicians, customers or suppliers. Bullying and sexual harassment can cause physical and psychological harm to the victims.



## Preventive measures

Since 2021, particular attention has been paid to the subject of bullying and harassment. An international project team named “Integrity” has been set up to tighten the processes for preventing bullying and harassment, and handling reports on the issue.

The project has enabled over 20 initiatives to be drawn up and deployed in each geographical region by dedicated teams. They include:

- A specific video message from the Group’s Chief Executive Officer advocating a zero-tolerance policy on this subject all over the world;
- A mandatory e-learning module for all Group employees, entitled “Zero Tolerance for Bullying and Harassment” and designed in 14 languages;
- A revision of the chapter on this subject in the Code of Ethics;
- An anti-bullying and anti-harassment policy and internal documents that spell out the responsibilities of the different company stakeholders and in particular the members of the Personnel Department, in communication and in training sessions, and in the support and guidance to be given to employees following instances of bullying or harassment;
- A specific internal-control handbook containing ten regional control points and one Group control point to give the initiative a permanent footing and check that the recommendations have been applied throughout the Group;
- A training session on conducting an investigation into instances of bullying or harassment;
- New indicators to more effectively measure the outcomes of the initiative:
  - A “bullying and harassment” category has been added to the Group’s whistle-blowing hotline; it is distinct from the “discrimination” and “employee relations” categories.
  - Two questions have also been added to the annual survey administered to the entire Group workforce.

In 2022, the “Integrity” project was closed. Efforts to prevent bullying and harassment are continuing in the form of a bullying and harassment prevention program, which is based on the initiatives developed as part of the “Integrity” project, and on the structure of the various existing compliance programs within the Group. This issue is now being managed on an ongoing basis by the Group Ethics Committee and the Human Rights Governance team.

At end-2022, 86,134 Group employees had completed the e-learning module entitled “Zero Tolerance for Bullying and Harassment”, which represents 88% of the Group’s workforce.

Internal communication on this subject made staff feel free to speak up about the issue, leading to a rise in the number of reports of bullying or harassment, which in 2022 represented 26% of the reports submitted through the Group’s whistle-blowing hotline.

### **3.4 — FREEDOM OF ASSOCIATION**

*(See detailed presentation in the URD 4.1.2.3)*

#### **RISK FACTORS**

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



## Prevention and mitigation measures

Michelin's Employee Relations Policy recognizes the positive contribution of freedom of association and collective bargaining within the Group, as well as that of staff representation that is independent of Management, and capable of making recommendations and ensuring that employees' needs are taken into account in all host countries. In this document, Michelin pledges to respect employees who agree to take on the responsibility of being an employee representative, and to take this into account when evaluating their potential and managing their career. A Group Director of Employee Relations promotes the application of this policy all over the world and is also tasked with improving social dialogue where it falls short of Group standards.

In addition, every manager receives training in the legal aspects of labor relations. Compliance with the commitments in the Labor Relations Policy is also verified by an internal control process.

Michelin has also been a member of the Global Deal since 2017 and actively participates in its French platform set up by the Ministry of Labor, which draws together numerous French companies with international establishments.

Michelin has also worked closely with IndustriALL Global Union to set up a Michelin Global Works Council. This Works Council was created in 2020 with 39 employee representatives from all the Group's operating regions. After an initial meeting in 2021, the second Michelin Global Works Council meeting took place on October 19 and 20, 2022 in Clermont-Ferrand. The speakers, who included three members of the Group Executive Committee, detailed Michelin's 3P strategy (on People, Profit, Planet). The social issues were tackled by rolling out a guaranteed living wage and skills development for all employees.

The idea of social dialogue as a broader and deeper sharing of the issues so that the social partners can be involved in drawing up the Group's strategy is gradually seeping into all of the Group's managerial practices. The Michelin Group gives all of the stakeholders the information they need to forge an objective opinion based on solid arguments, and confidently express it within the social dialogue framework. The form and content of this information are negotiated by the social partners and satisfy the legal obligations of each country.

### Operational monitoring

The quality of employee relations can also be gauged by the employee engagement rate, which is measured each year by the annual "Moving Forward Together" survey of all Group employees. In 2022, the employee participation rate stood at 89%, up two points on the previous year's figure (over 100,000 responses). In 2022, the overall employee engagement rate rose three points to 83%, which is a very significant increase against a backdrop of marked tension due to inflation and disruptions in the supply chain.

### **Risk of labor disputes during Group restructuring operations**

Restructuring is a fact of business life, an exceptional, yet in certain circumstances unavoidable event that must be undertaken to maintain the company's viability; such operations must be conducted in a sustainable manner, taking into consideration the three pillars of the Group's "All Sustainable" vision. Within this framework, if the Group must restructure, it should ensure that all of the employees concerned are reassigned, and offset its impact on local communities by conducting revitalization initiatives. Group policy specifies that, if the Group must restructure, this must be announced as soon as possible and carried out in accordance with the procedures negotiated with the employee representatives.



**3.5 — EMPLOYEE PRIVACY AND PERSONAL DATA PROTECTION**

(See detailed presentation in the URD 4.1.1.2.d.)

**RISK FACTORS**

With its 124,767 employees and millions of consumers around the world, Michelin manages a large volume of personal data and pays particular attention to the issues of data storage and confidentiality.

**GOVERNANCE**

The Group's governance relies on a Global Personal Data Protection Committee, a Group Data Protection Officer (DPO), a Corporate Privacy team within the Compliance Support Group, a network of privacy managers/local DPOs, Privacy Operation Partners and Privacy Champions to manage its compliance with the applicable regulations on the subject, which include Regulation (EU) 2016/679 on the protection of personal data (GDPR), the PIPL (China Personal Information Protection Law), the FCPA (Foreign Corrupt Practices Act), the LGPD (Brazilian General Data Protection Law), etc. and the Group's internal policies on the matter.

Michelin takes personal data protection seriously (in particular the data belonging to its customers, employees, job candidates, shareholders and suppliers).

The Michelin Group now aims to ensure that the principles of personal data protection are applied by all of its subsidiaries, wherever they are based. The Group also has internal rules (BCR<sup>(33)</sup>) for personal data transfers.

Lastly, personal data protection is built into the Group's internal control activity and is subject to periodical internal audits.

**3.6 — RISK IN TERMS OF DECENT WAGE AND SOCIAL PROTECTION**

(See detailed presentation in URD 4.1.2.3.f.)

**RISK FACTORS**

The risk would be that, despite a compensation policy that includes numerous items and numerous benefits, certain employee categories in certain countries do not receive sufficient compensation to meet their needs and those of their families, or do not enjoy adequate social protection.

**Prevention and mitigation measures**

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

(33) BCR: Binding Corporate Rules.

**Decent wage:**

In 2020, with support from the Fair Wage Network expert, Michelin developed a methodology for analyzing the pay scales of the employees of Group companies. Since 2021, Michelin has set out to check pay levels in the Group and ensure that all of our employees receive sufficient compensation to access decent living conditions. Employees' pay must enable them and their family to cover such basic needs as food, housing, their children's education, and healthcare. In 2022, an analysis of Group employees' pay showed that 98.5% of them receive compensation that is equal to or higher than the Fair Wage Network's "living wage" benchmark.

**Benefits and social protection:**

In most of the countries in which it operates, the Group tops up the national systems covering health, death and disability, retirement, but also family and education. In parallel, in 2022 Michelin launched, for the first time ever, a minimum set of social protection benefits - the Michelin One Care Program - to which each Group employee will be entitled. The program translates the Group's desire to support each of its employees at key stages of their life, such as parenthood, access to healthcare, and the employee's death. The Group plans to phase in the program from 2022 to 2025. Michelin's objective is that 75% of its employees have access to this social protection floor in 2025, and 100% in 2030.

In 2022, the Michelin One Care Program was awarded the "Universal Social Protection" trophy by the *Observatoire de la Rémunération et des Avantages Sociaux* (RH&M Group).

**3.7 — RISK TO LOCAL COMMUNITIES**

(See detailed presentation in the URD 4.1.2.5.f)

**RISK FACTORS**

Michelin operates 121 production plants in 26 countries around the world. Although many of these plants are located in business parks, the local communities live in the more or less close vicinity. The risks to them may be present during the facility's construction phase, during routine operations or on its closure. Risks in Michelin-owned rubber plantations must also be addressed.

**Prevention and mitigation measures**

The Group cares greatly about the impact it may have on the communities living in the vicinity of its facilities. Action principles published in the Code of Ethics and recapped in the Human Rights Policy aim to prevent any risk of a negative impact on local communities. They address four situations: when a new manufacturing facility is being built, when it is operating, when it is being closed down and when rubber plantations are being bought and managed. The key principles of this text, drafted in consultation with the WWF, include identifying the risks of negative impacts, deploying remedial action plans, maintaining an ongoing dialogue with neighboring stakeholders, setting up a complaints mechanism, hiring locally when feasible, and training people in the local community.

One result is that new plant construction projects now include local community impact studies, covering such areas as access to land and respect for the community's cultural heritage. Independent studies of this type have been performed in India, Indonesia and Mexico, yielding recommendations that were followed by the Group. The Group is in talks with numerous national or local NGOs in order to help protect the environment and human rights, and encourage the development of best practices.



Moreover, Michelin has a long tradition of community involvement. The Group conducts sponsorship and community outreach initiatives at various levels: facility, country, region and, since 2014, through the Michelin Corporate Foundation. The move to involve employees in the local community, which was launched in 2013 and rechristened Michelin Volunteering in 2021, gave a fresh demonstration of its energy and drive in 2022. After two years marked by the Covid crisis, 2022 showed a distinct upturn in participation with close to 10,900 employees involved in initiatives in every world region (compared with nearly 5,000 in 2021), which is 8.7% of the sites' headcounts. The main initiatives related to education (30% of the projects), followed by health and solidarity (25%), environmental protection (12%), diversity & inclusion and sport (8% each). For 2030, the Group has set a goal of 20% of its employees involved in an initiative.

Moreover, donations to local communities represented 2.1 million euros, with roughly a third of that sum allocated to health and solidarity projects, on top of which were 12 million euros awarded by the Foundation to societal projects.

**LOCAL EXAMPLES:**

- China: a zero-waste campaign with recycling workshops, a flea market and a recyclable waste collection, which raised funds to plant trees and give children school supplies.
- Brazil: initiatives to promote access to the beach for people with disabilities by organizing adapted sporting activities on the beaches of Rio de Janeiro.

**3.8 — USER SAFETY**

*(See detailed presentation in the URD 4.1.1.1)*

**RISK FACTORS**

Because the tire is the only point of contact between the vehicle and the road, it is a major factor in user safety when a vehicle is being driven. Product safety has always been considered a major issue by the Group. Its products' performance in this area is recognized by consumers worldwide.

**Prevention and mitigation measures**

By mapping its risks, Michelin identifies the risks to user safety stemming from the use of its products and takes the appropriate prevention and mitigation measures. These measures are also subject to internal control.

In the field of product design and manufacture, the Michelin Quality Approach is defined and factored in at every level, implemented through a Quality organization and underpinned by a Quality management system. It defines fundamental practices that are built into employee training so that they are known and applied by everyone in their respective area of responsibility.

**GOVERNANCE**

The governance of product and service quality is comprised of:

- an Audit, Quality, Internal Control and Risk Management Corporate Direction, which reports to the Group's management bodies;
- a Quality Network working alongside operations, made up of the Quality Directions of each of the Group's entities: business, operations and regions.

It defines the Group's Quality policy, including applicable quality guidelines and standards.



The Michelin Group's quality standards are based on the industry's highest international standards and strictest legislation covering consumer health & safety and environmental protection.

The quality teams do their job at every stage: from the design and purchase of raw materials and components to production and the decision to launch a product on the market or withdraw it. Every year, Michelin also carries out over 1,400,000 hours of safety tests on its tracks or in its laboratories.

To ensure that its quality management system is fully compliant, Michelin calls in certification bodies from outside the Group. Accordingly, all of Michelin's tire-manufacturing plants and support processes have been certified to ISO 9001:2015.

### **Numerous road-safety partnerships**

Michelin is also a major player in promoting road safety both globally and locally.

In cooperation with United Nations bodies:

- In 2022, ongoing participation in the United Nations Road Safety Collaboration (UNRSC).
- Participation in the World Bank-led SuM4All (1) initiative through co-leadership of a working party tasked with producing an operational guide to concrete road-safety initiatives in developing countries.
- New partnership with UNICEF focused on road-safety education in China and the Philippines.

Over and above these multilateral institutional partnerships, in 2022 Michelin stepped up its joint action with NGOs:

- Continued support for the Youth for Road Safety (YOURS) NGO.
- New partnership with the Global Alliance of NGOs for Road Safety, focused on Latin America.

Lastly, the Group also forged partnerships with other major private-sector players:

- VIA road-safety education program developed and financed by the Michelin Foundation and Total Energies. In September 2022, the program had been rolled out in 44 countries.
- "FIA Action for Road Safety" partnership with the FIA and its local automobile clubs.
- "Action for Good Vision on the Road. Together for Safer Roads" initiative developed with EssilorLuxottica with backing from the United Nations.





## ***RISKS ASSOCIATED WITH SUPPLIERS' CSR PRACTICES***

- 4.1 Identifying CSR risk
- 4.2 General measures for preventing and mitigating suppliers' CSR risks
- 4.3 Impact of our suppliers on climate change => See 1.3.b
- 4.4 Impact of our raw materials on the environment => See 1.5
- 4.5 Human rights violations at our suppliers' premises => See 3.1
- 4.6 Non-compliance with the Code of Conduct for Supplier Relations
- 4.7 Specific risks of natural rubber

# 04





## 04 – RISKS ASSOCIATED WITH SUPPLIERS' CSR PRACTICES

(See detailed presentation in the URD 4.1.1.2)

### RISK FACTORS

The diversity of Michelin's subcontracting chain and its 45,000 suppliers make the question of responsible procurement a major issue for the Group. While the general procedures limit the risks with all subcontractors, Michelin prioritizes its actions according to the risks associated with the country of operation and the identified risk sectors. Purchases of raw materials and in particular natural rubber are handled with great vigilance and a particularly thorough, holistic approach.

The Responsible Procurement policy aims, among other things, to reduce the impact of the following risks:

- Human rights violations at our suppliers' premises
- Impact of our suppliers on climate change
- Impact of our raw materials on the environment
- Non-compliance with the Code of Conduct for Supplier Relations

### GOVERNANCE

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

It is structured around four procurement categories: raw materials, natural rubber, industrial goods and services. Totalling around €17 billion in 2022, purchases represent nearly 60% of the Group's consolidated sales for the year. Michelin has around 45,000 suppliers located on every continent. The Purchasing Department has some 770 employees based across the geographic regions in which the Group operates.

To support supplier compliance with environmental and human rights standards, the Chief Procurement Officer sits on the Environmental and Human Rights governance bodies and the Ethics Committee. Reporting directly to this position is a Sustainable Development Manager, who participates in the Group's operational committees dealing with the circular economy, greenhouse gas emissions, biodiversity, human rights and ethics. The responsible purchasing process is coordinated at the corporate level and managed in each purchasing category and each region with the support of a global Responsible Purchasing network.

The Group's assertive commitment to responsible procurement is reflected in the performance improvement initiatives led year after year, the suite of dedicated indicators tracked by the Purchasing Department management team, and our purchasing teams' ongoing training in CSR issues. Recently acquired companies are integrated into the Group's purchasing processes gradually, following their own timetable.

After pledging to uphold France's "Responsible Supplier Relationships" Charter in October 2012, Michelin earned the French government's label of the same name in June 2014. In 2019, then again in July 2022, Michelin was awarded the Responsible Supplier Relations and Procurement Label. This label distinguishes companies that have proven sustainable and balanced relationships with their suppliers.



In 2019 then again in 2022, Michelin's purchasing practices were certified as mature with regard to the new international ISO 20400 "Sustainable Procurement" standard. Issued by an approved third-party organization, the certificate attests to the compelling effectiveness of the Group's responsible procurement practices.

Lastly, on the strength of its CSR assessment by the EcoVadis company, in August 2022 Michelin obtained a score of 80/100 for the "Sustainable Procurement" aspect, placing the Group in the top 1% of suppliers assessed in the Manufacture of rubber products sector.

Thus the efforts of the Group's Purchasing teams and their in-house partners were recognized in the sustainable procurement practices.

### **A clear policy**

In April 2021, Michelin published its Responsible and Sustainable Purchasing Policy. This document sets out the Group's guidelines and commitments in relation to responsible purchasing, covering the issues relating to the environment, human rights and ethics. The Michelin Purchasing Principles may be downloaded at: <https://purchasing.michelin.com/en/documentfilters/eng-2020-purchasing-principles-2/>.

## **4.1 — IDENTIFYING CSR RISK**

*(See detailed presentation in the URD 4.1.1.3.b)*

In addition to the Group's risk map, the Purchasing Department has produced a map of its risks with regard to Corporate Social Responsibility (CSR) issues. This risk map, which was first produced in late 2017, is regularly updated. It was completely overhauled in 2020, then updated in 2022.

The map is used to prioritize the scheduling of CSR performance reviews and the deployment of appropriate preventive measures, based on the nature and context of each purchasing category.

### **Risk-mapping methodology**

#### **Identifying at-risk purchasing categories:**

This map ranks purchasing categories by CSR risks in four areas: the Environment, Human Rights, Health & Safety and Business Ethics. Aggravating factors, such as supply chain complexity, were also taken into account.

For each category, the four areas were rated from 1 (low risk/impact) to 5 (high risk/impact), based firstly on (i) desktop reviews of public reports and analyses; then (ii) internal discussions with category managers and sustainability experts; and (iii) the consultation of a human rights NGO. Each purchasing category was given an overall score, reflecting the scores in each area and the impact of any aggravating factors. A matrix was then prepared by positioning each category according to the risk/impact score (horizontal axis) and the amount purchased (vertical axis). Each category is represented by a colored circle representing the area(s) identified as the main risk factor(s).

For each category that has a moderate or higher impact, a summary data sheet was prepared showing the percentage of expenditure covered by CSR assessments, the other risk-prevention measures in place and any recommended additional measures. These documents are shared among the Purchasing Department teams.



### Identifying sourcing countries at risk:

Various databases, such as the Verisk Maplecroft database, allow Michelin to identify the sourcing countries with high environmental and human rights risks.

### Results of the 2022 risk-mapping exercise:

Examples of CSR-related at-risk purchasing categories (regardless of the amounts purchased)		Main sourcing countries at risk from a CSR viewpoint (2022 data)
Raw material procurement	Other procurement	
<ul style="list-style-type: none"> <li>Natural Rubber</li> <li>Raw materials containing conflict minerals, even in minute quantities</li> <li>Synthetic rubber, monomers, reinforcing fillers, chemicals, oils, metal and textile reinforcements</li> </ul>	<ul style="list-style-type: none"> <li>Construction</li> <li>Logistics</li> <li>Industrial services (maintenance, security, etc.)</li> <li>And also (non exhaustive list): Marketing collateral, work uniforms, contract employees, etc.</li> </ul>	China, Thailand, Indonesia, Vietnam, Brazil

Of all the Group's raw materials, the one that warrants the most attention to its environmental and social impact is natural rubber. This is because, generally speaking, natural rubber is 90% sourced from Asia and 85% from smallholders, usually of farms of less than four hectares. In addition, its supply chain is complex and fragmented. As a result, a dedicated approach has been devised for natural rubber.

Other raw materials – synthetic rubber and monomers, reinforcing fillers (such as carbon black), metal and textile reinforcements, chemicals, etc. – are sourced primarily from chemical companies and steelmakers, with the environmental and health & safety risks proper to these industries. Note that certain raw materials contain conflict mineral derivatives and are therefore more particularly exposed to human rights risks. In response, such minerals are tracked with a dedicated process, even though their tonnages are small.

## 4.2 — GENERAL MEASURES FOR PREVENTING AND MITIGATING SUPPLIERS' CSR RISKS

(See detailed presentation in the URD 4.1.1.3.a.)

### 4.2.1 — MICHELIN PURCHASING PRINCIPLES

The Responsible and Sustainable Purchasing Policy is based on three fundamental reference documents issued by the Michelin Purchasing Department, namely:

- the Michelin Purchasing Principles, published in 2012, updated in 2017 and completely redrafted in late 2020. This document is underpinned by the Group's values and its international commitments through the ILO's fundamental conventions, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. The document sets out the Group's requirements and the environmental, social and ethical performance expected of its suppliers. The Purchasing Principles are part of the Group's purchasing contracts and are included in the General Terms and Conditions of Purchase;



- the Supplier Relations Code of Conduct, created in early 2021, is intended for all Group employees involved in relations with suppliers. It is included in the Michelin Code of Ethics;
- the Responsible Natural Rubber Policy. (See Section 4.7)

**4.2.2 — TRAINING PURCHASING TEAMS IN CSR ISSUES**

Considerable resources have been deployed to enhance the professionalism of the procurement teams and to make purchasing processes more efficient. The Purchasing teams' training program includes a series of specific online modules on Responsible Purchasing, to ensure that high-quality training is available to teams around the world at any time. In late 2022, the Responsible Purchasing training course was made up of 15 modules. Some of them are mandatory for all buyers; some may deal more specifically with certain fields or certain countries. In late 2022, the mandatory modules had been completed by over 350 people around the world.

**4.2.3 — SUPPLIER EVALUATION**

Since 2012, Michelin has established a system for evaluating its suppliers on CSR criteria. The evaluation takes a variety of forms, depending on the particular issues and goals.

**Desktop reviews**

Michelin has engaged a third party, the EcoVadis CSR rating agency, to conduct its CSR desktop reviews. These audits measure the performance of Michelin's main suppliers against 21 CSR indicators classified under four themes: Environment & Climate, Labor & Human Rights, Ethics, and Sustainable Procurement.

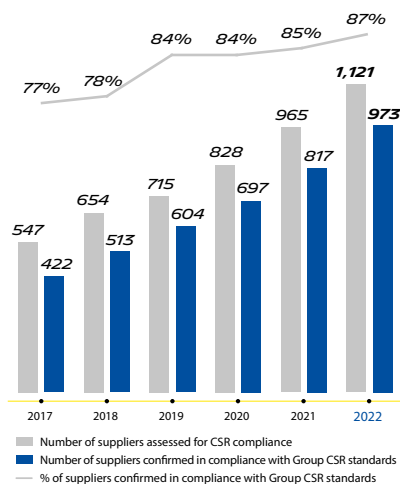
Operational monitoring

**RANKING BY% OF GROUP PROCUREMENT SPEND COVERED BY ECOVADIS-CERTIFIED SUPPLIERS**

<b>By purchasing categories</b>
66% of Michelin procurement
92% of natural rubber procurement
93% of raw materials procurement, excluding natural rubber
<b>By high-risk country (for raw materials) <sup>(34)</sup></b>
95% of sourcing is carried out in countries that pose a risk to environmental protection
95% of sourcing in countries that pose a risk of human rights abuses

(34) Excluding Fenner.





In 2021, the CAMSO company – a Michelin Group company since January 1, 2019 – began conducting CSR assessments of its suppliers the most at risk. In 2022, the assessments were extended to suppliers specific to the MULTISTRADA company.

At the same time, the scope of the desktop reviews is extended each year, focusing mainly on the most at-risk categories identified during the mapping phase as having an insufficient level of cover.

In 2022, 1,121 suppliers out of a panel of 1,243 target suppliers have a valid CSR rating, which corresponds to a 90% response rate. Based on their overall score, 87% of respondents, i.e. 973 suppliers, attain the “confirmed” level of the Group’s standards.

Suppliers who fail to attain the target figure for their overall score, but also for certain thematic scores, must introduce a plan to improve their CSR performance. This point will be monitored by the Purchasing teams. To better manage the deployment of these remedial action plans, an indicator was introduced in 2019 to show the percentage of suppliers that have actually created a remedial action plan when required.

Successful deployment is systematically confirmed by a follow-up review. Results repeatedly deemed to be very poor, or a lack of commitment to sustainable development issues, may lead the Purchasing Department to revise or even terminate its contractual relationship with the supplier. Such a decision is always made by consensus, after discussing all of the potential consequences.

### Improvement:

Along with the remedial action taken, the careful attention paid to the assessments by both our purchasing teams and our suppliers is helping to drive progress.

At end-2022, of the 887 suppliers with a track record of assessment, 66% have made progress and 19% have maintained the same score. Finally, of the suppliers whose score was below the “compliant” level<sup>(35)</sup> on their last assessment, 61% have since attained the level required by Michelin.

## Self-assessment questionnaire

In 2018, a CSR self-assessment questionnaire was prepared and issued to operational staff in the purchasing function, who may ask suppliers to complete it whenever they deem it necessary, either during the tender phase or while the contract is in effect. The questions measure the maturity of a supplier’s CSR practices, which can be used as a selection criterion if warranted. The questionnaire is used only for suppliers whose CSR performance is not assessed by desktop reviews.

## ESQF on-site audits

To check supplier compliance with Michelin’s Quality standards and Purchasing Principles, a supplier quality-system audit procedure (ESQF) has been introduced. This is on-site audit. Alongside quality issues, it also appraises the application of the health, safety, environmental and human rights standards stipulated in or derived from the Michelin Purchasing Principles.

Several questions on the ESQF evaluation form address the social and environmental aspects.

(35) The “compliant” level corresponds to an overall Ecovadis score of  $\geq 45$ .

On completion of an ESQF assessment, Michelin auditors award a specific score for compliance with the Purchasing Principles. If the score is below 80%, the supplier is deemed to have failed the audit and is required take the identified remedial measures and improve overall performance with a continuous improvement process. The initial score will subsequently be reassessed in light of the actions implemented by the supplier. Depending on the audit findings, Michelin may terminate the supplier's contract. In addition to ensuring compliance with Michelin Quality standards and Purchasing Principles, the audit is intended to help suppliers drive sustainable improvement over time.

NB: A specific approach is used to assess and map natural-rubber suppliers' CSR risks (cf. Section 4.7).

#### **4.2.4 — TAKING CSR ISSUES INTO ACCOUNT IN PURCHASING PROCESSES**

The purchasing strategy takes CSR issues into consideration in particular for certain categories the most at risk. This can lead the purchasing function to make grouped purchases from certain specific approved suppliers.

The practice of taking CSR criteria into account in tendering processes is encouraged and becoming more widespread. These criteria may concern the CSR performance of both the potential vendor and its products, services or solutions. These CSR criteria are based on three key focus areas: climate change and CO<sub>2</sub> emissions; the circular economy and natural resources; ethics and people. A guide and an e-learning module were developed in 2021 to help purchasing teams with this approach.

Suppliers' openness about CSR issues and their performance on the subject are also taken into consideration in the SRM (Supplier Relationship Management) approach, for the segmentation of suppliers, and during the periodical meetings that manage this approach.

#### **4.2.5 — TRAINING FOR SUPPLIERS**

In 2022, a specific training module was developed for suppliers. It covers CSR basics and desktop reviews.

This module joins the training modules available for our suppliers on the EcoVadis Academy platform and those produced by the Carbon Disclosure Project (CDP). In all, 137 suppliers have completed at least one module by the EcoVadis Academy.

#### **4.2.6 — MEASURES SPECIFIC TO CERTAIN PURCHASING CATEGORIES THAT PRESENT A CSR RISK**

In addition to the dedicated raw materials and natural rubber procedures described below, certain measures are targeted and tailored to specific purchasing categories deemed at risk of CSR issues. Some examples follow:

- Purchases of marketing collateral: restricting procurement to a limited number of suppliers that have been approved by the Purchasing Department, including as regards CSR issues
- Purchases of construction services: adding specific clauses to the Purchasing Principles in construction procurement contracts, keeping incident registers, conducting on-site inspections, deploying prevention plans during on-site service execution (addressing health, safety and environmental issues), etc.
- Purchases of energy: increasing the share of electricity from renewable sources and requiring bids on power supply tenders to include renewable energy alternatives
- Purchases of logistics services: supporting the Group's commitment to reducing emissions in the supply chain by, for example, requiring tender bids to include green alternatives, using a dedicated application (EcoTransit) that more accurately measures the greenhouse gas impact of transportation purchases, organizing a shipping supplier convention, etc.

### Specific approach for chemicals

The EU Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation is aimed at more effectively protecting human health and the environment from the risks associated with chemicals. It requires all manufacturers and importers of more than one tonne of chemicals per year to register these substances with the European Chemicals Agency (ECHA). The enterprises concerned must identify and manage the risks associated with the substances they produce and market in the EU. They must show the ECHA how the substance can be used safely, and inform users of the appropriate risk-management measures.

Michelin fulfils its registration obligations as a manufacturer or importer of a chemical or an article and checks that its suppliers have registered the substances and articles that the Group uses, as required.

#### **4.3 — IMPACT OF OUR SUPPLIERS ON CLIMATE CHANGE**

=> See 1.3.b

#### **4.4 — IMPACT OF OUR RAW MATERIALS ON THE ENVIRONMENT**

=> See 1.5

#### **4.5 — HUMAN RIGHTS VIOLATIONS AT OUR SUPPLIERS' PREMISES**

=> See 3.1

#### **4.6 — NON-COMPLIANCE WITH THE CODE OF CONDUCT FOR SUPPLIER RELATIONS**

### Code of Conduct for Supplier Relations and dedicated training module

The Code of Conduct for Supplier Relations was drafted in early 2021 to replace the information contained in the old version of the Michelin Purchasing Principles. It is an integral part of the Group's Code of Ethics and applies not only to buyers but also to all Group employees involved in supplier relations.

To guarantee compliance with the ethics rules, a specific training module has been rolled out across the Purchasing organization and among internal partners in contact with the Group's suppliers. The aim is to remind all parties of the law and the expected behaviors, in line with the Michelin Purchasing Principles, and make certain recommendations. The goal is to achieve the figure of 90% of employees trained at end-2023. At end-2022, 84% of the employees in Purchasing had <sup>(36)</sup> already taken this module. Further training sessions can be held in the different regions.

### Supplier payment and mediation

Michelin makes a point of paying its suppliers' invoices on time and offers its suppliers suitable invoicing solutions (paperless invoices in pdf format or EDI).

Since 2012, suppliers can use the Purchasing Department's website to contact the customer-supplier relations mediator in regards to any alleged or observed violation of the rules set out in the Michelin Purchasing Principles.

(36) Percentage of employees who are in contact with suppliers and have been in their current position for over three months.

**4.7 — SPECIFIC RISKS OF NATURAL RUBBER**

(See detailed presentation in the URD 4.1.1.3.c)

As one of the world's leading purchasers of natural rubber, a critical raw material in tire manufacturing, Michelin is especially attentive to its rubber-tree supply chain.

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

**RISK FACTORS**

While rubber trees may help to curb climate change by absorbing CO<sub>2</sub>, commercial plantations nevertheless pose specific environmental and social risks. The predominance of village smallholders in the industry, which in some countries can include a complex network of intermediaries between the planter and the processing facility, makes it difficult to visualize and manage risks in the supply chain. On the ground, several years of comparatively low prices, coupled with weak productivity in some countries, have adversely impacted the working conditions and livelihoods of certain village smallholders. From an environmental perspective, there is a clearly identified risk of forests being stripped to plant rubber trees, with devastating effects on biodiversity. Lastly, other identified risks include conflicts over land ownership and a possible seizure of the land, as well as the use of toxic pesticides.

**Sustainable natural rubber policy**

Michelin was the first tire manufacturer to publish a commitment to responsible and sustainable natural rubber production and procurement. Alongside the Natural Rubber Procurement Policy published in 2015, the Group formalized its public commitments in a Sustainable Natural Rubber Policy published in 2016. The latter was updated in 2021 and approved by the GPSNR platform.

Drafted with input from environmental and human rights NGOs and other stakeholders, the Sustainable Natural Rubber Policy is now a contractual benchmark for Group suppliers.

The policy, which can be downloaded from the Michelin purchasing website, spells out the conditions for farming natural rubber, both in terms of the environment (zero deforestation, protection and preservation of peatlands, High Conservation Value areas and High Carbon Stock areas) and in terms of social responsibility and human rights (working conditions, free, prior and informed consent of the local communities, etc.). Michelin expects every stakeholder across the supply chain to adopt responsible social, environmental and governance practices, so as to keep rubber farming on a virtuous course.

The policy is underpinned by five pillars:

- Respect all stakeholders in the natural rubber production chain by easing the resolution of land ownership disputes and improving each person's working conditions and living environment;
- Make rubber cultivation a vector for environmental protection, by combating deforestation and curbing the potential impact of rubber growing on the fauna and flora;





- Take action to improve farming practices by helping to instill more efficient practices across the natural rubber production chain, especially among village smallholders. By doing so, Michelin intends to help boost agricultural yields.
- Encourage careful use of natural resources by increasing the material efficiency of the natural rubber used in tires. Michelin is constantly developing new technical processes that optimize the use of rubber in its products.
- Make rubber cultivation a progress driver for good governance practices. Michelin is an upright member of the rubber-growing industry, acting transparently, refusing any form of corruption and maintaining an ongoing dialogue with its local and international stakeholders.

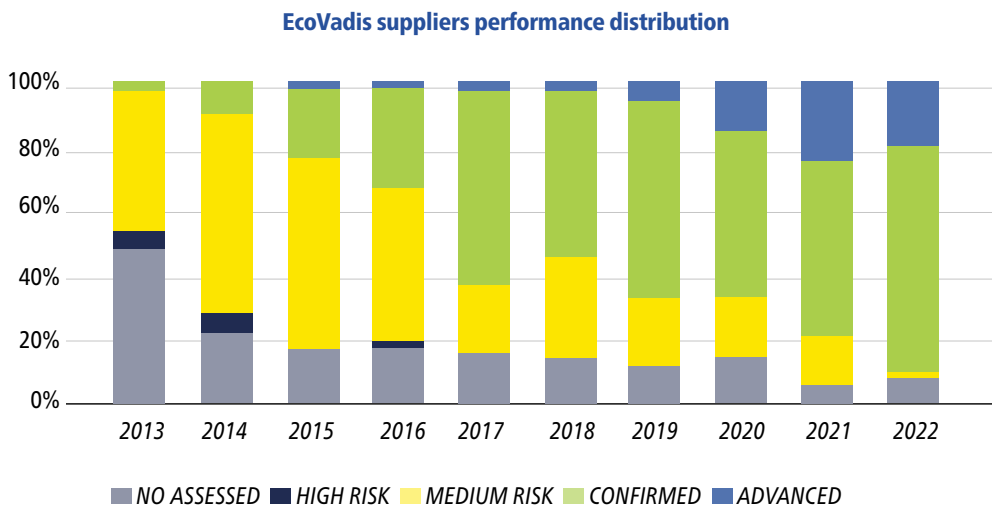
### Assessing stakeholders across the supply chain

CSR practices in our natural-rubber supply chain are assessed differently depending on the stakeholder:

- for our direct suppliers, EcoVadis conducts desktop reviews and there are also on-site audits;
- for our direct suppliers' production facilities and upstream supply chain, a risk map is produced with the Rubberway® application along with a deforestation risk analysis.

#### EcoVadis desktop reviews

The Group's natural rubber suppliers have been participating in EcoVadis reviews of their social and environmental performances since 2013. If the results fall short of the expected level, remedial action plans are deployed. In 2022, the great majority of our natural rubber suppliers (representing 92% of our natural rubber expenditures) were assessed, and 90% of the total amounts are at a "confirmed" level of CSR maturity, which corresponds to 98% of the amounts reviewed.



#### On-site audits

A dedicated team performs on-site audits of each facility that supplies natural rubber to the Group. The audits mainly focus on quality aspects, but also cover CSR issues, such as the environment (water treatment, etc.) and people's health and safety. Each facility is audited every year or every other year. There is systematic feedback on every audit and a remedial action plan is requested if a shortcoming is observed.



## Supply chain risk assessments

### Rubberway® application

To understand and mitigate the risks in its natural rubber supply chain, in particular those related to deforestation and human rights, Michelin systematically deploys risk-assessment tools and approaches.

The RubberWay® risk-mapping tool developed in 2017 uses a mobile app to map the environmental and social risks in the natural-rubber supply chain. The various stakeholders (raw-material processing plants, brokers, large plantations and village smallholders) are questioned about their practices in the following four focus areas: human rights, the environment, agricultural training courses and business transparency.

The data gathered is analyzed and summarized on an online platform to create a map that highlights the areas of potential social and environmental risks. The results are shared with Michelin's direct suppliers and can be used to draw up improvement plans or roll out collaborative risk-mitigation projects.

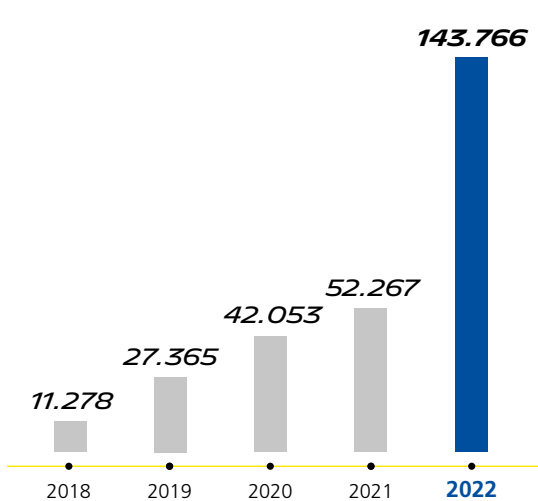
In 2019, Rubberway® became a stand-alone solution, available for use by all natural rubber users. This opens the way to its broader use by other tiremakers and OEMs, thereby driving faster take-up of sustainable practices across the natural rubber industry.

### Deployment and monitoring

At end-2022, 84 natural-rubber processing plants had replied to the questionnaires and 143,766 questionnaires had been completed, including 136,778 by smallholders. This represents 80% of the volume purchased by Michelin.

The application has been rolled out in the following countries: Indonesia, Thailand, Côte d'Ivoire, Ghana, Nigeria, Liberia and Brazil.

Michelin asks its suppliers to initially deploy the RubberWay® tool in their own production facilities and at their direct suppliers' facilities. In 2022, it achieved its objective of mapping, at this level, 80% of the natural rubber volumes used;



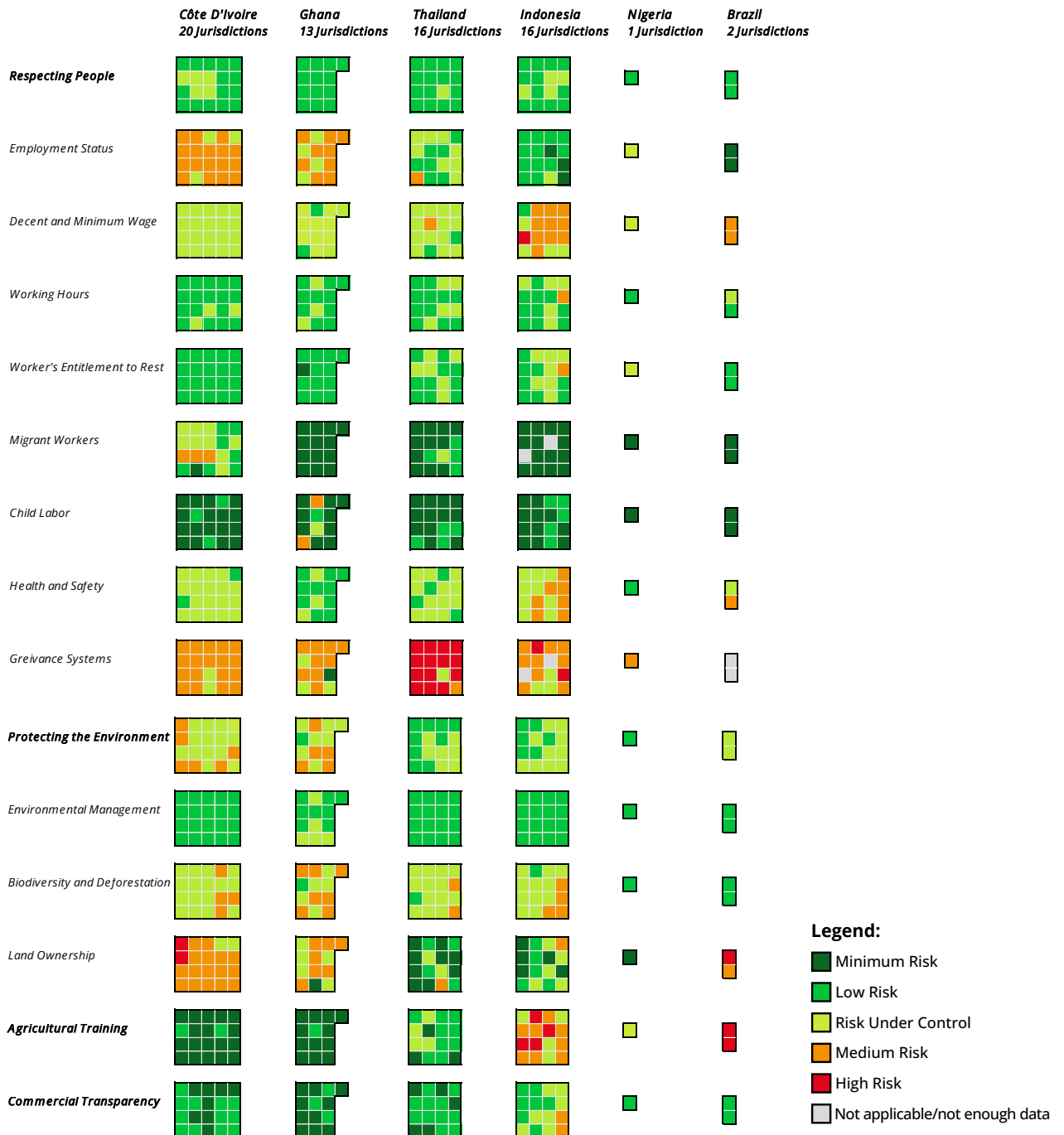
And yet, the level at which the initiative could prove most useful is that of the planters. Given the very large number of planters (around six million worldwide), Michelin is trying to persuade a sufficient number of them to take part in the RubberWay® mapping exercise to ensure that it is truly representative of planters' practices. By the end of 2022, it was felt that this minimum representativeness had been reached for 58% of Michelin's sourced volumes, out of a targeted 80% by 2025.

The progress made on rolling out RubberWay® and a roundup of the results on risks are transparently reported on the Michelin Purchasing website (<https://purchasing.michelin.com/fr/caoutchouc-naturel-responsable-et-resilient/> in French only).



The following is an overview of the results, with an analysis by jurisdiction in six countries.

By the end of 2022, village smallholders had been mapped across nearly 70 jurisdictions with at least 50 respondents each. The map below, based on data from December 31, 2022, represents each jurisdiction in the form of a square. In each country, a jurisdiction is an administrative division generally corresponding to a 100 km square.



## Overall analysis of deforestation risks

Michelin also analyzes the risks of deforestation in the supply zones with the help of a specific analysis tool. A preliminary analysis was carried out in 2021, spanning all of the main sourcing countries. To begin with, the tool analyzes the ecologically-sensitive areas around each natural-rubber processing plant, within a uniform radius. The selected plants are then ranked by order of priority, based on the observed risk, to produce a detailed map of the supply chain. A more detailed analysis is then carried out to identify the specific higher-risk sourcing areas in which these risks need to be mitigated. In 2022, eight natural-rubber processing plants were selected for a pilot exercise as part of this second stage of analysis, and action plans were drawn up on the basis of the results.

## Frontline initiatives

The deployment of the RubberWay® tool enables Michelin to identify, analyze and rank risks in a manner specific to suppliers or to geographic zones. Following this analysis, projects are set up on the ground in the priority areas:

- The CASCADE project (Committed Actions for Smallholder CApacity DEvelopment), in Sumatra, Indonesia, aims to improve the working conditions and standard of living of 1,000 smallholder farmers and their families, while at the same time improving environmental and social practices. This four-year project, which runs until 2024, was developed from the RubberWay® findings. It combines classroom training and a digital training tool to boost accessibility and enable impact measurement. The agricultural training equips farmers to increase their rubber yields and diversify their revenue streams for greater economic resilience. Social and environmental training is at the crux of the project. It includes training in human rights and labor law, and the promotion of environmentally-friendly farming practices, such as reduced use of chemicals, intercropping or agroforestry, and environmental training courses. This is the world's first natural-rubber project to encompass the entire supply chain: smallholders, a natural-rubber processor, a tire manufacturer (Michelin) and a carmaker.
- The RIVER project will build the skills of 6,000 smallholders and their families in Sri Lanka through to 2025, where rubber growing plays an important role in local livelihoods.
- In East Kalimantan in Indonesia, a project aimed at training 2,000 smallholders and their families by 2025 was kicked off in late 2022. Operations on the ground will begin in 2023.
- The GPSNR agroforestry project in Thailand will enable 1,000 smallholders from the south of Thailand to implement agroforestry rubber-growing systems by 2025. The project, which is being conducted under the aegis of GPSNR, is financed by Michelin and an automotive manufacturer. Michelin manages this project directly and is also contributing technical expertise.
- In the unique setting of Brazilian Amazonia, where the local communities harvest the rubber from wild rubber trees, the Michelin Foundation is supporting a project, in collaboration with the WWF Brazil, that will benefit 3,800 families by 2023. The project aims to maintain the existing ecosystem by upgrading the collection and marketing of wild rubber by the traditional communities. Once better structured and more cost-effective, these activities will boost the work of the local communities, curb the adverse effects of the pandemic and help promote the protection of the Amazonian forest.

### Operational monitoring

Thanks to these remedial projects, 780 smallholders (and collectors from local communities) have received training and 467 of them have seen their working conditions and/or livelihoods improved.



Michelin's global natural rubber network, which encompasses plants, a plantation in Indonesia, a production zone focused on research and development in Brazil, along with joint ventures in Africa and Asia, equips the company with a unique know-how, which the Group can leverage to undertake projects and initiatives that feed into responsible natural rubber production.

The following examples bear witness to this:

- **Brazil:** In Salvador de Bahia, since 2023, with its teams of agronomists and its experimental research center, the Group has made significant contributions to the dissemination of best farming practices and the development of new disease- and parasite-resistant rubber tree varieties. The 3,900-hectare Michelin Ecological Reserve (REM) has become one of the best-protected areas of the South American Atlantic forest and an example of restored rubber-growing landscapes becoming a haven for biodiversity.
- **Indonesia:** In 2015, Michelin formed the RLU joint venture to develop new rubber plantations, protect primary forests and restore ecosystems on Sumatra (71,000 hectares) and in East Kalimantan (18,000 hectares). The project was undertaken in partnership with the WWF. The project has led to the creation of over 4,000 jobs and protected thousands of hectares of high environmental value tropical forest and local wildlife (such as Sumatran elephants and tigers and the Bornean orangutan). In June 2022, Michelin bought out RLU, which is now a wholly-owned Group subsidiary.
- **West Africa:** SIPH, a joint venture in West Africa, is working very closely with village farmers and local communities. It is rolling out disease-prevention programs (mainly malaria and AIDS) for the local communities and providing access to medical care, education and housing. SIPH is running training courses on best agricultural practices for local farmers and providing them with good-quality plant material by producing and selling rubber tree saplings.

If we include its joint-venture operations, this global natural-rubber network trains around 90,000 farmers each year and maintains over 34,000 ha of conservation areas or reserves.

## Stakeholder consultations

To protect this resource all along the value chain and control its impacts, Michelin continues to regularly consult both stakeholders and the leading civil society organizations involved in these issues. Every two years, for example, the Group brings together civil society organizations to report on the progress made across the "natural rubber" value chain and to discuss possible pathways to further improvement. The last information and consultation meeting took place in Clermont-Ferrand (France) in November 2022. In addition to these biennial forums, Michelin regularly works with NGOs, researchers, academics and government agencies on natural rubber sustainability issues.

In addition, the Group is involved in several think tanks exploring ways to prevent imported deforestation. In France, it is actively engaged in the talks being led by the French Ministry for the Ecological and Inclusive Transition to define a strategy to counter imported deforestation.

### **The Global Platform for Sustainable Natural Rubber (GPSNR)**

To hasten progress towards a more sustainable natural-rubber supply chain, Michelin has worked with a diverse group of stakeholders to set up a multi-stakeholder platform known as the Global Platform for Sustainable Natural Rubber (GPSNR).

This independent platform is designed to lead improvements in the socio-economic and environmental performance of the entire natural-rubber industry. It brings together stakeholders from across the natural rubber value chain - farmers, processors and brokers, tiremakers and other users, and automotive manufacturers - along with civil society through the involvement of a large number of NGOs.



Michelin chaired the GPSNR's Executive Committee through to the end of 2021 and remains one of the most active members. In 2022, Michelin took part in the GPSNR's six working groups (Policy Toolbox – Transparent Reporting Task Force, Strategy & Objectives, Smallholder Representation, Capacity Building, Shared Responsibility, Traceability & Transparency).

For further information, please visit [www.gpsnr.org](http://www.gpsnr.org).

### Transparency

Michelin is an upright member of the rubber-growing industry, acting transparently, refusing any form of corruption and maintaining an ongoing dialogue with its local and international stakeholders. A great effort has been made to boost transparency by making large quantities of information accessible (See below).

In 2022, for the second year in a row, Michelin was ranked the No. 1 tire manufacturer by SPOTT, a natural-rubber ESG disclosure platform, with a score of over 80%. This assessment found that the Michelin led the global rubber industry in sustainability disclosure and performance.

### To find out more: 2015-2020 results, 2020-2025 roadmap and dashboard

Michelin's natural rubber Purchasing website provides fuller information<sup>(37)</sup> on the subject and presents the following documents, generally organized around four themes: people, the environment, farmers and stakeholders:

- the latest version of the Sustainable Natural Rubber Policy;
- the Sustainable Natural Rubber Roadmap 2020-2025;
- Annual Reports on operations and the natural rubber supply chain;
- a set of comprehensive, regularly updated indicators that track progress on the sustainable natural rubber policy.

### Direct links to supporting documents (in English):

*Sustainable Natural Rubber Progress Report 2015-2020:*

[https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Sustainable-Natural-Rubber-Progress-Report-2015-2020\\_EN.pdf](https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Sustainable-Natural-Rubber-Progress-Report-2015-2020_EN.pdf)

*Sustainable Natural Rubber Policy (edition 2021):*

[https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Michelin-Sustainable-Natural-Rubber-Policy\\_2021\\_EN.pdf](https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Michelin-Sustainable-Natural-Rubber-Policy_2021_EN.pdf)

*Sustainable Natural Rubber Roadmap 2020-2025:*

[https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Sustainable-Natural-Rubber-Roadmap-2020-2025\\_EN.pdf](https://purchasing.michelin.com/wp-content/uploads/sites/34/2021/01/Sustainable-Natural-Rubber-Roadmap-2020-2025_EN.pdf)

(37) <https://purchasing.michelin.com/fr/caoutchouc-naturel-responsable-et-resilient/>.

**05 — WHISTLE-BLOWING AND ALERT MECHANISMS**  
 (See detailed presentation in the URD 4.1.1.2.a)

The Group is at pains to behave ethically in all of its operations and wants its employees and outside stakeholders to be able to express their concerns and report any infringements of Michelin's Code of Ethics.

A dedicated whistle-blowing hotline is available across all Group entities. This mechanism, which is offered in 30 languages, is available to employees, the Group's outside and occasional partners, customers, suppliers, service providers and other outside stakeholders via a telephone number and a secure website hosted by an independent company. This mechanism guarantees that reports are strictly confidential. There is strong employee awareness of the system, thanks to various internal communication initiatives conducted at Group level and in the geographic regions.

This whistle-blowing hotline is accessible on a 24/7 basis to register reports of behaviors or situations that infringe the applicable laws, internal regulations or the Michelin values and principles set out in the Michelin Code of Ethics. Reports can be submitted anonymously. As mentioned in the Code of Ethics, possible ethics violations may be reported through the traditional reporting channels: the Personnel Department, the Security Office, the legal affairs teams, direct or other managers, occupational physicians or the Regional Ethics Correspondent. All reports are consolidated in the Group hotline and regularly presented to the Group Ethics Committee.

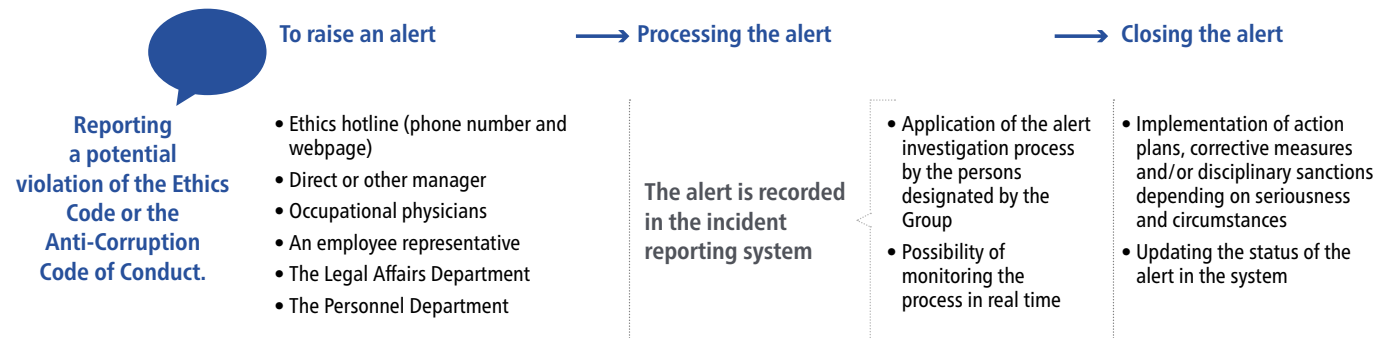
Note that, regardless of reporting channel, no one shall be authorized to take retaliatory measures against any person who, in good faith, reports a possible breach of the Code of Ethics, the law or Michelin principles and guidelines.

The Group's ethics hotline is accessible on the Group's website and on the Purchasing Department's website.

It is also accessible at the following address: <https://secure.ethicspoint.com/domain/media/fr/gui/38522/index.html>

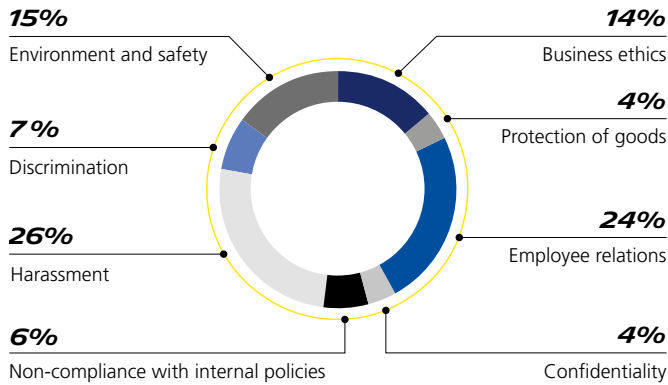
And by telephone:

call 0800-90-5501 (free number) for France. For other countries, the numbers are listed on the Ethics Line's website.

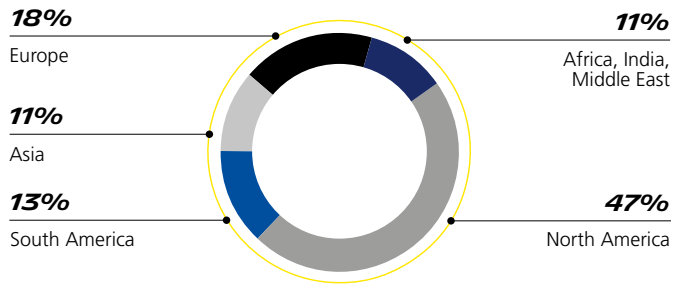


## Categories of reports submitted in 2022

### CASES BY TYPE



### CASES BY REGION



In 2022, the Group received a total of 1,740 reports <sup>(38)</sup>. Not all of these reports proved to established breaches of the Code of Ethics.

37% of the reports proved to be unfounded, 10% did not provide sufficient information to open an inquiry, 41% prompted corrective measures, including dismissals.

3% of the reports received were duplicate reports. Among the cases that prompted follow-up measures, there were situations that did not involve a breach, but were treated as opportunities to improve the controls in place.

When reports are received, they are analyzed in accordance with the internal instructions applicable throughout the Group and defined by the Compliance Support Group and the Information System Security, Safety and Environment Corporate Direction. Based on the information contained in the reports, the latter decide whether to initiate internal investigations, which, when the alleged actions are confirmed, may prompt action plans including corrective measures and/or disciplinary measures, which, depending on the seriousness and the circumstances, may prompt dismissal of the person. The Regional Ethics Committees apply the internal measures in their geographic scope.

Suppliers can also use the Purchasing Department website to contact the customer-supplier relations mediator in regards to any alleged or observed violation of the Michelin Purchasing Principles. The mediator intervenes only when suppliers have failed to resolve the issue with their usual contacts in the Group. Over the 2017-2022 period, suppliers have requested mediation at most twice a year. These cases generally concerned the payment of invoices or the settlement of disputes, which were quickly resolved by the mediator.

*(38) Total number of consolidated reports received directly on the hotline or through other traditional reporting channels. "Group Staff" scope. Reports received at the end of the year may still be being processed.*






**06 — SUMMARY TABLE OF THE MAIN INDICATORS**

<b>ENVIRONMENT</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2030 AMBITIONS (OR EARLIER)</b>	<b>2050 AMBITIONS</b>
CO <sub>2</sub> emissions: Scope 1 (million t)	1.40	1.01	1.35	1.18	-50% vs. 2020	Carbon Neutrality
CO <sub>2</sub> emissions: Scope 2 (million t)	1.52	1.46	1.42	1.13	50% vs. 2020	Carbon Neutrality
CO <sub>2</sub> emissions: Scope 3 (million t)	140	144	144	146	-15%	Carbon Neutrality
CO <sub>2</sub> emissions from logistics operations	-	-	+14.24%	-14.1%	-15% (vs. 2018)	-
Michelin Environmental Performance (i-MEP)	Base 100	Not calculate	92.58	88.8	-1/3 (vs. 2019)	
VOC	Base 100		89	78	-50%	
Sustainable Material Rate	26%	28%	29%	30%	40%	100%
Energy efficiency of tire products			+0.5%	+1.8%	+10% vs. 2020	
Percentage of renewable energies consumed		14.6%	18.3%	22.7%		
<b>HEALTH AND SAFETY</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2030 AMBITIONS (OR EARLIER)</b>	<b>2050 AMBITIONS</b>
TCIR (Total Case Incident Rate)	1.4	1.19	1.29	1.07	<0.75 in 2025 <0.5 in 2030	
<b>HUMAN RIGHTS</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2030 AMBITIONS (OR EARLIER)</b>	<b>2050 AMBITIONS</b>
IMDI: Composite index of diversity & inclusion management		60/100 points	65/100 points	70/100 points	80/100 points	
Well-being indicator	--	---	76%	79%	80%	
Employee engagement rate	80%	82%	80%	83%	>85%	
% of employees receiving a decent wage in the countries in which the Group operates			95%	98.5%	100% from 2025	
% of employees with basic social protection floor (new in 2021)	---	--	--	-	75% from 2025 100% in 2030	
% of employees who replied positively to the question in Michelin's Forward Together survey: "I feel as if my opinion counts and my ideas are taken into account in my company"		----	69%	71%	80% in 2030	
% of employees involved in local volunteer programs		----	2.5%	8.7%	20%	



SUPPLIERS' CSR PRACTICES	2019	2020	2021	2022	2030 AMBITIONS (OR EARLIER)	2050 AMBITIONS
Percentage of suppliers assessed by EcoVadis and confirmed as compliant	84%	84%	85%	87%		
% of assessed suppliers that meet the Group's human rights standards	85%	86%	89%	89%	>95%	
% of the natural rubber volume used by the Group, based on human rights criteria (representative sample of planters, through Rubberway®)	20%	30%	41%	58%	80% from 2025	
% of emissions generated by purchases of goods and services from suppliers with "science-based" targets		13%	21%	30%	70% from 2024	

**07 — TABLE OF CONCORDANCE PLAN / URD**

	<b>RISKS ARISING FROM THE DUTY OF CARE PLAN</b>	<b>RELEVANT SECTION OF THE URD</b>	<b>URD PAGE NUMBER</b>
General	Risks within recent acquisitions	4. Introduction – Our methodology	p. 150
Environmental risks 	1.1. Overall impact on climate change and mitigation strategy	4.1.1.1 a) Transition plan: Decarbonization of our operations 4.1.4.1 b) Transition plan: company strategy	p. 164-171 p. 172-174
	1.2. Impact of our operations on climate change	4.1.1.1 a) Transition plan: Decarbonization of our operations	p. 164-171
	1.3. Impact of Scope 3 on climate change	4.1.1.1 a) Transition plan: Decarbonization of our operations	p. 164-171
	1.4. Risk of air and water pollution	4.1.1.4 c) Reduce energy consumption and greenhouse gas emissions	p. 192-194
		4.1.1.4 d) Reduce emissions from atmospheric pollutants 4.1.1.4 f) Reduce water withdrawals and water discharges	p. 194 p. 196
	1.5. Impact of our raw materials on the environment (excluding climate change)	4.1.1.2 Increase the circularity of our products	p. 179
		4.1.1.2 b) Deploy the Eco-design approach	p. 180
	1.6. Risk of harming biodiversity	4.1.1.3 Take action en faveur de la Biodiversité	p. 185
		4.1.1.3 b) Michelin's commitment to biodiversity	p. 185
		4.1.1.3 c) Preserving ecosystem biodiversity in rubber cultivation	p. 187
4.1.1.3 d) Taking biodiversity into account at the Group's manufacturing and research facilities		p. 187	
Risks to Health and Safety	2.1. Occupational accidents	4.1.3.3 c) Measure and track occupational accidents	p. 237
	2.2. Exposure to chemicals	4.1.3.2 c) Controlling the risks associated with industrial hygiene, to protect the staff's health	p. 235
	2.3. Ergonomics	4.1.3.2 d) Improve work station ergonomics	p. 235
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