



MICHELIN SUSTAINABLE PURCHASING POLICY

19.04.2021 UPDATED 06 JUL 2022

OPERATIONAL PURCHASING DIRECTION

CONTENT

<i>1- PURPOSE</i>	<i>2</i>
<i>2- SCOPE OF APPLICATION</i>	<i>2</i>
<i>3- FUNDAMENTALS</i>	<i>2</i>
<i>4- DEFINITIONS</i>	<i>2</i>
<i>5- MAPPING CSR RISKS OF THE CHAIN OF SUPPLY AND ASSESSING SUPPLIERS</i>	<i>3</i>
<i>6- TRANSVERS APPROACHES AND INITIATIVES</i>	<i>4</i>
<i>7- APPROACHES DEDICATED TO SPECIFIC THEMES</i>	
<i>7.1 ENVIRONMENT</i>	<i>5</i>
<i>7.2 LABOR AND HUMAN RIGHTS</i>	<i>7</i>
<i>7.3 BUSINESS ETHICS AND SUPPLIER RELATIONSHIPS</i>	<i>8</i>
<i>7.4 DIVERSITY AND INCLUSIVE PURCHASING</i>	<i>8</i>

1/ PURPOSE

The purpose of this document is to define the Group's main orientations and commitments in terms of sustainable purchasing, relevant to issues relating to environment, human rights, ethics and diversity.

2/ SCOPE OF APPLICATION

This document is applicable to all purchases under the supervision of the Group's Operational Purchasing Department (DOA). Regarding purchasing activities performed by newly acquired or created Group companies, an application plan will be defined with the purchasing managers of these entities.

3/ FUNDAMENTALS

This sustainable purchasing policy is underpinned by 3 fundamental documents, which are available on [Purchasing's intranet](#) and/or on the [Michelin purchasing website](#).

<u>Purchasing Principles</u>	<u>Supplier relationship code of conduct</u>	<u>Sustainable natural rubber policy</u>
For all suppliers , without exception	For all Group employees involved in supplier relations	For the entire natural rubber chain of supply (internal or external)
All suppliers must comply with the Michelin Purchasing Principles. These Principles must be included in the Group's purchasing contracts and are incorporated into the General Purchasing Conditions.	This Code of conduct is a part of the Group's code of Ethics.	In addition to the Michelin Purchasing Principles, natural rubber suppliers must comply with the Sustainable natural rubber policy. This policy must be included in the Group's natural rubber purchasing contracts. A 5-year roadmap is associated with this policy, which defines all the associated indicators and targets. Hence this document only recalls the main targets.

4/ DEFINITIONS

CSR: Corporate Social Responsibility

GHG: Greenhouse Gases (which includes CO₂)

JV: Joint-Venture

5/ MAPPING CSR RISKS OF THE CHAIN OF SUPPLY AND ASSESSING SUPPLIERS

CSR risk mapping

A mapping is carried out to identify the countries and purchasing categories which are the most exposed to CSR risks. This mapping is used to prioritize supplier assessments, and also to identify whether additional risk remediation actions are necessary. It is reviewed periodically.

Mapping CSR risks in the natural rubber supply chain

In order to map the CSR practices of the various stakeholders in its supply chain, and to identify the most at-risk areas, the Group deploys the Rubberway® digital tool. The results are shared with suppliers and can be used to prepare shared progress plans, or initiate risk remediation actions.

Objectives:

By end of 2022, natural rubber production sites (processing plants) representing 80% of the natural rubber used by the Group have deployed the Rubberway® solution.

By 2025, the Rubberway® solution is deployed to the local jurisdiction level (smallholders) for 80% of the volume used by the Group

Supplier CSR performance assessments

The main suppliers are evaluated by a third-party company (currently: EcoVadis), according to a methodology that includes environmental, human rights (including health and safety) and business ethics issues.

When the score obtained by the supplier is not at the level expected by the Group, the supplier is asked to implement corrective actions.

In the absence of an evaluation by the designated third party, a self-assessment questionnaire may be completed by the supplier.

Indicators:

Number of assessed suppliers, and number of suppliers at the expected level

% of spend covered by CSR assessments, overall and for several purchasing categories

Targets: ≥ 90% of raw material or natural spend

≥ 90% of raw materials produced in countries with the most CSR risks

≥ 80% of spend of other purchasing categories which are the most at risk vs CSR

≥ 70% of overall spend

% of spend, covered by CSR assessments at the expected level (target defined annually)

% of suppliers who have had an assessment below expectations and have prepared corrective actions

6/ APPROACHES AND INITIATIVES TRANSVERSE TO ENVIRONMENT, HUMAN RIGHTS, ETHICS, AND DIVERSITY

Numerous initiatives, which are not targeted at a specific issue (e.g., environmental, or human rights), have been put in place to develop responsible purchasing practices and contribute to the Group's sustainability commitments:

- **Consideration of CSR criteria during calls for tenders (RFQs) and throughout the purchasing process**, based on 3 major themes:
 - CO₂ emissions and climate change
 - Circular economy and natural resources
 - Human rights and ethics
- Integration of CSR issues in the **Supplier Relationship Management system**
- Inclusion of questions relevant to **CSR issues in on-site quality audits**, particularly for raw materials and natural rubber suppliers
- Centralized management and monitoring through a **network of correspondents** in the main purchasing entities
- Professionalization of teams through **specific training modules**
- Integration of CSR-related objectives to assess the performance of buyers, at the discretion of managers
- Consideration of the supplier CSR performance when giving **supplier awards**
- **Communication** and awareness raising, internally and externally
- Active participation in the most relevant **sectorial initiatives**, such as the GPSNR (Global Platform for Sustainable Natural Rubber)
- Support for the Group's minority JVs that produce natural rubber so that they comply with the responsible natural rubber policy

7/ APPROACHES DEDICATED TO SPECIFIC THEMES

7.1/ ENVIRONMENT

In order to contribute to the objectives and ambitions set out in the Group's Environmental Policy, the Purchasing Department is implementing the initiatives detailed below and/or actively participating in programs involving suppliers.

Greenhouse gas emissions (GHG)

Context: Group 2050 Ambition: Michelin aims to be carbon neutral for:

- its production sites, globally,
- its logistics operations,
- its chain of supply, with its raw materials and component* suppliers.
*components which are part of the sold products

- **GHG mapping:**

The Group's greenhouse gas emissions are estimated (Scope 3 according to the Greenhouse Gas Protocol, for the categories relevant vs purchasing activities) and analyzed to identify the purchasing categories and suppliers that account for the largest emissions.

- **Raw material purchasing:**

The purchasing teams involve the Group's main suppliers in a GHG reduction approach, including a request for transparency (reporting on their GHG emissions, policies and actions to reduce emissions, via the CDP) and a request to establish ambitious emission reduction targets ("science-based" targets).

2024 target:

*Suppliers accounting for 70% of "Purchased Goods and Services" ** emissions have set a science-based greenhouse gas reduction target by 2024.*

* Note: according to GHG Protocol categorization, raw materials account for approximately 90% of the emissions in the "Purchased goods and services" category (this category does not include logistics or energy)

Other targets and indicators will be defined at a later stage.

- **Logistics purchasing:**

Contribution to the objective of reducing GHG emissions by 15% in absolute terms by 2030, compared to the 2018 reference year.

- **Energy purchasing:**

Contribution to the Group's ambition to bring its sites, as a whole, to net zero emissions* by 2050, in particular through a policy of purchasing energy from certified renewable sources (in particular biomass, biogas, electricity).

* Net emissions (= emissions minus absorptions), for scopes 1 et 2.

- **Other types of purchase:**

Other suppliers are also involved to reduce their CO2 footprint, as well the one of the Group when using the purchased products and services.

Biodiversity

- **Raw materials:**

Assessment of raw materials suppliers on their biodiversity policies and practices.

Objective: By 2030, 80% of suppliers of raw materials identified as having the greatest impact on biodiversity will have their biodiversity preservation policies and practices assessed. A pilot will be implemented by 2025.*

** The impacts of raw materials will be identified through life cycle analyses (LCA)*

- **Natural rubber:**

Compliance with the environmental criteria of the responsible natural rubber policy.

Objective: By 2030, 80% of the volume of natural rubber used by the Group will meet these criteria. With an intermediate objective of 50% by 2025.

- **Maintenance of green spaces on sites** (elimination of phytosanitary products):

Suppliers of maintenance services for green spaces are systematically asked to propose a "zero phyto" service.

Objective: By 2030, 100% of sites will be "zero phyto" for the maintenance of green spaces. With an intermediate objective of a minimum of 30 sites by 2025

Circular economy / natural resources

- **Sustainable materials (raw materials):**

The raw materials purchased by the Group are, increasingly over time, of either recycled or renewable origin.

Objective: By 2050, 100% of the raw materials used by the Group are of recycled or renewable origin.

- **Other types of purchase:**

Other suppliers (eg industrial supplies) are also involved to propose products and services moving towards circular economy, leveraging the 4R approach (reduce, reuse, recycle, renew).

7.2/HUMAN RIGHTS

Supplier CSR performance assessments

As part of the CSR supplier evaluation process presented in chapter 5, a specific human rights indicator is set up and monitored.

Objective: By 2030, 95% of the assessed suppliers are at the expected level on the "human rights" theme.

Natural rubber

As part of the Rubberway approach presented in Chapter 5, a specific human rights indicator is implemented and monitored, as well as pilot remediation projects when risks are identified.

Objectives:

By 2025, Rubberway is deployed so that 80% of the volume of natural rubber used by the Group is assessed on human rights criteria, based on a representative sample of village planters.

By 2030, pilot projects have improved the working conditions and living standards of 30,000 rubber tree planters.

Conflict minerals

Michelin is particularly vigilant about the origin of certain minerals used in its products, even if they are used in very small quantities. Gold, tin, tantalum, and tungsten are commonly referred to as "conflict minerals". Michelin also includes cobalt in its approach.

A specific policy is dedicated to this approach and is available on the [Group purchasing website](#).

7.3/ BUSINESS ETHICS AND SUPPLIER RELATIONSHIPS

Supplier CSR performance assessments

As part of the assessment process presented in chapter 5, a specific indicator for ethics is implemented and monitored.

Indicator: Spend amount with suppliers with a very low "ethics" rating, in order to reduce this amount as much as possible.

On-time payment of invoices:

Michelin pays particular attention to the timely payment of supplier invoices and offers its suppliers adapted invoicing solutions.

Indicators: Specific dashboard with several indicators, including % of invoices paid on time (POT: Payment on Time) and associated sub-indicators.

Ethics line:

An ethics line is available to suppliers, buyers, and internal partners to allow anyone to report an ethics, integrity, or compliance issue.

Mediation:

The Michelin purchasing mediation service intervenes at the request of any supplier, regardless of its size or sector of activity, who encounters difficulties in its relationships with Michelin.

The ethics line and the mediation service are easily accessible on the [Michelin Purchasing website](#).

7.4/ Diversity and inclusive purchasing

The Group seeks to purchase from inclusive local suppliers (e.g., suppliers who employ people with disabilities, suppliers who facilitate social reintegration, suppliers who belong to minorities, etc.). The approach is adapted to regional contexts.

Indicators:

Amount spent with suppliers in the sheltered employment sector (France)

Amount spent with diversity suppliers (Women-Owned, Minority-Owned, Veteran-Owned...) (USA)