



***SUPPLIER QUALITY ASSURANCE NON
RAW MATERIALS AND ENERGY***

JUNE 2020

PURCHASING OPERATIONAL DIRECTION

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I – Introduction

The Quality of the delivered products to Michelin's Customers, which is a key priority for the Group, largely depends on the quality of the goods and services purchased by Michelin.

The Supplier Quality Assurance system clarifies how Michelin intends to apply the orientations of its quality policy, in its relationship with suppliers and the management of quality of purchased products.

This system is essential for ensuring the Michelin Group's long-term performance and enabling Michelin to meet its strategic challenges.

Through this system, Michelin intends to:

- implement, along with its suppliers, the necessary conditions to approve and ensure the total quality of all purchased products, throughout their lifecycle,
- establish strong and long-lasting relationships with its suppliers, based on reciprocal trust,
- challenge its suppliers regarding the management of their quality processes and their continuous improvement approach,
- encourage its suppliers to make suggestions and proposals (in terms of innovation and/or differentiation)
- encourage its suppliers to adopt environmentally and socially responsible practices.

This document is an extension of the Michelin Purchasing Principles.

II – Principles

The supplier is completely responsible for the quality of all the delivered products. The term 'product' is used to refer to material goods or services, depending on the type of purchase.

The supplier must pursue an active policy of:

- guaranteed total and long-lasting quality at the best price,
- continuous improvement, regarding in particular:
 - " 0 defect " manufacturing,
 - 100 % compliance with quantities and deadlines,
 - cost reduction,
- proposing innovative products, services giving value creations,
- Observe the legal and regulatory conditions in place in the beneficiary country with regard to the contents and use of the delivered product.

The supplier's commitment to all its activities must be in compliance with Michelin Purchasing Principles.

Michelin objectively assesses and challenges its suppliers on:

- their total performance including social and environmental responsibility,
- achieving their commitments,

- their commercial offers and their competitiveness in the marketplace,
- their progress, their innovation and value creation, in order to develop efficient relationship, with the best suppliers.

III – Supplier selection

This phase only concerns new suppliers.

Its aim is to validate the supplier's potential and ability to meet Michelin's expectations (commercial, technical, quality and sustainable development).

This phase involves:

A preliminary evaluation

This evaluation can be carried out initially based on of the following elements as examples:

- analyse the financial and economic situation of the company
- evaluate its approach to quality
- assess its ability to respond to Michelin's technical specifications
- evaluate its commitment and approach to sustainable development.

This preliminary evaluation may be supplemented by:

An on-site visit

The aim of this visit is to verify and complete (if necessary) the preliminary evaluation. It may include:

- a visit or an supplier audit to one or several of the supplier's sites
- a trial on a Michelin Group's site.

To be selected, the supplier must agree to:

- respond to and satisfactorily answer the evaluation questionnaire
- respect the requirements of the Michelin Purchasing Principles
- ISO 9001 and IATF 16949 certification may be required depending on the types of products and services purchased. ISO 14001 certification will be an advantage for the selection.
- receive a Michelin team on site for an audit or a technical visit
- implement a Social and Environmental Responsibility approach and carry out the CSR (Corporate Social Responsibility) assessment requested
- meet the legal and reglementary requirements and constraints of the recipient country with regard to the composition and use of the products delivered and services (such as the REACH (1) regulation concerning chemical substances intended for European Union countries, etc.).
- respond to requests for information regarding their supply of raw materials that may contain conflict minerals (Tantalum, Tin, Tungsten, Gold, Cobalt), using the forms and lists of the Responsible Minerals Initiative
- on request, the supplier may be required to provide all relevant information for carrying out a life cycle analysis of a product or service
- ensure that these principles and requirements are followed by any sub-contractors

- undertake to inform (beforehand) Michelin of any changes regarding:
 - the company's manufacturing process, quality system and outsourcing
 - the structure of the company (manufacturing sites, mergers, acquisitions, affiliations, etc.).

If a supplier is selected, it can then be included in Michelin's tender processes.

(1) REACH: Registration, Evaluation and Authorisation of Chemicals

IV – Validation process

Depending on the level of quality risk, Michelin can validate the products or services purchased.

This process must guarantee Michelin that the supplier is able to deliver the purchased product or service at the best cost and in compliance with the requirements of the specifications, in terms of quality, quantity, lead time, associated services and durability.

V – Current production

For approved products, Michelin expects from the supplier: "100% of product deliveries to be made within the delivery commitment, with zero defect and at the best price".

At this stage, the supplier and Michelin will have exchanged:

- the contact details (mailing address, telephone no., fax no., email address, etc.) of their purchasing supply chain and technical contacts and substitutes,
- their bank details,
- communication rules such as: language used, IT tool interfaces (EDI, order processing, supply chain, etc.),
- operating procedure in the event of a crisis.

All delivered products must be approved and comply fully with the terms of the contract and the purchase order, the requirements defined in the specifications. Delivery of non-compliant products is prohibited.

5.1 - Packaging – Transportation

The delivered products are:

- accompanied by the administrative documents (delivery vouchers) with all the necessary information defined in the specifications, or on the orders and/or the call for delivery.
- packaged in such a way as to preserve their integrity and compliance during handling, storage and transportation operations.

Individual and bulk packaging must meet the legal requirements of the countries of destination.

According to the situation and products, the supplier and Michelin work together to optimize the packaging process, thus reducing costs and protecting the environment.

5.2 – Delivery

The supplier must inform Michelin as soon as possible of any delivery discrepancies with regard to the order (quantity or delivery time).

In order to obtain authorization to deliver, the supplier must ask the purchasing and supply chain contacts named by Michelin for agreement of delivery variance.

After a risk analysis, Michelin shall decide how to proceed and will inform the supplier.

The supplier shall inform Michelin of any additional freight charges, regardless of whether they will be paid by Michelin or the supplier. The supplier shall produce and present the summary at meetings upon request.

5.3 – Quality guarantee – Conformity

The supplier is fully responsible for the quality of the delivered products, and must implement the necessary monitoring, inspection, measurement and analysis processes to ensure that all delivered products meet the requirements specified by Michelin.

Michelin may make the following requests of the supplier:

- to communicate information concerning the process and the documentation related to the management of quality
- to participate in the validation or calibration of their laboratory,
- to report and identify all batches delivered to Michelin that have been sorted or reworked as a result of an internal non-compliance,
- to send to Michelin a sample of each delivered batch, independently of the delivery
- to keep a representative sample of each batch for a defined period of time,
- to keep the product/process results for a defined period of time,
- to visit the supplier site to verify the entire or part of its quality management system.

Michelin shall specify the appropriate parameters for these requests.

For each product, Michelin shall define with the supplier, the nature, the contents and the transmission of the documents which must accompany each delivery, for example:

delivery slips, a certificate of conformity, a marking attesting to the product conformity.

The level of quality is evaluated using performance measurement indicators. These indicators are:

- drawn up by Michelin and the supplier
- monitored and communicated periodically by the supplier

The information sent by the supplier may be checked at any moment during on-site inspections undertaken by Michelin. Supplying false indicators may result in the relationship with the supplier being terminated.

5.4 – Complaints resolution

The supplier is required to eliminate issues and deal with complaints rapidly and efficiently.

The origin of a complaint may be a fault detected upon receipt or when in use. Each complaint is backed up by supporting evidence and/or the cost of the nonconformity. Michelin commits to provide, as soon as possible to the supplier, all information necessary to describe and handle the non-conformity (photos, sample, etc.).

For each complaint, the supplier must complete the complaint file issued by Michelin, i.e.:

- acknowledge and process complaint,
- deal with the rejected product according to the decision made,
- provide Michelin with:
 - the immediate implementation of actions applied to the real or potential effects of the nonconformity (continuity of supply, protection of Michelin products),
 - the root cause analysis and the implementation of the corrective action plans,
 - the guarantee that the non-conformity will not reoccur,
 - the measurement of the effectiveness of the corrective actions and proof that the product has become fully compliant, comply with the requested deadlines.

Regardless of the seriousness of the complaint, Michelin reserves the right to:

- initiate a meeting with the supplier in order to discuss its improvement plan,
- charge the supplier for any additional expenses, e.g. extra inspections, transports, repair, sorting and waste disposal costs and productivity losses,
- impose additional requirements at the supplier's expense to ensure the compliance of delivered products (monitoring plan validation, proof of results, assessment of product performance, process or corrective actions audit),
- conduct an audit of corrective actions plan.

5.5 – Continuous improvement

Once the production is on a regular basis, the supplier can communicate its continuous improvement and progress master plan, if needed by Michelin.

In that case, the supplier can provide evidence that it is actively committed to the following approaches based on:

- total quality, for targeted and appropriate quality improvement,
- cost reduction,
- technological monitoring and anticipation of changes in requirements.

These processes may lead the supplier to make modifications that may have an impact on the performance of products delivered to Michelin.

The supplier must inform Michelin as soon as possible on any intention to:

- change its manufacturing site or its structure,
- modify its process, production line or machine, incoming products or quality system.

This information must be provided before any modifications are made that affect products delivered to Michelin.

Following a risk analysis, Michelin shall define, with the supplier, the procedure to validate the change.

Upon agreement for the change, the supplier and Michelin must agree on the delivery conditions and schedule for products manufactured after the change.

Delivery of these products is prohibited prior to receiving authorization from Michelin.

Products outsourced by the supplier are subject to the same requirements.

5.6 – Periodic performance assessment

Michelin organizes periodically Performance Assessment Meetings with its main suppliers.

The frequency and content of these meetings are defined in collaboration with the supplier.

The objective of these meetings is to review and agree on:

- a report of the supplier's performance,
- the continuous improvement plan with the definition and the planning of the improvement objectives,
- the evaluation, by the supplier, of the quality of the relationship with Michelin.

5.7 – Supplier management

Michelin carries out monitoring, inspections, audits of its suppliers, according to the level of relationship.

Michelin reserves the right to penalize the supplier in the event of:

- a quality discrepancy, quality issues ailing or inadequate results,
- inadequacy or inefficiency in the handling of complaints and/or corrective actions,
- major discrepancy with regard to the expected requirements, noted during an inspection, audit,
- modification of the process without informing Michelin beforehand
- non-fulfillment of commitments.

Michelin reserves the right to sanction the supplier by a reduction in purchases or even by removing their name from the portfolio of Michelin suppliers.