

MICHELIN PURCHASING PRINCIPLES

PURCHASING OPERATIONAL DIRECTION - 2020 EDITION
BUSINESS REFERENCES

CONTENTS





FLORENT MENEGAUX
CHIEF EXECUTIVE OFFICER

TOMORROW, EVERYTHING WILL BE SUSTAINABLE AT MICHELIN



YVES CHAPOT
GENERAL MANAGER AND
CHIEF FINANCIAL OFFICER

OUR CORPORATE VISION IS BASED ON THIS CONVICTION.

MICHELIN'S MISSION IS TO BE AMONG THE LEADERS IN SUSTAINABLE MOBILITY AND AMONG THE WORLD'S MOST HIGH-PERFORMING, INNOVATIVE AND RESPONSIBLE COMPANIES BY BALANCING ECONOMIC, ENVIRONMENTAL AND SOCIETAL CHALLENGES.

THIS IS A COMMITMENT THAT WE TRANSFORM INTO ACTION EVERY DAY TO IMPROVE MOBILITY FOR EVERYONE, IN A SUSTAINABLE WAY, AND THAT WE EXPRESS THROUGH OUR CORPORATE PURPOSE:

"TO OFFER EVERYONE A BETTER WAY FORWARD."



VINCENT ROUSSET-ROUVIERE
CHIEF PROCUREMENT OFFICER

PURCHASING MISSION

**Contribute to Michelin sustainable performance
by engaging suppliers to enhance value creation and innovation,
supporting Michelin competitiveness and growth.**

This contribution is achieved with excellence in operations and sustainable purchasing, strengthening business ethics, environmental protection and human rights.

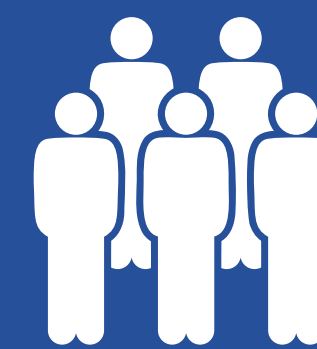
SOME PURCHASING FIGURES



42. 000
ACTIVE
SUPPLIERS



1.6 MILLION
ORDERS



280
PURCHASING
FAMILIES



NATURAL RUBBER

RAW MATERIALS

Fillers, Monomers,
Elastomers,
Metal Reinforcements,
Fabric Reinforcements,
Chemicals, Oils
and Resins.



4 AREAS

MANUFACTURING ENGINEERING AND ENERGY

Machinery, Buildings,
Industrial Services
and Supplies and Energy.



SERVICES

Logistics, Marketing/
Communication, IS/IT, Benefits,
Real Estate, Outsourced services
(Management Consulting
Services, Market Research,
Training, Human resources
services, etc...)







1 – SCOPE, DEFINITIONS AND PRINCIPLES FOR APPLICATION

1.1 – Scope

The Michelin Purchasing Principles are an integral part of every contract between a Supplier and any Michelin Group company, regardless of the country.

1.2 – Required and Expected Principles

The Michelin Purchasing Principles have two essential levels: Required and Expected principles.

A REQUIRED

principle is a principle deemed fundamental without which the business relationship cannot be established or continued.

A Supplier must comply with the Required principle and must ensure the same or similar principles are deployed throughout its Supply Chain. At Michelin's request, Suppliers must report, in good faith and in a transparent manner, on the facts and levels of compliance achieved. Any failure to comply with all or part of the Required principles set out in the Michelin Purchasing Principles shall constitute a breach of contract, and Michelin reserves the right to draw all the consequences thereof, including the termination of all or part of the business relationship with the Supplier concerned.

AN EXPECTED

principle is a principle that is promoted, encouraged and expected by Michelin.

It sets out Michelin's vision in a transparent manner and enables all Suppliers to improve in line with the Group's expectations through a continuous improvement process. Suppliers' compliance with the Expected principles shall be commensurate with the size of the Supplier, the level of complexity involved in implementing the principle and the level of risk caused by potential or actual non-compliance with this principle are taken into consideration.

The Michelin Group places the utmost importance on complying with fundamental principles, namely:

- Laws and Regulations that apply to Michelin and/or all or part of its Products, Services and/or operations;
- Respecting people, in all aspects; and
- Protecting the environment.

Each of our Suppliers is expected to contribute fully to Michelin's compliance with these fundamental principles, within the scope that applies to them.



2 – FUNDAMENTAL PRINCIPLES

2.1 – Compliance with Laws and Regulations

REQUIRED:

Supplier must be aware of and comply with the Laws and Regulations that apply to them and/or to all or part of their Products, Services and/or operations.

Required for specific cases:
Michelin’s purchasing activities are deployed in many countries with a wide range of cultures, laws and political regimes:

- a - In some cases, the Michelin Purchasing Principles may not correspond exactly to the Laws and Regulations of a particular country. In the event of inconsistency between any applicable Law and Regulation and any Michelin Purchasing Principle, the more stringent requirement shall take precedence.
- b – In the event of different Laws and Regulations that may apply to the same transaction, all mandatory laws must always be complied with within its applicable geographical scope.

EXPECTED PRINCIPLE:

Supplier is expected to promote similar principles within its Supply Chains.



2 – FUNDAMENTAL PRINCIPLES

2.2 – Respecting People

2.2.1 – Human Rights (including working conditions)

REQUIRED:

- Supplier must comply with the following, as a minimum:
- International standards including the Universal Declaration of Human Rights, the United Nations Global Compact, the OECD Guidelines, the UN Guidelines on Business and Human Rights.
 - The legal and regulatory provisions of the employment law in force in the country (level of remuneration, working hours, freedom of association, etc.).
 - The dignity of the individual through acceptable working conditions.
 - The Fundamental Conventions of the International Labor Organization (ILO), in particular on child labor, forced or compulsory labor, freedom of association and the right to collective bargaining, discrimination and harassment.

EXPECTED:

Supplier is encouraged to go beyond the strict application of Laws and Regulations, in particular regarding working hours, the right to rest and remuneration.

2 – FUNDAMENTAL PRINCIPLES

2.2 – Respecting People

2.2.2 – Health and Safety of Individuals

For Michelin, the quality and extent of health and safety practices are important criteria in selecting suppliers.

REQUIRED:

- Whether it be in regard to Products, Services, operations or sites, Supplier must protect the health and safety of individuals by strictly complying with the applicable Laws and Regulations and the best practices of their profession, regardless of whether certain countries are more or less stringent in terms of health and safety.
- Supplier must regularly assess the health and safety risks posed to the communities in the vicinity of its sites and/or operations.
- Supplier working on Michelin sites, whether occasionally or on a permanent basis, must:
 - Obtain prior authorization to access the site.
 - Define and implement all necessary measures to ensure that all the Supplier’s Personnel comply with the safety, health and hygiene rules defined for this site. Supplier is required to continuously develop, among these personnel, behaviours of constant vigilance and compliance with these rules.
 - Draw up a prevention plan prior to any work being carried out on site, in accordance with Michelin’s standards.
 - Inform Michelin before any use of new chemical substances and provide the necessary documents detailing their characteristics, risks and prevention measures.
 - Report any anomaly observed to the site manager or the designated safety officer at the Michelin site where the Supplier is working or, failing this, to the Supplier’s Michelin contact.

EXPECTED:

Supplier implements a health and safety management system designed to learn lessons from the past and support the continuous improvement of practices. This system may be based on appropriate policies, instructions, guides, information and awareness campaigns, improvement plans and appropriate indicators (e.g. accident rate, reporting and management of risk situations, number of proposals for improvements to health and safety issues, etc.). ISO 45001 certification is encouraged.



2 – FUNDAMENTAL PRINCIPLES

2.2 – Respecting People

2.2.3 – Community

Michelin wants to integrate seamlessly into the societies and local communities that surround its operations in countries around the world. Michelin therefore aims to source not only from international Suppliers but also from local Suppliers and inclusive Suppliers (e.g. Suppliers in the protected and adapted work sector, Suppliers promoting the return to employment, Suppliers belonging to minorities, etc.) that meet its high standards.

EXPECTED:

Michelin encourages all Suppliers to participate in the economic and social development of the communities near or in which they operate.

2 – FUNDAMENTAL PRINCIPLES

2.3 – Protecting the Environment

Michelin attaches the utmost importance to environmental protection.
Supplier must also take environmental protection into consideration in its operations.

REQUIRED:

In terms of environmental protection and to limit environmental risks throughout its Supply Chain, Supplier undertakes to comply with the Laws and Regulations in force in the country or countries in which it operates and in all countries where any Product and/or Service is imported, used, and/or distributed free of charge or in return for payment. At Michelin’s request, Supplier undertakes to apply Michelin’s more restrictive standards for certain projects or geographical areas.

Suppliers also undertake to send, upon request, any information that may be required to determine the CSR impact of any Product and/or Service it provides to Michelin or to meet the expectations of the Group’s stakeholders (e.g. customers, investors, associations, etc.) where such information is available to it. (e.g. CO₂ emissions, use of phytosanitary products, certifications, etc.).

EXPECTED:

Michelin expects Supplier to:

- Implement an environmental management system to measure and reduce the potential effects of its activity on the environment;
- Reduce and manage waste, toxic/hazardous substances and packaging throughout the life cycle of its Products;
- Reduce greenhouse gas emissions, including during transportation phases;
- Conserve water, preserve natural resources, protect ecosystems and air quality and strive to maintain biodiversity;
- Develop high-quality Products and/or Services with low environmental impact;
- Collaborate with the Group within the framework of the life cycle analyses carried out by Michelin.

APPLICATION OF THE FUNDAMENTALS FOR NATURAL RUBBER



SPECIFIC PROVISION FOR NATURAL RUBBER SUPPLIERS:

Natural rubber has a significant environmental and social impact. It therefore requires its own specific approach. Written in collaboration with all its stakeholders, particularly NGOs specializing in environmental and human rights protection, the Sustainable Natural Rubber (SNR) Policy is a contractual reference for the Group's Suppliers of natural rubber and complements this document.

Michelin attaches the utmost importance not only to compliance with Laws and Regulations but also to ethics and integrity when conducting business ("Business Ethics"). Supplier must comply with these principles and in particular with the following.





3 – BUSINESS ETHICS

3.1 – Good Faith

REQUIRED:

Each Supplier must negotiate and perform contracts in good faith.

3.2 – Competition and Fair Conduct

REQUIRED:

Supplier undertakes to ensure free and fair competition, to implement fair commercial practices with regard to their own competitors and their customers, and to ensure the transparency of their prices. In the event of anti-competitive practices on the part of a Supplier, Michelin reserves the right to take any action necessary and appropriate to obtain compensation for any damage suffered. Furthermore, Suppliers undertake not to engage in abusive behavior in the event of a position of dominance at Michelin nor to demand unjustified rewards that creates a significant imbalance in the transaction.

EXPECTED:

Supplier has implemented and maintains an antitrust compliance program.



3 – BUSINESS ETHICS

3.3 – Trade Restrictions

REQUIRED:

Supplier shall comply with the “Group Prescription: Trade Restrictions” document. The term Trade Restrictions refers to any applicable Laws and Regulations relating to (1) trade and economic sanctions (including embargoes and lists of sanctioned parties) and/or (2) export controls (military goods or dual-use goods regulations) applicable to any Product and/or Service.

EXPECTED:

Supplier has implemented and maintains a Trade Restrictions compliance program.



3 – BUSINESS ETHICS

3.4 – Corruption and Influence Peddling

REQUIRED:

Supplier shall apply a “zero tolerance” policy with regard to corruption and influence peddling. In particular, they undertake to refrain from (1) deliberately offering, promising or giving, and (2) attempting and conspiring to offer, promise or give any unfair advantage, whether monetary or of any other nature, directly or indirectly through an intermediary, to a public official or to any professional relationship, for that public or private official or for a third party, such that the latter acts or refrains from acting in the performance of his/her duties, with a view to obtaining or retaining an activity or other advantage improperly.

EXPECTED:

Supplier has implemented and maintains an anti-corruption compliance program that is appropriate to its particular situation and capable of detecting corruption, bribery and influence peddling.



3 – BUSINESS ETHICS

3.5 – Conflicts of Interest

REQUIRED:

Supplier must refuse to take part in any practice that could be considered a conflict of interest. It must declare to Michelin any conflict of interest situations that may exist with any Group Employee, within the context of the planned or current transaction.

EXPECTED:

Supplier has implemented and maintains specific rules for managing conflicts of interest.



3 – BUSINESS ETHICS

3.6 – Fraud

REQUIRED:

Supplier shall apply a “zero tolerance” policy with regard to attempted fraud and fraud, whether suspected or proven. In particular, they undertake to refrain from (1) setting up, allowing to be set up, or participating in setting up, either deliberately or negligently, any organization or scheme with a fraudulent purpose, vocation or effect and (2) attempting and conspiring to do so. Suppliers undertake to inform Michelin by any appropriate means, including via the Ethics Line made available by Michelin, of any fraud, suspicion of fraud or attempted fraud of which they are aware.

EXPECTED:

Supplier has implemented and maintains an anti-fraud program (dealing with both internal and external fraud) that is appropriate to their particular situation and capable of detecting, preventing and dealing with fraud.



3 – BUSINESS ETHICS

3.7 – Gifts and Invitations

REQUIRED:

With respect to gifts and invitations, Supplier must refrain from any practice that does not comply with applicable Laws and Regulations. Supplier must also refrain from any practice aimed at directly or indirectly benefiting any Michelin Personnel or at attempting to influence the judgment of any Michelin Personnel or to obtain any undue advantage. In particular, any gift or invitation must fulfil the following cumulative criteria: be authorized under applicable local Laws and Regulations, not be solicited by the beneficiary, not be intended to procure any undue consideration or benefit, not be intended to influence a decision, not coincide with strategic decision making; the beneficiary may not currently or in the future exercise discretion in the making of a decision affecting Michelin's interests; be a one-off in the line of business, not cause embarrassment if revealed in the company or publicly, be strictly professional in nature and be logged in a register.

By way of examples:

During a call for tenders process: it is forbidden for a Supplier to offer to any its contacts among Michelin Personnel a gift or invitation which may influence its judgement during the selection process.

During the term of the commercial relationship: it is forbidden for a Supplier to invite its contact(s) among Michelin Personnel as well as his/her relatives to a meal in a luxury restaurant. It is forbidden for a Supplier to offer to its contact(s) among Michelin Personnel a gift in the form of money or vouchers.

Nevertheless, Michelin always authorizes corporate gifts with a reasonable low value and with the logo of the Supplier, or equivalent advertising (example: backpacks, gym bags, computer cases).

EXPECTED:

Michelin expects all Supplier to have a gifts and invitations policy that establishes the rules applicable to gifts offered and received.



3 – BUSINESS ETHICS

3.8 – Confidentiality

REQUIRED:

In addition to the legal obligations regarding the protection of business secrecy, Supplier must comply not only with the confidentiality of information provided by Michelin, including during invitations to tender, but also with the confidentiality of the outcome in terms of the Products and/or Services provided. Supplier shall refrain from using Michelin’s confidential information for purposes other than those agreed upon relating to the strict supply of Products or Services to Michelin.

EXPECTED:

Supplier has implemented and maintains a program to prevent any breach of its confidentiality obligations to its customers, including Michelin.

3 – BUSINESS ETHICS

3.9 – Intellectual Property Protection (IP)

REQUIRED:

In addition to compliance with the Laws and Regulations on Intellectual Property (IP) Rights in general:

- Supplier must refrain from violating (or attempting to violate) any of Michelin's IP rights.
- Supplier must refrain from knowingly providing to or for Michelin any Product or Service that infringes any third party's IP rights.
- In the event that a Supplier suffers any claim from any third party alleging the violation of certain IP rights that could have an impact on Michelin's activities, Supplier must promptly notify Michelin to enable it to make the necessary arrangements to avoid jeopardizing the continuity of its operations and will cooperate with Michelin.

EXPECTED:

Michelin expects Supplier to have a process that establishes the rules applicable to developing Products and/or Services, including in particular verifying and complying with the IP policy of third parties.



3 – BUSINESS ETHICS

3.10 – Privacy Protection

REQUIRED:

In addition to compliance with the Laws and Regulations regarding the protection of privacy, Suppliers shall, at a minimum, act only on Michelin’s instructions when processing personal data on Michelin’s behalf, to process the data only to provide the agreed service, to guarantee – through organizational and technical measures – the security of the data entrusted to them, to provide Michelin in a transparent manner with a description of the operations carried out on personal data (what, why, by whom and where), to assist Michelin in complying with its obligations, and to use only subcontractors authorized by Michelin who offer the same guarantees as to privacy protection as Michelin.

EXPECTED:

Michelin is committed to protecting personal data and, in addition to other applicable privacy protection Laws and Regulations, promotes compliance with the principles of the General Data Protection Regulation (GDPR) beyond its immediate geographic scope. Michelin therefore expects all Suppliers to undertake to do the same.



3 – BUSINESS ETHICS

3.11 – Supplier's Personnel

REQUIRED:

In the context of compliance with the Laws and Regulations relating to the employment of natural persons, all Suppliers undertake to comply with the «Michelin Group Prescriptions: Personnel



3 – BUSINESS ETHICS

3.12 – Code of Conduct

EXPECTED:

In addition to complying with the Laws and Regulations and the points set out above, Supplier is expected to define its own code of conduct that is appropriate to its particular situation, promoting a culture of integrity, and to implement detection, prevention and monitoring measures, such as communications, training, ethical guidelines, internal control, disciplinary measures, etc.



3 – BUSINESS ETHICS

3.13 – Ethic Line

An Ethics Line is available not only to Michelin Personnel but also to Supplier Personnel. This line can be used to report any potential breach of any applicable Laws and Regulations and/or Michelin's Code of Ethics and Anti-Corruption Code of Conduct. Anyone may submit a report, anonymously if preferred.

A report can be submitted [online here](#)

(A report can also be made by phone – please click on the link above for instructions on how to dial the correct number for your country.)



FOR FURTHER INFORMATION:
CODE ETHICS
ANTI-CORRUPTION CODE OF CONDUCT



4 – WORKING TOGETHER

4.1 – Prior to Supplier Selection

In general, Michelin follows a structured process to assess a Supplier's potential and ability to meet Michelin's needs, including notably, its commercial, technical, quality, quantity, lead time and sustainable development requirements.

To be shortlisted, a Supplier must agree to:

Answer and satisfy the preliminary assessment questionnaire when it is submitted to it;

Comply with these Michelin Purchasing Principles, including the Requirements expressed and documents referenced or cited in this document;

Inform Michelin prior to any change in its manufacturing processes, quality system, subcontracting, structure, etc. where such a change could have an impact on Michelin and, in particular, an impact on the performance of the Products and/or Services delivered by the Supplier;

Be ISO 9001 certified, if the Supplier supplies Raw Materials. ISO 14001, ISO 9001 and IATF 16949 certifications can provide an advantage for any Supplier.

As an example, this phase typically involves:

- a preliminary assessment via a questionnaire enabling Michelin to assess the Supplier's economic and financial situation, its approach to quality, its industrial capacity and ability to meet our specifications, and its commitment and approach to sustainable development;
- a visit to or audit of one or more of the Supplier's sites;
- a trial on a Michelin Group site;
- etc.

4 – WORKING TOGETHER

4.2 – Michelin quality and safety

4.2.1 – Michelin Quality Policy

**MICHELIN'S COMMITMENT TO
"IMPROVING THE MOBILITY OF PEOPLE AND GOODS PLACES VERY HIGH
DEMANDS ON US IN TERMS OF QUALITY AND SAFETY".**



In order for Michelin to maintain the quality of its Products and/or Services, it is essential that Products and/or Services purchased by Michelin are of the highest quality. All Suppliers must ensure that the Products and Services supplied, whatever their origin or destination, comply with the contractually agreed requirements.

TOGETHER, we must put in place the necessary means to obtain and guarantee this quality while maintaining a constant focus on controlling costs.

MICHELIN and its SUPPLIERS must work together to make progress in this direction.

The **Supplier Quality Assurance** process details how Michelin intends to apply the guidelines of its quality policy to its relationships with its Suppliers and to managing the quality of the Products and Services purchased.

This process, with which all Suppliers must comply, is detailed in the following documents available on the Michelin Purchasing website:

4 – WORKING TOGETHER

4.2 – Michelin quality and safety

4.2.2 – Michelin Information Security

Michelin places great importance not only on complying with applicable Laws and Regulations but also on protecting information systems and data (including any third-party data it may have occasion to process).

The term “SID Supplier” refers to any primary or secondary Supplier of an information technology Service (or digital or equivalent service), irrespective of the information system used when it performs the following services for Michelin: (1) developing, integrating and/or maintaining any software solution and/or (2) processing data using an information technology system; processing being taken in the widest sense of the word including but not limited to: the access, creation, collection, acquisition, compilation, aggregation, generation, extraction, and archiving of data.

REQUIRED:

SID Supplier is required to deploy and continually update state-of-the-art organizational and technical safeguards in order to keep pace with fast-changing threats and newly identified vulnerabilities.

SID Supplier shall promptly notify Michelin: i) of any information security incident of which it is aware and/or (ii) prior to making any change to the location of data, subcontracting operations or the application of any such safeguards so that Michelin may take appropriate action.

SID Supplier must offer acceptable data reversibility and/or deletion measures that apply in any cases of end of contract, whether by expiration or termination.

SID Supplier must also comply with any user charters and applicable security policies where using Michelin information systems

EXPECTED:

Furthermore, SID Supplier shall be expected to:

Draw up, update and publish an information security policy

Comply with audits of its information security policy and/or regularly publish the results of any external audits it may have commissioned.

Authorise Michelin to carry out any vulnerability scans and/or penetration tests on request, either directly or indirectly, and keep Michelin informed of the results. Commit to dealing promptly with service availability, vulnerability or security incidents. Guarantee an appropriate level of support and information sharing to handle security incidents. Stay up to date with its certifications, e.g. ISO 27001, and provide notification thereof and of any new certifications.



4 – WORKING TOGETHER

4.3 – Moving Forward Together Sustainably

In its day-to-day operations, Michelin aims to work with Suppliers who meet its quality, reliability and cost requirements and who are committed to continuous improvement while respecting people and protecting the environment.

4.3.1 – Supplier CSR Assessment

Michelin rigorously monitors and manages its overall performance in relation to responsible purchasing and publishes the resulting CSR indicators.

REQUIRED:

Supplier shall carry out the CSR assessments requested and implement any corrective action plans required. In addition, they authorize Michelin, or service providers appointed by Michelin, to carry out on-site audits.

EXPECTED:

Supplier is encouraged to set quantifiable objectives for itself relating to their CSR performance and to draw up improvement plans in this area.

4 – WORKING TOGETHER

4.3 – Moving Forward Together Sustainably

4.3.2 – Managing the Supplier Relationship

MICHELIN IS COMMITTED TO A SUPPLIER RELATIONSHIP MANAGEMENT (SRM) APPROACH WITH ITS SUPPLIERS.

Based on active, transparent and high-quality collaboration, the aim here is to work together to build a competitive and responsible relationship that creates value for all parties concerned.

To achieve this, Suppliers are divided into 4 categories to manage this relationship as efficiently as possible.

Category 1 : Establish a real strategic relationship based on innovation and/or partnership projects.

Category 2 : Develop the business relationship for a competitive advantage which benefits both parties.

Category 3 : Optimize the current relationship based on continuous improvement.

Category 4 : Implement commercial relationship in line with agreed commitments.



4 – WORKING TOGETHER

4.4 – Mediation



Should a Supplier fail to obtain a satisfactory response from Michelin after initial discussions, it may turn to the supplier-customer relations mediator for help in resolving the issue quickly in a cooperative process.

The mediator gets involved only after the supplier has attempted to resolve the issue with its regular contacts within the Michelin co-contracting company, for example the purchasing agent in charge of a bid, the payment center or the contract manager.

The mediator will not consider any requests that do not abide by this principle. To launch the mediation process, the Supplier must send its mediation file using the section on the Purchasing website.

If no solution is found with the assistance of the internal mediator, the parties commit to use the services of a conventional external mediator.



CONCLUSION

Compliance with the Michelin Purchasing Principles forms the basis of the essential relationships of trust between any Michelin company and each of its Suppliers throughout the world. These relationships, supported by the Group's SRM approach, are the engines of value creation for Michelin and its Suppliers.

NOTE: The Michelin Purchasing Principles are, as of the date of publication, regularly updated and available online in 14 languages here: <https://purchasing.michelin.com/en/purchasing-principles/>



GLOSSARY



Words beginning with a capital letter are defined below:



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