



MICHELIN SUSTAINABLE PURCHASING POLICY

26 JUL 2024 VERSION

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>3</i>
<i>5- MAPPING CSR RISKS OF THE CHAIN OF SUPPLY AND ASSESSING SUPPLIERS</i>	<i>3</i>
<i>6- TRANSVERSE APPROACHES AND INITIATIVES</i>	<i>4</i>
<i>7- APPROACHES DEDICATED TO SPECIFIC THEMES</i> <i>7.1 ENVIRONMENT</i> <i>7.2 LABOR AND HUMAN RIGHTS</i> <i>7.3 DIVERSITY, EQUITY AND INCLUSION</i> <i>7.4 BUSINESS ETHICS AND SUPPLIER RELATIONSHIPS</i>	<i>5</i> <i>7</i> <i>8</i> <i>8</i>
<i>8 – REFERENCE DOCUMENTS</i>	<i>9</i>
<i>APPENDIX 1 – ENVIRONMENT AND HUMAN RIGHTS RISKS</i>	<i>9</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, diversity and ethics.

2/ SCOPE OF APPLICATION

This document is applicable to all purchases (activities of Michelin, its subsidiaries and joint ventures in which the Group has a majority stake).

For companies in which Michelin holds a minority but significant stake (25% to 50%), it provides recommendations which the Group can use to request improvement plans.

For certain subsidiaries, either recently acquired or created, or whose purchasing is not under the direct supervision of the Group's Purchasing Operations Department, the approach may be adapted by these entities according to the nature of their purchases and the associated levels of CSR risk.

This policy is validated by the Group Purchasing Director..

3/ FUNDAMENTALS

The purpose of this responsible and sustainable purchasing policy is:

- to contribute to improve practices and to avoid and minimize negative environmental impacts,
- to develop practices that are ethical and respectful of human rights.

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

Human rights risks: see Appendix 1

Environmental risks: see Appendix 1

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.

Objective:

By end of 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 (not consolidated in the indicators).

Indicators:

- *Number of assessed suppliers, and number of suppliers at the expected level*
- *% of spend, covered by CSR assessments, at the expected level*
- *% of suppliers who have had an assessment below expectations and have prepared corrective actions*

The Group aims to assess:

- *≥ 70% of overall spend, all types of purchases included*
And in particular
- *≥ 90% of raw material spend*
- *≥ 90% of natural rubber spend*
- *any supplier with a purchase amount above a predefined spend level*

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

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
- An **ethics line** for suppliers, buyers, internal partners, and any stakeholder to enable anyone to report an issue concerning ethics, integrity or compliance, including the company's duty of care

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 Net Zero Emissions* on its value chain **

* Net emissions = emissions minus absorptions)

Targets validated in 2024 by the SBTi (Science Based Targets initiative):

- *2050: Michelin commits to reduce absolute scope 1, 2 and 3**GHG emissions 90% by 2050 from a 2019 base year.*
- *2030: Michelin commits to reduce absolute scope 1 and 2 emissions 47,2% by 2030 from a 2019 base year. Michelin also commits to reduce absolute scope 3** GHG emissions from purchased goods and services, fuel and energy related activities, upstream and downstream transportation and distribution, 27,5% by 2030 from a 2019 base year.*

** Scope 3 essential : use phase not included

- **GHG mapping:**

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

- **Raw material purchasing:**

The purchasing teams involve the Group's main suppliers in a GHG reduction approach, including request to:

- report on their GHG emissions, policies and actions to reduce emissions)
- share product life-cycle analysis (LCA) data, or at least GHG emissions data of products purchased by the Group,
- establish ambitious emission reduction targets ("science-based" targets)
- share their action plan and roadmap (2030 projection of product-related emissions).

Ambition: Reduce emissions due to raw materials production by 30% in 2030 vs. 2019 (in absolute)

- **Logistics purchasing:**

Contribution to the Group's objective of reducing GHG emissions, in line with the targets relevant to logistics.

- **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).

- **Other types of purchase:**

Other suppliers are also involved to reduce their CO2 footprint, as well the one of the purchased products and services, considering their full life cycle.

- **Carbon offsetting:**

While suppliers may purchase carbon credits to support projects that have a lasting positive impact on the environment, carbon credits cannot be taken into account to offset emissions generated by direct or

indirect activities in the Group's value chain, notably to determine the carbon footprint of products or services purchased by the Group. This decision is in line with the Group's priority to reduce its emissions, and to comply with SBTi standards, which do not allow the use of carbon credits to meet targets.

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:**

Michelin has formalized its Zero Deforestation commitment in 2015.

*Objective: By 2025, 100% of the volume of natural rubber used by the Group is assessed as "deforestation-free"**

** According to the definitions and requirements of the EUDR (European Union Deforestation-free Regulation).*

- **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, with an intermediate 2030 objective of 40%.

- **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/ LABOR AND 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.

A specific analysis of the results of CSR assessments is carried out with regard to the risk of forced labor.

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 smallholders.

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/ DIVERSITY, EQUITY AND INCLUSION

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)

7.4/ BUSINESS ETHICS AND SUPPLIER RELATIONSHIPS

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.

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. It is easily accessible on the [Michelin Purchasing website](#).

8/ REFERENCE DOCUMENTS

Document	Link
United Nations Guiding Principles on Business and Human Rights	https://www.business-humanrights.org/en/big-issues/un-guiding-principles-on-business-human-rights/
OECD Guidelines for Multinational Enterprises on Responsible Business Conduct	https://www.oecd.org/en/publications/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_81f92357-en.html
ILO (International Labour Organization) fundamental conventions	https://www.ilo.org
United Nations Sustainable Development Goals	https://sdgs.un.org/goals
ISO 20400 Sustainable Procurement Guidance Standard	https://www.iso.org/standard/63026.html

APPENDIX 1 – ENVIRONNEMENT AND HUMAN RIGHTS RISKS

Environmental risks include actual or potential impact on:

- Climate change and energy consumption
- Air, water and soil pollution
- Water
- Biodiversity and ecosystems
- Resource use and circular economy, including waste management

Human rights risks include actual or potential impact on:

- Forced labor, child labor and human trafficking
- Health and safety
- Working conditions, including decent wages, working hours, social dialogue, freedom of association
- Equal treatment and opportunities for all, including diversity, employment and inclusion of people with disabilities, gender equality, measures against violence and harassment in the workplace, access to training.